SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-3
RULE 13E-3 TRANSACTION STATEMENT (PURSUANT TO SECTION 13(E) OF THE SECURITIES EXCHANGE ACT OF 1934)

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

(NAME OF ISSUER)

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
UNION PACIFIC CORPORATION
UNION PACIFIC HOLDINGS, INC.
UP RAIL, INC.

(NAME OF PERSON(S) FILING STATEMENT)

COMMON STOCK, PAR VALUE $.01 PER SHARE

(TITLE OF CLASS OF SECURITIES)

167155 10 0

(CUSIP NUMBERS OF CLASS OF SECURITIES)

ROBERT SCHMIEGE
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
165 NORTH CANAL STREET
CHICAGO, ILLINOIS 60606
(312) 559-7000

RICHARD J. RESSLER, ESQ.
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UNION PACIFIC CORPORATION
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(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSONS AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF PERSON(S) FILING STATEMENT)

WITH COPIES TO:

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NEW YORK, NEW YORK 10022
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This statement is filed in connection with (check the appropriate box):

(a) / / The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
(b) / / The filing of a registration statement under the Securities Act of 1933.
(c) /x/ A tender offer.
(d) / / None of the above.

Check the following box if soliciting materials or information statement referred to in checking box (a) are preliminary copies: / /

CALCULATION OF FILING FEE

Transaction valuation*	Amount of Filing Fee**
$1,185,831,430	$237,166.29

* For purposes of calculating the filing fee only. This calculation assumes the purchase of 33,880,898 shares of Common Stock, par value $.01 per share, of Chicago and North Western Transportation Company at $35.00 net per share in cash.

** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by UP Rail, Inc. for such number of shares.

/x/ Check box if any part of the fee is offset by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration number, or the Form or Schedule and the date of its filing:

Amount Previously Paid: $237,166.29
Form or Registration No.: Schedule 14D-1

Filing Parties: Union Pacific Corporation
Union Pacific Holdings, Inc.
UP Rail, Inc.
Date Filed: March 23, 1995

This Rule 13E-3 Transaction Statement (the 'Statement') relates to the tender offer by UP Rail, Inc. (the 'Purchaser'), a Utah corporation and a wholly owned subsidiary of Union Pacific Holdings, Inc., a Utah corporation ('Holdings') and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ('Parent'), to purchase all outstanding shares of Common Stock, par value $.01 per share (the 'Common Stock'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 23, 1995, and in the related Letter of Transmittal (copies of which are filed as Exhibits d(1) and d(2) hereto, respectively, and which, together with any amendments or supplements thereto, constitute the 'Offer'), at a purchase price of $35.00 per share, net to the tendering stockholder in cash.

This Statement is being filed jointly by the Company, Parent, Holdings and

the Purchaser. By filing this Schedule 13E-3, none of the joint signatories concedes that Rule 13e-3 under the Securities Exchange Act of 1934 is applicable to the Offer, the Merger (as defined in the Offer) or other transactions contemplated by the Merger Agreement (as defined in the Offer).

The cross-reference sheet below is being supplied pursuant to General Instruction F to Schedule 13E-3 and shows the location, in the Schedule 14D-1 (the 'Schedule 14D-1') filed in connection with the Offer with the Securities and Exchange Commission on the date hereof, of the information required to be included in response to the items of this Statement. The information in the Schedule 14D-1, including all exhibits thereto, is hereby expressly incorporated herein by reference, and the responses to each item in this Statement are qualified in their entirety by the information contained in the Schedule 14D-1.

CROSS-REFERENCE SHEET

ITEM IN SCHEDULE 13E-3	WHERE LOCATED IN SCHEDULE 14D-1
Item 1(a)	Item 1(a)
Item 1(b)	Item 1(b)
Item 1(c)-(d)	Item 1(c)
Item 1(e)-(f)	*
Item 2(a)-(d);(g)	Item 2(a)-(d); (g)
Item 2(e)-(f)	Item 2(e)-(f)
Item 3(a)	Item 3(a)-(b)
Item 3(b)	*
Item 4	*
Item 5(a)-(e)	Item 5(a)-(e)
Item 5(f)-(g)	Item 5(f)-(g)
Item 5(g)	*
Item 6(a)	Item 4(a)
Item 6(b)	Item 8
Item 6(c)	Item 4(b)
Item 6(d)	Item 4(c)
Item 7(a)	Item 5
Item 7(b)	*
Item 7(c)	Item 5
Item 7(d)	*
Item 8	*
Item 9	*
Item 10	Item 6
Item 11	Item 7
Item 12	*
Item 13	*
Item 14(a)	Item 9
Item 14(b)	*
Item 15(a)	*
Item 15(b)	Item 8
Item 16	Item 10(f)
Item 17	separately included herewith

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* This item is not required by Schedule 14D-1.

ITEM 1. ISSUER AND CLASS OF SECURITIES SUBJECT TO THE TRANSACTION.

(a) The answer to Item 1(a) of the Schedule 14D-1 is incorporated herein by reference.

(b) The answer to Item 1(b) of the Schedule 14D-1 is incorporated herein by reference.

(c) - (d) The answer to Item 1(c) of the Schedule 14D-1 is incorporated herein by reference.

(e) The information set forth under 'SPECIAL FACTORS--Background of the Transaction' and 'THE OFFER--Certain Information Concerning the Company' in the Offer to Purchase is incorporated herein by reference.

(f) The information set forth under 'SPECIAL FACTORS--Background of the Transaction,' '--Interests of Certain Persons in the Transaction' and 'THE OFFER--Certain Information Concerning the Purchaser and Parent' in the Offer to Purchase and Schedule III thereto is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a) - (d); (g) This Statement is being filed jointly by Parent, Holdings, the Purchaser and the Company. The answer to Item 2(a) - (d); (g) of the Schedule 14D-1 is incorporated herein by reference. One of the persons filing this statement is the issuer of the class of equity securities which is the subject of the Rule 13d-3 transaction. The information set forth under 'THE OFFER--Certain Information Concerning the Company' in the Offer to Purchase and Schedule II thereto is incorporated herein by reference.

(e) - (f) The answer to Item 2(e) - (f) of the Schedule 14D-1 is incorporated herein by reference. During the last five years, neither the Company nor any of the persons listed in Schedule II of the Offer to Purchase (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or (ii) has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining further violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS.

(a) The answer to Item 3(a) - (b) of the Schedule 14D-1 is incorporated herein by reference.

(b) The information set forth under 'INTRODUCTION'; 'SPECIAL FACTORS--Background of the Transaction,' '--Purpose and Structure of the Transaction,' '--Interests of Certain Persons in the Transaction' and 'THE OFFER--Certain Information Concerning the Purchaser and Parent' in the Offer to Purchase is incorporated herein by reference.

ITEM 4. TERMS OF THE TRANSACTION.

(a) The information set forth under 'INTRODUCTION,' 'THE MERGER AGREEMENT,' 'THE OFFER--Terms of the Offer,' '--Acceptance for Payment and Payment,' '--Procedures for Tendering Shares,' '--Withdrawal Rights,' '--Conditions of the Offer' and 'DISSENTERS' RIGHTS' in the Offer to Purchase is incorporated herein by reference.

(b) The information set forth under 'INTRODUCTION,' 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendations of the Board of Directors of the Company; Fairness of the Transaction,' '--Certain Effects of the Transaction,' '--Certain Federal Income Tax Consequences,' '--Interests of Certain Persons in the Transaction,' 'THE MERGER AGREEMENT,' 'DISSENTERS' RIGHTS' and 'THE OFFER--Certain Information Concerning the Purchaser and Parent' in the Offer to Purchase is incorporated herein by reference.

ITEM 5. PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

(a) - (e) The answer to Item 5 of the Schedule 14D-1 is incorporated herein by reference.

(f) - (g) The answer to Item 5 of the Schedule 14D-1 is incorporated herein by reference.

ITEM 6. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) The answer to Item 4(a) - (b) of the Schedule 14D-1 is incorporated herein by reference.

(b) The information set forth under 'FINANCING OF THE TRANSACTION,' 'THE OFFER--Fees and Expenses' and 'SPECIAL FACTORS--Opinion of the Blackstone Group L.P.' in the Offer to Purchase is incorporated herein by reference.

(c) The answer to Item 4(a) - (b) of the Schedule 14D-1 is incorporated herein by reference.

(d) Not applicable.

ITEM 7. PURPOSE(S), ALTERNATIVES, REASONS AND EFFECTS.

(a) The answer to Item 5 of the Schedule 14D-1 is incorporated herein by reference.

(b) - (c) The information set forth under 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendation of the Board of Directors of the Company; Fairness of the Transaction' ('--Opinion of The Blackstone Group L.P.,'

'--Summary of Presentation Materials to the Board,' '--Opinion of CS First Boston Corporation') and '--Purpose and Structure of the Transaction' in the Offer to Purchase and 'Exhibit I--Opinion of The Blackstone Group L.P.' thereto is incorporated herein by reference.

(d) The information set forth under 'SPECIAL FACTORS--Certain Effects of the Transaction,' '--Certain Federal Income Tax Consequences,' '--Purpose and Structure of the Transaction' and 'THE OFFER--Effect of Offer on the Market for the Shares; Exchange Listing and Exchange Act Registration; Margin Regulations' in the Offer to Purchase is incorporated herein by reference.

ITEM 8. FAIRNESS OF THE TRANSACTION.

(a) - (e) The information set forth under 'INTRODUCTION,' 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendation of the Board of Directors of the Company; Fairness of the Transaction,' '--Opinion of The Blackstone Group L.P.,' '--Summary of Presentation Materials to the Board,' '--Opinion of CS First Boston Corporation' and '--Purpose and Structure of the Transaction' in the Offer to Purchase and 'Exhibit I--Opinion of The Blackstone Group L.P.' thereto is incorporated herein by reference.

(f) Not Applicable.

ITEM 9. REPORTS, OPINIONS, APPRAISALS AND CERTAIN NEGOTIATIONS.

(a) - (c) The information set forth under 'INTRODUCTION,' 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendation of the Board of Directors of the Company; Fairness of the Transaction,' '--Opinion of The Blackstone Group L.P.,' '--Summary of Presentation Materials to the Board,' '--Opinion of CS First Boston Corporation' and '--Interests of Certain Persons in the Transaction' in the Offer to Purchase and 'Exhibit I--Opinion of The Blackstone Group L.P.' thereto is incorporated herein by reference.

ITEM 10. INTEREST IN SECURITIES OF THE ISSUER.

(a) - (b) The answer to Item 6 of the Schedule 14D-1 is incorporated herein by reference. The information set forth under 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction' and 'THE OFFER-- Certain Information Concerning the Company' in the Offer to Purchase is also incorporated herein by reference.

ITEM 11. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO THE ISSUER'S SECURITIES.

The answer to Item 7 of the Schedule 14D-1 is incorporated herein by reference.

ITEM 12. PRESENT INTENTION AND RECOMMENDATION OF CERTAIN PERSONS WITH REGARD TO THE TRANSACTION.

(a) The information set forth under 'INTRODUCTION' and 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction' in the Offer to

Purchase is incorporated herein by reference.

(b) The information set forth under 'INTRODUCTION,' 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendation of the Board of Directors of the Company; Fairness of the Transaction,' '--Opinion of The Blackstone Group L.P.,' '--Summary of Presentation Materials to the Board' and '--Opinion of CS First Boston Corporation,' in the Offer to Purchase is incorporated herein by reference.

ITEM 13. OTHER PROVISIONS OF THE TRANSACTION.

(a) The information set forth under 'DISSENTERS' RIGHTS' and 'Annex II--Text of Section 262 of the Delaware General Corporation Law' in the Offer to Purchase is incorporated herein by reference.

(b) Not applicable.

(c) Not applicable.

ITEM 14. FINANCIAL INFORMATION.

The information set forth under 'THE OFFER--Certain Information Concerning the Company' and in Exhibit II to the Offer to Purchase is incorporated herein by reference.

ITEM 15. PERSONS AND ASSETS EMPLOYED, RETAINED OR UTILIZED.

(a) The information set forth under 'INTRODUCTION,' 'SPECIAL FACTORS--Plans for the Company after the Offer and Merger,' '--Interests of Certain Persons in the Transaction,' 'FINANCING OF THE TRANSACTION' and 'THE OFFER--Certain Information Concerning the Purchaser and Parent' in the Offer to Purchase is incorporated herein by reference.

(b) The answer to Item 8 of the Schedule 14D-1 and the information set forth under 'Exhibit I--Opinion of The Blackstone Group L.P.' in the Offer to Purchase are incorporated herein by reference.

ITEM 16. ADDITIONAL INFORMATION.

The answer to Item 10(f) of the Schedule 14D-1 is incorporated herein by reference.

ITEM 17. MATERIAL TO BE FILED AS EXHIBITS.

(a) Engagement Letter, dated March 20, 1995, among Parent, Chemical Bank, Chemical Securities, Inc. and Citicorp Securities, Inc.

(b) (1) Opinion of The Blackstone Group L.P. (see Exhibit I of Offer to Purchase).

(b) (2) Presentation to the Company's Board of Directors by The Blackstone Group L.P.

(b) (3) Opinion of CS First Boston Corporation.

(b) (4) Presentation to Parent's Board of Directors by CS First Boston Corporation.

(c) (1) Merger Agreement, dated as of March 16, 1995, among Parent, Purchaser and the Company (Incorporated by reference to Exhibit 16 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(c) (2) Company Stock Option Agreement, dated as of March 16, 1995, between the Purchaser and the Company (Incorporated by reference to Exhibit 17 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(c) (3) Agreement, dated as of June 21, 1993, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 12 to Amendment No. 3 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated June 19, 1993).

(c) (4) Joint Filing Agreement pursuant to Rule 13d-1(f), dated as of April 9, 1992 among Parent, Holdings and the Purchaser (Incorporated by reference to Exhibit 1 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (5) Exchange Agreement, dated as of March 30, 1992 between the Purchaser and the Company (Incorporated by reference to Exhibit 2 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (6) Second Amended and Restated Stockholder's Agreement, dated as of March 30, 1992, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 4 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (7) Registration Rights Agreement, dated as of July 14, 1989, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 5 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (8) Amendment No. 1 to the Registration Rights Agreement, dated as of July 24, 1989, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company

(Incorporated by reference to Exhibit 6 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (9) Amendment No. 2 to the Registration Rights Agreement, dated as of March 30, 1992, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 7 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).

(c) (10) Engagement Letter, dated March 3, 1995, between The Blackstone Group L.P. and the Company.

(d) (1) Offer to Purchase dated March 23, 1995.

(d) (2) Letter of Transmittal.

(d) (3) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(d) (4) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(d) (5) Text of Press Release issued by Parent on March 16, 1995 (Incorporated by reference to Exhibit 18 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(d) (6) Text of Joint Press Release issued by Parent and the Company on March 17, 1995 (Incorporated by reference to Exhibit 19 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(d) (7) Notice of Guaranteed Delivery.

(d) (8) Summary Advertisement dated March 23, 1995.

(d) (9) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(e) Text of Section 262 of the Delaware General Corporation Law (see Annex II of the Offer to Purchase).

(f) Not applicable.

(g) (1) Class Action Complaint entitled Herbert Feiwel, IRA Rollover Account v. James E. Martin et al. (C.A. No. 14109), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 13 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).

(g) (2) Class Action Complaint entitled Kenneth Steiner v. Richard K. Davidson et al. (C.A. No. 14111), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 14 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).

(g) (3) Class Action Complaint entitled Moise Katz v. James E. Martin et al. (C.A. No. 14112), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 15 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).

(g) (4) Class Action Complaint entitled Michael Gerber v. James E. Martin et al. (C.A. No. 14117), filed in the Court of Chancery in Delaware on March 13, 1995 (Incorporated by reference to Exhibit 20 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(g) (5) Class Action Complaint entitled Charles Kowal and Harry W. Kent v. Chicago and North Western Transportation Company et al. (C.A. No. 14115), filed in the Court of Chancery in Delaware on March 13, 1995 (Incorporated by reference to Exhibit 21 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).

(g) (6) Schedule 14D-9 filed by the Company on March 23, 1995 with the Securities and Exchange Commission.

(g) (7) Confidentiality Agreement, dated March 10, 1995, among the Company, Parent, Holdings and the Purchaser.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Dated: March 23, 1995

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: /s/ ROBERT SCHMIEGE

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Dated: March 23, 1995

UNION PACIFIC CORPORATION

By: /s/ CARL VON BERNUTH

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Dated: March 23, 1995

UNION PACIFIC HOLDINGS, INC.

By: /s/ CARL VON BERNUTH

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Dated: March 23, 1995

UP RAIL, INC.

By: /s/ CARL VON BERNUTH

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
(a)	Engagement Letter, dated March 20, 1995, among Parent, Chemical Bank, Chemical Securities, Inc. and Citicorp Securities, Inc.
(b) (1)	Opinion of The Blackstone Group L.P. (see Exhibit I of Offer to Purchase).
(b) (2)	Presentation to the Company's Board of Directors by The Blackstone Group L.P.
(b) (3)	Opinion of CS First Boston Corporation.
(b) (4)	Presentation to Parent's Board of Directors by CS First Boston Corporation.
(c) (1)	Merger Agreement, dated as of March 16, 1995, among Parent, Purchaser and the Company (Incorporated by reference to Exhibit 16 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(c) (2)	Company Stock Option Agreement, dated as of March 16, 1995, between the Purchaser and the Company (Incorporated by reference to Exhibit 17 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(c) (3)	Agreement, dated as of June 21, 1993, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 12 to Amendment No. 3 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated June 19, 1993).
(c) (4)	Joint Filing Agreement pursuant to Rule 13d-1(f), dated as of April 9, 1992 among Parent, Holdings and the Purchaser (Incorporated by reference to Exhibit 1 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (5)	Exchange Agreement, dated as of March 30, 1992 between the Purchaser and the Company (Incorporated by reference to Exhibit 2 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (6)	Second Amended and Restated Stockholder's Agreement, dated as of March 30, 1992, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 4 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (7)	Registration Rights Agreement, dated as of July 14, 1989, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 5 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (8)	Amendment No. 1 to the Registration Rights Agreement, dated as of July 24, 1989, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 6 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (9)	Amendment No. 2 to the Registration Rights Agreement, dated as of March 30, 1992, among the Purchaser, Parent, the Company and certain officers, stockholders and former stockholders of the Company (Incorporated by reference to Exhibit 7 to the original Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated April 9, 1992).
(c) (10)	Engagement Letter, dated March 3, 1995, between The Blackstone Group L.P. and the Company.

EXHIBIT NO.	DESCRIPTION
(d) (1)	Offer to Purchase dated March 23, 1995.
(d) (2)	Letter of Transmittal.
(d) (3)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(d) (4)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(d) (5)	Text of Press Release issued by Parent on March 16, 1995 (Incorporated by reference to Exhibit 18 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(d) (6)	Text of Joint Press Release issued by Parent and the Company on March 17, 1995 (Incorporated by reference to Exhibit 19 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(d) (7)	Notice of Guaranteed Delivery.
(d) (8)	Summary Advertisement dated March 23, 1995.
(d) (9)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(e)	Text of Section 262 of the Delaware General Corporation Law (see Annex II of the Offer to Purchase).
(f)	Not applicable.
(g) (1)	Class Action Complaint entitled Herbert Feiwel, IRA Rollover Account v. James E. Martin et al. (C.A. No. 14109), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 13 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).
(g) (2)	Class Action Complaint entitled Kenneth Steiner v. Richard K. Davidson et al. (C.A. No. 14111), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 14 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).
(g) (3)	Class Action Complaint entitled Moise Katz v. James E. Martin et al. (C.A. No. 14112), filed in the Court of Chancery in Delaware on March 10, 1994 (Incorporated by reference to Exhibit 15 to Amendment No. 9 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 13, 1995).
(g) (4)	Class Action Complaint entitled Michael Gerber v. James E. Martin et al. (C.A. No. 14117), filed in the Court of Chancery in Delaware on March 13, 1995 (Incorporated by reference to Exhibit 20 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(g) (5)	Class Action Complaint entitled Charles Kowal and Harry W. Kent v. Chicago and North Western Transportation Company et al. (C.A. No. 14115), filed in the Court of Chancery in Delaware on March 13, 1995 (Incorporated by reference to Exhibit 21 to Amendment No. 10 to the Schedule 13D filed by Parent, Holdings and the Purchaser, in respect of Common Stock of the Company, dated March 17, 1995).
(g) (6)	Schedule 14D-9 filed by the Company on March 23, 1995 with the Securities and Exchange Commission.
(g) (7)	Confidentiality Agreement, dated March 10, 1995, among the Company, Parent, Holdings and the Purchaser.

[EXECUTION COUNTERPART]

March 20, 1995

Union Pacific Corporation
Attention: Gary M. Stuart
Vice President and Treasurer

Up to $2,300,000,000 Revolving Credit Facility
Engagement Letter

Ladies and Gentlemen:

You have advised us that Union Pacific Corporation (the "Company") desires to establish a Revolving Credit Facility (the "Facility"), the proceeds of which would be used for the Company s general corporate purposes, to finance the acquisition (the "Acquisition") of the shares of Chicago and North Western Transportation Company ("CNW") not owned by the Company on the date hereof and to refinance certain existing debt of CNW. You have asked Chemical Bank ("Chemical") and Citibank, N.A. ("Citibank") (together with Chemical Securities, Inc. ("Chemical Securities"), collectively, the "Co-Agents") to commit to provide you with financing commitments for a portion of the Facility and for Chemical Securities to arrange, on a best-efforts basis, a syndicate of lenders to provide the remainder of the Facility.

Chemical and Citicorp Securities, Inc. ("Citicorp Securities"), on behalf of Citibank (collectively, the "Co-Arrangers"), are pleased to inform you of the commitments of Chemical and Citibank on a several basis to provide a portion of the Facility (each such commitment to be in the amount of $200,000,000), subject to the terms and conditions described in this letter and to the Summary of Terms and Conditions (the "Summary of Terms and Conditions" attached as Annex I (collectively, the "Engagement Letter").

Syndication

Chemical Securities is pleased to offer to commit to use its best efforts to arrange a syndicate of other financial institutions acceptable to it and the Company to provide the balance of the Facility and to become parties to the definitive documentation with respect thereto (the financial institutions becoming parties to such definitive documentation being collectively referred to

herein as the "Lenders"), subject to the terms and conditions described in this Engagement Letter. Chemical and Citibank reserve the right (subject to the next paragraph) to syndicate all or a portion of their respective commitments to one or more of the Lenders. You understand that Chemical Securities intends to commence syndication efforts promptly and that it may elect to appoint one or more syndication agents (which may include Chemical, Citibank or Citibank Securities) to direct the syndication efforts on its behalf.

Chemical Securities will act as the syndication agent with respect to the Facility, and will manage all aspects of the syndication in consultation with you, including the identity of and the timing of all offers to potential Lenders, the acceptance of commitments and the determination of the amounts offered.

You agree to take all action as Chemical Securities may reasonably request to assist it in forming a syndicate acceptable to it and the Company. Your assistance in forming such a syndicate shall include but not be limited to: (i) making senior management and representatives of the Company available to participate in information meetings with potential Lenders at such times and places as Chemical Securities may reasonably request; (ii) using reasonable efforts to ensure that the syndication efforts benefit from your lending relationships; and (iii) providing Chemical Securities with all information available to the Company reasonably deemed necessary by it to successfully complete the syndication.

You agree that no additional agents, co-agents or arrangers will be appointed, or other titles conferred, without the consent of the Co-Arrangers.

Conditions Precedent

The commitments hereunder are subject to: (i) the preparation, execution and delivery of mutually acceptable Facility documentation, including credit agreements incorporating substantially the terms and conditions outlined in this Engagement Letter; (ii) the absence of (A) a material adverse change in the business, condition (financial or otherwise), operations, performance or properties of the Company and its subsidiaries taken as a whole, since December 31, 1994, except as disclosed in the Company's most recent annual report on Form 10-K, and (B) any change in loan syndication, financial or capital market conditions generally that, in the reasonable judgment of Chemical Securities, would materially impair syndication of the Facility; (iii) the reasonable satisfaction of the Co-Arrangers with the structure and terms of the tender offer and Acquisition (and the related merger documentation) with

respect to such matters as could materially adversely affect the Co-Arrangers, the Co-Agents, the Lenders or the financing contemplated hereby; (iv) the accuracy and completeness of all representations that you make to us and all written information that you furnish to us and your compliance with the terms of this Engagement Letter; (v) the payment in full of all fees, expenses and other amounts payable under this Engagement Letter; (vi) a closing of the Facility on or prior to June 30, 1995 or such later date as may be mutually agreed; and (vii) the absence of any litigation or other proceedings that could reasonably be expected to have a material adverse effect upon the syndication of the Facility or upon the business, condition (financial or otherwise), operations, performance or properties of the Company and its subsidiaries taken as a whole.

Termination

The commitments set forth in this Engagement Letter will terminate at 5:00 p.m. (New York City time) on June 30, 1995 or such later date as the Co-Arrangers may agree in writing, unless the Facility closes on or before such date. Prior to such date, this Engagement Letter may be terminated by you at any time at your option upon payment of all fees, expenses and other amounts then payable under this Engagement Letter.

Indemnification

You agree to indemnify and hold harmless each Co-Arranger, each Co-Agent, each Lender and each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto, arising out of or in connection with or relating to this Engagement Letter or the Facility documentation or the transactions contemplated hereby or thereby or any use made or proposed to be made with the proceeds of the Facility, whether or not such investigation, litigation or proceeding is brought by the Company, any of its shareholders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto, and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense results from such Indemnified Party's gross negligence or willful misconduct or arises out of a final, non-appealable judgment against such Indemnified Party in favor of the Company on the

basis of a breach of this Engagement Letter or the definitive Facility documentation.

You agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Company or any of its shareholders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct; provided, that nothing in this paragraph shall be deemed to constitute a waiver of any claim the Company may hereafter have for breach by any party of this Engagement Letter or the definitive Facility documentation; and provided, further, that in no event shall any Indemnified Party be liable for any indirect or consequential damages.

Costs and Expenses

In further consideration of the commitments hereunder, and recognizing that in connection herewith the Co-Agents and the Co-Arrangers are incurring substantial costs and expenses (including, without limitation, fees and disbursements of counsel and their syndication agent(s), filing and recording fees and due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, messenger, appraisal, audit, insurance and consultant costs and expenses), you hereby agree to pay, or reimburse the Co-Agents and the Co-Arrangers on demand for, all such reasonable costs and expenses (whether incurred before or after the date hereof, but excluding overhead expenses), regardless of whether any of the transactions contemplated hereby are consummated. You also agree to pay all costs and expenses of the Co-Agents and the Co-Arrangers (including, without limitation, reasonable fees and disbursements of counsel) incurred in connection with the enforcement of any of their rights and remedies hereunder.

Confidentiality

By accepting delivery of this Engagement Letter, you agree that this Engagement Letter is for your confidential use only and that neither its existence nor the terms hereof will be disclosed by you to any person other than your officers, directors, employees, accountants, attorneys and other advisors, and then only on a "need to know" basis in connection with the transactions contemplated hereby and on a confidential basis. Notwithstanding the foregoing, following your acceptance of the provisions hereof and your return of an executed counterpart of this Engagement Letter to us as provided below, (i) you may make public disclosure of the existence and amount of the commitments

hereunder and of the identity of the Co-Arrangers and Co-Agents, (ii) you may file a copy of this Engagement Letter in any public record in which it is required by law to be filed and (iii) you may make such other public disclosures of the terms and conditions of this Engagement Letter as you are required by law or court order, in the opinion of your counsel, to make.

Representations and Warranties of the Company

You represent and warrant that (i) all written information concerning the Company and its subsidiaries (excluding financial projections) that has been or will hereafter be made available to any Co-Agent, either Co-Arranger, any Lender or any potential Lender by you or any of your representatives in connection with the transactions contemplated hereby is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial projections concerning the Company and its subsidiaries, if any, that have been or will be prepared by you and made available in writing to any Co-Agent, either Co-Arranger, any Lender or any potential Lender have been or will be prepared in good faith based upon reasonable assumptions (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and that no assurance can be given that the projections will be realized). You agree to supplement the information and projections from time to time so that the representations and warranties contained in this paragraph remain correct. It is understood and agreed that the representations and warranties set forth in this paragraph will, on and after the signing of definitive Facility documentation, be superseded by the representations and warranties set forth therein.

In issuing this commitment, each Co-Agent and each Co-Arranger are relying on the accuracy of the information furnished to them by or on behalf of the Company and its affiliates without independent verification thereof.

No Third Party Reliance, Etc.

The agreements of each Co-Agent and each Co-Arranger hereunder and of any Lender that issues a commitment to provide financing under the Facility are made solely for the benefit of the Company and may not be relied upon or enforced by any other person. Please note that those matters that are not covered or made clear herein or in Annex I are subject to mutual agreement of the

parties. The terms and conditions of this commitment may be

modified only in writing.

You should be aware that any Co-Agent, either Co-Arranger or one or more of their respective affiliates may be providing financing or other services to parties whose interests may conflict with yours. Be assured, however, that consistent with the longstanding policy of each of Chemical and Citibank to hold in confidence the affairs of its customers, none of said entities nor any of their respective affiliates will furnish confidential information obtained from you to any of its other customers. By the same token, none of said entities nor any of their respective affiliates will make available to you confidential information that it obtained or may obtain from any other customer.

Governing Law, Etc.

This Engagement Letter shall be governed by, and construed in accordance with, the laws of the State of New York. This Engagement Letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral, with respect hereto. This Engagement Letter may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same Engagement Letter. Delivery of an executed counterpart of a signature page to this Engagement Letter by telecopier shall be as effective as delivery of a manually executed counterpart of this Engagement Letter. Your obligations under the paragraphs captioned "Indemnification", "Costs and Expenses" and "Confidentiality" shall survive the expiration or termination of this Engagement Letter.

Waiver of Jury Trial

EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS ENGAGEMENT LETTER OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF ANY CO-AGENT OR EITHER CO-ARRANGER OR THE COMPANY IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Engagement Letter and returning it to Judith Fishlow, Vice President, Citicorp Securities, Inc., 399 Park Avenue, New York, New York 10043 (telecopier: 212-793-3963) at or before 5:00 p.m. (New York City time) on Monday, March 20, 1995, the time at which the commitments hereunder (if not so accepted prior thereto) will expire. If you elect to

deliver this Engagement Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

CHEMICAL BANK

By /s/ Julie S. Long
Title: VP

CHEMICAL SECURITIES, INC.

By /s/ Evelyn Aloise
Title: VP

CITICORP SECURITIES, INC., on its own behalf and on behalf of Citibank, N.A.

By /s/ Judith Fishlow
Title: Vice President

ACCEPTED AND AGREED
this 20th day of March, 1995:

UNION PACIFIC CORPORATION

By /s/ Gary M. Stuart
Title: Vice President & Treasurer

UNION PACIFIC CORPORATION
Up to $2,300,000,000
Revolving Credit Facility
Summary of Terms and Conditions

Borrower:	Union Pacific Corporation ("UPC") or an appropriate acquisition subsidiary under the unconditional guarantee of UPC (in either case, the "Borrower").
Lenders:	Chemical Bank ("Chemical"), Citibank, N.A. ("Citibank") and a syndicate of banks (the "Lenders") to be arranged by the Borrower and the Syndication Agent referred to below.
Co-Arrangers:	Chemical and Citicorp Securities, Inc.
Administrative Agent:	Chemical.
Documentation Agent:	Citibank.
Syndication Agent:	Chemical Securities, Inc.
Facility:	An aggregate of up to $2.3 billion (the "Facility").
Commitment Period:	Until June 30, 1995 or such later date as may be agreed by the parties in writing (provided, that the Lenders shall have no obligation to agree to any such extension).
Purpose:	To finance the tender offer (the "tender offer") for the shares of CNW not owned by UPC or its affiliates, to refinance certain existing debt of CNW and for general corporate purposes of the Borrower.
Maturity:	A portion of the Facility in the aggregate amount of up to $1.1 billion will mature up to 5 years from the date (the "Closing Date") of the signing of definitive credit documentation. A portion of the Facility in the aggregate amount of $1.2 billion shall be in the form of a separately-

	terminating on the date 364 days after the Closing Date.
Upfront Fees:	2 basis points (aggregating up to $460,000), payable on the Closing Date to each Lender on the amount of such Lender's allocated commitment.
Interest Rates:	Eurodollar Rate option with margins set forth in Attachment A, plus comparable Base Rate, CD Rate and Competitive Bid options.
Documentation:	The commitments will be subject to preparation, execution and delivery of mutually acceptable loan documentation which will contain appropriate conditions precedent, representations and warranties, covenants, events of default, yield protection, funding loss, capital adequacy, tax and other normal provisions. Such provisions shall be based as closely as reasonably practicable upon the comparable provisions set forth in the Revolving Credit Agreement draft of December 7, 1994 previously sent to the Borrower, with modifications as agreed by the Borrower and the Documentation Agent pursuant to discussions that occurred in the month of December, 1994 (the "Draft Agreement") (subject always to the rights of the Lenders and the Borrower to be satisfied in form and substance with the terms and conditions of the loan documentation).
Prepayment:	Substantially similar to the prepayment provisions in the Draft Agreement (except that no prepayment or commitment reduction will be required in the event of any disposition of CNW shares acquired pursuant to the Acquisition).
Optional Commitment Reduction:	Substantially similar to corresponding provisions in the Draft Agreement.
Representations and Warranties:	To include corporate organization and existence, good standing, authorization

and non-contravention of applicable organizational documents, law or contracts, enforceability, financial statements, no material adverse change, no contravention of the federal margin regulations, and ERISA matters, and absence of material litigation or proceedings, including without limitation any such litigation or proceedings that may have a material adverse effect on the consummation of the Acquisition or on the Borrower or any of its subsidiaries, taken as a whole; and in addition, representations and warranties as to environmental matters and accuracy of information provided.

Conditions Precedent: To include Board resolutions and other necessary actions and approvals; secretary s certificates; satisfactory legal opinions; accuracy of representations and warranties (provided, that the representations and warranties as to the absence of any material adverse change and as to litigation shall be made as of the Closing Date only); absence of any actual or incipient event of default; absence of any change in the structure or terms of the tender offer as disclosed to the Lenders prior to the Closing Date, and the merger agreement shall be in substantially the form as provided to the Lenders prior to the Closing Date, except in each case for changes or amendments that, in the reasonable opinion of the majority Lenders, are not materially adverse from the standpoint of the financing contemplated hereby; and satisfaction (without waiver) of the conditions set

forth in the tender offer.

Affirmative Covenants: To include maintenance of books, corporate existence, maintenance of properties, compliance with laws and insurance; net worth; delivery of financial statements and other information; notice of defaults and litigation; and delivery of certificates regarding financial statements.

Negative Covenants:	To include negative pledge clause; debt-to-net-worth restriction; restriction on fundamental changes; prohibition of sale of certain stock; compliance with ERISA; no amendments of the tender offer or of the merger agreement that would materially adversely affect the financing contemplated by the Facility.
Events of Default:	To include nonpayment of principal; nonpayment of interest or fees within 10 days after the date due; material breach of representations and warranties; violation of covenants for 30 days after notice; cross acceleration of debt in excess of $20 million principal amount in the aggregate; bankruptcy of the Borrower or any of the Railroads; and ERISA.
Assignments and Participations:	The Borrower may not assign its rights or obligations under the Facility without the prior written consent of the Lenders. The Lenders shall be permitted to assign loans and commitments with the consent of the Borrower, which consent can be withheld by the Borrower in its sole discretion, and to grant participations in the loans and commitments. Assignees will have all the rights and obligations of the assignor Lender. Participations shall be without restriction. The voting rights for participants will be limited to changes in amount, tenor and rate.
Indemnification:	The loan documentation will include indemnification of the Co-Arrangers, the Administrative Agent, Documentation Agent and Syndication Agent (collectively, the "Co-Agents") and the Lenders and each of their respective affiliates, officers, directors, employees, agents, advisors and representatives (which shall cover the matters referred to in, and shall include the same exceptions as are contained in, the Draft Agreement).

Expenses:	All reasonable legal, arrangement and out-of-pocket expenses of the Co-Arrangers and Co-Agents (including the reasonable fees, disbursements and other charges of counsel for the Co-Agents) shall be reimbursed by the Borrower.
Law:	New York; submission to New York jurisdiction; waiver of jury trial.

Summary of Terms and Conditions

Attachment A

Union Pacific Corporation

1. Pricing for 5-year Acquisition Revolving Credit Facility:

Category	Ratings	Applicable Percentage Facility Fee	Applicable Percentage LIBOR Margin
1	Rated A- or higher by S&P; Rated A3 or higher by Moody's	0.100%	0.150%
2	Rated lower than A- and equal to or higher than BBB+ by S&P; Rated lower than A3 and equal to or higher than Baa1 by Moody's	0.125%	0.250%
3	Rated lower than BBB+ and equal to or higher than BBB- by S&P; Rated lower than Baa1 and equal to or higher than Baa3 by Moody's	0.150%	0.300%
4	Rated lower than BBB- by S&P; Rated lower than Baa3 by Moody's	0.250%	0.500%

If the ratings established by Moody's and S&P should fall within different categories, the Applicable Percentages shall be determined by reference to the numerically lower Category (where Category 1 is the lowest such Category and Category 4 is the highest).

2. Pricing for 364-day Acquisition Revolving Credit Facility:

Facility Fee 1: 0.060%

LIBOR Margin: 0.190%

1 Payable on entire amount fo Facility, irrespective of usage.

Summary of Terms and Conditions

STRICTLY CONFIDENTIAL

Discussion Materials

Chicago and North Western
Transportation Company

March 16, 1995

The Blackstone Group L.P.

Table of Contents

Section I

Valuation Process

- We have estimated CNW's value using the following methodologies:
  - Comparables Valuation:
    - Trading Comparables
    - Precedent Transactions
  - Stand-alone Discounted Cash Flow Valuation
  - Potential Value to Union Pacific:
    - Pro Forma Merger Analysis (EPS Accretion/Dilution)
    - Discounted Cash Flow
  - Leveraged Buyout Analysis
  - Leveraged Recapitalization Analysis

Operating Assumptions

- In estimating a value for CNW, we have utilized the operating projections outlined in the Company's 5-Year Business Plan. Below is a comparison of these projections to CNW's past performance:

	1991 - 1995E	1995E - 1999E
Annualized Revenue Growth:		
Basic Railroad	5.3%	7.4%
WRPI	11.8	17.0
Consolidated	6.6	9.7
Average EBITDA Margin	28.0%	29.7%
Annualized EBITDA Growth:		
Basic Railroad	5.6%	6.9%
WRPI	10.8	16.9
Consolidated	7.5	11.3
Consolidated EBITA Growth Rate:	8.3%	11.9%

Section II

CNW's Stock Price History

o Below is a chart of CNW's stock price since its IPO. Its all-time high of $28.00 per share was on February 10, 1994:

Date	Price
4/3/92	22.125
4/10/92	22
4/16/92	23.5
4/24/92	21.25
5/1/92	20.875
5/8/92	19.875
5/15/92	19.625
5/22/92	20
5/29/92	21
6/5/92	21.375
6/12/92	20.375
6/19/92	19.375
6/26/92	17.75
7/2/92	19.625
7/10/92	18.75
7/17/92	18.25
7/24/92	18
7/31/92	18
8/7/92	17
8/14/92	18.25
8/21/92	18.625
8/28/92	18.625
9/4/92	18.5
9/11/92	18.625
9/18/92	18.125
9/25/92	18.25
10/2/92	18.75
10/9/92	20.25
10/16/92	19.5
10/23/92	19.875
10/30/92	20.125
11/6/92	21
11/13/92	19.875
11/20/92	20.625
11/27/92	21.5
12/4/92	20.75
12/11/92	21.125
12/18/92	20.75
12/24/92	21.625
12/31/92	20.625
1/8/93	21.375
1/15/93	22
1/22/93	22.25
1/29/93	21.125
2/5/93	22
2/12/93	21.375
2/19/93	19.75
2/26/93	20.75
3/5/93	21
3/12/93	21.5
3/19/93	21.875
3/26/93	22.75
4/2/93	23.75
4/8/93	23.625
4/16/93	23
4/23/93	21.125
4/30/93	21.75
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6/4/93	21.625
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6/18/93	20.625
6/25/93	20.875
7/2/93	22.625
7/9/93	22.25
7/16/93	21.75
7/23/93	19.375
7/30/93	19.25
8/6/93	20.375
8/13/93	19.125
8/20/93	20
8/27/93	20.5
9/3/93	20.625
9/10/93	20.125
9/17/93	20.75
9/24/93	19.5
10/1/93	20.25
10/8/93	20.375
10/15/93	20.375
10/22/93	21.125
10/29/93	24.25
11/5/93	23.75
11/12/93	24
11/19/93	22.75
11/26/93	22.875

12/3/93	24.875
12/10/93	24.75
12/17/93	24.5
12/23/93	24.375
12/31/93	25
1/7/94	25.5
1/14/94	26.5
1/21/94	25.5
1/28/94	26.5
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4/8/94	24.5
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1/13/95	21.75
1/20/95	22.125
1/27/95	21.75
2/3/95	22
2/10/95	22.375
2/17/95	22.75
2/24/95	25
3/3/95	25.125
3/7/95	26.375

Summary Trading Comparables Valuation

Parameter	Benchmark Multiples	Implied Per Share Value
EBITDA	6.5x - 7.5x	$21.31 - $28.12
EBIT	8.5 - 10.0	19.61 - 27.13
1994 P/E	12.5 - 13.0	24.13 - 25.09
1995 P/E	10.5 - 11.0	26.25 - 27.50
		$23.00 - $27.00

Summary Precedent Transactions Valuation

- The comparability of a UP/CNW transaction to other recent transactions in the railroad industry is qualified by certain factors:
  - BN/Santa Fe was hotly contested -- final price is 46% higher than BN's original offer in June 1994.
  - IC/KCS was an auction involving strategic and financial bidders.
  - KCS/Midsouth: Midsouth contained routes that were attractive for a number of parties; Midsouth's small size also enabled competition from potential financial buyers.
  - Blackstone/CNW: competing hostile offer at a time of extreme liquidity in financing markets.
- Based upon a preliminary review with CNW management of other potential strategic buyers, as well as the fact that a significant portion of CNW's current business is dependent upon UP, competition for CNW is likely to be limited.
- The last major railroad transaction involving a large existing shareholder was Canadian Pacific's acquisition of the remaining 44% of Soo Line. CP's original offer was at approximately an 8% premium to Soo Line's stock price and was subsequently raised to approximately a 19% premium.
- With the above qualifications, precedent transactions would imply a value for CNW as follows:

Parameter	Benchmark Multiples	Implied Per Share Value
EBITDA	7.5x - 9.0x	$28.12 - $38.35
EBIT	11.0 - 12.5	32.15 - 39.67
Net Income	15.0 - 20.0	28.95 - 38.60
		$29.00 - $38.00

Section III

Discounted Value of Future Stand-alone EPS

o The EPS projections in the Company's 5-year Business Plan are as follows:

	1995	1996	1997	1998	1999
Projected EPS	$2.50	$3.01	$3.82	$4.63	$5.60

Based upon the above, the current per share values assuming a range of P/E multiples and equity discount rates are as follows:

Based Upon 1997 EPS					Based Upon 1999 EPS				
	P/E Multiple					P/E Multiple			
	9.0	10.0	11.0	12.0		9.0	10.0	11.0	12.0
13.0%	$26.92	$29.92	$32.91	$35.90	13.0%	$30.91	$34.35	$37.78	$41.22
15.0%	26.00	28.88	31.77	34.66	15.0%	28.82	32.02	35.22	38.42
17.0%	25.12	27.91	30.70	33.49	17.0%	26.90	29.88	32.87	35.86

Stand-alone Unlevered Discounted Cash Flow Valuation

- Below is a matrix of the stand-alone unlevered discounted cash flow valuation of CNW assuming the projections in the Company's 5-Year Business Plan:

Exit Multiples of EBITDA	Weighted Average Cost of Capital: 11%	12%	13%	14%
6.0x	$39.00	$36.60	$34.40	$32.20
6.5	42.70	40.10	37.70	35.40
7.0	46.30	43.60	41.00	38.50

Potential Value to UP: Pro Forma Merger Analysis

o Given the likely combination synergies and UP's relatively low cost of borrowing, an acquisition of CNW would be accretive to UP at significant premiums to CNW's current trading price. Below is a summary of the accretion/(dilution) to UP's 1995 estimated EPS of $4.53 assuming different synergy levels:

	Assuming Annual Synergies of:		
Assumed Purchase Price Per Share	$40MM	$80MM	$120MM
$27.50	$0.24	$0.36	$0.49
30.00	0.21	0.33	0.46
32.50	0.18	0.30	0.43
35.00	0.14	0.27	0.39
37.50	0.11	0.24	0.36

Note: UP's estimate of recurring combination synergies in its January 1993 Control Application was $148-$184 million per year.

Potential Value to UP: Discounted Cash Flow

- Below is a matrix of the potential unlevered discounted cash flow value of CNW to UP assuming $80 million of annual combination synergies and the projections in CNW's 5-year Business Plan:

	Weighted Average Cost of Capital:		
Exit Multiples of EBITDA	11%	12%	13%
6.0x	$49.40	$46.60	$44.00
6.5	53.60	50.60	47.80
7.0	57.70	54.60	51.60

Note: CAPM implies a weighted average cost of capital for UP of approximately 11.5%.

- An acquisition of CNW at $30.00 per share would increase UP's net debt/book capitalization from 48% to 57%. UP's all-cash offer for Santa Fe would have increased its debt/book capitalization to 65%, and both S&P and Moody's said that UP faced a downgrade of its A and A2 senior debt ratings.

Leveraged Buyout Analysis

- A second leveraged buyout of CNW would face the following hurdles:
  - Financeability at any meaningful premium to current stock price is uncertain
  - Equity investor would need to accept the operating projections in the Company's 5-Year Business Plan in order for returns to be at all compelling assuming a P/E-based exit.
- Assuming a financial buyer is willing to accept and pay for the operating projections in the Company's 5-Year Business Plan and using a target of equity returns in the mid-twenties, we estimate the upper end of likely purchase prices to be approximately $27.00 per share.
- Assuming management's estimate of potential annual cost savings of $46 million and a $20 million decrease in annual capital expenditures, the upper end of likely per share LBO values would be approximately $36.00 per share.

Leveraged Recapitalization Analysis

- CNW may be able to finance a special dividend to enhance shareholder value. Based on debt capacity, we have assumed a one-time dividend of $13.00 per share. The resulting value to shareholders would depend upon the degree of pro forma trading multiple compression in the stub equity due to the increased leverage:

	Pro Forma 1995 P/E Multiples:			
	8x	9x	10x	11x
Value of Stub Equity	$13.09	$14.72	$16.36	$17.99
Per Share Special Dividend	13.00	13.00	13.00	13.00
Total Value to Shareholders	$26.09	$27.72	$29.36	$30.99

- Assuming management's estimate of potential annual cost savings of $46 million and a $20 million decrease in annual capital expenditures, the resulting values would be as follows:

	Pro Forma 1995 P/E Multiples:			
	8x	9x	10x	11x
Value of Stub Equity	$13.68	$15.38	$17.09	$18.80
Per Share Special Dividend	23.00	23.00	23.00	23.00
Total Value to Shareholders	$36.68	$38.38	$40.09	$41.80

Appendix A

Project Voyager
Operating Assumptions - Company Case

	Actual				Projected					91-'95 CAGR	95-'99 CAGR
	1991	1992	1993	1994	1995	1996	1997	1998	1999		
Basic Railroad Revenue											
Agricultural Commodities	$208.7	$218.1	$211.3	$189.8	$223.7	$225.5	$236.3	$244.6	$252.9	1.8%	3.1%
Consumer Products	150.3	152.0	145.8	143.0	148.4	150.0	153.9	155.3	157.8	-0.3%	1.5%
Coal	110.2	98.1	112.9	127.8	149.0	186.3	222.2	262.9	309.4	7.8%	20.0%
Auto/Steel/Chemical	177.6	190.9	200.5	208.9	205.2	200.0	263.0	267.5	268.8	3.7%	7.0%
Intermodal	109.0	116.4	119.5	125.2	132.3	150.1	162.2	174.0	185.1	5.0%	8.8%
Total Basic Railroad Gross Freight Revenue	$755.8	$775.5	$790.0	$794.7	$858.6	$911.9	$1,037.6	$1,104.3	$1,174.0	3.2%	8.1%
Other (net of allowances and adjustments)	43.2	40.5	47.1	110.0	125.2	127.2	129.2	131.2	133.3		
% of Total Basic Railroad Gross Freight Revenue	5.7%	5.2%	6.0%	13.8%	14.6%	13.9%	12.5%	11.9%	11.4%		
Total Basic Railroad Revenue	$799.0	$816.0	$837.1	$904.7	$983.8	$1,039.1	$1,166.8	$1,235.5	$1,307.3	5.3%	7.4%
WRPI Net Freight Revenue	180.0	169.2	206.1	225.1	281.0	328.2	383.1	448.3	525.8	11.8%	17.0%
Consolidated Total Revenue	$979.0	$985.2	$1,043.2	$1,129.8	$1,264.8	$1,367.3	$1,549.9	$1,683.8	$1,833.1	6.6%	9.7%
Operating Expenses Excl. Depreciation & Amortization											
Basic	$623.2	$644.3	$669.3	$699.7	$765.5	$813.7	$916.0	$967.1	$1,022.6	5.3%	7.5%
WRPI	81.5	68.4	88.4	116.4	132.5	151.9	176.0	209.4	248.5	12.9%	17.0%
Total	$704.7	$712.7	$757.7	$816.1	$898.0	$965.6	$1,092.0	$1,176.5	$1,271.1	6.2%	9.1%
EBITDA											
Basic	$175.8	$171.7	$167.8	$205.0	$218.3	$225.4	$250.8	$268.4	$284.7	5.6%	6.9%
Margin	22.0%	21.0%	20.0%	22.7%	22.2%	21.7%	21.5%	21.7%	21.8%		
WRPI	$98.5	$100.8	$117.7	$108.7	$148.5	$176.3	$207.1	$238.9	$277.3	10.8%	16.9%
Margin	54.7%	59.6%	57.1%	48.3%	52.8%	53.7%	54.1%	53.3%	52.7%		
Total	$274.3	$272.5	$285.5	$313.7	$366.8	$401.7	$457.9	$507.3	$562.0	7.5%	11.3%
Margin	28.0%	27.7%	27.4%	27.8%	29.0%	29.4%	29.5%	30.1%	30.7%		
Depreciation											
Basic	$46.2	$44.8	$45.7	$52.5	$58.2	$63.7	$70.2	$77.7	$84.2		9.7%
WRPI	22.9	20.1	23.1	23.3	26.0	28.6	30.9	32.7	35.4		8.0%
Total	$69.1	$64.9	$68.8	$75.8	$84.2	$92.3	$101.1	$110.4	$119.6	5.1%	9.2%
EBITA											
Basic	$129.6	$126.9	$122.1	$152.5	$160.1	$161.7	$180.6	$190.7	$200.5	5.4%	5.8%
Margin	16.2%	15.6%	14.6%	16.9%	16.3%	15.6%	15.5%	15.4%	15.3%		
WRPI	$75.6	$80.7	$94.6	$85.4	$122.5	$147.7	$176.2	$206.2	$241.9	12.8%	18.5%
Margin	42.0%	47.7%	45.9%	37.9%	43.6%	45.0%	46.0%	46.0%	46.0%		
Total	$205.2	$207.6	$216.7	$237.9	$282.6	$309.4	$356.8	$396.9	$442.4	8.3%	11.9%
Margin	21.0%	21.1%	20.8%	21.1%	22.3%	22.6%	23.0%	23.6%	24.1%		

Appendix B

Trading Multiples of Selected U.S. Railroads

(Dollars in millions, except per share data)

Company	Current Price	TEV	Common Equity	TEV as a Multiple of LTM EBITDA	TEV as a Multiple of LTM EBITDA-CapX	TEV as a Multiple of LTM EBIT	Equity as a Multiple of 1994E NI	Equity as a Multiple of 1995E NI	LTM EBIT Margin	LTM EBITDA Margin	Net DEBT/ TEV	EBIT/ Interest	EBITDA-CapX/ Interest
CNW(1)	$26.750	$2,254	$1,231	7.2	13.0	9.8 x	14.2	10.7 x	20.4%	27.8%	45.4%	2.5	1.9 x
Burlington Northern	55.000	7,018	4,907	6.0	15.4	8.6	12.7	10.5	16.6%	23.9%	25.3%	5.2	2.9
Conrail Inc.	51.500	6,314	4,063	7.7	29.4	11.6	11.9	9.9	14.8%	22.5%	35.6%	2.9	1.1
CSX	74.250	10,519	7,777	6.1	11.3	9.1	12.7	10.7	12.4%	18.5%	26.1%	4.1	3.3
Illinois Central	33.875	1,754	1,443	8.1	15.6	9.2	13.2	11.3	32.7%	37.2%	17.7%	6.8	4.0
Norfolk Southern	64.625	9,979	8,704	7.0	12.8	9.7	13.3	12.0	22.9%	31.9%	12.2%	10.4	7.9
Union Pacific(1)	51.125	15,010	10,485	5.6	15.4	9.0	12.2	10.4	20.8%	33.4%	30.1%	4.8	2.8
Wisconsin Central	44.500	866	741	13.8	26.5	16.5	19.7	16.2	25.8%	30.9%	14.5%	5.1	3.2
Median (excl. CNW)				7.0 x	15.4 x	9.2 x	12.7 x	10.7 x	20.8%	30.9%	25.3%	5.1x	3.2x

(1) Financial statement data reflects 1994 figures.

PROJECT VOYAGER

SELECTED M&A TRANSACTIONS IN THE RAILROAD INDUSTRY

(Dollars in Millions Except Per Share Data)

Date Completed	Acquiror/ Target	Purchase Price	Purchase Price Per Share	Transaction Value	Multiples of Transaction Value: LTM Sales	LTM EBITDA	LTM EBIT	Multiple of Purchase Price: LTM Net Income
Pending	Burlington Northern Inc./ Santa Fe Pacific	$4,132.4	$21.00	$5,197.5	2.0x	9.2x	14.1x	23.7x
Withdrawn	Illinois Central Corp./(a) Kansas City Southern	706.1 (b)	NA	1,635.1 (b)	3.3	9.2	12.5	17.7
6/93	Kansas City Southern/ MidSouth Corp.	219.3	20.50	355.8	3.2	8.1	11.3	19.8
7/89	Blackstone Capital Partners L.P./CNW Corporation	933.1	50.00 (c)	1,679.5	1.7	7.4	9.8	12.4
4/90	Canadian Pacific Limited/ Soo Line Corporation	204.1	21.50	512.5	0.9	6.9	12.5	17.6
1/89	The Prospect Group/ Illinois Central Trans. Co.	430.0	20.00	660.0	1.2	6.0	12.5	19.9
12/87	Rio Grande Industries/ Southern Pacific Railroad (Santa Fe Southern Pacific)	1,020.0	--	1,800.0	0.8	4.4	7.4	10.0
8/88	Union Pacific/ Missouri-Kansas-Texas (Katy Industries)	105.2	52.26	317.2	1.3	NA	NA	12.4
	Median - 1st 4 Transactions				2.6x	8.7x	11.9	18.8x

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(a) Illinois Central agreed to purchase the rail lines of Kansas City Southern; Illinois Central will purchase Kansas City Southern Industries after Kansas City Southern spins off its financial service units to shareholders. The units to be spun off include Janus Capital Corp., DST Systems Inc., and Argus Health Systems.

(b) Illinois Central will issue 21.236 million shares of its common stock, pay $6 million to purchase Kansas City Southern's preferred stock, and assume $929 mil. in debt.

The purchase price is based on the Illinois Central closing price of $33.25 on 7/18/94, the last day of trading prior to the public announcement of the proposed acquisition.

(c) Offer per share included $45.50 cash and $4.50 PIK Preferred.

Appendix C

CNW - Weighted Average Cost of Capital

Assumptions:

Pre-tax cost of debt (1)	9.19%
Rf (Risk Free Rate) (2)	7.22%
Rm (Market Return) - Rf (3)	7.20%
T (Effective Tax Rate)	35.00%

CNW

Beta (Equity) (4)	1.15

Cost of Equity = Rf + Beta (Equity) * (Rm - Rf)

Cost of Equity	15.50%

Current CNW Capital Structure:

Debt/Capitalization	47.8%
Equity/Capitalization	52.2%
WACC (5)	10.94%

(1) Represents CNW's current pre-tax cost of debt (Estimated 1995 Interest Expense/Year End 1994 Debt).

(2) Based on 5 year treasury @ 3/8/95.

(3) Large company stock total returns minus long-term government bond (20-year) income returns as estimated by Ibbotson Associates based on annual data from 1926 to 1993.

(4) Betas calculated over prior year with weekly intervals.

(5) WACC = (Debt/Capitalization) * After Tax Cost of Debt + (E/(D + E)) * Cost of Equity

CNW - Weighted Average Cost of Capital

Assumptions:

Pre-tax cost of debt (1)	9.19%
Rf (Risk Free Rate) (2)	7.22%
Rm (Market Return) - Rf (3)	7.20%
T (Effective Tax Rate) (4)	6.40%

CNW

Beta (Equity) (5)	1.15

Cost of Equity = Rf + Beta (Equity) * (Rm - Rf)

Cost of Equity	15.50%

Current CNW Capital Structure:

Debt/Capitalization	47.8%
Equity/Capitalization	52.2%
WACC (6)	12.20%

(1) Represents CNW's current pre-tax cost of debt (Estimated 1995 Interest Expense/Year End 1994 Debt).

(2) Based on 5 year treasury @ 3/8/95.

(3) Large company stock total returns minus long-term government bond (20-year) income returns as estimated by Ibbotson Associates based on annual data from 1926 to 1993.

(4) CNW's cash tax rate including benefits of NOLs.

(5) Betas calculated over prior year with weekly intervals.

(6) WACC = (Debt/Capitalization) * After Tax Cost of Debt + (E/(D + E)) * Cost of Equity

Project Voyager
Discounted Cash Flow Analysis - Company Case

	1995	1996	1997	1998	1999
EBITA	$282.6	$309.4	$356.8	$396.9	$442.4
Plus: Assumed Synergies	0.0	0.0	0.0	0.0	0.0
Plus: Other Income	5.7	7.4	4.0	4.0	4.0
Less: Income Taxes @ 35%	(100.9)	(110.9)	(126.3)	(140.3)	(156.2)
Plus: Tax Shield	50.0	50.0	50.0	50.0	19.0
Plus: Depreciation	84.2	92.3	101.1	110.4	119.6
Plus: Miscellaneous Asset Sales/ Salvage	11.0	11.0	11.0	11.0	11.0
Less: Settlement/Other	(10.7)	(6.8)	(2.6)	(3.5)	(4.3)
Less: Increase in Working Capital	0.0	0.0	0.0	0.0	0.0
Less: Capital Expenditures	(135.0)	(146.0)	(155.0)	(154.0)	(162.0)
Free Cash Flow	$186.9	$206.4	$239.0	$274.5	$273.5
Terminal Value @ 6.5x EBITDA					3,653.0
Free Cash Flow plus Terminal Value	$186.9	$206.4	$239.0	$274.5	$3,926.5

TEV (1)

	Terminal EBITDA Multiple		
Discount Rate	6.0	6.5	7.0
11.0%	2,854.9	3,021.6	3,188.4
12.0%	2,744.5	2,904.0	3,063.4
13.0%	2,639.7	2,792.2	2,944.7
14.0%	2,540.0	2,685.9	2,831.8

Implied Per Share Value (2)

	Terminal EBITDA Multiple		
Discount Rate	6.0	6.5	7.0
11.0%	39.0	42.7	46.3
12.0%	36.6	40.1	43.6
13.0%	34.4	37.7	41.0
14.0%	32.2	35.4	38.5

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(1) Includes net debt of $1059 million.

(2) Based on 46.0 million fully diluted shares outstanding.

Appendix D

UP'S ESTIMATE OF COMBINATION SYNERGIES IN JANUARY 1993 CONTROL APPLICATION

(Dollars in Millions)

	YEAR 1		YEAR 2		YEAR 3		NORMAL
	ANNUAL	ONE-TIME	ANNUAL	ONE-TIME	ANNUAL	ONE-TIME	YEAR
REVENUE GAINS, NET OF INCREMENTAL COSTS							
Diversions/Reroutes	$ 15.8		$ 20.3		$ 22.6		$ 22.6
New Marketing Opportunities	57.9		74.5		82.8		82.8
Net Revenue Benefits	73.7		94.8		105.4		105.4
OPERATING BENEFITS							
Equipment Utilization	15.6		15.6		15.6		15.6
Departmental Coordinations:							
Maintenance of Way	8.7		8.7		8.7		8.7
Maintenance of Equipment	5.0		5.0		5.0		5.0
Transportation/Operations	15.5		15.5		15.5		15.5
Communication/Computers	9.5	($16.0)	11.5		11.5		11.5
General/Administrative	20.5		21.9		22.3		22.3
Total Operating Benefits:	74.8	(16.0)	78.2	--	78.5	--	78.5
Employee Relocation		(19.0)					
Labor/Separation/Etc.		(33.8)		($8.7)		($3.6)	
TOTAL COMBINATION SYNERGIES	$148.5	($68.7)	$173.0	($8.7)	$183.9	($3.6)	$183.9

ASSUMED TRANSACTION

(Dollars in millions, except per share data)

Consideration:	All Cash
Purchase Price per Share:	$30.00
Implied Equity Value	$1,381.8
Net Debt	1,023.6
Implied Enterprise Value	2,405.4
Less: 28.2% of fully-diluted shares already owned by UP	(385.1)
Net Transaction Value	$2,020.3
Debt Refinanced at (LIBOR + 75 bp):	7.6%
Assumed Synergies	$80.0

TRANSACTION RESULTS - 1994

	Union Pacific Stand Alone	CNW Stand Alone	Pro Forma UP/CNW
Net Debt	$4,525.0	$1,023.6	$6,602.8
Book Equity	4,924.0	315.9	4,924.0
Total Book Capitalization	$9,449.0	$1,339.5	$11,526.8
Net Debt/Book Capitalization	47.9%	76.4%	57.3%
Market Capitalization	$10,485.1	$1,219.9	$10,485.1
Net Debt	4,525.0	1,023.6	6,602.8
Total Enterprise Value	$15,010.1	$2,243.5	$17,087.9
Net Debt/Enterprise Value	30.1%	45.6%	38.6%
EBIT/Interest	4.8	2.5 x	3.9 x
EPS	$4.19	$1.93 (1)	$4.44

(1) Excludes $4.8 million charge ($.07 per share after-tax)

PURCHASE PRICE SENSITIVITY - 1994

	Implied Multiple of 1994 (Pre-Synergies):			Accretion/(Dilution) to UP at Different Synergy Levels			
	EBITDA	EBIT	EPS	$0.00	$40.00	$80.00	$120.00
$25.00	6.9	9.4	12.9	$0.06	$0.18	$0.31	$0.43
$27.50	7.3	9.9	14.2	$0.03	$0.15	$0.28	$0.40
$30.00	7.7	10.4	15.5	($0.01)	$0.12	$0.24	$0.37
$32.50	8.1	10.9	16.8	($0.04)	$0.09	$0.21	$0.34
$35.00	8.4	11.5	18.1	($0.07)	$0.06	$0.18	$0.31
$37.50	8.8	12.0	19.4	($0.10)	$0.02	$0.15	$0.27

	Pro Forma 1994 EBIT/Int. at Different Synergy Levels				Pro Forma 1994 Net Debt/
	$0.00	$40.00	$80.00	$120.00	Book Capitalization
$25.00	3.9	3.9	4.0	4.1	56.6%
$27.50	3.8	3.9	4.0	4.0	57.0%
$30.00	3.8	3.8	3.9	4.0	57.3%
$32.50	3.7	3.8	3.9	3.9	57.6%
$35.00	3.7	3.7	3.8	3.9	57.9%
$37.50	3.6	3.7	3.8	3.8	58.2%

ASSUMED TRANSACTION

(Dollars in millions, except per share data)

Consideration:	All Cash
Purchase Price per Share:	$30.00
Implied Equity Value	$1,381.8
Net Debt	1,023.6
Implied Enterprise Value	2,405.4
Less: 28.2% of fully-diluted shares already owned by UP	(385.1)
Net Transaction Value	$2,020.3
Debt Refinanced at (LIBOR + 75 bp):	7.6%
Assumed Synergies	$80.0

TRANSACTION RESULTS - 1995

	Union Pacific Stand Alone	CNW Stand Alone	Pro Forma UP/CNW
Net Debt	$4,095.9	$975.0	$6,096.4
Book Equity	5,353.1	425.0	5,430.5
Total Book Capitalization	$9,449.0	$1,400.0	$11,526.8
Net Debt/Book Capitalization	43.3%	69.6%	52.9%
Market Capitalization	$10,485.1	$1,219.9	$10,485.1
Net Debt	4,095.9	975.0	6,096.4
Total Enterprise Value	$14,581.0	$2,194.9	$16,581.5
Net Debt/Enterprise Value	28.1%	44.4%	36.8%
EBIT/Interest	5.0	2.7	4.2 x
EPS	$4.53	$2.50	$4.86

PURCHASE PRICE SENSITIVITY - 1995

	Implied Multiple of 1995 (Pre-Synergies):			Accretion/(Dilution) to UP at Different Synergy Levels			
	EBITDA	EBIT	EPS	$0.00	$40.00	$80.00	$120.00
$25.00	5.9	8.0	10.5	$0.15	$0.27	$0.40	$0.52
$27.50	6.2	8.4	11.6	$0.11	$0.24	$0.36	$0.49
$30.00	6.6	8.9	12.7	$0.08	$0.21	$0.33	$0.46
$32.50	6.9	9.3	13.7	$0.05	$0.18	$0.30	$0.43
$35.00	7.2	9.7	14.8	$0.02	$0.14	$0.27	$0.39
$37.50	7.5	10.2	15.8	($0.01)	$0.11	$0.24	$0.36

	Pro Forma 1995 EBIT/Int. at Different Synergy Levels			
	$0.00	$40.00	$80.00	$120.00
$25.00	4.1	4.2	4.3	4.3
$27.50	4.0	4.1	4.2	4.3
$30.00	4.0	4.1	4.2	4.2
$32.50	3.9	4.0	4.1	4.2
$35.00	3.9	4.0	4.0	4.1
$37.50	3.8	3.9	4.0	4.1

Transaction Summary/Purchase

Acquisition Price Per Share	$30.000	
CNW Shares Outstanding (Fully-Diluted)	46.765	
Shares Owned by Union Pacific	12.835	
Shares Purchased	33.930	
Cash per Share	$30.000	100%
Union Pacific Common Stock per Share	$0.000	0%
Exchange Ratio	0.000	
New Shares Issued by Union Pacific	0.000	
% of Pro Forma Union Pacific owned by CNW Shareholders	0.0%	
Cash Consideration	$1,017.9	
Stock Consideration	0.0	0.0
Equity Purchased	$1,017.9	
CNW Book Value (72.5%)	(227.0)	
Options Proceeds	(34.8)(g)	
Asset Write-(Up)/Down	0.0	
Other Acquisition Intangibles	0.0	
Transaction Costs	15.0	
Goodwill Created	$756.1	

Sources of Funds

New Union Pacific Common Stock	$0.0	
Bank Debt (f)	2,077.8	7.55%
Senior Notes	0.0	0.00%
Subordinated Debt - 1	0.0	0.00%
Preferred Stock	0.0	0.00%
Target Cash	105.4	
Option Proceeds	34.8 (g)	
Other Sources	0.0	
Total Sources	$2,218.1	

Uses of Funds

Purch. of CNW Equity	$1,017.9
Refinancing of Net Debt	1,129.0
Call Premium	25.0
Financing Costs (a)	31.2
Other Transaction Costs	15.0
Total Uses	$2,218.1

Assumptions (b)

	Union Pacific		CNW	
Stock Price (3/7/95)	$51.125		$26.750	
Shares Outstanding	205.087		45.605 (g)	
Cash & ST Inv	$222.0		$105.4	
Gross Non-Convertible Debt	4,747.0	7.32% (c)	1,129.0	
Convertible Debt	0.0	0.00%	0.0	0.00%
Preferred Stock	0.0	0.00%	0.0	0.00%
Book Value	4,924.0		315.9	
Assumed Debt Retirement During 1994	429.1			

Amortization Periods:

Write-Up Depreciation Period	10 years
Other Intangibles Amortization Period	10 years
Goodwill Amortization Period	40 years
Financing Costs Amortization Period	5 years

Effective Tax Rates:

Union Pacific	33.8%
CNW	38.0%

Transaction Multiples (d)

	CNW Proposed Deal	Union Pacific Market
Equity Value	$1,381.8	$10,485.1
1994E EPS	$1.93	$4.19
1994 P/E (e)	15.5	12.2
Book Value	4.4	2.1
Enterprise Value	$2,405.4	$15,010.1
As a Multiple of 1994:		
Revenues	2.1	1.9
EBITDA (w/o synergies)	7.7	5.6

EBIT (w/o synergies)	10.4	9.0

Notes:

(a) 1.5% of the total amount of debt in the "Sources of Funds" schedule.

(b) Balance Sheet amounts reflect 9/94 actual figures.

(c) Represents 1994 YTD interest expense divided by average debt.

(d) Multiples are based on 1994E financials, except Book Value. CNW Deal multiples have been adjusted for option proceeds.

(e) CNW 1994 Net Income: $89.0 million
CNW 1995 Net Income: $115.3 million

(f) Represents 3-month LIBOR of 6.8% plus 75 basis points.

(g) Calculation of shares outstanding and options proceeds:

Shares Outstanding (Excluding UP)			31.284
Shares Owned by Union Pacific			12.835
Total Shares Outstanding	Total	Avg. Ex Pr.	44.119
Outstanding Options	2.646	$13.16	1.485
CNW Shares Outstanding (Fully-Diluted)			45.605
Options proceeds			$34.8

Projected Income Statement

Year End December 31,		Union Pacific Stand Alone 1994	Union Pacific Stand Alone 1995	Pro Forma Union Pacific/ CNW Combined 1994	Pro Forma Union Pacific/ CNW Combined 1995	
Revenues: Union Pacific		$8,018.0	$8,123.0	$8,018.0	$8,123.0	
CNW				1,129.8	1,264.8	
Synergies				0.0	0.0	
Consolidated		8,018.0	8,123.0	9,147.8	9,387.8	
EBITDA: Union Pacific		2,675.3	2,742.0	2,675.3	2,765.5	
CNW				313.7	366.8	
Synergies				80.0	80.0	
Consolidated		2,675.3	2,742.0	3,069.0	3,212.3	
EBIT: Union Pacific		1,665.0	1,742.0	1,665.0	1,742.0	
CNW				230.7	271.6	
Synergies				80.0	80	
Consolidated		1,665.0	1,742.0	1,975.7	2,093.6	
Write-Up Depreciation				0.0	0.0	
Amortization of Other Intangibles				0.0	0.0	
Combined Adjusted EBIT		1,665.0	1,742.0	1,975.7	2,093.6	
Interest Expense:						
Existing Debt-Union Pacific	7.32%	(347.5)	(347.5)	(347.5)	(347.5)	
Existing Debt-CNW				0.0	0.0	
Bank Debt (3)	7.55%	0.0	0.0	(156.9)	(156.9)	
Senior Notes	0.00%			0.0	0.0	
Subordinated Debt - 1	0.00%			0.0	0.0	
Total Consolidated Interest Expense		(347.5)	(347.5)	(504.4)	(504.4)	
Financing Costs				(6.2)	(6.2)	
Interest Income	4.00%	8.9	8.9	8.9	8.9	
Other Income/(Expense) (1):						
Union Pacific		(28.0)	0.0	(53.0)	(32.5)	(1)
CNW				7.1	7.5	
Pre-Tax Income		1,298.4	1,403.4	1,428.0	1,566.9	
Income Taxes		(438.9)	(474.3)	(499.5)	(550.7)	
Tax Rate		33.8%	33.8%	35.0%	35.1%	
Goodwill Amortization (Non-deductible) (2)		0.0	0.0	(18.9)	(18.9)	(2)
Net Income to Common		$859.5	$929.1	$909.6	$997.3	
Primary Shares Outstanding		205.087	205.087	205.087	205.087	
Primary E.P.S.		$4.19	$4.53	$4.44	$4.86	
(Dilution)/Accretion				$0.24	$0.33	
% (Dilution)/Accretion				5.8%	7.4%	

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(1) Pro forma number adjusts for Union Pacific's 28.2% equity interest in CNW, which is accounted for by the equity method.

(2) Incremental goodwill amortization reflects acquisition of remaining 71.8% of CNW.

(3) Assumes LIBOR of 6.8% + 75 b.p.

Projected Capitalization

		Union Pacific Stand Alone		Pro Forma Union Pacific/ CNW Combined	
Year End December 31,		1994	1995	1994	1995
Cash and ST Investments		$222.0	$222.0	$222.0	$222.0
Debt:					
Existing Debt-Union Pacific	7.32%	4,747.0	4,317.9	4,747.0	4,240.5
Existing Debt-CNW	8.19%			0.0	0.0
Bank Debt	7.55%			2,077.8	2,077.8
Senior Notes	0.00%			0.0	0.0
Subordinated Debt - 1	0.00%			0.0	0.0
Total Debt		4,747.0	4,317.9	6,824.8	6,318.4
Net Debt		4,525.0	4,095.9	6,602.8	6,096.4
Book Equity		$4,924.0	$5,353.1	$4,924.0	$5,430.5
Total Book Capitalization		9,449.0	9,449.0	11,526.8	11,526.8
Net Debt/Book Capitalization		47.9%	43.3%	57.3%	52.9%
Market Capitalization		$10,485.1	$10,485.1	$10,485.1	$10,485.1
Total Enterprise Value		15,010.1	14,581.0	17,087.9	16,581.5
Net Debt/Total Enterprise Value		30.1%	28.1%	38.6%	36.8%
Coverage Ratios:					
EBITDA/Total Interest		7.7	7.9	6.1	6.4
EBIT/Total Interest		4.8	5.0	3.9	4.2

Appendix E

Union Pacific - Weighted Average Cost of Capital

Assumptions:

Pre-tax cost of debt (1)	7.36%
Rf (Risk Free Rate) (2)	7.22%
Rm (Market Return) - Rf (3)	7.20%
T (Effective Tax Rate)	35.00%

Union Pacific

Beta (Equity) (4)	1.00

Cost of Equity = Rf + Beta (Equity) * (Rm - Rf)

Cost of Equity	14.42%

Current Union Pacific Capital Structure:

Debt/Capitalization	30.2%
Equity/Capitalization	69.8%
WACC (5)	11.51%

(1) Represents U.P.'s current pre-tax cost of debt (LTM Interest Expense/Avg. LTM Debt).

(2) Based on 5 year treasury @ 3/8/95.

(3) Large company stock total returns minus long-term government bond (20-year) income returns as estimated by Ibbotson Associates based on annual data from 1926 to 1993.

(4) Betas calculated over prior year with weekly intervals.

(5) WACC = (Debt/Capitalization) * After Tax Cost of Debt + (E/(D + E)) * Cost of Equity

Project Voyager
Discounted Cash Flow Analysis - Company Case

	1995	1996	1997	1998	1999
EBITA	$282.6	$309.4	$356.8	$396.9	$442.4
Plus: Assumed Synergies	80.0	80.0	80.0	80.0	80.0
Plus: Other Income	5.7	7.4	4.0	4.0	4.0
Less: Income Taxes @ 35%	(128.9)	(138.9)	(154.3)	(168.3)	(184.2)
Plus: Tax Shield	50.0	50.0	50.0	50.0	19.0
Plus: Depreciation	84.2	92.3	101.1	110.4	119.6
Plus: Miscellaneous Asset Sales/ Salvage	11.0	11.0	11.0	11.0	11.0
Less: Settlement/Other	(10.7)	(6.8)	(2.6)	(3.5)	(4.3)
Less: Increase in Working Capital	0.0	0.0	0.0	0.0	0.0
Less: Capital Expenditures	(135.0)	(146.0)	(155.0)	(154.0)	(162.0)
Free Cash Flow	$238.9	$258.4	$291.0	$326.5	$325.5
Terminal Value @ 6.5x EBITDA					4,173.0
Free Cash Flow plus Terminal Value	$238.9	$258.4	$291.0	$326.5	$4,498.5

TEV (1)

	Terminal EBITDA Multiple		
Discount Rate	6.0	6.5	7.0
11.0%	3,331.9	3.522.4	3.712.9
12.0%	3,204.3	3,386.5	3,568.6
13.0%	3,083.1	3,257.3	3,431.5
14.0%	2,967.8	3,134.5	3,301.2

Implied Per Share Value (2)

	Terminal EBITDA Multiple		
Discount Rate	6.0	6.5	7.0
11.0%	49.4	53.6	57.7
12.0%	46.6	50.6	54.6
13.0%	44.0	47.8	51.6
14.0%	41.5	45.1	48.7

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(1) Includes net debt of $1059 million.

(2) Based on 46.0 million fully diluted shares outstanding.

Appendix F

Leveraged Buyout Analysis

(Dollars in Millions, Except Per Share Amounts)

- Assumed Purchase Price: $27.00

- Sources and uses of funds:

Sources		Uses	
Bank/WRPI Debt	$1,307	Purchase of Common Stock	$1,228
Senior Sub. Notes	400	Refinancing of Existing Debt	1,129
Jr. Sub. PIK Notes	200	Fees, Expenses, Call Premiums	95
Existing Cash	70		$2,452
Common Equity	475		
	$2,452		

- Equity returns:

	Assumed Exit P/E in 1999			
	9.0x	10.0x	11.0x	12.0x
Equity IRR	23.1%	26.5%	29.5%	32.3%

- Pro forma credit statistics:

	1995	1997	1999
EBITA/Total Interest	1.4x	1.8x	2.5x
EBITDA-CapX/Total Interest	1.2	1.5	2.3
EBITDA-CapX/Cash Interest	1.4	1.8	2.3

(Dollars in Millions)

CNW Current Stock Price			$26.75
Acquisition Price Per Share			$27.000
CNW Shares Outstanding Excl. UP			31.284
Shares Owned by Union Pacific			12.835
Total Shares Outstanding	Total	Avg. Ex Pr.	44.119
Outstanding Options	2.646	$13.16	1.356
CNW Shares Outstanding (Fully-Diluted)			45.476
Shares Outstanding for Recapitalization Analysis			46.000

Uses of Funds	
Purchase of CNW	$1,227.8
Existing Debt	1,129.0
Special Dividend	0.0
Debt Issuance Costs	55.0
Other Transaction Costs	15.0
Call Premium	25.0
Existing Preferred	0.0
Total	$2,451.8

Sources of Funds		Percent
Bank Term Loan	$925.0	37.7%
Bank Revolver/WRPI Debt (1)	381.4	15.6%
Senior Sub. Notes	400.0	16.3%
Jr. Sub. Notes	200.0	8.2%
Other Notes	0.0	0.0%
Preferred Stock	0.0	0.0%
Existing Cash	70.4	2.9%
Common Equity	475.0	19.4%
Total	$2,451.8	100.0%

Ownership		Investment
Buyer	100.0%	$475.0
Financial Partner	0.0%	0.0%
Strategic Partner	0.0%	0.0%
Management	NA	NA
Warrants	NA	NA
Total	100.0%	$475.0

- ------------
(1) Assumes total revolver of $550 million.

Capital Costs	
Cash Account	4.00%
Bank Term Loan	--
Bank Revolver/WRPI Debt (1)	--
Senior Sub. Notes	12.00%
Jr. Sub. Notes	14.00%
PIK Rate	14.00%
Cash Pay Rate	0.00%
Other Notes	--
Preferred Stock/Exchange Notes	NA

Tax Assumptions	
Federal & State Income Tax Rate	35.0%
Net Operating Loss	$0.0
Tax Credit	0.0

No tax step-up assumed

Other Assumptions	
Working Capital as a % of Sales	NA

Summary Statistics

EBITDA - CapX/Cash Int.				
Year 1	Year 2	Year 3	Year 4	Year 5
1.37	1.51	1.83	2.36	2.28
EBITDA - CapX/Total Int.				
1.17	1.27	1.50	1.85	2.28
Net Debt/EBITDA				
5.1	4.5	3.7	3.0	2.4

Bank Term Loan Paid Down in 7.0 years.

Comments
Floating
Floating -- LIBOR (6.8%) + 250bp
Floating -- LIBOR (6.8%) + 250bp
Fixed, 4 yr. PIK
Fixed
Fixed
Fixed

Total Enterprise Value

Pro Forma Debt/Preferred	$1,906.4
Common Equity	475.0
Total Enterprise Value	$2,381.4

Acquisition Multiples

TEV/1994 EBITDA	7.6
TEV/1995 EBITA	8.4
TEV/1995 EBITDA	6.5
TEV/1995 EBITDA-CapX	10.3
1994 P/E	14.0
1995 P/E	11.4

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	Actual				Forecast				
	1991	1992	1993	1994	1995	1996	1997	1998	1999
Net Revenues	$979.0	$985.2	$1,043.2	$1,129.8	$1,264.8	$1,367.3	$1,549.9	$1,683.8	$1,833.1
EBITDA	274.3	272.5	285.5	313.7	366.8	401.7	457.9	507.3	562.0
Book Depreciation	69.1	64.9	68.8	75.8	84.2	92.3	101.1	110.4	119.6
EBITA	205.2	207.6	216.7	237.9	282.6	309.4	356.8	396.9	442.4
EBITA Margin	21.0%	21.1%	20.8%	21.1%	22.3%	22.6%	23.0%	23.6%	24.1%
Amortization of Goodwill	40.0 years				23.8	23.8	23.8	23.8	23.8
Amortization of Debt Issuance Costs	7.0 years				7.9	7.9	7.9	7.9	7.9
EBIT					250.9	277.7	325.1	365.2	410.7
Other Income					5.7	7.4	4.0	4.0	4.0
Interest Expense (Income)									
Interest Income					0.0	0.0	0.0	0.0	0.0
Bank Term Loan					86.0	84.0	78.2	62.7	40.6
Bank Revolver					35.5	37.4	39.3	39.3	39.3
Seasonal Borrowings					0.0	0.0	0.0	0.0	0.0
Senior Sub. Notes					48.0	48.0	48.0	48.0	48.0
Jr. Sub. Notes: PIK Interest					28.0	31.9	36.4	41.5	0.0
Cash Interest					0.0	0.0	0.0	0.0	47.3
Other Notes					0.0	0.0	0.0	0.0	0.0
Total Interest Expense					197.5	201.3	201.8	191.5	175.2
Pre-tax Income					59.1	83.9	127.3	177.8	239.6
Income Taxes (35 %)					29.0	37.7	52.9	70.5	92.2
Net Income					$30.1	$46.2	$74.4	$107.2	$147.4
Preferred Dividends					0.0	0.0	0.0	0.0	0.0
Net Income to Common					$30.1	$46.2	$74.4	$107.2	$147.4
Memo: Assumed Cost Savings					$0.0	$0.0	$0.0	$0.0	$0.0
% Saved					60.0%	100.0%	100.0%	100.0%	100.0%
Total Savings					$0.0	$0.0	$0.0	$0.0	$0.0
Memo: 3 mo. LIBOR Rate @ 6 5/16%					6.80%	7.30%	7.80%	7.80%	7.80%
Spread					2.50%	2.50%	2.50%	2.50%	2.50%
Bank Rate					9.30%	9.80%	10.30%	10.30%	10.30%

		Forecast				
		2000	2001	2002	2003	2004
Net Revenues		$1,833.1	$1,833.1	$1,833.1	$1,833.1	$1,833.1
EBITDA		562.0	562.0	562.0	562.0	562.0
Book Depreciation		119.6	119.6	119.6	119.6	119.6
EBITA		442.4	442.4	442.4	442.4	442.4
EBITA Margin		24.1%	24.1%	24.1%	24.1%	24.1%
Amortization of Goodwill	40.0 years	23.8	23.8	23.8	23.8	23.8
Amortization of Debt Issuance Costs	7.0 years	7.9	7.9	0.0	0.0	0.0
EBIT		410.7	410.7	418.6	418.6	418.6
Other Income		4.0	4.0	4.0	4.0	4.0
Interest Expense (Income)						
Interest Income		0.0	0.0	0.0	0.0	0.0
Bank Term Loan		22.9	6.9	0.0	0.0	0.0
Bank Revolver		39.3	39.3	29.2	11.3	0.0
Seasonal Borrowings		0.0	0.0	0.0	0.0	0.0
Senior Sub. Notes		48.0	48.0	48.0	48.0	38.9
Jr. Sub. Notes: PIK Interest		0.0	0.0	0.0	0.0	0.0
Cash Interest		47.3	47.3	47.3	47.3	47.3
Other Notes		0.0	0.0	0.0	0.0	0.0

Total Interest Expense	157.4	141.5	124.5	106.6	86.2
Pre-tax Income	257.3	273.3	298.1	316.0	336.4
Income Taxes (35%)	98.4	104.0	112.7	118.9	126.1
Net Income	$158.9	$169.3	$185.5	$197.1	$210.3
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Net Income to Common	$158.9	$169.3	$185.5	$197.1	$210.3
Memo: Assumed Cost Savings	$0.0	$0.0	$0.0	$0.0	$0.0
% Saved	100.0%	100.0%	100.0%	100.0%	100.0%
Total Savings	$0.0	$0.0	$0.0	$0.0	$0.0
Memo: 3 mo. LIBOR Rate @ 6 5/16%	7.80%	7.80%	7.80%	7.80%	7.80%
Spread	2.50%	2.50%	2.50%	2.50%	2.50%
Bank Rate	10.30%	10.30%	10.30%	10.30%	10.30%

(Dollars in Millions)

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sources of Funds											
Net Income		$30.1	$46.2	$74.4	$107.2	$147.4	$158.9	$169.3	$185.5	$197.1	$210.3
Depreciation		84.2	92.3	101.1	110.4	119.6	119.6	119.6	119.6	119.6	119.6
NOL Utilization / Deferred Taxes		29.0	37.7	52.9	70.5	28.8	0.0	0.0	0.0	0.0	0.0
Non-cash PIK Preferred Stock Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash PIK Jr. Sub. Notes Interest		28.0	31.9	36.4	41.5	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash Other Debt Interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Goodwill		23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Amortization of Debt Issuance Costs		7.9	7.9	7.9	7.9	7.9	7.9	7.9	0.0	0.0	0.0
Net Proceeds from Asset Sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Asset Sales/Salvage		11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Total Sources		$214.0	$250.8	$307.5	$372.3	$338.5	$321.2	$331.5	$339.9	$351.5	$364.7
Uses of Funds											
Increase in Working Capital		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Settlement / Other		10.7	6.8	2.6	3.5	4.3	4.3	4.3	4.3	4.3	4.3
Capital Expenditures		135.0	146.0	155.0	154.0	162.0	162.0	162.0	162.0	162.0	162.0
Total Uses		$145.7	$152.8	$157.6	$157.5	$166.3	$166.3	$166.3	$166.3	$166.3	$166.3
Cash Flow Before Principal Repayments		$68.3	$98.0	$149.9	$214.8	$172.2	$154.9	$165.2	$173.6	$185.2	$198.4
Mandatory Debt Amortization											
Retirement of Bank Term Loan		$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Retirement of Bank Revolver		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Senior Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Jr. Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Other Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mandatory Debt Amortization		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Available After Mandatory Amortization		68.3	98.0	149.9	214.8	172.2	154.9	165.2	173.6	185.2	198.4
Optional Debt Retirement											
Retirement of Bank Term Loan		$68.3	$98.0	$149.9	$214.8	$172.2	$154.9	$67.0	$0.0	$0.0	$0.0
Retirement of Bank Revolver		0.0	0.0	0.0	0.0	0.0	0.0	98.2	173.6	109.7	0.0
Retirement of Senior Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.5	198.4
Retirement of Jr. Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Other Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Optional Debt Retirement		$68.3	$98.0	$149.9	$214.8	$172.2	$154.9	$165.2	$173.6	$185.2	$198.4
Excess Cash Flow		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(Dollars in Millions) Page 4

	Actual 9/30/94	Purchase Adjust.	Pro Forma 9/30/94	Forecast 1995	1996	1997	1998	1999
Assets								
Current Assets	$282.9	($70.4)	$212.5	$212.5	$212.5	$212.5	$212.5	$212.5
Net Property, Plant & Equipment	1,872.8	0.0	1,872.8	1,923.6	1,977.3	2,031.2	2,074.8	2,117.2
Other Assets	62.9	55.0	117.9	109.7	97.7	81.4	66.1	51.5
Goodwill	0.0	951.9	951.9	928.1	904.3	880.5	856.7	833.0
Total Assets	$2,218.6	$936.5	$3,155.1	$3,174.0	$3,191.8	$3,205.7	$3,210.1	$3,214.2
Liabilities & Shareholders' Equity								
Current Liabilities	$278.4	$0.0	$278.4	278.4	$278.4	$278.4	$278.4	$278.4
Long-Term Debt								
Bank Term Loan	0.0	$925.0	$925.0	$856.7	$758.7	$608.9	$394.1	$221.9
Bank Revolver	0.0	381.4	381.4	381.4	381.4	381.4	381.4	381.4
Senior Sub. Notes	0.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Jr. Sub. Notes	0.0	200.0	200.0	228.0	259.9	296.3	337.8	337.8
Other Notes	1,129.0	(1,129.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total	$1,129.0	$777.4	$1,906.4	$1,866.1	$1,800.1	$1,686.6	$1,513.3	$1,341.1
Other Liabilities	495.3	0.0	495.3	495.3	495.3	495.3	495.3	495.3
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity	315.9	159.1	475.0	534.1	618.0	745.3	923.1	1,099.3
Total Liabilities & Shareholders' Equity	$2,218.6	$936.5	$3,155.1	$3,174.0	$3,191.8	$3,205.7	$3,210.1	$3,214.2

	Forecast 2000	2001	2002	2003	2004
Assets					
Current Assets	$212.5	$212.5	$212.5	$212.5	$212.5
Net Property, Plant & Equipment	2,159.6	2,202.0	2,244.4	2,286.8	2,329.2
Other Assets	37.0	22.4	15.7	9.0	2.3
Goodwill	809.2	785.4	761.6	737.8	714.0
Total Assets	$3,218.2	$3,222.3	$3,234.2	$3,246.1	$3,258.0
Liabilities & Shareholders' Equity					
Current Liabilities	$278.4	$278.4	$278.4	$278.4	$278.4
Long-Term Debt					
Bank Term Loan	$67.0	$0.0	$0.0	$0.0	$0.0
Bank Revolver	381.4	283.2	109.7	0.0	0.0
Senior Sub. Notes	400.0	400.0	400.0	324.5	126.1
Jr. Sub. Notes	337.8	337.8	337.8	337.8	337.8
Other Notes	0.0	0.0	0.0	0.0	0.0
Total	$1,186.2	$1,021.0	$847.4	$662.3	$463.8
Other Liabilities	495.3	495.3	495.3	495.3	495.3
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Common Equity	1,258.3	1,427.6	1,613.0	1,810.1	2,020.4
Total Liabilities & Shareholders' Equity	$3,218.2	$3,222.3	$3,234.2	$3,246.1	$3,258.0

(Dollars in Millions) Page 5

	Pro Forma	Forecast								
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
EBITA/Bank Interest	1.96	2.33	2.55	3.04	3.89	5.54	7.12	9.58	15.17	39.17	ERR
EBITA/Cash Interest & Preferred Dividend	1.40	1.67	1.83	2.16	2.65	2.53	2.81	3.13	3.55	4.15	5.13
EBITA/Total Interest & Preferred Dividend	1.20	1.43	1.54	1.77	2.07	2.53	2.81	3.13	3.55	4.15	5.13
EBITDA/Total Interest and Preferred Dividend	1.59	1.86	2.00	2.27	2.65	3.21	3.57	3.97	4.52	5.27	6.52
EBITDA - CapX/Total Interest and Preferred Dividend	NA	1.17	1.27	1.50	1.85	2.28	2.54	2.83	3.21	3.75	4.64
EBITDA - CapX - Changes in Work. Cap./ Total Interest & Pfd Divd	NA	1.17	1.27	1.50	1.85	2.28	2.54	2.83	3.21	3.75	4.64
EBITDA/Cash Interest & Preferred Dividend	1.85	2.16	2.37	2.77	3.38	3.21	3.57	3.97	4.52	5.27	6.52
EBITDA - CapX/Cash Interest & Pfd Divd	NA	1.37	1.51	1.83	2.36	2.28	2.54	2.83	3.21	3.75	4.64
EBITDA - CapX - Changes in Work. Cap./ Cash Interest & Pfd Divd	NA	1.37	1.51	1.83	2.36	2.28	2.54	2.83	3.21	3.75	4.64
Bank Debt/Total Capitalization	54.9%	51.6%	47.2%	40.7%	31.8%	24.7%	18.3%	11.6%	4.5%	0.0%	0.0%
Debt : Total Equity	4.01	3.49	2.91	2.26	1.64	1.22	0.94	0.72	0.53	0.37	0.23
Debt as % of Total Capitalization	80.1%	77.7%	74.4%	69.4%	62.1%	55.0%	48.5%	41.7%	34.4%	26.8%	18.7%
EBITDA/Net Bank Debt	24.0%	29.6%	35.2%	46.2%	65.4%	93.1%	125.3%	198.4%	512.5%	ERR	ERR
Net Debt/EBITDA	6.1	5.1	4.5	3.7	3.0	2.4	2.1	1.8	1.5	1.2	0.8
Net Debt + Preferred/EBITDA	6.1	5.1	4.5	3.7	3.0	2.4	2.1	1.8	1.5	1.2	0.8

(Dollars in Millions) Page 6

0.0% Call Jr. Sub. Notes
0.0% Call Other Notes

	1995	1996	1997	1998	1999
Size of IPO	$400.0	$400.0	$400.0	$400.0	$400.0
Spread + Exp @ 7.0%	(28.0)	(28.0)	(28.0)	(28.0)	(28.0)
Net Proceeds	372.0	372.0	372.0	372.0	372.0

Old Cap Structure

Bank Debt	$1,238.1	$1,140.2	$990.3	$775.5	$603.3
Senior Sub. Notes	400.0	400.0	400.0	400.0	400.0
Jr. Sub. Notes	228.0	259.9	296.3	337.8	337.8
Total Debt/Pfd.	1,866.1	1,800.1	1,686.6	1,513.3	1,341.1

Cap Structure Before Premiums

Bank Debt	$1,494.1	$1,428.1	$1,314.6	$1,141.3	$969.1
Senior Sub. Notes	0.0	0.0	0.0	0.0	0.0
Jr. Sub. Notes	0.0	0.0	0.0	0.0	0.0
Total Debt	$1,494.1	$1,428.1	$1,314.6	$1,141.3	$969.1
Pm Senior Sub. Notes	10.00%	10.00%	9.00%	8.00%	7.00%
Pm Jr. Sub. Notes	10.00%	10.00%	9.00%	8.00%	7.00%
Additional Debt	62.8	66.0	62.7	59.0	51.6

ProForma Cap Structure

Bank Debt	$1,556.9	$1,494.1	$1,377.3	$1,200.3	$1,020.8
Senior Sub. Notes	0.0	0.0	0.0	0.0	0.0
Jr. Sub. Notes	0.0	0.0	0.0	0.0	0.0
Total Debt/Pfd.	1,556.9	1,494.1	1,377.3	1,200.3	1,020.8

Pro Forma Equity Value

Trailing NI Multiple					
9.0	$591.5	$736.9	$1,037.5	$1,373.6	$1,742.7
10.0	657.3	818.8	1,152.8	1,526.2	1,936.3
11.0	723.0	900.7	1,268.1	1,678.8	2,129.9
12.0	788.7	982.6	1,383.4	1,831.4	2,323.6

Pro Forma Net Income with Recapitalization/IPO

	1995	1996	1997	1998	1999
EBIT	$250.9	$277.7	$325.1	$365.2	$410.7
Bank Debt Interest	137.0	139.0	135.0	117.6	100.0
Seasonal Borrowings	0.0	0.0	0.0	0.0	0.0
Senior Sub. Notes	0.0	0.0	0.0	0.0	0.0
Jr. Sub. Notes	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	113.9	138.8	190.2	247.6	310.7
Taxes	48.2	56.9	74.9	95.0	117.1
Pro Forma Net Income	$65.7	$81.9	$115.3	$152.6	$193.6
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Pro Forma Net Income to Common	$65.7	$81.9	$115.3	$152.6	$193.6

Pro Forma Credit Statistics

EBITA/Cash Interest	2.06	2.23	2.64	3.37	4.42
EBITDA-CapX/Interest	1.69	1.84	2.24	3.00	4.00
EBITDA/Interest	2.68	2.89	3.39	4.31	5.62
Debt/EBITDA	4.2	3.7	3.0	2.4	1.8
3 mo. LIBOR Rate	6.80%	7.30%	7.80%	7.80%	7.80%
Spread	2.00%	2.00%	2.00%	2.00%	2.00%
Bank Rate	8.80%	9.30%	9.80%	9.80%	9.80%

Equity Value Post IPO To Original Investors

NI Multiple					
9.0	$191.5	$336.9	$637.5	$973.6	$1,342.7
10.0	257.3	418.8	752.8	1,126.2	1,536.3
11.0	323.0	500.7	868.1	1,278.8	1,729.9
12.0	388.7	582.6	983.4	1,431.4	1,923.6

(Dollars in Millions)

Pro Forma Buyer Equity Value

Trailing NI Multiple	1995	1996	1997	1998	1999
9.0	$191.5	$336.9	$637.5	$973.6	$1,342.7
10.0	257.3	418.8	752.8	1,126.2	1,536.3
11.0	323.0	500.7	868.1	1,278.8	1,729.9
12.0	388.7	582.6	983.4	1,431.4	1,923.6

Pro Forma Buyer Ownership

9.0	32.4%	45.7%	61.4%	70.9%	77.0%
10.0	39.1%	51.1%	65.3%	73.8%	79.3%
11.0	44.7%	55.6%	68.5%	76.2%	81.2%
12.0	49.3%	59.3%	71.1%	78.2%	82.8%

Return to Buyer

Trailing NI Multiple	1995	1996	1997	1998	1999
9.0	-59.7%	-15.8%	10.3%	19.7%	23.1%
10.0	-45.8%	-6.1%	16.6%	24.1%	26.5%
11.0	-32.0%	2.7%	22.3%	28.1%	29.5%
12.0	-18.2%	10.7%	27.4%	31.8%	32.3%

Appendix G
PROJECT VOYAGER - TRANSACTION ASSUMPTIONS RECAPITALIZATION COMPANY CASE
(Dollars in Millions) Page 1

CNW Current Stock Price			$26.75
Acquisition Price Per Share			NA
CNW Shares Outstanding Excl. UP			31.284
Shares Owned by Union Pacific			12.835
Total Shares Outstanding	Total	Avg. Ex Pr.	44.119
Outstanding Options	2.646	$13.16	1.344
CNW Shares Outstanding (Fully-Diluted)			45.464
Shares Outstanding for Recapitalization Analysis			NA

Uses of Funds	
Purchase of CNW	$0.0
Existing Parent Co. Debt	722.1
Special Dividend	598.0
Debt Issuance Costs	40.0
Other Transaction Costs	15.0
Call Premium	25.0
Existing Preferred	0.0
Total	$1,400.1

Sources of Funds		Percent
Bank Term Loan	$750.0	53.6%
Bank Revolver (1)	229.7	16.4%
Senior Sub. Notes	350.0	25.0%
Jr. Sub. Notes	0.0	0.0%
Existing WRPI Debt	0.0	0.0%
Preferred Stock	0.0	0.0%
Existing Cash	70.4	5.0%
Common Equity	0.0	0.0%
Total	$1,400.1	100.0%

Ownership		Investment
Buyer	NA	NA
Financial Partner	NA	NA
Strategic Partner	NA	NA
Management	NA	NA
Warrants	NA	NA
Total	0.0%	NA

(1) Assumes total revolver of $400 million.

Capital Costs	
Cash Account	4.00%
Bank Term Loan	--
Bank Revolver (1)	--
Senior Sub. Notes	12.00%
Jr. Sub. Notes	14.00%
PIK Rate	14.00%
Cash Pay Rate	0.00%
Existing WRPI Debt	--
Preferred Stock/Exchange Notes	NA

Tax Assumptions	
Federal & State Income Tax Rate	35.0%
Net Operating Loss	$0.0
Tax Credit	0.0

No tax step-up assumed

Other Assumptions	
Working Capital as a % of Sales	NA

Summary Statistics

EBITDA - CapX/Cash Int.

Year 1	Year 2	Year 3	Year 4	Year 5
1.40	1.54	1.87	2.42	3.17

EBITDA - CapX/Total Int.

Year 1	Year 2	Year 3	Year 4	Year 5
1.40	1.54	1.87	2.42	3.17

Net Debt/EBITDA

Year 1	Year 2	Year 3	Year 4	Year 5
4.5	3.9	3.1	2.4	1.9

Bank Term Loan Paid Down in 6.0 years.

Comments
Floating
Floating -- LIBOR (6.8%) + 250bp
Floating -- LIBOR (6.8%) + 250bp
Fixed, 4 yr. PIK
Fixed
Fixed
Floating -- LIBOR (6.8%) + 125bp

Total Enterprise Value

Pro Forma Debt/Preferred	NA
Common Equity	NA
Total Enterprise Value	$0.0

Acquisition Multiples

TEV/1994 EBITDA	0.0
TEV/1995 EBITA	0.0
TEV/1995 EBITDA	0.0
TEV/1995 EBITDA-CapX	0.0
1994 P/E	0.0
1995 P/E	0.0

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(Dollars in Millions)

	Actual				Forecast									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net Revenues	$979.0	$985.2	$1,043.2	$1,129.8	$1,264.8	$1,367.3	$1,549.9	$1,683.8	$1,833.1	$1,833.1	$1,833.1	$1,833.1	$1,833.1	$1,833.1
EBITDA	274.3	272.5	285.5	313.7	366.8	401.7	457.9	507.3	562.0	562.0	562.0	562.0	562.0	562.0
Book Depreciation	69.1	64.9	68.8	75.8	84.2	92.3	101.1	110.4	119.6	119.6	119.6	119.6	119.6	119.6
EBITA	205.2	207.6	216.7	237.9	282.6	309.4	356.8	396.9	442.4	442.4	442.4	442.4	442.4	442.4
EBITA Margin	21.0%	21.1%	20.8%	21.1%	22.3%	22.6%	23.0%	23.6%	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%
Amortization of Goodwill (40.0 years)					0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Amortization of Debt Issuance Costs (7.0 years)					5.7	5.7	5.7	5.7	5.7	5.7	5.7	0.0	0.0	0.0
EBIT					276.3	303.1	350.5	390.6	436.1	436.1	436.1	441.8	441.8	441.8
Other Income					5.7	7.4	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Interest Expense (Income)														
Interest Income					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank Term Loan					69.8	66.5	59.4	43.6	23.9	5.9	0.0	0.0	0.0	0.0
Bank Revolver					21.4	22.5	23.7	23.7	23.7	23.7	10.4	0.0	0.0	0.0
Seasonal Borrowings					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Senior Sub. Notes					42.0	42.0	42.0	42.0	42.0	42.0	42.0	30.3	5.0	0.0
Jr. Sub. Notes: PIK Interest					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Interest					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Existing WRPI Debt					32.8	34.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	20.1
Total Interest Expense					165.9	165.8	161.9	146.1	126.4	108.4	89.3	67.2	41.9	20.1
Pre-tax Income					116.1	144.7	192.6	248.5	313.7	331.6	350.8	378.6	403.9	425.7
Income Taxes (35%)					40.9	50.9	67.6	87.2	110.0	116.3	123.0	132.7	141.6	149.2
Net Income					$75.2	$93.8	$125.0	$161.3	$203.7	$215.4	$227.8	$245.9	$262.3	$276.5
Preferred Dividends					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income to Common					$75.2	$93.8	$125.0	$161.3	$203.7	$215.4	$227.8	$245.9	$262.3	$276.5
Memo: Assumed Cost Savings					$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
% Saved					60.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Savings					$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Memo: 3 mo. LIBOR Rate @ 6 5/16%					6.80%	7.30%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%
Spread					2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Bank Rate					9.30%	9.80%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%

PROJECT VOYAGER - CASH FLOW STATEMENTS RECAPITALIZATION COMPANY CASE

(Dollars in Millions)

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sources of Funds											
Net Income		$75.2	$93.8	$125.0	$161.3	$203.7	$215.4	$227.8	$245.9	$262.3	$276.5
Depreciation		84.2	92.3	101.1	110.4	119.6	119.6	119.6	119.6	119.6	119.6
NOL Utilization/Deferred Taxes		40.9	50.9	67.6	59.7	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash PIK Preferred Stock Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash PIK Jr. Sub. Notes Interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash Other Debt Interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Goodwill		0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Amortization of Debt Issuance Costs		5.7	5.7	5.7	5.7	5.7	5.7	5.7	0.0	0.0	0.0
Net Proceeds from Asset Sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Asset Sales/Salvage		11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Total Sources		$217.6	$254.3	$311.0	$348.7	$340.6	$352.3	$364.7	$377.1	$393.5	$407.7
Uses of Funds											
Increase in Working Capital		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Settlement/Other		10.7	6.8	2.6	3.5	4.3	4.3	4.3	4.3	4.3	4.3
Capital Expenditures		135.0	146.0	155.0	154.0	162.0	162.0	162.0	162.0	162.0	162.0
Total Uses		$145.7	$152.8	$157.6	$157.5	$166.3	$166.3	$166.3	$166.3	$166.3	$166.3
Cash Flow Before Principal Repayments		$71.9	$101.5	$153.4	$191.2	$174.3	$186.0	$198.4	$210.8	$227.2	$241.4
Mandatory Debt Amortization											
Retirement of Bank Term Loan		$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Retirement of Bank Revolver		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Senior Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Jr. Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Existing WRPI Debt		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mandatory Debt Amortization		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Available After Mandatory Amortization		71.9	101.5	153.4	191.2	174.3	186.0	198.4	210.8	227.2	241.4
Optional Debt Retirement											
Retirement of Bank Term Loan		$71.9	$101.5	$153.4	$191.2	$174.3	$57.6	$0.0	$0.0	$0.0	$0.0
Retirement of Bank Revolver		0.0	0.0	0.0	0.0	0.0	128.4	101.3	0.0	0.0	0.0
Retirement of Senior Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	97.2	210.8	42.0	0.0
Retirement of Jr. Sub. Notes		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retirement of Existing WRPI Debt		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	185.2	221.7
Total Optional Debt Retirement		$71.9	$101.5	$153.4	$191.2	$174.3	$186.0	$198.4	$210.8	$227.2	$221.7
Excess Cash Flow		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7
Cumulative Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7

(Dollars in Millions) Page 4

	Actual 9/30/94	Purchase Adjust.	Pro Forma 9/30/94	Forecast 1995	1996	1997	1998	1999
Assets								
Current Assets	$282.9	($70.4)	$212.5	$212.5	$212.5	$212.5	$212.5	$212.5
Net Property, Plant & Equipment	1,872.8	0.0	1,872.8	1,923.6	1,977.3	2,031.2	2,074.8	2,117.2
Other Assets	62.9	40.0	102.9	96.9	87.0	72.9	59.6	47.2
Goodwill	0.0	25.0	25.0	24.4	23.7	23.1	22.5	21.9
Total Assets	$2,218.6	($5.4)	$2,213.2	$2,257.4	$2,300.5	$2,339.7	$2,369.4	$2,398.8
Liabilities & Shareholders' Equity								
Current Liabilities	$278.4	$0.0	$278.4	$278.4	$278.4	$278.4	$278.4	$278.4
Long-Term Debt								
Bank Term Loan	0.0	$750.0	$750.0	$678.1	$576.5	$423.1	$231.9	$57.6
Bank Revolver	0.0	229.7	229.7	229.7	229.7	229.7	229.7	229.7
Senior Sub. Notes	0.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0
Jr. Sub. Notes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Existing WRPI Debt	1,129.0	(722.1)	406.9	406.9	406.9	406.9	406.9	406.9
Total	$1,129.0	$607.6	$1,736.6	$1,664.7	$1,563.1	$1,409.7	$1,218.5	$1,044.2
Other Liabilities	495.3	0.0	495.3	495.3	495.3	495.3	495.3	495.3
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity	315.9	(613.0)	(297.1)	(181.0)	(36.3)	156.3	377.2	580.9
Total Liabilities & Shareholders' Equity	$2,218.6	($5.4)	$2,213.2	$2,257.4	$2,300.5	$2,339.7	$2,369.4	$2,398.8

	Forecast 2000	2001	2002	2003	2004
Assets					
Current Assets	$212.5	$212.5	$212.5	$212.5	$232.2
Net Property, Plant & Equipment	2,159.6	2,202.0	2,244.4	2,286.8	2,329.2
Other Assets	34.8	22.4	15.7	9.0	2.3
Goodwill	21.2	20.6	20.0	19.4	18.7
Total Assets	$2,428.2	$2,457.5	$2,492.6	$2,527.7	$2,582.5
Liabilities & Shareholders' Equity					
Current Liabilities	$278.4	$278.4	$278.4	$278.4	$278.4
Long-Term Debt					
Bank Term Loan	$0.0	$0.0	$0.0	$0.0	$0.0
Bank Revolver	101.3	0.0	0.0	0.0	0.0
Senior Sub. Notes	350.0	252.8	42.0	0.0	0.0
Jr. Sub. Notes	0.0	0.0	0.0	0.0	0.0
Existing WRPI Debt	406.9	406.9	406.9	221.7	0.0
Total	$858.2	$659.7	$448.9	$221.7	$0.0
Other Liabilities	495.3	495.3	495.3	495.3	495.3
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Common Equity	796.3	1,024.1	1,270.0	1,532.3	1,808.8
Total Liabilities & Shareholders' Equity	$2,428.2	$2,457.5	$2,492.6	$2,527.7	$2,582.5

PROJECT VOYAGER - SUMMARY OF SELECTED RATIOS RECAPITALIZATION COMPANY CASE

(Dollars in Millions)

	Pro Forma	Forecast								
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
EBITA/Bank Interest	1.92	2.28	2.50	2.98	3.81	5.24	6.66	9.36	12.01	12.01	22.05
EBITA/Cash Interest & Preferred Dividend	1.43	1.70	1.87	2.20	2.72	3.50	4.08	4.96	6.59	10.57	22.05
EBITA/Total Interest & Preferred Dividend	1.43	1.70	1.87	2.20	2.72	3.50	4.08	4.96	6.59	10.57	22.05
EBITDA/Total Interest and Preferred Dividend	1.89	2.21	2.42	2.83	3.47	4.45	5.18	6.30	8.37	13.42	28.01
EBITDA - CapX/Total Interest and Preferred Dividend	NA	1.40	1.54	1.87	2.42	3.17	3.69	4.48	5.96	9.55	19.94
EBITDA - CapX - Changes in Work. Cap./Total Interest & Pfd Divd	NA	1.40	1.54	1.87	2.42	3.17	3.69	4.48	5.96	9.55	19.94
EBITDA/Cash Interest & Preferred Dividend	1.89	2.21	2.42	2.83	3.47	4.45	5.18	6.30	8.37	13.42	28.01
EBITDA - CapX/Cash Interest & Pfd Divd	NA	1.40	1.54	1.87	2.42	3.17	3.69	4.48	5.96	9.55	19.94
EBITDA - CapX - Changes in Work. Cap./Cash Interest & Pfd Divd	NA	1.40	1.54	1.87	2.42	3.17	3.69	4.48	5.96	9.55	19.94
Bank Debt/Total Capitalization	96.3%	88.6%	79.5%	67.7%	54.4%	42.7%	30.7%	24.2%	23.7%	12.6%	0.0%
Debt: Total Equity	NA	NA	NA	9.02	3.23	1.80	1.08	0.64	0.35	0.14	NA
Debt as % of Total Capitalization	120.6%	112.2%	102.4%	90.0%	76.4%	64.3%	51.9%	39.2%	26.1%	12.6%	0.0%
EBITDA/Net Bank Debt	22.6%	27.9%	33.1%	43.2%	58.4%	81.0%	110.6%	138.1%	138.1%	253.5%	NM
Net Debt/EBITDA	5.5	4.5	3.9	3.1	2.4	1.9	1.5	1.2	0.8	0.4	NM
Net Debt + Preferred/EBITDA	5.5	4.5	3.9	3.1	2.4	1.9	1.5	1.2	0.8	0.4	NM

(Dollars in Millions)

Pro Forma 1994 EPS: $1.03

Pro Forma 1995 EPS: $1.64

Pro Forma Value to Shareholders

	1994 P/E Multiple				1995 P/E Multiple			
	9.0	10.0	11.0	12.0	8.0	9.0	10.0	11.0
Value of Stub Equity	$9.28	$10.31	$11.34	$12.37	$13.09	$14.72	$16.36	$17.99
Per Share Special Dividend	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Total Value to Shareholders	$22.28	$23.31	$24.34	$25.37	$26.09	$27.72	$29.36	$30.99

Memo: Current CNW Trading Multiples:

	Stock Price	Current Trading Multiple
1994 EPS: $1.93	$22.50	11.7
1995 EPS: $2.37	$22.50	9.5

March 16, 1995

Board of Directors
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, PA 18018

Members of the Board:

You have asked us to advise you with respect to the fairness to Union Pacific Corporation ("Union Pacific") from a financial point of view of the consideration to be paid by Union Pacific pursuant to the terms of the Agreement and Plan of Merger, dated as of March 16, 1995 (the "Merger Agreement"), by and among Union Pacific, UP Rail, Inc. an indirect wholly owned subsidiary of Union Pacific ("UP Rail"), and Chicago and North Western Transportation Company ("CNW"). The Merger Agreement provides for, among other things, (i) a tender offer by UP Rail to purchase all of the outstanding shares of the common stock, par value $0.01 per share, of CNW (the "CNW Common Stock") for $35.00 per share, net to the seller in cash (the "Tender Offer") and (ii) subsequent to such Tender Offer, the merger of UP Rail with and into CNW (the "Merger" and, together with the Tender Offer, the "Transaction") pursuant to which each outstanding share of CNW Common Stock not acquired in the Tender Offer will be converted into the right to receive $35.00 in cash.

In arriving at our opinion, we have reviewed the Merger Agreement and certain publicly available business and financial information relating to CNW. We also have reviewed certain other information, including financial forecasts, provided to us by Union Pacific and CNW, and have met with the respective managements of Union Pacific and CNW to discuss the business and prospects of CNW. We have evaluated the pro forma financial impact of the Transaction on Union Pacific and have considered and relied upon the views of the management of Union Pacific concerning certain strategic implications and operational benefits which might result from the Transaction and upon the views of management of, and regulatory counsel for, Union Pacific concerning the anticipated regulatory treatment to be accorded to the Transaction.

We also have considered certain financial and stock market data of CNW, and we have compared that data with similar data for other publicly held companies in businesses similar to those of CNW and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have recently been effected. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not assumed any responsibility for independent verification of any of the foregoing information and have relied upon its being complete and accurate in all material respects. With respect to the financial forecasts, we have assumed that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Union Pacific and CNW as to the future financial performance of CNW and the best currently available estimates and judgments of the management of Union Pacific as to the potential synergies

resulting from the Transaction. In addition, we have not made an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of CNW, nor have we been furnished with any such evaluations or appraisals. We have assumed, with your consent and based upon the views of management of, and regulatory counsel for, Union Pacific, that in the course of obtaining the necessary regulatory and governmental approvals for the proposed Transaction, no restriction will be imposed that will have a material adverse effect on the contemplated benefits of the Transaction. Our opinion is necessarily based upon information available to us and financial, stock market and other conditions as they exist and can be evaluated on the date hereof.

CS First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

We have acted as financial advisor to Union Pacific in connection with the Transaction and as dealer manager for the Tender Offer and will receive a fee for our services, a significant portion of which is contingent upon the consummation of the Transaction. We have in the past provided, and are currently providing, financial advisory and investment banking services to Union Pacific unrelated to the Transaction, including certain financial advisory services concerning Union Pacific's investment in CNW, and have received, and will receive, fees for the rendering of such services. In the ordinary course of our business, CS First Boston and its affiliates may actively trade the debt and equity securities of Union Pacific and its affiliates and CNW for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

It is understood that this letter is for the information of the Board of Directors of Union Pacific only in connection with its evaluation of the Transaction and is not to be quoted or referred to, in whole or in part, in any registration statement, prospectus or proxy statement, or in any other document used in connection with the offering or sale of securities, nor shall this letter be used for any other purposes, without CS First Boston's prior written consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the consideration to be paid by Union Pacific in the Transaction is fair to Union Pacific from a financial point of view.

Very truly yours,

[LOGO] CS First Boston

Memorandum

To: Board of Directors of Union Pacific Corporation

From: CS First Boston

Date: March 15, 1995

Subject: Board Presentation

- ---

The following summary material has been prepared by CS First Boston in support of our fairness opinion with regard to the acquisition of CNW by Union Pacific:

- Stock price graph (three year history).
- Analysis of the multiples of various CNW operating and financial data based on UNP's offer of $35 per share.
- Valuation summary showing the equity value of CNW implied pursuant to various valuation methodologies.
- Valuation of the synergies expected by UNP in the transaction.

Project Black

CNW's Three Year Weekly Trading History

Weekly Closing Prices April 3, 1992 to March 10, 1995

Date	Closing Price
3-Apr-92	22.125
10-Apr-92	22.000
17-Apr-92	23.500
24-Apr-92	21.250
1-May-92	20.875
8-May-92	19.875
15-May-92	19.625
22-May-92	20.000
29-May-92	21.000
5-Jun-92	21.375
12-Jun-92	20.375
19-Jun-92	19.375
26-Jun-92	17.750
3-Jul-92	19.625
10-Jul-92	18.750
17-Jul-92	18.250
24-Jul-92	18.000
31-Jul-92	18.000
7-Aug-92	17.000
14-Aug-92	18.250
21-Aug-92	18.625
28-Aug-92	18.625
4-Sep-92	18.500
11-Sep-92	18.625
18-Sep-92	18.125
25-Sep-92	18.250
2-Oct-92	18.750
9-Oct-92	20.250
16-Oct-92	19.500
23-Oct-92	19.875
30-Oct-92	20.125
6-Nov-92	21.000
13-Nov-92	19.875
20-Nov-92	20.625
27-Nov-92	21.500
4-Dec-92	20.750
11-Dec-92	21.125
18-Dec-92	20.750
25-Dec-92	21.625
1-Jan-93	20.625
8-Jan-93	21.375
15-Jan-93	22.000
22-Jan-93	22.250
29-Jan-93	21.125
5-Feb-93	22.000
12-Feb-93	21.375
19-Feb-93	19.750
26-Feb-93	20.750
5-Mar-93	21.000
12-Mar-93	21.500
19-Mar-93	21.875
26-Mar-93	22.750
2-Apr-93	23.750
9-Apr-93	23.625
16-Apr-93	23.000
23-Apr-93	21.125
30-Apr-93	21.750
7-May-93	22.500
14-May-93	21.875
21-May-93	22.625
28-May-93	22.125
4-Jun-93	21.625
11-Jun-93	21.250
18-Jun-93	20.625
25-Jun-93	20.875
2-Jul-93	22.625
9-Jul-93	22.250
16-Jul-93	21.750
23-Jul-93	19.375

30-Jul-93	19.250
6-Aug-93	20.375
13-Aug-93	19.125
20-Aug-93	20.000
27-Aug-93	20.500
3-Sep-93	20.625
10-Sep-93	20.125
17-Sep-93	20.750
24-Sep-93	19.500
1-Oct-93	20.250
8-Oct-93	20.375
15-Oct-93	20.375
22-Oct-93	21.125
29-Oct-93	24.250
5-Nov-93	23.750
12-Nov-93	24.000
19-Nov-93	22.750
26-Nov-93	22.875
3-Dec-93	24.875
10-Dec-93	24.750
17-Dec-93	24.500
24-Dec-93	24.375
31-Dec-93	25.000
7-Jan-94	25.500
14-Jan-94	26.500
21-Jan-94	25.500
28-Jan-94	26.500
4-Feb-94	26.625
11-Feb-94	27.875
18-Feb-94	27.250
25-Feb-94	27.125
4-Mar-94	27.000
11-Mar-94	26.750
18-Mar-94	27.000
25-Mar-94	26.750
1-Apr-94	24.250
8-Apr-94	24.500
15-Apr-94	25.000
22-Apr-94	24.125
29-Apr-94	23.625
6-May-94	23.000
13-May-94	22.625
20-May-94	22.375
27-May-94	23.125
3-Jun-94	24.125
10-Jun-94	22.500
17-Jun-94	23.875
24-Jun-94	23.000
1-Jul-94	23.875
8-Jul-94	23.750
15-Jul-94	24.000
22-Jul-94	23.125
29-Jul-94	21.750
5-Aug-94	21.625
12-Aug-94	21.000
19-Aug-94	20.375
26-Aug-94	21.375
2-Sep-94	22.250
9-Sep-94	21.875
16-Sep-94	22.000
23-Sep-94	20.625
30-Sep-94	20.625
7-Oct-94	19.250
14-Oct-94	19.125
21-Oct-94	18.750
28-Oct-94	19.375
4-Nov-94	20.125
11-Nov-94	19.625
18-Nov-94	20.125
25-Nov-94	19.125
2-Dec-94	19.000
9-Dec-94	18.625
16-Dec-94	19.500
23-Dec-94	19.750
30-Dec-94	19.500
6-Jan-95	21.500
13-Jan-95	21.750
20-Jan-95	22.125
27-Jan-95	21.750

3-Feb-95	22.000
10-Feb-95	22.375
17-Feb-95	22.750
24-Feb-95	25.000
3-Mar-95	25.125
10-Mar-95	34.250
Average	21.775
High	34.250
Low	17.000

O.S.C.

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CNW MULTIPLE ANALYSIS

(DOLLARS IN MILLIONS)

		STAND-ALONE 1994/1995E		1994/1995E ASSUMING NORMALIZED ($175MM) LEVEL OF ANNUAL COST SAVINGS
Equity price per share		$35.00		$35.00
Implied Aggregate Equity Market Value		$1,573.6		$1,573.6
o Equity Market Value of Shares Purchased (70.9%)		1,092.9		1,092.9
Implied Enterprise Value		2,667.7		2,667.7
Premium to Market (Equity Value)		45.1%		45.1%
Premium to Market (Enterprise)		22.5%		22.5%
AS A MULTIPLE OF 1994:				
Sales	$1,129.8	2.4x		
Operating Income	225.9	11.8x	$400.9	6.7x
Operating Cash Flow	299.8	8.9x	474.8	5.6x
Net Income	84.0	18.7x	191.6	8.2x
Book Value	315.9	5.0x		
AS A MULTIPLE OF 1995E:				
Sales	$1,292.6	2.1x		
Operating Income	280.7	9.5x	$455.7	5.9x
Operating Cash Flow	366.7	7.3x	541.7	4.9x
Net Income	113.4	13.9x	221.0	7.1x
Book Value	440.6	3.6x		

ASSUMPTIONS:

CNW's Shares Outstanding	44.06
CNW's Option Shares Outstanding	1.05
CNW's Exercise Price Per Share	$5.00
CNW's Debt	$1,094.1
CNW's Share Price as of March 3, 1995	$24.13
CNW's Tax Rate	38.5%
CNW's Shares Owned by UNP	12.84

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CNW STAND-ALONE VALUATION SUMMARY

VALUATION METHODOLOGY	EQUITY VALUE PER SHARE		
Comparable Companies	$22.00	-	$27.00
Comparable Acquisitions	$30.00	-	$36.00
Discounted Cash Flow - UNP Assumptions			
11% Discount Rate	$26.00	-	$33.00
13% Discount Rate	$19.00	-	$22.00

ASSUMPTIONS: CNW FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE DATA)

	1994A	1995E		1994A
o Sales	$1,129.8	$1,292.6	Debt	$1,094.1
o Operating Income	225.9	280.7	Total Shares	45.1
o Operating Cash Flow	299.8	366.7	Primary Shares	44.1
o Net Income	84.0	113.4	Total Options	1.1
o Net Income Per Share	$1.91	$2.57	Options Strike Price Per Share	$5.00
o Book Value	315.9	440.6		

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Project Black

VALUATION OF SYNERGIES TO UNION PACIFIC

DOLLARS IN MILLIONS

	1995	1996	1997	1998	1999	2000	2001	2002
Estimate Of Net Revenue Enhancements/ Cost Savings ("Synergies") Provided by UNP	$7.9	$79.4	$104.6	$109.8	$116.4	$119.8	$123.3	$126.9

NET PRESENT VALUE OF SYNERGIES PER SHARE - (100% RETAINED)

	TERMINAL MULTIPLE METHODOLOGY		
DISCOUNT RATE	6.0X OCF		4% PERPETUAL GROWTH
11%	$22.00	-	$29.00
13%	20.00	-	21.00

- CSFB Reference Range: $21.00 - $25.00 (100% Retained)
  15.75 - 18.75 (75% Retained)
  10.50 - 12.50 (50% Retained)
  5.25 - 6.25 (25% Retained)

- Value of synergies is not reflected in stand-alone valuation based on comparable companies and discounted cash flow.

- Valuation based on comparable acquisitions reflects synergies retained in such transactions.

[LOGO] First Boston

[Letterhead of The Blackstone Group]

March 3, 1995

CONFIDENTIAL

Mr. Robert Schmiege
Chairman, President and CEO
Chicago and North Western Transportation Company
165 North Canal Street
Chicago, IL 60606

Dear Mr. Schmiege:

This letter will confirm that The Blackstone Group L.P. ("Blackstone") has been retained by Chicago and North Western Transportation Company ("CNW" or the "Company") to act as its exclusive financial advisor with respect to a potential sale of, investment in, recapitalization by, strategic alliance with or joint venture involving the Company. Any such transaction is referred to hereunder as the "Transaction".

During the term of this engagement, Blackstone agrees to provide the Company strategic and financial advice, including assisting the Company in analyzing, valuing, structuring and negotiating the terms of and effecting any Transaction pursuant to the terms and conditions of this letter agreement. Also, in connection therewith, it is understood that Blackstone may be asked to render its opinion (the "Opinion") to the Board of Directors of CNW as to the fairness of a Transaction to the holders of CNW common stock. The nature and scope of Blackstone's investigations shall be such as Blackstone deems appropriate to enable it to render the Opinion, and the scope, form and substance of the Opinion shall be such as Blackstone reasonably considers appropriate. The Opinion shall, in any event, be limited to the fairness, from a financial point of view, of the Transaction, and shall not address the Company's underlying business decision to engage in the Transaction. If requested, the Opinion will be in written form.

The term of the engagement shall be twelve months from the date hereof, subject to termination by either the Company or Blackstone at any time, with or without cause, upon 10 days written notice to the other party, and without liability or continuing obligation to CNW or to Blackstone (except for (i) any compensation earned and expenses incurred by Blackstone prior to the date of termination, (ii) in the case of termination by the Company, Blackstone's right to any fee pursuant to this letter shall continue for any Transaction for which a definitive agreement is signed within one year of such termination and (iii) the separate letter agreement providing for the indemnification of Blackstone by the Company will remain operative regardless of such termination). The status of Blackstone as an independent contractor and the limitation on persons to whom Blackstone shall owe any duties will survive any such termination.

As compensation for Blackstone's services, the Company agrees to pay Blackstone a fee equal to $6,000,000, less one-half of any Retainer Fee paid to Blackstone pursuant to our engagement letter dated December 14, 1994 (the "December Engagement Letter"), payable as follows: $5,000,000, less one-half of any Retainer Fee paid to Blackstone pursuant to the December Engagement Letter, upon the signing of a definitive agreement for the Transaction, and $1,000,000 upon the earlier of consummation of the Transaction and December 31, 1995. In addition to any fees that may be payable to Blackstone hereunder and regardless of whether any Transaction is proposed or consummated, the Company hereby agrees, from time to time upon request, to reimburse Blackstone for reasonable out-of-pocket expenses incurred in connection with the services rendered by Blackstone hereunder (including, without limitation, travel and lodging, data processing and communications charges, courier services and fees, expenses and disbursements of any legal counsel retained by Blackstone; provided, however, that all such legal expenses will be subject to prior approval by the Company).

Upon the signing of a definitive agreement for the Transaction, and upon payment of the fees and reimbursement of expenses due thereunder, the December Engagement Letter shall be terminated; provided, however, that each party shall continue to be obligated to refrain from reproducing, disseminating, quoting or referring to, or otherwise disclosing, opinions, advice and/or information as required thereby, and provided, further, however, that the obligations of the Indemnification Agreement attached thereto shall survive and continue in accordance with the terms thereof.

The Company acknowledges that all opinions, including the Opinion, and advice (written and oral) given by Blackstone to the Company in connection with this engagement are intended solely for the benefit and use of the Company (including its management and directors) in evaluating the proposed Transaction and shall not be relied upon by any other person. The Company agrees that no such opinion or advice shall be used for any other means or reproduced, disseminated, quoted or referred to, except as required by law, at any time without the prior written consent of Blackstone, which consent shall not be unreasonably withheld.

In connection with Blackstone's engagement hereunder, the Company will furnish to Blackstone all information and data which Blackstone reasonably deems appropriate (the "Information"). The Company will also provide Blackstone reasonable access to its officers, directors and employees, as well as to its independent accountants and to its counsel. The Company hereby represents that the Information will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made, and will be complete and correct in all material respects. The Company recognizes and confirms that Blackstone (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this letter agreement without having independently verified the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, (c) is entitled to rely upon the

Information without independent verification and (d) will not make an appraisal of any assets in connection with this assignment. All such material, non-public information and data, whether oral or written, will be kept confidential by Blackstone, and Blackstone shall not disclose such information and data, the Company's interest in a Transaction or the subject matter of this letter agreement to any third party except (i) as the Company agrees may be disclosed, (ii) to those persons who have a need to know such information in connection with Blackstone's performance of its responsibilities hereunder or (iii) such information and data which Blackstone is required by law or legal process, upon advice of counsel, to disclose, but only after reasonable prior notice to the Company.

The Company acknowledges that Blackstone may, at its option and expense, place an announcement in such newspapers and periodicals as it may choose, stating that Blackstone has acted as the exclusive financial advisor to the Company in connection with the Transaction.

The Company acknowledges and agrees that Blackstone has been retained to act solely as financial advisor to the Board of Directors of the Company. In such capacity, Blackstone shall act as an independent contractor, and any duties of Blackstone arising out of its engagement pursuant to this agreement shall be owed solely to the Company. Because Blackstone will be acting on the Company's behalf in this capacity, it is customary for us to receive indemnification. A copy of our standard form of indemnification agreement is attached to this agreement as Attachment A.

This agreement shall be binding upon CNW, its successors and permitted assigns. This agreement (including the attached indemnification agreement) embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. If any provision of this agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, which will remain in full force and effect. No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party to be bound thereby. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Please confirm that the foregoing is in accordance with your understanding and agreement with Blackstone by signing and returning the duplicate of this letter enclosed herewith.

Very truly yours,

THE BLACKSTONE GROUP L.P.

By /s/ J. Tomilson Hill
J. Tomilson Hill

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

By /s/ Robert Schmiege
Robert Schmiege
Chairman, President and CEO

ATTACHMENT A

March 3, 1995

The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154

Gentlemen:

INDEMNIFICATION AGREEMENT

This letter will confirm that we have engaged The Blackstone Group L.P. ("Blackstone") to advise and assist us in connection with respect to the matters referred to in our letter agreement dated as of March 3, 1995 (the "Engagement Letter"). In consideration of your agreement to act on our behalf in connection with such matters, we agree to indemnify and hold harmless you and your affiliates and your and their respective partners (both general and limited), officers, directors, employees and agents and each other person, if any, controlling you or any of your affiliates (you and each such other person being an "Indemnified Party") from and against any losses, claims, damages, expenses and liabilities whatsoever, whether they be joint or several, related to, arising out of or in connection with the engagement (the "Engagement") under the Engagement Letter and will reimburse each Indemnified Party for all expenses (including fees, expenses and disbursements of counsel) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding related to, arising out of or in connection with the Engagement or this agreement, whether or not pending or threatened, whether or not any Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by us. We will not, however, be liable under the foregoing indemnification provision for any losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, gross negligence or willful misconduct of Blackstone. We also agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to us or our owners, parents, affiliates, security holders or creditors for or in connection with the Engagement except for any such liability for losses, claims, damages or liabilities incurred by us that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, gross negligence or willful misconduct of Blackstone.

If the indemnification provided for in the preceding paragraph is for any reason unavailable to an Indemnified Party in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such Indemnified Party hereunder, we shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (and expenses relating thereto) (i) in such proportion as is appropriate to reflect the

relative benefits received (or anticipated to be received) by you, on the one hand, and us, on the other hand, from the Engagement or (ii) if and only if the allocation provided by clause (i) above is for any reason not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of you and us, as well as any other relevant equitable considerations; provided, however, to the extent permitted by applicable law, in no event shall your aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by you under the Engagement Letter. For the purposes of this agreement, the relative benefits to us and you of the Engagement shall be deemed to be in the same proportion as (a) the total value paid or contemplated to be paid or received or contemplated to be received by us, our security holders and our creditors in the transaction or transactions that are the subject to the Engagement, whether or not any such transaction is consummated, bears to (b) the fees paid or to be paid to Blackstone under the Engagement Letter.

Neither party to this agreement will, without the prior written consent of the other party (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (a "Judgement"), whether or not we or any Indemnified Party is an actual or potential party to such claim, action, suit or proceeding. In the event that we seek to settle or compromise or consent to the entry of any Judgment, we agree that such settlement, compromise or consent shall include an unconditional release of Blackstone and each other Indemnified Party hereunder from all liability arising out of such claim, action, suit or proceeding.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify us in writing of such complaint or of the commencement of such action or proceeding, but failure so to notify us will not relieve us from any liability which we may have hereunder or otherwise, except to the extent that such failure materially prejudices our rights. If we so elect or are requested by such Indemnified Party, we will assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to Blackstone and the payment of the fees and disbursements of such counsel.

In the event, however, such Indemnified Party reasonably determines in its judgment that having common counsel would present such counsel with a conflict of interest or if we fail to assume the defense of the action or proceeding in a timely manner, then such Indemnified Party may employ separate counsel reasonably satisfactory to us to represent or defend it in any such action or proceeding and we will pay the fees and disbursements of such counsel; provided, however, that we will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding the defense of which we assume, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense.

The foregoing reimbursement, indemnity and contribution obligations of the

Company under this agreement shall be in addition to any rights that an Indemnified Party may have at common law

or otherwise than under this agreement, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and such Indemnified Party.

The provisions of this agreement shall apply to the Engagement, as well as any additional engagement of Blackstone by the Company in connection with the matters which are the subject of the Engagement, and any modification of the Engagement or additional engagement and shall remain in full force and effect regardless of any termination or the completion of your services under the Engagement Letter.

This agreement and the Engagement Letter shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

CHICAGO AND NORTH
WESTERN TRANSPORTATION
COMPANY

By /s/ Robert Schmiege
Robert Schmiege
Chairman, President and CEO

Accepted and Agreed
to as of the date first
written above:

THE BLACKSTONE GROUP L.P.

By /s/ J. Tomilson Hill
J. Tomilson Hill

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
OF
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY
AT
$35.00 NET PER SHARE
BY
UP RAIL, INC.
AN INDIRECT WHOLLY OWNED SUBSIDIARY OF
UNION PACIFIC CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995,
UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES WHICH, WHEN ADDED TO THE SHARES OF NON-VOTING COMMON STOCK OF CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (THE 'COMPANY') BENEFICIALLY OWNED BY UNION PACIFIC CORPORATION ('PARENT') AND UP RAIL, INC. (THE 'PURCHASER') (ASSUMING CONVERSION THEREOF INTO SHARES), CONSTITUTES AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS (ASSUMING CONVERSION OF THE NON-VOTING COMMON STOCK INTO SHARES) AND (2) THE INTERSTATE COMMERCE COMMISSION'S APPROVAL OF PARENT'S AND THE COMPANY'S APPLICATION FOR AN ORDER AUTHORIZING THE COMMON CONTROL OF THE RAIL SUBSIDIARIES OF THE COMPANY AND PARENT HAVING BECOME FINAL AND EFFECTIVE PRIOR TO THE EXPIRATION OF THE OFFER.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY (WITH ONE DIRECTOR AFFILIATED WITH PARENT ABSENT AND NOT VOTING) APPROVED THE OFFER AND THE MERGER (AS DEFINED HEREIN), HAS DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS (OTHER THAN PARENT AND THE PURCHASER) AND RECOMMENDS THAT STOCKHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

IMPORTANT

Any stockholder desiring to tender all or any portion of such stockholder's Shares (as defined herein) should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, have such stockholder's signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal, mail or deliver the Letter of Transmittal or such facsimile and any other required documents to the Depositary and either deliver the certificates for such Shares to the Depositary

along with the Letter of Transmittal or facsimile or deliver such Shares pursuant to the procedure for book-entry transfer set forth in 'THE OFFER-- Procedures for Tendering Shares' prior to the expiration of the Offer or (ii) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. A stockholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such stockholder desires to tender such Shares.

A stockholder who desires to tender Shares and whose certificates for such Shares are not immediately available or who cannot comply with the procedures for book-entry transfer described in this Offer to Purchase on a timely basis, may tender such Shares by following the procedures for guaranteed delivery set forth in 'THE OFFER-- Procedures for Tendering Shares.'

Questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials, may be directed to the Information Agent (as defined herein) or the Dealer Manager (as defined herein) at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The Dealer Manager for the Offer is:

CS First Boston

March 23, 1995

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To the Holders of Common Stock of Chicago and North Western Transportation Company:

INTRODUCTION

UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ('Parent'), hereby offers to purchase all outstanding shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), at a price of $35.00 per Share, net to the seller in cash (the 'Offer Price'), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer').

Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer. The Purchaser will pay all charges and expenses of CS First Boston Corporation, as Dealer Manager (in such capacity, the 'Dealer Manager'), Citibank, N.A., as Depositary (the 'Depositary'), and Morrow & Co., Inc., as Information Agent (the 'Information Agent'), incurred in connection with the Offer.

The purpose of the Offer is for Parent, through the Purchaser, to acquire the entire equity interest in the Company. The Purchaser currently beneficially owns all 12,835,304 of the issued and outstanding shares of Non-Voting Common Stock of the Company, par value $.01 per share (the 'Non-Voting Common Stock') which, assuming conversion thereof into Shares, represents 27.48% of the outstanding Shares calculated on a fully diluted basis (assuming conversion of the shares of Non-Voting Common Stock into Shares and exercise of outstanding stock options). The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of March 16, 1995 (the 'Merger Agreement'), by and among the Company, Parent and the Purchaser, a copy of which is attached hereto as Annex I. The Merger Agreement provides that, following the completion of the Offer and the satisfaction or the waiver of certain conditions, the Purchaser will be merged with and into the Company (the 'Merger'), with the Company as the surviving corporation (the 'Surviving Corporation'). In the Merger, each outstanding Share (other than Shares held in the treasury of the Company or owned by Parent, the Purchaser or any other wholly owned subsidiary of Parent), will be converted into the right to receive the Offer Price or any higher price per Share paid in the Offer, without interest thereon. As a result of the Merger, the Surviving Corporation will become an indirect wholly owned subsidiary of Parent. See 'SPECIAL FACTORS--Purpose and Structure of the Transaction' and 'THE MERGER AGREEMENT.' The time at which the Merger is consummated in accordance with the Merger Agreement is hereinafter referred to as the 'Effective Time.' The Offer and the Merger are sometimes collectively referred to herein as the 'Transaction.'

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE HAVING BEEN VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES WHICH, WHEN ADDED TO THE SHARES OF NON-VOTING COMMON STOCK BENEFICIALLY OWNED BY PARENT AND THE PURCHASER (ASSUMING CONVERSION THEREOF INTO SHARES), CONSTITUTES AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS (ASSUMING CONVERSION OF THE NON-VOTING COMMON STOCK INTO SHARES) (THE 'MINIMUM CONDITION') AND (2) THE INTERSTATE COMMERCE COMMISSION'S ('ICC') APPROVAL OF PARENT'S AND THE COMPANY'S APPLICATION FOR AN ORDER AUTHORIZING THE COMMON CONTROL OF THE RAIL SUBSIDIARIES OF THE COMPANY AND PARENT HAVING BECOME FINAL AND EFFECTIVE PRIOR TO THE EXPIRATION OF THE OFFER (THE 'ICC FINAL APPROVAL CONDITION').

THE BOARD OF DIRECTORS OF THE COMPANY (THE 'BOARD' OR 'BOARD OF DIRECTORS') HAS UNANIMOUSLY (WITH MR. RICHARD K. DAVIDSON, PRESIDENT OF PARENT, ABSENT AND NOT VOTING) APPROVED THE OFFER AND THE MERGER, HAS DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF HOLDERS OF SHARES (OTHER THAN PARENT AND THE PURCHASER) AND RECOMMENDS THAT STOCKHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER. See 'SPECIAL FACTORS--Recommendation of the Board of Directors of the Company; Fairness of the Transaction.'

THE BLACKSTONE GROUP L.P. ('BLACKSTONE') HAS DELIVERED TO THE BOARD ITS WRITTEN OPINION TO THE EFFECT THAT, AS OF THE DATE OF THE MERGER AGREEMENT, THE CASH CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF

SHARES PURSUANT TO THE OFFER AND THE MERGER IS FAIR TO SUCH HOLDERS FROM A FINANCIAL POINT OF VIEW. See 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.'

The Minimum Condition. The Minimum Condition requires that the number of Shares tendered and not withdrawn prior to the expiration of the Offer, together with the Non-Voting Common Stock beneficially owned by Parent and the Purchaser (assuming conversion thereof into Shares), constitutes at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Common Stock into Shares). According to the Company, as of March 16, 1995, there were outstanding (i) 31,330,631 Shares, (ii) 12,835,304 shares of Non-Voting Common Stock, (iii) no shares of Company preferred stock, par value $.01 per share, and (iv) stock options ('Options') to purchase an aggregate of 2,550,267 Shares, of which 1,482,856 are currently exercisable. As of March 21, 1995, there were 1,044 holders of record of Shares. The Purchaser beneficially owns all 12,835,304 of the issued and outstanding shares of Non-Voting Common Stock. Pursuant to the Merger Agreement and subject to the ICC Final Approval Condition and satisfaction of the terms thereof, the Purchaser will convert its Non-Voting Common Stock into Shares which would, upon conversion, constitute 27.48% of the outstanding Shares calculated on a fully diluted basis (assuming exercise of outstanding stock options). Based upon the foregoing and assuming no additional Shares are issued after March 16, 1995, the Minimum Condition will be satisfied if 10,522,798 Shares are validly tendered and not withdrawn pursuant to the Offer.

The ICC Final Approval Condition. The Offer is conditioned upon, among other things, the ICC's March 7, 1995 approval of Parent's and the Company's application for an order authorizing the common control of the rail subsidiaries of the Company and Parent having become final and effective prior to the expiration of the Offer (the 'ICC Final Approval'). See 'SPECIAL FACTORS--Background of the Transaction.' Based on the ICC's written opinion with respect to such order, Parent anticipates that such ICC order will become final and effective on April 6, 1995. However, there can be no assurance that such ICC order will become effective at that time.

As of March 16, 1995, all of the executive officers and directors of the Company as a group owned 230,527 Shares and held Options to acquire 932,505 Shares (whether or not exercisable). Such ownership of Shares and Options represented 2.49% of the outstanding Shares on a fully diluted basis (assuming conversion of the shares of Non-Voting Common Stock into Shares and exercise of outstanding Options). For information regarding beneficial ownership of Shares on the part of directors and executive officers of the Company, see 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction.' The Company has advised Parent that, to the best of the Company's knowledge, and subject to applicable securities laws and personal considerations (including tax planning), all directors and executive officers of the Company presently intend to tender pursuant to the Offer all Shares owned beneficially or of record by such persons. The foregoing does not include any Shares over which, or with respect to which, any such director or executive officer acts in a fiduciary or representative capacity or is subject to the instructions of a third party with respect to such tender.

The Merger Agreement provides that, promptly upon the purchase of Shares by the Purchaser or any other subsidiary of Parent pursuant to the Offer which, together with the Non-Voting Common Stock, represents at least a majority of the outstanding Shares (on a fully diluted basis and assuming conversion of the Non-Voting Common Stock into Shares), Parent will be entitled to designate up to such number of directors, rounded up to the next whole number, to the Board as will give Parent representation (taking into account Parent's then existing designees) equal to the product of the total number of directors on the Board multiplied by the ratio of the aggregate number of Shares and Non-Voting Common Stock (if any) then beneficially owned by the Purchaser, Parent and any of their affiliates to the total number of Shares and Non-Voting Common Stock (if any) then outstanding. In the Merger Agreement, the Company has agreed to use its best efforts promptly to cause the Purchaser's designees to be elected as directors of the Company, including by increasing the size of the Board or securing the resignations of incumbent directors. Notwithstanding the foregoing, the Company and Parent have agreed to use all reasonable efforts to assure that prior to the Effective Time the Board will retain at least three directors (other than Parent's designees) who are directors on the date of the Merger Agreement, provided that after the purchase of Shares pursuant to the Offer, Parent will always have its designees represent at least a majority of the entire Board of Directors.

The consummation of the Merger is subject to the satisfaction or waiver of certain conditions, including, if required by law and the Company's Restated Certificate of Incorporation, the approval and adoption of the

Merger Agreement by the requisite vote of the stockholders of the Company. See 'THE MERGER AGREEMENT.' Under the Company's Restated Certificate of Incorporation, the Delaware General Corporation Law ('Delaware Law') and the Utah Business Corporation Act ('Utah Law'), except as otherwise described below, the affirmative vote of the holders of a majority of the outstanding Shares is

required to approve and adopt the Merger Agreement and the Merger. Consequently, upon the Purchaser owning (pursuant to the Offer or otherwise) at least a majority of the then outstanding Shares, the Purchaser will have sufficient voting power to approve the Merger and adopt the Merger Agreement without the vote of any other stockholder of the Company. Pursuant to the Merger Agreement, Parent has agreed that it will vote, or cause to be voted, all of the Shares then owned by it, the Purchaser or any of their affiliates in favor of the approval of the Merger and the adoption of the Merger Agreement.

Under Delaware Law, if the Purchaser acquires, pursuant to the Offer or otherwise, at least 90% of the then outstanding Shares, the Purchaser will be able to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger, without a vote of the Company's stockholders. Pursuant to a Company Stock Option Agreement, dated as of March 16, 1995, between the Purchaser and the Company (the 'Option Agreement'), and subject to the Purchaser and its affiliates owning at least 85% of the outstanding Shares (assuming conversion of the Non-Voting Common Stock into Shares) and certain other conditions set forth therein, the Purchaser will have the right to purchase from the Company, at the per Share price paid in the Offer, a sufficient number of Shares such that the Shares purchased pursuant to the Option Agreement, together with all Shares owned by Parent or the Purchaser, would, assuming conversion of the Non-Voting Common Stock into Shares, represent 90.01% of the outstanding Shares (assuming conversion of the Non-Voting Common Stock into Shares). Subject to the Purchaser, Parent and any permitted assignee of the Purchaser acquiring at least 90% of the outstanding Shares, the Purchaser, Parent and the Company have agreed to take, at the request of Parent, all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of the Company's stockholders. If, however, the Purchaser does not acquire at least 90% of the then outstanding Shares pursuant to the Offer, the Option Agreement, conversion of the Non-Voting Common Stock or otherwise, and a vote of the Company's stockholders is required under Delaware Law or Utah Law, a significantly longer period of time will be required to effect the Merger.

It is the present intention of the Purchaser to seek to cause the Company to make an application for the termination of the registration of the Shares under the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), as soon as possible after the purchase of all validly tendered Shares pursuant to the Offer if the requirements for termination of registration are met. See 'SPECIAL FACTORS--Certain Effects of the Transaction.'

The Purchaser estimates that the total funds required to purchase all Shares validly tendered pursuant to the Offer, consummate the Merger and pay all related costs and expenses will be approximately $1.9 billion, including any refinancing of the Company's indebtedness that is required to be repaid in connection with the Transaction. Such amount will be obtained primarily from capital contributions or advances made by Parent. Parent plans to obtain the funds for such capital contributions or advances from its available cash and working capital, and pursuant to one or more loan facilities currently existing or to be obtained from one or more commercial banks or other financial institutions. See 'FINANCING OF THE TRANSACTION.'

The information contained in this Offer to Purchase concerning the Company was supplied by the Company. Parent and the Purchaser take no responsibility for

the accuracy of such information. The information contained in this Offer to Purchase concerning the Offer, the Merger, Parent and the Purchaser was supplied by Parent and the Purchaser. The Company takes no responsibility for the accuracy of such information.

THIS OFFER TO PURCHASE AND THE LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

SPECIAL FACTORS

BACKGROUND OF THE TRANSACTION

A predecessor of the Company was acquired in a going-private transaction in 1989 involving the sale of common equity to various parties, including an affiliate of Blackstone and certain officers of the Company, and the sale of convertible preferred stock of the Company to the Purchaser for a purchase price of $100 million. In April 1992, the Company completed a recapitalization involving, among other things, the sale of Shares in an initial public offering. As part of such recapitalization, the Purchaser exchanged its preferred stock of the Company (and an additional cash investment in the Company of $28 million) for 10,153,304 shares of Non-Voting Common Stock. In October 1992, the Purchaser purchased 182,000 Shares in the open market and in December 1992, the Purchaser purchased 2,000,000 Shares from the affiliate of Blackstone, all of such Shares having been exchanged by the Company for the same number of shares of Non-Voting Common Stock. Two parties to the 1989 going-private transaction (including the affiliate of Blackstone) sold substantially all of their Shares in July 1993, 500,000 of such Shares to the Purchaser (which converted the shares into Non-Voting Common Stock) and the balance in a secondary public offering (the 'Secondary Offering').

On January 29, 1993, Parent, Union Pacific Railroad Company, a wholly owned subsidiary of Parent ('UPRR'), Missouri Pacific Railroad Company, a wholly owned subsidiary of Parent ('MPRR'), the Company and Chicago and North Western Railway Company, a wholly owned subsidiary of the Company ('CNW Railway') filed a joint application with the ICC for an order authorizing the common control, within the meaning of the Interstate Commerce Act (the 'IC Act'), of the rail subsidiaries of the Company and Parent. Parent and the Company requested that the ICC issue an order that would permit Parent to, among other things, convert its Non-Voting Common Stock into Shares, vote such Shares, acquire additional Shares if it elects to do so and (subject to the approval of the Company) coordinate further the railroad subsidiaries of Parent and the Company, in each case without the need to obtain any further control authorization from the ICC (the 'Control Application').

On December 13, 1994, the commissioners of the ICC voted to approve the Control Application, subject to a standard labor protection condition (the 'Labor Condition') and a requirement that the Soo Line Railroad Company ('Soo') be permitted to admit third parties to certain joint facilities operated by Soo and CNW Railway (the 'Soo Condition'), and effective upon publication by the ICC of a written opinion (and the expiration of the applicable waiting period).

On February 9, 1995, at a committee meeting of the Association of American Railroads, Robert Schmiege, Chairman, President and Chief Executive Officer of the Company, inquired of Richard K. Davidson, President of Parent and Chairman and Chief Executive Officer of UPRR (and Parent's designee on the Company's Board of Directors), whether Parent had made any determination concerning the future of its investment in the Company. Mr. Davidson advised that, although it was his personal view that a combination of Parent and the Company would be in the long-term best interests of both companies, Parent had made no determination concerning its investment in the Company.

In conversations between Carl W. von Bernuth, Senior Vice President and General Counsel of Parent, and the Company's outside counsel, and between Drew Lewis, Chairman and Chief Executive Officer of Parent, and Mr. Schmiege, on February 10, 1995 and February 14, 1995, respectively, Messrs. von Bernuth and Lewis confirmed that neither management nor the Board of Directors of Parent had made any determination with respect to Parent's investment in the Company, other than to continue to hold such position as an investment.

On February 23, 1995, at a meeting of Parent's Board of Directors, management discussed with Parent's Board, among other things, various strategic options involving Parent's investment in the Company. Management advised that the ICC had not yet issued its written opinion concerning the Control Application, and that this opinion would have to be reviewed by management of Parent. No determination was made by the Board but it was the consensus of directors that management should continue to explore the feasibility of Parent's various options relating to the Company, and report back to Parent's Board once management was prepared to make a recommendation.

On February 28, 1995, at a regularly scheduled meeting of the Board of Directors of the Company, the Board (with Mr. Davidson absent) reviewed with management the Company's Five-Year Business Plan (the 'Business Plan') and gave preliminary consideration to the adoption of a possible stockholder rights plan. At the meeting, Mr. Schmiege discussed with the directors his conversations with Messrs. Lewis and Davidson and the status of the Control Application. Counsel to the Company reviewed with the Board of Directors the legal standards under Delaware Law applicable to board decisions in business combination transactions and reviewed the terms of a possible stockholder rights plan.

On March 7, 1995, the ICC issued a written opinion approving the Control Application, subject to the Labor Condition and Soo Condition. See 'THE OFFER--Certain Legal Matters; Regulatory Approvals.' On April 6, 1995, the ICC approval is expected to become final and effective (provided that no stays have been entered by any court or the ICC prior to such time). Upon receiving and reviewing the ICC written opinion, and following a determination by management of Parent that Parent should seek to explore with the Company various possible matters concerning coordination between the two entities and Parent's investment in the Company, Parent and the Purchaser filed an amendment to their Schedule 13D with the Securities and Exchange Commission (the 'SEC') disclosing, among other things, (i) receipt of the ICC written opinion, (ii) Parent's intention, upon the effectiveness of ICC approval and upon making provision for the

conditions thereto, to designate two additional directors on an expanded nine-member Board of the Company (as provided in the 1993 Agreement described below), and to convert its Non-Voting Common Stock into Shares, and (iii) Parent's plan to seek to explore with the Company from time to time the possibility of entering into various operational arrangements and ways to enhance shareholder value, including the acquisition of all or a part of the Company.

Later on March 7, 1995, Mr. Lewis and Mr. Davidson met with Mr. Schmiege to discuss, among other things, the possibility of exploring the acquisition by Parent of the Company. Mr. Lewis indicated that he was prepared to explore a possible acquisition by Parent at a price in the lower $30 per Share range. Mr. Schmiege indicated that although the Board of Directors of the Company had not made any decision to sell the Company, he would report their conversation to the Board. On March 8, 1995, in conversations between Mr. Schmiege and Mr. Lewis, Mr. Schmiege advised that the Company's Board of Directors would meet on March 9, 1995, and Mr. Lewis arranged to call him during or after such meeting. On March 8 and 9, 1995, Messrs. Lewis and Davidson, in conversations with Mr. Schmiege, continued to express interest in a possible transaction, and outside counsel to Parent and the Company had conversations regarding process.

On March 9, 1995, the Board of Directors of the Company held a special meeting (with Mr. Davidson absent due to his status as President of Parent) to consider the possibility of a transaction whereby the Company would be acquired by Parent. The Board first confirmed that Blackstone had been retained to act as its exclusive financial advisor with respect to, among other things, a potential sale of the Company. The Board then reviewed the status of discussions with Parent and received reports from the Company's management and Blackstone and a further review by legal counsel of the legal standards applicable to business combination transactions. Among the items discussed were (i) Blackstone's preliminary discussion materials (the 'Blackstone Materials') presenting a range of values of the Shares based on several different analyses and methodologies (see 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.' and '--Summary of Presentation Materials to the Board'), and (ii) whether any sale at that time was desirable and in the best interests of the Company and the holders of its Shares. Blackstone also noted that based on a preliminary review with the Company's management of other potential strategic buyers, and given Parent's existing ownership stake in the Company, the significant business relationships between Parent and the Company, and the ICC's March 7, 1995 approval of the Control Application, which would likely strengthen Parent's position relative to other potential railroad industry bidders since the acquisition of the Company by any other railroad would be subject to future ICC approval, viable competition to acquire the Company was unlikely to emerge. Blackstone also discussed with the Board a possible leveraged buyout or leveraged recapitalization of the Company as set forth in the Blackstone Materials, and the difficulties of financing such a transaction. After considering various factors, including the advice of Blackstone and legal counsel, it was the consensus of the Board of Directors that management of the Company enter into negotiations with Parent only if Parent were to make an offer which exceeded the lower $30 per Share range.

During a recess in the meeting of the Board, Mr. Lewis contacted Mr. Schmiege and indicated that Parent was prepared to pursue discussions with the Company concerning a possible transaction at a price of $34 per

Share. Mr. Schmiege replied that no decision had been made to sell the Company but that he would report back to the Board of Directors of the Company and would call Mr. Lewis back later in the evening.

The Board reconvened to consider the interest expressed by Parent to acquire the Company. Counsel to the Company again advised the Board as to their fiduciary duties with respect to a possible sale of the Company to Parent. The Board, with the advice of Blackstone and legal counsel, determined that although the Board might be willing to pursue discussions with Parent concerning a transaction at a price of $34 per Share, Mr. Schmiege should attempt to increase the per Share consideration.

During another recess in the meeting, Mr. Schmiege advised Mr. Lewis that the Board was prepared to negotiate a transaction for the sale of the Company and, after further discussion, the two men reached an understanding for a transaction in which Parent would acquire 100% of the Shares at a price of $35 per Share, subject to, among other things, negotiation and execution of a mutually satisfactory merger agreement and approvals by Parent's and the Company's respective boards of directors.

The Board reconvened and Blackstone rendered its oral opinion that the cash consideration of $35 per Share was fair to the holders of Shares from a financial point of view. (See 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.'). The Board of Directors, after considering various factors, including the fairness opinion of Blackstone and legal advice of the Company's counsel, approved (with Mr. Davidson absent and not voting) a transaction in which Parent would acquire 100% of the Shares at $35 per Share in cash, subject to negotiation and execution of a mutually satisfactory definitive merger agreement and approvals by Parent's and the Company's respective boards of directors. The Board also authorized management to negotiate definitive terms and present a definitive merger agreement to the Board.

Prior to the commencement of trading on March 10, 1995, the Company and Parent issued a joint press release regarding their discussions. The full text of the joint press release of March 10 follows:

> CHICAGO, ILLINOIS, MARCH 10, 1995--Union Pacific Corporation (NYSE: UNP) and Chicago and North Western Transportation Company (NYSE: CNW) announced today that they have agreed that Union Pacific will acquire 100% of CNW's common stock at a price of $35 per share in cash. The transaction is subject, among other things, to negotiation and execution of a mutually satisfactory definitive purchase agreement and approvals by the companies' respective boards of directors.
>
> 'I am very excited about this transaction. The Chicago and North Western is an excellent managed and maintained railroad with a great route to Chicago,' said Union Pacific Corporation Chairman and CEO Drew Lewis. 'This is a strategic move that will make Union Pacific an even greater mover of southern Powder River Basin coal, grain, intermodal and other products.'
>
> Union Pacific is a transportation and natural resource company based in Bethlehem, Pennsylvania, with sales of approximately $8 billion.
>
> The Chicago and North Western Transportation Company is the holding company for the Chicago and North Western Railway Company, a leading railroad freight hauler in the central transcontinental corridor and major transporter of coal, grain and double-stack containers.

In an amendment to the Schedule 13D filed by Parent and the Purchaser with the SEC on March 10, 1995, Parent disclosed, among other things, Parent's agreement upon price for a transaction and that there was no assurance that any transaction would be agreed to or as to the final terms of any such transaction.

On March 10, 1995, the Company, Parent, the Purchaser and Union Pacific Holdings, Inc., a wholly owned subsidiary of Parent, entered into a confidentiality agreement pursuant to which, among other things, the Company agreed to provide to Parent certain information concerning the Company and its operations for use in evaluating the Transaction and the recipients agreed to keep such information confidential.

Commencing on March 11, 1995, representatives of Parent and the Company and their respective legal advisors began negotiating definitive terms of a merger agreement and continued such negotiations through March 16, 1995. Among other things, during the course of such negotiations: (i) the conditions to Parent's and the Purchaser's obligation to consummate the Offer were narrowed; (ii) the scope of the representations and warranties made by the Company was narrowed; (iii) provision was made for at least three current directors of

the Company to remain on the Board after consummation of the Offer, and it was provided that the concurrence of a majority of such directors would be required for any amendment or termination of the Merger Agreement; (iv) the fiduciary duty exception to the provision in the Merger Agreement which prohibits the Board from engaging in negotiations or discussions with, or providing information to, any person (other than Parent or its affiliates) relating to any Takeover Proposal (as defined in the Merger Agreement) was expanded and a proposed breakup fee in the event that the Board accepts a Takeover Proposal with any such person was eliminated; and (v) the expenses of Parent, the Purchaser and their affiliates reimbursable by the Company under certain circumstances (including the Company's acceptance of a Takeover Proposal from a third party other than Parent) were limited to $3 million. On March 11, 1995, representatives and advisors of Parent met with representatives and advisors of the Company at the Company's offices in Chicago, Illinois to discuss certain financial and other information regarding the Company.

On March 16, 1995, the Board of Directors of Parent held a special meeting to consider the Merger Agreement, the Offer and the Merger. After considering, among other things, a financial presentation from CS First Boston Corporation (in its capacity as financial advisor, 'CS First Boston') and receiving the opinion of CS First Boston to the effect that, as of such date, the consideration to be paid by Parent in the Transaction was fair to Parent from a financial point of view, the Board of Directors of Parent unanimously approved the Merger Agreement and authorized the execution and delivery thereof. See

'SPECIAL FACTORS--Opinion of CS First Boston Corporation.'

Later on March 16, 1995, the Board of Directors of the Company held a special meeting (with Mr. Davidson absent due to his status as President of Parent) to consider the Merger Agreement, the Offer and the Merger. Blackstone reviewed the Blackstone Materials in final form and indicated that during the period since the public announcement on March 10, 1995, there had been no inquiries, requests for information or offers from any other parties relating to a proposed acquisition of the Company. Blackstone then presented its formal written opinion that as of March 16, 1995, the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair to such holders of Shares from a financial point of view. Counsel to the Company again reviewed the fiduciary duties of directors and reviewed in detail the terms and conditions of the Merger Agreement and the Option Agreement. The Board of Directors of the Company (with Mr. Davidson absent and not voting) unanimously approved the Merger Agreement, authorized execution and delivery thereof, determined that the Offer and the Merger are fair to and in the best interests of the holders of Shares (other than Parent and the Purchaser) and recommended that stockholders of the Company accept the Offer and tender their Shares pursuant to the Offer.

The Merger Agreement and the Option Agreement were executed in the evening of March 16, 1995.

Prior to the commencement of trading on March 17, 1995, the Company and Parent issued a joint press release regarding the execution of the Merger Agreement and the commencement of the Offer. The full text of the joint press release of March 17 follows:

> BETHLEHEM, MARCH 17, 1995--Union Pacific Corporation (UNP) and Chicago and North Western Transportation Company (CNW) announced today that they have executed a definitive agreement reflecting the previously announced transaction in which Union Pacific will acquire 100 percent of CNW's common stock at a price of $35 per share in cash. Union Pacific will shortly commence a tender offer for all CNW shares. Following the consummation of the tender offer, Union Pacific will acquire the remaining outstanding CNW shares in a merger for $35 per share in cash.
>
> 'This acquisition will strengthen our capacity to compete in the key western freight corridors,' said Drew Lewis, Union Pacific chairman and CEO. 'It will increase Union Pacific's growing intermodal traffic from the major West Coast ports to the Midwest and enhance our low-sulfur coal shipments out of the Powder River Basin in Wyoming to the Mississippi Valley and the East. We are delighted to have this fine railroad joining the Union Pacific family.'
>
> 'In addition to providing a substantial premium for our shareholders,' said Robert Schmiege, chairman, president and CEO of the CNW, 'this merger offers an opportunity for our customers and virtually all of our employees to participate in a larger railroad with broader horizons, greater resources

and enhanced opportunities for the marketing of our customers' products and our employees' professional growth.'

Union Pacific Corporation is a transportation and natural resource company based in Bethlehem, Pennsylvania, with sales of approximately $8 billion.

The Chicago and North Western Transportation Company is the holding company for the Chicago and North Western Railway Company, a leading railroad freight hauler in the central transcontinental corridor and major transporter of coal, grain and double-stack containers.

On March 23, 1995, Parent and the Purchaser commenced the Offer.

RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE COMPANY; FAIRNESS OF THE TRANSACTION

The Board of Directors of the Company

In making its determination and recommendation, the Board of Directors of the Company considered many factors including, but not limited to, the following:

(i) the oral and written presentations of Blackstone (see 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.'), and the written opinion of Blackstone to the effect that the cash consideration to be received by the holders of Shares in the Offer and the Merger is fair to such holders from a financial point of view (a copy of such opinion, setting forth assumptions made and matters considered and limitations set forth by Blackstone, is set forth as Exhibit I to this Offer to Purchase and should be read in its entirety);

(ii) the historical market prices of and recent trading activity in the Shares, particularly the fact that the Offer and the Merger will enable the stockholders of the Company to realize a significant premium over the prices at which the Shares traded prior to the public announcement of the proposed Transaction; the Offer Price in the Transaction is significantly higher than the highest price ($28.00 per Share on February 10, 1995) at which the Shares had ever traded prior to the public announcement of the Transaction;

(iii) the view that competing offers were unlikely to occur; the Board considered the view of Blackstone that based on a preliminary review with the Company's management of other potential strategic buyers, and given Parent's existing ownership stake in the Company, the significant business relationships between Parent and the Company and the ICC's March 7, 1995 approval of the Control Application (currently scheduled to become final and effective on April 6, 1995), which would be likely to strengthen Parent's position relative to other potential railroad industry bidders since the acquisition of the Company by any other railroad would be subject to future ICC approval, viable competition to acquire the Company was unlikely to emerge; the Board further considered the fact that since the public announcement on March 10, 1995 (which public announcement occurred six days prior to the execution of the Merger Agreement) the Company had

not received any inquiries, requests for information or offers from any other parties relating to a proposed acquisition of the Company;

(iv) the fact that although the Merger Agreement does not permit the Company, its subsidiaries and its affiliates to initiate, solicit or encourage any potential Takeover Proposal (as defined in the Merger Agreement), in the event of an unsolicited Takeover Proposal the Company may engage in negotiations or discussions with, or provide information to, a third party to the extent the failure to do so would likely result in a breach of the fiduciary obligations of the Board; and the fact that in the event that the Board decided to accept a takeover bid by a third party, the Board may terminate the Merger Agreement without the payment of a break-up fee, subject only to the payment of the expenses of Parent, the Purchaser and their affiliates in an amount not to exceed $3 million in the aggregate;

(v) the possible alternatives to the Offer and the Merger, including, without limitation, continuing to operate the Company as a separate entity;

(vi) information with regard to the financial condition, results of operations, business and prospects of the Company, as reflected in the projections in the Company's Business Plan, as well as the risks involved in achieving those prospects, current economic and market conditions (including current conditions in the industry in which the Company is engaged) and the going concern value of the Company (as reflected in

part in its historical and projected operating results and in the Blackstone Materials); the Board did not consider the liquidation of the Company as a viable course of action, and, therefore, no appraisal or liquidation values were sought for purposes of evaluating the Offer and the Merger;

(vii) the expected timing of the Offer and the Merger, including the fact that the ICC final approval of Parent's control of the Company is scheduled to become final and effective on April 6, 1995, prior to the scheduled expiration of the Offer;

(viii) the terms and conditions of the Merger Agreement, including the fact that Parent's obligation to consummate the Offer and the Merger is subject only to a limited number of conditions and the fact that the Offer is not conditioned upon financing; and

(ix) the terms of certain other recently consummated acquisitions of companies in comparable lines of business as the Company.

The members of the Board of Directors of the Company (with Mr. Davidson, President of Parent, absent and not voting due to such status) considered each of the factors listed above during the course of their deliberations and negotiations prior to entering into the Merger Agreement. The Board evaluated the factors listed above in light of their knowledge of the business and operations of the Company and their business judgment. The Board based its determination that the terms of the Offer and the Merger are fair to the stockholders (other than Parent and the Purchaser) of the Company primarily on the opinion of Blackstone and the other factors set forth above. The Board stated that it regarded all of such factors as important, and did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its decision.

The Board of Directors recognized that the Offer and the Merger are not structured to require the approval of the majority of the unaffiliated stockholders of the Company, and that Parent and the Purchaser would be able to close the Offer and effect the Merger without the vote of any other stockholder of the Company if they acquire 10,522,798 or more of the outstanding Shares pursuant to the Offer. In addition, the Board recognized that certain officers and directors of the Company have certain interests in the Transaction that present actual or potential conflicts of interest. See 'SPECIAL FACTORS--Interest of Certain Persons in the Transaction.' The Board also recognized that, while the consummation of the Transaction offers stockholders the opportunity to realize a significant premium over the price at which Shares were traded prior to the public announcement of the proposed Transaction, the Transaction would eliminate the opportunity of all stockholders other than Parent to participate in the future growth and profits of the Company. The Board believes, however, that this loss of opportunity was reflected in the Offer Price of $35 per Share, and also recognized that there can be no assurance as to the level of growth or profits to be attained by the Company in the future.

If the Offer and the Merger are not consummated, the Board of Directors expects to continue to operate the Company as an ongoing business.

Because of the appointment of Blackstone as the financial advisor to the Company and the fact that Mr. Davidson did not participate in the deliberations relating to, or vote on, the Transaction, the Board of Directors did not consider it necessary to retain unaffiliated representatives to act solely on behalf of the public stockholders of the Company for purposes of negotiating the terms of the Merger Agreement.

Parent and Purchaser

The Transaction will allow Parent's railroad subsidiaries, UPRR and MPRR, to better compete against single-line competitors by allowing coordination of marketing and operations which will improve service quality and speed and frequency of service to customers of both railroads. For a description of Parent's estimate of the benefits resulting from a full consolidation of Parent's and the Company's railroads, see '--Plans for the Company After the Offer and Merger' below. Parent and the Purchaser regard the acquisition of the remaining equity interest in the Company as an opportunity to achieve certain strategic business objectives by providing Parent an opportunity to achieve full single-line service over a highly desirable transcontinental Chicago route, increase movement of southern Powder River Basin coal, grain, lumber, intermodal and other products, implement a single, efficient, computer aided dispatching system on the entire combined railroad, exploit unused equipment capacity to attract additional traffic, reduce capital expenditures, and benefit from the elimination of duplicative shops and overhead. The Transaction will allow better coordination of yard operations and improved

locomotive and freight car utilization, while improving car availability and attracting increased traffic. Parent and the Purchaser also regard the acquisition of the Company as an attractive investment opportunity because they believe that the Company's future business prospects are favorable. See 'THE OFFER--Certain Information Concerning the Company.'

Parent and the Purchaser have each concluded that the Transaction is fair to holders of Shares based on (i) the conclusions of, and unanimous approval (with Mr. Davidson absent and not voting) by, the Board of Directors of the Company, as well as the basis therefor, which conclusions and basis, as set forth above, are incorporated by reference herein, (ii) the fact that the Board of Directors of the Company had received the written opinion of Blackstone addressed to the Board that the cash consideration to be received by holders of Shares pursuant to the Offer and the Merger is fair to such holders from a financial point of view, (iii) the fact that representatives of Parent and its legal advisors negotiated the principal terms of the Transaction on an arm's-length basis with representatives of the Company and its legal advisors and (iv) the fact that (a) during the negotiations of the Merger Agreement the interests of holders of Shares were represented by the Board of Directors of the Company and its independent legal and financial advisors and the interests of Parent and the Purchaser were represented by their legal and financial advisors and (b) such parties had different economic and other interests. Parent and the Purchaser did not find it practicable to, and did not, quantify or otherwise attach relative weights to the specific factors considered by the Board of Directors of the Company. However, Parent and the Purchaser gave significant weight to all the factors discussed in (i) through (iv) above.

OPINION OF THE BLACKSTONE GROUP L.P.

Pursuant to a letter agreement dated December 14, 1994, the Company and Blackstone confirmed that Blackstone had been retained, effective November 29, 1994, to act as the Company's exclusive financial advisor with respect to various matters, including certain matters affecting the Company arising out of Parent's then proposed acquisition of Santa Fe Pacific Corporation.

Pursuant to a letter agreement dated March 3, 1995, which was entered into in addition to the December 14 letter agreement, the Company and Blackstone confirmed that Blackstone had been retained to act as its exclusive financial advisor with respect to a potential sale of, investment in, recapitalization by, strategic alliance with or joint venture involving the Company. No limitations were imposed by the Company upon the investigation made by Blackstone or otherwise with respect to the opinion reached by Blackstone.

On March 9, 1995, at a meeting of the Board of Directors of the Company (with Mr. Davidson absent) to consider the possibility of a transaction whereby the Company would be acquired by Parent, Blackstone presented the preliminary Blackstone Materials presenting a range of values for the Shares using several different analyses and methodologies. The Blackstone Materials are summarized below. Blackstone reviewed the Blackstone Materials again at a meeting of the Board of Directors on March 16, 1995, confirmed that such preliminary Blackstone Materials should be considered to be final, and delivered a written fairness opinion to the Board of Directors.

In preparing the Blackstone Materials and arriving at the opinion discussed below, Blackstone reviewed certain publicly available information relating to the business, financial condition and operations of the Company, and certain financial and other information, including financial forecasts, furnished to Blackstone by the Company that is not publicly available. Blackstone met with certain senior officers of the Company to discuss the operations, financial condition, history and prospects of the Company's businesses.

In conducting its analysis, Blackstone considered the terms of the Merger Agreement; stock price data, the historical and current financial position and the historical and projected cash flows and results of operations of the Company; historical financial information and stock price data with respect to certain public companies with operations which Blackstone considered comparable to those of the Company; and prices paid in certain other business combinations involving companies with operations that Blackstone considered comparable to those of the Company. In addition, Blackstone conducted such other analyses and examinations as Blackstone deemed necessary in arriving at its opinion. Blackstone did not approach third parties to solicit indications of interest in acquiring the Company.

Based on the foregoing, Blackstone delivered its oral opinion to the Board of Directors of the Company on March 9, 1995, and following a review of the Merger Agreement and related documents, delivered its written opinion dated March 16, 1995 to the Board of Directors of the Company, that, as of the date of such opinion, the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair to such holders from a financial point of view.

THE COMPANY'S STOCKHOLDERS ARE URGED TO READ THE TEXT OF THE BLACKSTONE OPINION IN ITS ENTIRETY. A COPY OF THE FULL TEXT OF THE BLACKSTONE OPINION, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS OF THE REVIEW UNDERTAKEN, IS ATTACHED AS EXHIBIT I HERETO. THE SUMMARY DISCUSSION OF THE OPINION OF BLACKSTONE SET FORTH IN THIS OFFER TO PURCHASE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION. BLACKSTONE'S OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER SUCH STOCKHOLDER SHOULD TENDER SHARES IN THE OFFER.

A copy of the Blackstone Materials has been filed as an exhibit to the Transaction Statement on Schedule 13E-3 (the 'Schedule 13E-3') filed with the SEC with respect to the Offer and may be inspected and copied, and obtained by mail, from the SEC as set forth in 'THE OFFER--Certain Information Concerning the Company,' and will be made available for inspection and copying at the principal executive offices of the Company at 165 North Canal Street, Chicago, Illinois during regular business hours by any interested stockholder of the Company or his or her representative who has been so designated in writing.

In the course of its investigation, Blackstone relied upon, and assumed the accuracy and completeness of, publicly available information and the financial and other information provided by the Company, but Blackstone did not assume any responsibility for independent verification of any of the foregoing information. With respect to financial forecasts, Blackstone relied upon the Company's

assurances that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Company's management as to the future financial performance of the Company. Blackstone expressed no view as to such financial forecasts or the assumptions on which they were based. In addition, Blackstone did not make an independent evaluation or appraisal of the assets of the Company, nor was Blackstone furnished with any such evaluation or appraisals. Blackstone's written opinion to the Board of Directors was based on facts and circumstances existing and disclosed to Blackstone as of the date of such opinion. Although Blackstone evaluated the fairness of the cash consideration to be received by the holders of Shares in the Offer and the Merger from a financial point of view, the specific consideration payable in the Offer and the Merger was determined by Parent and the Company through negotiation.

The Company selected Blackstone primarily due to Blackstone's reputation and experience in investment banking and mergers and acquisitions in general, as well as Blackstone's knowledge and familiarity with the Company in particular. Blackstone Capital Partners L.P., an affiliate of Blackstone, led a leveraged, going-private transaction of CNW Corporation, a predecessor of the Company, in 1989, and Blackstone has since that time performed various financial advisory services for the Company.

Since January 1, 1993, Blackstone received approximately $2 million from the Company as compensation for various investment banking and financial advisory services in addition to the fees described below. As of March 16, 1995, an affiliate of Blackstone owned Shares amounting to less than 0.1% of the total issued and outstanding Shares, and Mr. James J. Mossman, General Partner of Blackstone Group Holdings, L.P., an affiliate of Blackstone, is a member of the Board of Directors of the Company.

Pursuant to its December 14, 1994 letter agreement with Blackstone, the Company paid Blackstone fees totaling $500,000. The Company agreed to pay Blackstone, as compensation for Blackstone's services pursuant to the March 3, 1995 letter agreement, a fee of $6,000,000, less one-half of the fee paid pursuant to the December 14, 1994 letter agreement. In addition, the Company agreed to reimburse Blackstone for all of Blackstone's reasonable travel and other out-of-pocket expenses (including Blackstone's legal expenses) in connection with Blackstone's engagement, and has agreed to indemnify Blackstone against certain liabilities and expenses in connection with Blackstone's engagement.

SUMMARY OF PRESENTATION MATERIALS TO THE BOARD

At the meeting of the Board of Directors of the Company on March 9, 1995, and prior to delivering its oral opinion to the Board of Directors that the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair, from a financial point of view, to such holders, and again, at the meeting of the

Board on March 16, 1995, prior to delivering its written opinion that the cash consideration to be received by such holders is fair, from a financial point of view, to such holders, Blackstone reviewed certain information with the Board

and discussed the Blackstone Materials. References to the 'current' stock price included in the following summary of the Blackstone Materials refer to the Share price immediately prior to the March 9 meeting.

Blackstone noted that in reviewing valuations of the Shares, it utilized the operating projections outlined in the Company's Business Plan, and Blackstone presented a comparison of such projections to the Company's past performance. Blackstone also presented a history of the Share price performance since the Company's initial public offering in April 1992. In performing the analyses described below, the Company's 1994 operating results were adjusted to eliminate the effects of certain non-recurring charges.

Trading Comparables Valuation. Blackstone first reviewed the multiples of earnings at which the shares of the following comparable public companies trade: Burlington Northern Inc., Conrail, Inc., CSX Corporation, Illinois Central Corporation, Norfolk Southern Corporation, Parent and Wisconsin Central Transportation Corp. Based on the trading multiples of operating results for the trailing twelve months of such companies, Blackstone applied benchmark multiples of 6.5x-7.5x to the Company's 1994 earnings before interest, taxes, depreciation and amortization ('EBITDA') and 8.5x-10.0x to the Company's 1994 earnings before interest and taxes ('EBIT') to arrive at a range of implied per Share values for the Shares of $21.31-$28.12 and $19.61-$27.13, respectively. Blackstone also applied benchmark multiples of 1994 earnings per share and estimated 1995 earnings per share of 12.5x-13.0x and 10.5x-11.0x, respectively, to arrive at a range of implied per Share values of $24.13-$25.09 and $26.25-$27.50, respectively.

Precedent Transactions Valuation. Blackstone next reviewed the multiples of earnings paid by acquirors in recent transactions in the railroad industry, but noted that such comparisons had to be qualified by certain factors. In the current proposed acquisition of Santa Fe Pacific Corporation by Burlington Northern Inc., the price is substantially higher than the original offer due to the highly competitive bidding which occurred between Parent and Burlington Northern, Inc. The proposed Illinois Central Corporation transaction with Kansas City Southern Industries Inc., which was terminated, involved an auction with a number of interested parties. In the Kansas City Southern Industries, Inc./Midsouth Corporation transaction, Midsouth offered routes that were attractive for a number of parties, and its small size enabled financial buyers to compete in the bidding. In the leveraged acquisition of the Company's predecessor by a Blackstone affiliate, the transaction was consummated in light of a competing hostile offer and at a time of significant liquidity in the financing markets. Blackstone also noted that based on a preliminary review with the Company's management of other potential strategic buyers, and given Parent's existing ownership stake in the Company, the significant business relationships between Parent and the Company, and the ICC's March 7, 1995 approval of the Control Application, which would likely strengthen Parent's position relative to other potential railroad industry bidders since the acquisition of the Company by any other railroad would be subject to future ICC approval, viable competition to acquire the Company was unlikely to emerge. Blackstone further noted that in the last major railroad transaction involving a large existing shareholder, Canadian Pacific Ltd.'s acquisition of the remaining 44% of Soo, the original offer was at an approximately 8% premium to Soo's stock price, which was subsequently increased to a 19% premium. With the foregoing qualifications, based on such acquisitions in the railroad industry, Blackstone

presented a range of implied per Share values of (i) $28.12-$38.35 based on multiples of EBITDA of 7.5x-9.0x, (ii) $32.15-$39.67 based on multiples of EBIT of 11.0x-12.5x, and (iii) $28.95-$38.60 based on multiples of net income of 15.0x-20.0x. These were calculated by applying the benchmark multiples to the Company's 1994 operating results.

Discounted Value of Future Stand-Alone EPS. The projections of earnings per Share in the Business Plan were $2.50 in 1995, $3.01 in 1996, $3.82 in 1997, $4.63 in 1998 and $5.60 in 1999. Based on these projections, Blackstone presented a matrix of per Share values calculated by discounting potential future Share prices of the Company. These were estimated assuming a range of future price/earnings multiples of 9.0x-12.0x and equity discount rates of 13%-17%. Based on the projected earnings per Share for 1997, this analysis indicated a low per Share value of $25.12, assuming the lowest multiple and highest discount rate, and a high per Share value of $35.90, assuming the highest multiple and lowest discount rate. The same analysis based on the projected earnings per Share for 1999 indicated a range of $26.90 to $41.22 per Share.

Stand-Alone Unlevered Discounted Cash Flow. Blackstone also presented a matrix of the stand-alone discounted cash flow valuations of the Company using unlevered cash flows and assuming the projections in the

Business Plan referred to above. Based on a capital asset pricing model ('CAPM') analysis, Blackstone utilized a range of 11%-14% for the Company's weighted average cost of capital. Blackstone estimated a value at the end of five years for the Company of 6.0x-7.0x (the 'exit multiple') projected 1999 EBITDA. This analysis produced a low valuation of $32.20 per Share, assuming an exit multiple of EBITDA of 6.0x and a weighted average cost of capital of 14%, and a high valuation of $46.30 per Share, assuming an exit multiple of 7.0x and a weighted average cost of capital of 11%.

Potential Value to Parent--Pro Forma Merger Analysis. Blackstone noted that, based on estimates of potential cost savings in a combination of the Company and Parent provided to Blackstone by the Company's management, and based on the fact that Parent's borrowing costs are likely to be lower than the Company's, an acquisition by Parent of the Company would lead to accretions to Parent's earnings per share at prices involving significant premiums to the Company's current Share price. Blackstone presented a summary of the possible accretion to Parent's 1995 estimated earnings per share of approximately $4.53 assuming annual combination synergies of $40 million, $80 million and $120 million and assuming a range of purchase prices from $27.50 to $37.50 per Share. Such summary indicated that Parent's earnings per share could increase from as little as $0.11 per share, assuming a $37.50 purchase price and $40 million of annual synergies, to as much as $0.49 per share, assuming a $27.50 purchase price and $120 million of annual synergies. Blackstone noted that while the estimated synergies presented by Parent and the Company in the Control Application were higher than the $40 million-$120 million assumed in the pro forma merger analysis, the Company's management advised Blackstone that because of the uncertainties inherent in achieving certain of such synergies, particularly in connection with certain revenue enhancements, it would be appropriate to discount such estimated synergies in the context of the valuation analysis. Blackstone noted that the per Share values implied in this analysis included all of the projected combination benefits and therefore did not necessarily reflect the price which Parent would be willing to pay to the Company's stockholders.

Potential Value to Parent--Discounted Cash Flow. Blackstone also presented an analysis of the potential discounted cash flow value of the Company to Parent using unlevered cash flows and assuming $80 million of annual combination synergies and also assuming the projections in the Business Plan. The analysis indicated a range of per Share values assuming exit multiples of 6.0x-7.0x projected 1999 EBITDA and, based on a CAPM analysis, a weighted average cost of capital of 11% to 13% for Parent. The per Share values resulting from this analysis ranged from a low of $44.00, assuming a 6.0x exit multiple and a 13% weighted average cost of capital, to a high of $57.70, assuming a 7.0x exit multiple and an 11% weighted average cost of capital. Blackstone noted that the per Share values implied in this analysis included all of the projected combination benefits and therefore did not necessarily reflect the price which Parent would be willing to pay to the Company's stockholders.

Leveraged Buy-Out. Blackstone also presented an analysis of the values which might be realized in a leveraged buy-out of the Company. Blackstone noted, however, that given current market conditions, the financeability of a leveraged buy-out at any meaningful premium to the current stock price would be uncertain. Blackstone estimated that the upper end of likely per Share values in a leveraged buy-out was $27.00. Blackstone further noted that, assuming equity investors would have target returns of approximately 25%, achieving this value would require debt and equity investors to accept the projections prepared by the Company in the Business Plan. If equity investors were willing to fund a leveraged buy-out based upon the Business Plan and management's estimate of potential annual cost savings of $46 million and a potential $20 million decrease in annual capital expenditures, then the implied leveraged buy-out value could be increased to approximately $36.00 per Share. Blackstone noted, however, that the ability to obtain the required level of debt financing for such a transaction under these assumptions was highly uncertain.

Leveraged Recapitalization. Blackstone also analyzed the potential values that might be realized in connection with a leveraged recapitalization of the Company. Based upon the Business Plan, Blackstone estimated that the Company could pay a one-time special dividend to stockholders of up to $13.00 per Share, and presented a range of values assuming the remaining equity (with the increased leverage) traded at multiples of pro forma estimated 1995 earnings ranging from 8.0x to 11.0x. Based on the foregoing, the total value to stockholders would range from $26.09 per Share, assuming the lowest multiple, to $30.99 per Share, assuming the highest multiple. These values could increase to $36.68 per Share and $41.80 per Share, respectively, if one also assumed management's estimates of potential annual cost savings and decreases in annual capital expenditures discussed above. Blackstone noted, however, that the ability to obtain the required level of debt financing for such a transaction under these assumptions was highly uncertain.

THE OPINION OF BLACKSTONE DATED MARCH 16, 1995, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT I, SHOULD BE READ IN ITS ENTIRETY. THE SUMMARY OF THE FINANCIAL AND COMPARATIVE ANALYSES SET FORTH ABOVE CONTAINS A SUMMARY OF ALL MATERIAL ANALYSES EMPLOYED BY BLACKSTONE IN REACHING SUCH OPINION, BUT DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF BLACKSTONE'S PRESENTATION TO THE BOARD ON EITHER MARCH 9 OR MARCH 16 OR THE ANALYSES CONDUCTED BY BLACKSTONE. FURTHERMORE, THE RANGE OF VALUES PRESENTED IN SUCH ANALYSES WERE NOT INTENDED IN ANY SPECIFIC INSTANCE TO REPRESENT DEFINITIVE CONCLUSIONS OF THE VALUE OF THE COMPANY. BLACKSTONE BELIEVES THAT ITS ANALYSES AND THE SUMMARY THEREOF SET FORTH ABOVE MUST BE CONSIDERED AS A WHOLE AND THAT SELECTING PORTIONS OF ITS ANALYSES AND THE FACTORS CONSIDERED BY IT, WITHOUT CONSIDERING ALL THE FACTORS OR ANALYSES, COULD CREATE AN INCOMPLETE AND/OR MISLEADING VIEW OF THE PROCESS UNDERLYING ITS OPINION. IN ADDITION, BLACKSTONE MAY HAVE GIVEN VARIOUS ANALYSES MORE OR LESS WEIGHT THAN OTHER ANALYSES, AND MAY HAVE DEEMED VARIOUS ASSUMPTIONS MORE OR LESS PROBABLE THAN OTHER ASSUMPTIONS, SO THAT THE RANGES OF VALUATION RESULTING FROM ANY PARTICULAR ANALYSIS DESCRIBED ABOVE SHOULD NOT BE TAKEN TO BE BLACKSTONE'S VIEW OF THE ACTUAL VALUE OF THE COMPANY. IN PERFORMING ITS ANALYSES, BLACKSTONE MADE NUMEROUS ASSUMPTIONS WITH RESPECT TO INDUSTRY PERFORMANCE, GENERAL BUSINESS, ECONOMIC, MARKET AND FINANCIAL CONDITIONS AND OTHER MATTERS, MANY OF WHICH ARE BEYOND THE CONTROL OF PARENT, THE PURCHASER OR THE COMPANY. ANY VALUE CONTAINED IN THE ANALYSES PERFORMED BY BLACKSTONE IS NOT NECESSARILY INDICATIVE OF THE ACTUAL VALUES OR ACTUAL FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN AS SET FORTH THEREIN. ANALYSES RELATING TO THE VALUE OF THE BUSINESS OR SHARES DO NOT PURPORT TO BE APPRAISALS OR TO REFLECT THE PRICES AT WHICH SUCH BUSINESS OR SHARES MAY BE SOLD. ACCORDINGLY, SUCH ANALYSES AND VALUATIONS ARE INHERENTLY SUBJECT TO SUBSTANTIAL UNCERTAINTY. NO PUBLIC COMPANY UTILIZED AS A COMPARISON IS IDENTICAL TO THE COMPANY, AND NONE OF THE PRECEDENT TRANSACTIONS UTILIZED AS A COMPARISON IS IDENTICAL TO THE OFFER AND THE MERGER. ACCORDINGLY, AN ANALYSIS OF PUBLICLY TRADED COMPARABLE COMPANIES AND PRECEDENT TRANSACTIONS IS NOT MATHEMATICAL; RATHER IT INVOLVES COMPLEX CONSIDERATIONS AND JUDGMENTS CONCERNING DIFFERENCES IN FINANCIAL AND OPERATING CHARACTERISTICS OF THE COMPARABLE COMPANIES OR THE COMPANIES INVOLVED IN PRECEDENT TRANSACTIONS AND OTHER FACTORS THAT COULD AFFECT THE PUBLIC TRADING VALUE OF THE COMPARABLE COMPANIES OR COMPANY OR TRANSACTION TO WHICH THEY ARE BEING COMPARED.

OPINION OF CS FIRST BOSTON CORPORATION

CS First Boston was retained by Parent to act as its financial advisor in connection with the Offer and the Merger. CS First Boston was selected by Parent based on CS First Boston's experience, expertise and familiarity with Parent, its business and Parent's investment in the Company. CS First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

In connection with CS First Boston's engagement, Parent requested that CS First Boston evaluate the fairness, from a financial point of view, to Parent of the consideration to be paid by Parent in the Offer and the Merger. At a meeting of Parent's Board of Directors held on March 16, 1995, CS First Boston rendered to Parent's Board of Directors an oral opinion (subsequently confirmed in writing as of such date) to the effect that, as of such date and based upon and

subject to certain matters, the consideration to be paid by Parent in the Offer and the Merger was fair to Parent from a financial point of view.

In arriving at its opinion, CS First Boston (i) reviewed the Merger Agreement and certain publicly available business and financial information relating to the Company, (ii) reviewed certain other information, including financial forecasts, provided by Parent and the Company, (iii) met with the managements of Parent and the Company to discuss the business and prospects of the Company, (iv) evaluated the pro forma financial impact of the Offer and the Merger on Parent, (v) considered and relied upon the views of management of, and regulatory counsel for, Parent concerning the anticipated regulatory treatment to be accorded to the Offer and the Merger, (vi) considered certain financial and stock market data of the Company and compared that data with similar data for other publicly held companies in businesses similar to those of the Company, (vii) considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions recently effected and (viii) considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which CS First Boston deemed relevant.

In connection with its review, CS First Boston did not assume responsibility for independent verification of any of the information provided to or otherwise reviewed by CS First Boston and relied upon its being complete and accurate in all material respects. With respect to the financial forecasts reviewed, CS First Boston assumed that such forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Parent and the Company as to the future financial performance of the Company and the potential synergies resulting from the Offer and the Merger. In addition, CS First Boston did not make an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company, nor was CS First Boston furnished with any such evaluations or appraisals. CS First Boston assumed, with the consent of Parent's Board of Directors and based upon the views of management of, and regulatory counsel for, Parent that, in the course of obtaining the necessary regulatory and governmental approvals for the proposed Offer and Merger, no restriction will be imposed that will have a material adverse effect on the contemplated benefits of the Offer and the Merger. CS First Boston's opinion is necessarily based on information available to it and financial, stock market and other conditions and circumstances as they existed and could be evaluated on the date of its opinion. Although CS First Boston evaluated the fairness of the consideration to be paid by Parent in the Offer and the Merger from a financial point of view, the specific consideration payable in the Offer and the Merger was determined by Parent and the Company through negotiation. No other limitations were imposed by Parent on CS First Boston with respect to the investigations made or procedures followed by CS First Boston.

In preparing its opinion to Parent's Board of Directors, CS First Boston performed a variety of financial and comparative analyses, including those described below, and provided Parent's Board of Directors with a written presentation with respect to such analyses. The summary of CS First Boston's analyses set forth below does not purport to be a complete description of the analyses underlying CS First Boston's opinion or presentation to Parent's Board of Directors. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. In arriving at its opinion, CS First Boston made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, CS First Boston believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying such analyses and its opinion. In its analyses, CS First Boston made numerous assumptions with respect to Parent, the Company, industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Parent and the Company. No company, transaction or business used in such analyses as a comparison is identical to Parent, the Company, the Offer or the Merger. An analysis of comparable companies and transactions is not entirely mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors of the comparable companies or companies involved in comparable transactions that could affect the acquisition or public trading value of the comparable companies or the business segment or transaction to which they are being compared. The estimates contained in the analyses set forth below are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, because such estimates are inherently subject to substantial uncertainty, none of Parent, the Purchaser, the Company, CS First Boston or any other person assumes responsibility for their accuracy.

The following is a summary of the material analyses performed by CS First Boston in connection with its opinion dated March 16, 1995:

Comparable Company Analysis. CS First Boston reviewed and compared certain financial, operating and stock market information of Parent, the Company and the following selected companies in the railroad industry: Burlington Northern Inc.; Conrail, Inc.; CSX Corporation; Illinois Central Corporation; Kansas City Southern Industries, Inc.; Norfolk Southern Corporation; Santa Fe Pacific Corporation; and Southern Pacific Transportation Corporation (the 'Comparable Companies'). CS First Boston compared equity market values as a multiple of the latest available 12 months and estimated 1994 and 1995 net income and book value, and adjusted market values (equity market value, plus total debt, preferred stock and minority investment, less cash and cash equivalents) as a multiple of the latest available 12 months and estimated 1994 and 1995 revenues,

operating cash flow and operating income. All multiples were based on closing stock prices as of March 10, 1995. This analysis resulted in a stand-alone per Share equity valuation range of approximately $22.00 to $27.00.

Comparable Acquisition Analysis. Using publicly available information, CS First Boston analyzed the purchase prices and multiples paid or proposed to be

paid in selected acquisition transactions in the railroad industry, including: Burlington Northern Inc./Santa Fe Pacific Corporation; Parent/Santa Fe Pacific Corporation; Illinois Central Corporation/Kansas City Southern Industries, Inc. (Railway Division); Kansas City Southern Industries, Inc./MidSouth Corporation; RF&P Corporation (Railway Operations)/CSX Corporation; Canadian Pacific Ltd./Soo; Blackstone Capital Partners/CNW Corporation; and Illinois Central Corporation/Prospect Group (the 'Comparable Acquisitions'). CS First Boston compared purchase prices as a multiple of the latest available 12 months net income and book value, and adjusted purchase prices (purchase price, plus total debt and preferred stock, less cash) as a multiple of the latest available 12 months sales, operating cash flow and operating income. All multiples for the Comparable Transactions were based on information available at the time of announcement of the transaction. This analysis resulted in a stand-alone per Share equity valuation range of approximately $30.00 to $36.00.

Discounted Cash Flow Analysis. CS First Boston performed discounted cash flow analyses of the projected unlevered free cash flow of the Company for fiscal years 1995 through 2002, based on certain operating and financial assumptions, forecasts and other information provided by the management of Parent ('Parent Forecasts') and the management of the Company ('Company Forecasts'). For purposes of such analyses, CS First Boston utilized discount rates of between 10% and 14%, terminal year operating cash flow multiples of between 5.5x and 7.5x and terminal year perpetual growth rates of between 3% and 5%. Based on Parent Forecasts and discount rates of 11% and 13%, this analysis resulted in stand-alone per Share equity valuation ranges of approximately $26.00 to $33.00 and $19.00 to $22.00, respectively. Based on Company Forecasts and discount rates of 11% and 13%, this analysis resulted in stand-alone per Share equity valuation ranges of approximately $40.00 to $50.00 and $33.00 to $35.00, respectively. Parent advised CS First Boston that, in Parent's view, the Parent Forecasts were a more realistic estimate of the Company's future performance than the Company Forecasts.

Synergies Analysis. Based on Parent Forecasts, CS First Boston performed a discounted cash flow analysis of the projected net revenue enhancements and cost savings ('Synergies') anticipated to result from the Merger for fiscal years 1995 through 2002, taking into account estimates of Parent's management as to the anticipated costs of implementing programs to realize such Synergies. For purposes of such analysis, CS First Boston utilized discount rates of 11% and 13%, a terminal year operating cash flow multiple of 6.0x and a terminal year perpetual growth rate of 4%. This analysis resulted in per Share equity valuation ranges of approximately $5.25 to $6.25 (assuming 25% projected Synergies are retained), $10.50 to $12.50 (assuming 50% of projected Synergies are retained), $15.75 to $18.75 (assuming 75% of projected Synergies are retained) and $21.00 to $25.00 (assuming 100% of projected Synergies are retained).

Pro Forma Analysis. Based on Parent Forecasts, CS First Boston analyzed certain pro forma effects resulting from the Merger, including, among other things, the impact of the Merger on the projected earnings per share ('EPS') of Parent for the fiscal years 1995 through 2002. This analysis indicated that the Merger would be accretive to the EPS of Parent for each of the fiscal years analyzed, assuming 100% of projected Synergies anticipated from the Merger were achieved. The actual results achieved by the combined company may vary from projected results, and the variations may be material.

Copies of CS First Boston's opinion and written presentation to Parent's Board of Directors have been filed as an exhibit to the Schedule 13E-3 and may be inspected, copied and obtained in the manner specified in 'THE OFFER--Certain Information Concerning the Company.' CS FIRST BOSTON'S OPINION IS DIRECTED ONLY TO THE FAIRNESS OF THE CONSIDERATION TO BE PAID BY PARENT IN THE OFFER AND THE MERGER FROM A FINANCIAL POINT OF VIEW, DOES NOT ADDRESS ANY OTHER ASPECT OF THE OFFER, THE MERGER OR ANY RELATED TRANSACTION AND DOES NOT CONSTITUTE A RECOMMENDATION TO STOCKHOLDERS OF THE COMPANY AS TO WHETHER TO TENDER SHARES IN THE OFFER.

In the ordinary course of business, CS First Boston and its affiliates may actively trade the debt and equity securities of Parent and its affiliates and the Company for their own account and for accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

See 'THE OFFER--Fees and Expenses' for a description of Parent's fee arrangements with CS First Boston.

PURPOSE AND STRUCTURE OF THE TRANSACTION

The purpose of the Transaction is for Parent, through the Purchaser, to acquire the entire equity interest in the Company. Following the completion of the Offer, Parent intends to acquire any remaining equity interest in the Company not then owned by Parent or the Purchaser by consummating the Merger. If the Purchaser acquires at least 90% of the outstanding Shares through the Offer or through the Offer and pursuant to the Option Agreement, Parent intends to cause the Purchaser to consummate the Merger through a short-form merger without a vote of stockholders under Delaware law or Utah law. In any event, the Purchaser intends, should it purchase Shares pursuant to the Offer, to cause the Merger to occur (subject to satisfaction or waiver of the conditions contained in the Merger Agreement). As set forth under 'THE OFFER--Conditions of the Offer,' the Offer is conditioned upon, among other things, the Minimum Condition being satisfied. Parent and the Purchaser cannot waive the Minimum Condition without the written consent of the Company (such consent to be authorized by the Board of Directors or a duly authorized committee thereof). As a result, without the prior written approval of the Company, the Purchaser cannot accept for payment, and therefore purchase, any Shares pursuant to the Offer, unless there have been validly tendered and not withdrawn prior to expiration of the Offer a number of Shares which, when added to the Non-Voting Common Stock (assuming conversion thereof into Shares) and any Shares owned by Parent, the Purchaser and their affiliates, constitutes at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Common Stock into Shares).

The acquisition of the entire equity interest in the Company has been structured as a cash tender offer followed by a cash merger in order to provide a prompt and orderly transfer of ownership of the Company from the public stockholders to Parent. Following the Merger, the interest of Parent in the Company's net book value and net income will increase to 100%. Parent as the sole indirect stockholder of the Company will thereafter benefit from any increases in the value of the Company and also bear the risk of any decreases in

the value of the Company's operations. In connection with the Offer, Parent and the Purchaser have reviewed, and will continue to review, various possible business strategies that Parent and the Purchaser might consider in the event that the Purchaser acquires control of the Company, whether pursuant to the Merger Agreement or otherwise.

The Merger does not require the approval of a majority of the unaffiliated stockholders of the Company.

PLANS FOR THE COMPANY AFTER THE OFFER AND MERGER

Except as indicated in this Offer to Purchase, neither Parent nor the Purchaser has any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or any material change in the Company's capitalization or any other material changes in the Company's corporate structure or business or the composition of the Board of Directors or management.

Upon consummation of the Offer, Purchaser intends to continue to review the Company and its assets, businesses, operations, properties, policies, corporate structure, capitalization and management and consider if any changes would be desirable in light of the circumstances then existing. Upon consummation of the Merger, Parent intends to continue to review the business of the Company and identify synergies and cost savings, including its freight traffic arrangements with the Company. In addition, following the Effective Time, Parent will likely change the dividend policy of the Company and may consider a possible merger of the Company with UPRR. See 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction.'

Parent regards the acquisition of the Shares and the resulting consolidation of the Company's and Parent's rail subsidiaries as an opportunity to achieve certain cost savings and synergies. Parent estimates that the Merger will result in $103 million of pre-tax benefits, mainly due to new market opportunities and traffic diversions from other railroads. An additional $95 million of pre-tax cost savings is also estimated to result from increased efficiencies in equipment utilization and synergies achieved through the increased coordination of departments, including maintenance of way and equipment, transportation, operations, communications and computers. Parent further estimates that a portion of these net benefits could have been achieved once the Control Application became final and effective, even without acquiring additional Shares or consummating the Merger. Parent estimates that these gains will be partly off-set by a one-time $199 million pre-tax consolidation and transaction cost. The foregoing estimates of cost savings and synergies are inherently subject to substantial uncertainty and there can be no assurance that they will be achieved.

Purchaser anticipates that, upon consummation of the Offer, it will exercise its rights under the Merger Agreement to designate persons to be elected to the Company's Board of Directors so that its designees constitute at least a majority of the Company's Board of Directors. See 'THE MERGER AGREEMENT.'

The Merger Agreement provides that (i) Parent and the Purchaser will honor and assume certain change of control agreements with certain employees of the Company, (ii) certain participants in the Company's Retirement Plans (as defined herein) will be entitled to certain rights and will become participants in designated retirement plans of Parent and its affiliates, (iii) certain bonuses will be paid to Company employees and (iv) certain Options will be cancelled in exchange for either cash or options of the Parent. See 'THE MERGER AGREEMENT--Compensation and Benefits.'

It is expected that, if Shares are not accepted for payment by Purchaser pursuant to the Offer and the Merger is not consummated, the Company's current management, under the general direction of the Company's Board of Directors, will continue to manage the Company as an ongoing business.

INTERESTS OF CERTAIN PERSONS IN THE TRANSACTION

In considering the recommendation of the Board of Directors of the Company, stockholders of the Company should be aware that certain officers and directors of the Company have certain interests in the Transaction, including those referred to below, that present actual or potential conflicts of interest in connection with the Offer. The Board was aware of these potential or actual conflicts of interest and considered them along with other matters described under 'SPECIAL FACTORS--Recommendation of the Board of Directors of the Company; Fairness of the Transaction.'

Richard K. Davidson, who is the President of Parent and the Chairman and Chief Executive Officer of UPRR and MPRR, is a member of the Board of Directors of the Company and serves in such capacity as Purchaser's designee under the Stockholders Agreement (as defined below). Mr. Davidson was absent and did not vote at meetings of the Board held on February 28, March 9, and March 16, 1995. See 'SPECIAL FACTORS--Background of the Transaction.' As of March 23, 1995, the Purchaser owned 12,835,304 shares of Non-Voting Common Stock, which would, upon conversion, constitute 27.48% of the outstanding Shares on a fully diluted basis (assuming conversion of the shares of Non-Voting Common Stock into Shares and exercise of all outstanding Options).

As of March 16, 1995, the executive officers and directors of the Company owned an aggregate of 230,527 Shares and held Options to purchase an aggregate of 932,505 Shares (whether or not exercisable). On such date, the Shares owned by executive officers and directors of the Company and the Options held by such persons (whether or not exercisable) together constituted 2.49% of the outstanding Shares on a fully diluted basis (assuming the conversion of the shares of Non-Voting Common Stock into Shares and exercise of all outstanding Options). If the Transaction is consummated, such persons will receive an aggregate of $8,068,445 in cash for their Shares and, in addition, an aggregate of $26,017,172 in cash with respect to the cancellation of Options assuming no such person receives rollover options on Parent common stock. See 'THE MERGER AGREEMENT--Compensation and Benefits' for a discussion of the treatment of Options in the Merger.

The following table sets forth, as of March 16, 1995, the number of Shares and Options owned by, and the aggregate amounts to be received by, each executive officer and director of the Company who owns any Shares or Options, and all executive officers and directors of the Company as a group, pursuant to the Transaction. Other than the individuals named below, no executive officer or director of the Company owns any Shares.

NAME OF DIRECTOR OR EXECUTIVE OFFICER OF THE COMPANY	SHARES	OPTIONS(4)	TOTAL CASH AMOUNT TO BE RECEIVED(5)
F. G. Bitter	0	50,000	$ 737,500
Richard K. Davidson(1)	0	0	0
Paul A. Lundberg	13,997	32,125	983,638
James E. Martin(2)	3,000	0	105,000
James J. Mossman(2)(3)	31,967	0	1,118,845
Harold A. Poling	500	0	17,500
Robert Schmiege	153,192	466,895	18,957,702
Samuel K. Skinner(2)	4,137	0	144,795

NAME OF DIRECTOR OR EXECUTIVE OFFICER OF THE COMPANY	SHARES	OPTIONS(4)	TOTAL CASH AMOUNT TO BE RECEIVED(5)
James R. Thompson(2)	4,237	0	148,295
Arthur W. Peters	0	340,569	10,381,971
Dennis E. Waller	19,497	42,916	1,490,371
All Executive Officers and Directors (11 persons)	230,527	932,505	$ 34,085,617

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(1) Mr. Davidson is the President of Parent. Share data does not include the beneficial holdings of Parent or the Purchaser.

(2) Includes, for each of Messrs. Martin, Mossman, Skinner and Thompson, 4,137 shares held in the Director's Pension and Retirement Savings Trust (the 'Plan Trust') which are voted by each respective director but with respect to which such directors do not have the right of disposition. Such Plan Trust was established to hold Shares in connection with the Company's Directors' Pension and Retirement Savings Plan.

(3) Includes 27,830 Shares held through a limited partnership affiliated with Blackstone.

(4) Includes vested and unvested Options.

(5) Assumes all Options will be settled for cash.

In December 1994, the Company entered into Change of Control Employment Agreements with Messrs. F. Gordon Bitter (Senior Vice President--Finance and Accounting), Paul A. Lundberg (Senior Vice President-- Services), James E. Martin (Executive Vice President--Operations), Arthur W. Peters (Senior Vice President-- Sales and Marketing) and Dennis E. Waller (Senior Vice President--Engineering and Equipment) and twenty-two other employees of the Company who are not executive officers. Each such agreement provides for, among other things: (i) a three-year employment period, beginning on the date of a Change of Control (as defined in such agreements), at an annual base salary equal to at least 12 times the highest monthly salary payable during the 12-month period immediately preceding the Change of Control; (ii) a guaranteed annual bonus; and (iii) continued participation in the incentive, savings, retirement, welfare and other fringe benefit plans sponsored by the Company. If the executive's employment is terminated by the Company (other than for Cause (as defined in such agreements) or by reason of the executive's death or disability), or if the executive terminates employment for Good Reason (as defined in such agreements), the executive will receive: (i) annual base salary, guaranteed bonus and accrued vacation pay through the date of termination; (ii) previously deferred and unpaid compensation; (iii) an amount equal to three times the sum of the executive's base salary and annualized guaranteed bonus in the year in which the termination occurs; (iv) reimbursement for benefits which would have accrued in three more years and for unvested benefits forfeited under the Company's Supplementel Pension Plan as a result of termination; and (v) continuation of all medical, life insurance and other welfare benefits for a period of three years from termination. Payments under each of such agreements will be reduced to the extent it is determined that any portion thereof would be nondeductible under Section 280G of the Internal Revenue Code of 1986, as amended (the 'Code'), as an 'excess parachute payment.' If payments equal to or in excess of 300% of the executive's 'base amount' (generally the average annual compensation received by the executive over his five most recent tax years) are made to the executive, then all amounts in excess of 100% of the executive's base amount generally constitute 'excess parachute payments' for purposes of the Code. It is anticipated that the payments made to the executive officers under the Change of Control Employment Agreements after reduction for the portions of (i) the amount of the prorated guaranteed bonus and (ii) the payments made under the Merger Agreement with respect to the value of the executive's unvested options, all as determined by the Company under the proposed regulations issued by the Internal Revenue Service under Code Section 280G, are $437,112 for Mr. Bitter, $456,302 for Mr. Lundberg, $1,181,172 for Mr. Martin, $1,212,549 for Mr. Peters, $431,648 for Mr. Waller and $11,865,054 for all officers with Change of Control Employment Agreements.

Pursuant to the Merger Agreement, the Company will, after the Effective Time, pay bonuses under its Bonus Plan in an amount determined by projecting to December 31, 1995, its performance through the date of closing and prorating the resulting bonus amounts to the date of closing. The following bonus payments would be made pursuant to the Bonus Plan if the Effective Time were May 1, 1995: Mr. Schmiege, $150,000; Mr. Bitter, $91,667; Mr. Lundberg, $75,000; Mr. Martin, $91,667; Mr. Peters, $96,073; Mr. Waller, $75,000; and $1,094,899 for all

officers with Change of Control Employment Agreements.

Under the Merger Agreement, Parent has agreed to cause the Surviving Corporation to honor the Change of Control Employment Agreements. In some instances individual employees may enter into employment agreements with Parent or one of its affiliates pursuant to which the rights to payments under the Change of Control Employment Agreements are extinguished.

In addition, under the Merger Agreement, Parent has agreed that each individual officer with a Change of Control Employment Agreement whose employment terminates under the Change of Control Employment Agreement as described in the third preceding paragraph above and who (i) agrees to receive a lump sum payment in cash of all benefits such officer is entitled to upon termination of employment under the Change of Control Employment Agreement, (ii) agrees to the amendment of the Stockholders Agreements, dated March 30, 1992 and June 21, 1993 and the Registration Rights Agreement, dated July 14, 1989 to provide for their termination and to waive all rights which such officer may have under such agreements and (iii) waives any claims which such officer may have against the Company (other than any rights such officer may have to benefits under the Company's benefit plans and any rights such officer may have to indemnification by the Company as provided in the Merger Agreement as described in 'THE MERGER AGREEMENT') will receive a separate payment ('Separate Payment') from the Company in an amount equal to the product of $15.0 million and a fraction, the numerator of which is such officer's individual 1995 annualized compensation (current salary and maximum bonus) and the denominator of which is the total 1995 annualized compensation (current salary and maximum bonus) of all officers with Change of Control Employment Agreements. As a result of the receipt by an executive of a Separate Payment in addition to the payments under such executive's Change of Control Employment Agreement, portions of the total payments to such executive could constitute 'excess parachute payments,' resulting in non-deductibility of such 'excess parachute payments' to the Company and imposition with respect thereto of a 20% excise tax on the executive.

If the following executive officers have such a termination of employment under the Change of Control Employment Agreements and agree to the conditions identified for the receipt of the Separate Payments, it is anticipated that such officers would receive Separate Payments in the following amounts: Mr. Bitter, $1,079,220; Mr. Lundberg, $882,998; Mr. Martin, $1,079,220; Mr. Peters, $1,131,101, Mr. Waller; $882,998; and all officers with Change of Control Employment Agreements (including the five identified officers), $15,000,000. Officers who enter into employment agreements with Parent or one of its affiliates will not receive Separate Payments.

Subject to the employee consenting to the cancellation of his Options, if consent is required by the terms of the Option (whether or not currently exercisable), all outstanding Options under the Company's 1989 Equity Incentive Plan for Key Employees, 1992 Equity Incentive Plan, and 1994 Equity Incentive Plan (the 'Option Plans') and certain Rollover Option Agreements will be cancelled by the Company at the Effective Time. Options which have been cancelled on exercise of limited stock appreciation rights will not be considered outstanding for this purpose. In consideration for the cancellation

of his or her Options, each employee will receive payment with respect to each Share with respect to which the employee holds an Option in the amount of the excess of the Offer Price over the exercise price. Employees of the Company whom Parent or its affiliates have agreed to employ will be permitted to make an advance election, in lieu of receiving a cash payment, to exchange their Options for options with respect to common stock of Parent having in the aggregate substantially the same terms and conditions, but without reload or change in control features, as the Company Options exchanged therefor. If cash is received in respect of all of their Options, the executive officers and all officers with Change of Control Employment Agreements would receive the following payments as consideration for the cancellation of their Options: Mr. Schmiege, $13,595,982; Mr. Bitter, $737,500; Mr. Lundberg, $493,743; Mr. Martin, $0; Mr. Peters, $10,381,971; Mr. Waller, $807,976; and all executive officers, $26,017,172.

In addition, in connection with the retention of Mr. James Martin as Executive Vice President--Operations of the Company, effective May 2, 1994, Mr. Martin, received a payment of $125,000 at the time of his retention, and, based on the recommendation at that time of the Chief Executive Officer of the Company, is expected to receive in addition to his normal compensation, a service bonus of $125,000 when he retires.

Parent has also agreed in the Merger Agreement that all rights to indemnification existing in favor of present or former directors, officers, employees and agents of the Company or any of its subsidiaries as provided in the Company's Restated Certificate of Incorporation or By-Laws or the certificate or articles of incorporation, by-laws or similar documents of any of the Company's subsidiaries as in effect as of the date of the Merger Agreement with respect to matters occurring prior to the Effective Time will survive the Merger and will

continue in full force and effect. In addition, the Merger Agreement provides that subject to certain limitations, Parent will cause to be maintained in effect for not less than six years from the consummation of the Offer the current directors' and officers' liability insurance policies maintained by the Company (provided that Parent may substitute therefor policies of at least the same coverage containing terms and conditions which are no less advantageous) with respect to matters occurring prior to the Effective Time. See 'THE MERGER AGREEMENT--Directors' and Officers' Insurance and Indemnification.'

Following execution of the Merger Agreement, Parent approved an arrangement under which, after the Effective Time, Parent will contribute to charities of Mr. Schmiege's choice, in honor of Mr. Schmiege, an aggregate of $1,500,000, payable over five years.

Parent and certain of Parent's affiliates are parties to various contractual arrangements with the Company and certain of the Company's affiliates. Set forth below are summaries of certain of these arrangements. These summaries are qualified in their entirety by reference to the appropriate agreements which have been filed with the SEC as exhibits to the Tender Offer Statement on Schedule 14D-1 (the 'Schedule 14D-1') and which are incorporated herein by reference. These agreements may be examined and copies may be obtained at the place and in the manner set forth under the caption 'THE OFFER--Certain Information Concerning the Company.' The Merger Agreement contemplates that the Stockholders Agreement, the 1993 Agreement and the Registration Rights Agreement (each as defined below) will be terminated at the Effective Time.

Stockholders Agreement

Under the provisions of the Second Amended and Restated Stockholders Agreement, dated as of March 30, 1992, (the 'Stockholders Agreement'), by and among certain of the Company's executive officers and one former executive officer, the Purchaser, Parent and the Company, such officers are required to vote their Shares for one designee of the Purchaser to the Company's Board of Directors. Certain former principal stockholders and certain former executive officers of the Company were originally also parties to the Stockholders Agreement.

Under the Stockholders Agreement, subject to certain exceptions: (i) if the Purchaser wishes to sell or otherwise dispose of any of its Non-Voting Common Stock or Shares into which such Non-Voting Common Stock may be converted (the 'Transfer Securities') to a person other than a party to the Stockholders Agreement or a permitted transferee of such party (a 'Third Party') (excluding a sale or spinoff to the stockholders of Parent) in one transaction or from time to time in different transactions or (ii) if the Company wishes to sell or otherwise dispose of all or substantially all of its assets or all or a part of the east-west main line, whether or not as part of the sale of any other assets ('Transfer Assets') (any Transfer Securities together with any Transfer Assets being referred to herein as the 'Offered Assets'), then (a) the Purchaser or a permitted transferee, in the case of a proposed sale by the Company of any Transfer Assets, and (b) the Company, in the case of a proposed sale of Transfer Securities by the Purchaser or any of its permitted transferees, shall have a right of first refusal with respect to the Offered Assets at a price specified by the Purchaser or the Company, as the case may be (the 'Seller'), exercisable for a period of 45 days following written notice from the Seller of the terms of such proposed sale of Offered Assets (the 'Sale Notice'). Following a party's failure to exercise its right of first refusal, for a period of 400 days from the date of the Sale Notice, the Offered Assets may be sold to a Third Party on terms and conditions no more favorable than those offered to the person having the right of first refusal (each, a 'Rights Offeree'), provided that such sale (x) is at a price in excess of 82.5% of the price at which the Offered Assets were offered to the Rights Offeree and (y) is otherwise on the same general terms and conditions as such offer to the Rights Offeree.

The Purchaser's right of first refusal with respect to the proposed sale of any Transfer Assets is subject to certain limitations and exceptions and is also subject to ICC approval or exemption. In addition, the Purchaser's right of first refusal with respect to the east-west main line terminates if, under certain circumstances, the Purchaser fails to exercise its right, and its right of first refusal with respect to the Transfer Assets (except with respect to the east-west main line) terminates if the Purchaser, together with its permitted transferees, ceases to own approximately 2,840,000 or more shares of Non-Voting Common Stock or Shares.

1993 Agreement

Pursuant to an agreement, dated as of June 21, 1993 (the '1993 Agreement'), by and among the parties to the Stockholders Agreement, the Company agreed to use its best efforts to cause two designees of the Purchaser in addition to the one designee of the Purchaser for whom the Company's officers are required under the

Stockholders Agreement to vote their Shares (the 'Additional Nominees') to be appointed to the Board of Directors as members of the class of directors serving for a term ending on the date of the Annual Meeting to be held in 1995. The Board of Directors so elected the Additional Nominees, such election to be effective upon the ICC's March 7, 1995 order approving the Control Application becoming final and effective. Assuming no stays are entered by any court or the ICC, the Control Application, and therefore the commencement of Board service by the Additional Nominees, will become effective on April 6, 1995. In addition, the Company agreed to use its best efforts to (i) ensure that there will at all times be three designees of the Purchaser on the Board of Directors (and, if the Company shall continue to have a staggered Board of Directors, one such designee will be in Class I (current term expiring in 1996) and two such designees will be in Class III (current term expiring in 1995)), such efforts to include, if necessary, expanding the Board of Directors, and filling vacancies on the Board of Directors with, and nominating and soliciting proxies for the election as directors at each annual meeting of the Company's stockholders of, the Purchaser designees and (ii) ensure that the Board of Directors consists of nine directors (including the Additional Nominees), provided that the number of authorized directors may be increased in certain instances to permit the election of the Purchaser designees.

Pursuant to the 1993 Agreement, Messrs. Schmiege and Peters and one former executive officers of the Company agreed to vote their Shares and otherwise use their best efforts to ensure that there will at all times be three designees of the Purchaser on the Board of Directors, provided that such obligation will not restrict sales of Shares held by the executive officers and will cease with respect to such executive officer if he ceases to be an employee of the Company.

The provisions of the 1993 Agreement described above will terminate (i) with respect to the Additional Nominees, if the Purchaser ceases to own at least 20% of the capital stock of the Company of any class or classes, the holders of which are entitled to vote generally in the election of the members of the Board of Directors, and any securities of the Company presently convertible into, or exercisable or exchangeable for, any such capital stock of the Company, including but not limited to the Shares and the Non-Voting Common Stock, and (ii) with respect to one of the Additional Nominees, if the Purchaser ceases to own at least 25%, but continues to own at least 20% of such capital stock of the Company.

Registration Rights Agreement

The Purchaser has the right, pursuant to a Registration Rights Agreement dated as of July 14, 1989, as amended, by and among the Company, an affiliate of Blackstone, the Purchaser and certain other parties, to require that the Company effect the registration under the Exchange Act of all or any part of the Purchaser's Non-Voting Common Stock, and the Purchaser and certain present and former executive officers of the Company have certain piggyback registration rights at such time or times as the Company publicly offers securities.

Trackage Rights Agreement

Pursuant to a Trackage Rights Agreement, approved by the ICC, among UPRR, MPRR (UPRR, MPRR and their respective subsidiaries being hereinafter referred to as 'UP') and the Company, as supplemented and amended by a Supplemental Form of Agreement for UP Trackage Rights, dated as of January 31, 1990 (the 'Trackage Rights Agreement'), the Company hauls certain traffic over the east-west main line for UP using Company employees, engines and facilities under terms that preserve the Company's revenue on that traffic and at the same time provide the Company with increased revenues in the event of increased UP usage under the Trackage Rights Agreement. The Trackage Rights Agreement was further amended by an amendment dated as of December 20, 1990. The Trackage Rights Agreement, as so amended, required the Company to maintain 90% of the east-west main line at Class 5 Federal Railroad Administration ('FRA') standards by the end of 1994. Since December 31, 1992, this condition has been met. In addition, UP agreed that if it determined by the end of 1994 that further upgrading of the east-west main line was desirable, it would have provided $35 million of additional debt financing to help the Company achieve the maintenance of 100% of the east-west main line at Class 5 FRA standards by 1996. UP did not elect to provide such additional financing.

The trackage rights granted to UP under the Trackage Rights Agreement run for a term of 999 years and consist of bridge rights (i.e., rights to haul freight from one end of the east-west main line to the other, but not to originate, terminate or interchange traffic at intermediate points) between Fremont, Nebraska/Council Bluffs, Iowa and points in and around Chicago, Illinois, and full rights throughout the Chicago area, each subject to certain limitations. UP retains the option of working with the Company and other railroads on an interline basis

rather than handling traffic via the trackage rights. UP is allowed to interchange with all rail and non-rail transportation companies in the Chicago area for traffic to and from points not served by the Company or the Fox River Valley Railroad Corporation (a Wisconsin regional railroad which purchased its line from the Company and has since been acquired by Fox Valley & Western Railroad, a subsidiary of Wisconsin Central Transportation Company).

The Trackage Rights Agreement also calls for provision by the Company of terminal services, including switching for UP to connecting railroads and to and from selected terminal and shipper's facilities. Other services to be provided to UP by the Company include locomotive servicing and fueling, locomotive and train inspection, derailment cleanup, bad order repair and clerical services.

As compensation for the rights and services afforded thereunder, the Trackage Rights Agreement obligates UP to pay the Company its revenue per unit (by traffic classifications) of the first quarter of 1989 net of refunds and all appropriate allowance payments, with the level of such compensation to be adjusted upward or downward (subject to a defined minimum rate) in accordance with the percentage increase or decrease of UP's net revenue per unit for each trackage right traffic classification. The aforementioned level of compensation will be adjusted every five years to reflect productivity per unit where such

adjustment would not reduce the revenue to variable cost ratio below the level prevailing on the date of the Trackage Rights Agreement. In order to provide UP with an incentive to increase the traffic subject to the Trackage Rights Agreement, the compensation described above is to be adjusted to reflect UP's increase in usage (volume as measured in carloads, trailers or containers) by traffic classification for trackage rights traffic using the east-west main line. In addition, the Company is entitled to supplementary compensation for handling empty returns in excess of the number of loads handled. The Trackage Rights Agreement also requires UP to reimburse the Company for additional costs associated with certain special services.

Pursuant to the terms of the Trackage Rights Agreement, UP paid the Company approximately $16.3 million in 1992, approximately $18.8 million in 1993 and approximately $23.9 million in 1994.

In order to ensure provision by the Company of the high level of service and maintenance required under the Trackage Rights Agreement, any material breach of the service or maintenance standards incorporated therein, which is not cured within the period allotted therefor, will result in the entitlement of UP to expanded rights in respect of the trackage right lines, including, under certain circumstances, the right to undertake maintenance therefor, to make capital improvements to ensure continued maintenance at Class 5 standards, the immediate right to fully operate its own trains over such lines, and corresponding changes in the compensation provisions for trackage rights.

The Trackage Rights Agreement further provides that, except in the event of a material breach of the agreement (in which event control of train operations will be held by the party with the greater usage and UP will be permitted to utilize its own train crews), the Company will be solely responsible for control of train operations on the lines subject to the Trackage Rights Agreement and will conduct the same in a nondiscriminatory manner. Absent breach, the Company will also be obligated to provide crews for UP trains and will in any event bear the same liability for trackage rights traffic as it would have had if such traffic had moved in interline service.

WRPI Agreements

The Company and Parent and certain of its subsidiaries are also parties to certain agreements originally entered into in connection with Parent's participation in the financing of Western Railroad Properties, Incorporated, an indirect subsidiary of the Company ('WRPI'), in 1982 and which were restated in December of 1990 when WRPI completed a refinancing (the 'WRPI Refinancing') of indebtedness incurred in connection with the construction of WRPI's rail lines. Under these agreements, a trust for the benefit of a subsidiary of Parent (the 'WRPI Trust') owns approximately one-half of the track constituting the WRPI line and certain support facilities and leases them to WRPI pursuant to a lease (the 'Lease'). During 1992, 1993 and 1994, WRPI paid approximately $17.7 million, $21.8 million and $20.2 million, respectively, to the WRPI Trust for fixed and contingent rent payments under the Lease, excluding rent representing interest payable to lenders to the WRPI Trust. Another agreement between WRPI and UPRR provides for the manner in which aggregate revenues from jointly transportated coal will be divided between them. At the present time, substantially all the coal transported by WRPI out of the Powder River Basin is interchanged with UPRR at South Morrill, Nebraska, and is subject to such

agreement. In order to secure the performance of WRPI's obligations under the Lease

(including rental payments in respect of indebtedness incurred by the WRPI Trust in connection with the WRPI Refinancing) and the other agreements entered into as part of the WRPI Refinancing, all of the capital stock of WRPI is currently pledged to the WRPI Trust. Under the pledge agreement with the WRPI Trust, the Company is required (subject to certain exceptions) to obtain the consent of the WRPI Trust or Parent to any transfer of capital stock of WRPI at any time prior to April of 2001. In addition, the WRPI Trust has a right of first refusal with respect to transfers of the capital stock of WRPI under this agreement and would have the right, unless prohibited by law, to acquire the capital stock of WRPI at the lower of the fair market value and the book value of such shares in the event of: (i) a material breach of the participation and loan agreement entered into in connection with the WRPI Refinancing, which, in the case of a non-monetary breach, would, after expiration of a 60-day grace period, have a material adverse effect on Parent or its affiliates or its interest in WRPI; or (ii) a continuing event of default under the Lease.

Operating Relationship

In addition to the foregoing, the Company has a substantial operating relationship with UPRR. Approximately 62%, 65% and 67% of the Company's total loads in 1992, 1993 and 1994, respectively, were interchanged with UPRR railroad lines at the Company's Omaha gateway and at the south end of WRPI. Additionally, approximately 31%, 34% and 35% of Parent's railroad subsidiaries' total loads in 1992, 1993 and 1994, respectively, were interchanged with the Company's railroad subsidiaries. The Company's east-west main line also links UPRR's primary western routes with eastern railroads in Chicago, providing direct freight service between Chicago and West Coast points. In connection with such interchanges, either or both of Parent's and the Company's railroad subsidiaries may be the party billing the shipper of such interchanged freight, and in cases where one of the parties bills for the entire shipment, such party will periodically remit to the other party the net amount of the proceeds due to such other carrier in accordance with standard industry practice.

CERTAIN EFFECTS OF THE TRANSACTION

The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares held by the public.

According to the published guidelines of the New York Stock Exchange ('NYSE'), the NYSE would consider delisting the Shares if, among other things, the number of record holders of such Shares who each hold at least 100 Shares should fall below 1,200, the number of publicly held Shares (exclusive of holdings of officers, directors and their families and other concentrated holdings of 10% or more ('NYSE Excluded Holdings')) should fall below 600,000 or the aggregate market value of publicly held Shares (exclusive of NYSE Excluded Holdings) should fall below $5,000,000. If, as a result of the purchase of Shares pursuant to the Offer or otherwise, the Shares no longer meet the

requirements of the NYSE for continued listing and the listing of the Shares is discontinued, the market for the Shares could be adversely affected.

If the NYSE were to delist the Shares, it is possible that the Shares would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the National Association of Securities Dealers Automated Quotation System ('Nasdaq') or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of stockholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below, and other factors. The Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Shares or whether it would cause future market prices to be greater or less than the Offer Price.

The Shares are currently 'margin securities', as such term is defined under the rules of the Board of Governors of the Federal Reserve System (the 'Federal Reserve Board'), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding listing and market quotations, following consummation of the Offer it is possible that the Shares might no longer constitute 'margin securities' for purposes of the margin regulations of the Federal Reserve Board, in which event such Shares could no longer be used as collateral for loans made by brokers.

The Shares are currently registered under the Exchange Act. Registration of the Shares under the Exchange Act may be terminated upon application of the Company to the SEC if the Shares are not listed on a national securities exchange or quoted on Nasdaq and there are fewer than 300 record holders of the Shares. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders' meetings pursuant to Section 14(a), and the requirements of Rule 13e-3 under the Exchange Act with respect to 'going private' transactions, no longer applicable to the Company. In addition, 'affiliates' of the Company and persons holding 'restricted securities' of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended. It is the present intention of the Purchaser to seek to cause the Company to make an application for the termination of the registration of the Shares under the Exchange Act as soon as possible after the purchase of all validly tendered Shares in the Offer if the requirements for termination of registration are met.

If registration of the Shares under the Exchange Act is terminated, the Shares would no longer be 'margin securities' or be eligible for Nasdaq

reporting.

CERTAIN LITIGATION

On March 10, 1995, three suits were filed, and on March 13, 1995, two additional suits were filed, in the Court of Chancery in Delaware by stockholders of the Company against the Company, the members of the Company's Board of Directors, Parent and certain other parties. Each of these suits was filed as a class action on behalf of all stockholders of the Company except the defendants and their affiliates, and alleges, among other things, that various of the defendants have breached their fiduciary duties to plaintiffs in connection with the Transaction by (a) failing to act independently, in furtherance of the best interests of the Company and its stockholders, and to maximize stockholder value, (b) failing to adequately explore all alternatives available to the Company's stockholders (including soliciting all potential bids for the Company or its assets, conducting an active market check, or negotiating with any other interested third party), and (c) by agreeing to transfer control of the Company to Parent for grossly inadequate consideration. Several of the complaints also allege, among other things, that Parent is a controlling stockholder of the Company, that the Transaction is being entered into for the benefit of Parent and not the Company's stockholders, and that Parent violated its duty to offer Company stockholders a fair price for their Shares. These complaints seek, among other things, (i) a declaratory judgment that defendants have breached their fiduciary duties to plaintiffs, (ii) preliminary and permanent injunctive relief enjoining defendants from proceeding with or consummating the transfer of control of the Company, (iii) a court order requiring the Company and the Board of Directors to undertake an appropriate evaluation of alternatives designed to maximize stockholder value and appoint a disinterested committee of directors to ensure that the interests of the Company's stockholders are protected, and (iv) joint and several damages against the defendants as a result of their conduct.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of the material federal income tax consequences of the Offer and the Merger to holders of Shares who hold the Shares as capital assets. The discussion set forth below is for general information only and may not apply to particular categories of holders of Shares subject to special treatment under the Code, such as foreign holders and holders who acquired such Shares pursuant to an exercise of an employee stock option or otherwise as compensation.

Consequences of the Offer and the Merger Generally. The receipt of cash for Shares pursuant to the Offer (or the Merger) will be a taxable transaction for federal income tax purposes and may be a taxable transaction for foreign, state and local income tax purposes as well.

In general, a stockholder of the Company who, pursuant to the Offer and/or the Merger, exchanges Shares for cash will recognize capital gain or loss on the date of acceptance of Shares for purchase pursuant to the Offer or at the Effective Time, as the case may be, in an amount equal to the difference between the amount of cash received and the stockholder's adjusted tax basis in the Shares accepted for payment in the Offer or surrendered

in the Merger. The gain or loss will be long-term capital gain or loss if, as of the date of the exchange pursuant to the Offer or as of the Effective Time, the holder thereof has held such Shares for more than one year.

If a holder of Shares owns more than one 'block' of stock (i.e., Shares acquired at the same time in a single transaction), gain or loss must be determined separately for each block held. In general, the amount of cash received must be allocated ratably among the blocks in the proportion that the number of Shares in a particular block bears to the total number of Shares held by such stockholder.

On March 14, 1995, the Committee on Ways and Means of the United States House of Representatives approved and sent to the full House H. R. 1215, the Contract with America Tax Relief Act of 1995 (the 'Bill'). The Bill provides, among other things, for a 50% capital gains deduction for long-term capital gains of individuals, effective for gains recognized after December 31, 1994. In addition, the Bill provides for a maximum 25% tax rate on long-term capital gains of corporations, effective for gains recognized after December 31, 1994. If the Bill were enacted without change, there would be a substantial reduction in the tax rate applicable to long-term capital gains recognized by stockholders pursuant to the Offer or the Merger. There can be no assurance, however, that the Bill will be enacted as approved by the Committee or, if enacted, that the effective date of the Bill's capital gains provisions will not be changed.

Withholding. Unless a stockholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code and Treasury Regulations promulgated thereunder, such stockholder may be subject to withholding tax of 31% with respect to any cash payments received pursuant to the Offer and the Merger. See 'THE OFFER--Procedures for Tendering Shares.' Stockholders should consult their brokers to ensure compliance with such procedures. Foreign stockholders should consult with their own tax advisors regarding withholding taxes in general.

STOCKHOLDERS OF THE COMPANY ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC TAX CONSEQUENCES OF THE OFFER AND THE MERGER, INCLUDING ANY FOREIGN, STATE, LOCAL, OR OTHER TAX CONSEQUENCES OF THE OFFER AND THE MERGER.

FINANCING OF THE TRANSACTION

The Purchaser estimates that the total amount of funds required to purchase all Shares validly tendered pursuant to the Offer, consummate the Merger and to pay all related costs and expenses (inclusive of estimated expenses of the Company other than the cost of refinancing certain indebtedness of the Company, if any, as described below) will be approximately $1.2 billion. See 'THE OFFER--Fees and Expenses.'

The Purchaser plans to obtain the necessary funds through capital contributions or advances made by Parent. Parent plans to obtain the funds for such capital contributions or advances from its available cash and working capital, and one or more loan facilities currently existing or to be obtained from one or more commercial banks or other financial institutions.

On March 20, 1995, Parent entered into an engagement letter (the 'Commitment') among Parent, Chemical Bank, Citibank, N.A. and Chemical Securities, Inc., as co-agents (the 'Co-Agents'), and Chemical Bank and Citicorp Securities, Inc., as co-arrangers (the 'Co-Arrangers'), and Chemical Bank, as administrative agent, to provide Parent and the Purchaser with a revolving credit facility (the 'Facility') in the amount of $2.3 billion. Pursuant to the Commitment, and subject to the terms and conditions thereof, Chemical Bank and Citibank N.A. have committed, on a several basis, to provide $400 million of the Facility (each such commitment to be in the amount of $200 million) and Chemical Securities, Inc. has agreed to arrange, on a best-efforts basis, a syndicate of lenders to provide the remainder of the Facility. The Commitment is subject to certain specified conditions, including, among other things, (i) the preparation, execution and delivery of mutually acceptable Facility documentation, including credit agreements incorporating substantially the terms and conditions outlined in the Commitment; (ii) the absence of (A) a material adverse change in the business, condition (financial or otherwise), operations, performance or properties of Parent and its subsidiaries taken as a whole, since December 31, 1994, except as disclosed in Parent's most recent Annual Report on Form 10-K, and (B) any change in loan syndication, financial or capital market conditions generally that, in the reasonable judgment of the the Co-Arrangers, would materially impair syndication of the Facility; (iii) the reasonable satisfaction of the Co-Arrangers with the structure and terms of the Offer with respect to such matters as could materially adversely affect the Co-Arrangers, the Co-Agents, the lenders or the financing contemplated thereby; (iv) the accuracy of

all representations made, and all written information furnished, by Parent and Parent's compliance with the terms of the Commitment; (v) the payment in full of all fees, expenses and other amounts payable under the Commitment; (vi) a closing of the Facility on or prior to June 30, 1995 or such later date as may be mutually agreed; and (vii) the absence of any litigation or other proceedings that could reasonably be expected to have a material adverse effect upon the syndication of the Facility or upon the business, condition (financial or otherwise), operations, performance or properties of Parent and its subsidiaries taken as a whole. The Commitment terminates on June 30, 1995, or such later date as the Co-Arrangers may agree in writing, unless the Facility closes on or before such date.

A portion of the Facility in the aggregate amount of up to $1.1 billion will mature up to five years from the date of the signing of definitive Facility documentation (the 'Closing Date'). The interest on the drawings under this portion of the Facility is expected to be in the range of .150 to .500% above the London Interbank Offered Rate ('LIBOR') per annum, and would be in addition to a Facility fee ranging from .100% to .250% per annum, in each case based on Parent's credit rating. The remaining portion of the Facility in the aggregate amount of $1.2 billion shall be in the form of a separately-documented revolving credit facility terminating on the date 364 days after the Closing Date. The interest under the remaining portion of the Facility is expected to be .190% above LIBOR per annum and this portion of the Facility would be subject to a Facility fee of .190% per annum. Each Facility fee is payable on the entire amount of the relevant portion of the Facility, whether used or unused. The

foregoing description of the terms and provisions of the Commitment is qualified in its entirety by reference to the text of the engagement letter, a copy of which is filed as an exhibit to the Schedule 14D-1 and is incorporated herein by reference.

The proceeds of the Facility will be made available to finance the Offer and the Merger, to refinance certain existing debt of the Company and for general corporate purposes of Parent.

It is anticipated that the indebtedness incurred by Parent under the Facility will be repaid from funds generated internally by Parent and its subsidiaries (including, after the Merger, if consummated, dividends paid by the Company and its subsidiaries), through additional borrowings, through the issuance of additional debt, through application of proceeds of dispositions or through a combination of two or more such sources. No final decisions have been made concerning the method Parent will employ to repay such indebtedness. Such decisions when made will be based on Parent's review from time to time of the advisability of particular actions, as well as on prevailing interest rates and financial and other economic conditions.

The Company's current financing includes, among other things, senior notes in the aggregate principal amount of $465 million (the 'Notes') and a credit facility with an outstanding balance of approximately $197 million (the 'Credit Facility'). Although consummation of the Offer would not violate the terms and conditions of the Notes and the Credit Facility, consummation of the Merger without the consent of the lenders will likely constitute a default under the Notes and the Credit Facility. Upon consummation of the Offer, Parent currently anticipates that the Company will seek to obtain any required waivers or consents to the Merger from these lenders or to refinance the indebtedness under the Notes and the Credit Facility.

THE MERGER AGREEMENT

Merger Agreement. THE FOLLOWING IS A SUMMARY OF CERTAIN PROVISIONS OF THE MERGER AGREEMENT. THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MERGER AGREEMENT WHICH IS INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ATTACHED HERETO AS ANNEX I. CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THE FOLLOWING SUMMARY SHALL HAVE THE MEANINGS SET FORTH IN THE MERGER AGREEMENT.

The Offer. The Merger Agreement provides that the Purchaser will commence the Offer and that, upon the terms and subject to the prior satisfaction or waiver (except that the Minimum Condition may not be waived) of the conditions of the Offer, the Purchaser will purchase all Shares validly tendered pursuant to the Offer. The Merger Agreement provides that, without the written consent of the Company (such consent to be authorized by the Board of Directors or a duly authorized committee thereof), the Purchaser will not decrease the Offer Price, decrease the number of Shares sought in the Offer, waive the Minimum Condition, or amend any condition of the Offer in a manner adverse to the holders of Shares except that if on the initial scheduled Expiration Date (as defined herein) (as it may be extended), all conditions to the Offer shall not have been satisfied or waived, the Offer may be extended from time to time until June 30, 1995 without the consent of the Company. In addition,

the Merger Agreement provides that, without the consent of the Company, the Offer Price may be increased and the Offer may be extended to the extent required by law in connection with such an increase in the Offer Price.

The Merger. The Merger Agreement provides that, subject to the terms and conditions thereof, at the Effective Time, the Purchaser will be merged with and into the Company and the Company will become an indirect, wholly owned subsidiary of Parent. As a result of the Merger, the separate corporate existence of the Purchaser will cease and the Company will continue as the Surviving Corporation and will continue to be governed by Delaware law. The Merger will have the effects set forth under Delaware Law and Utah Law.

The respective obligations of Parent and the Purchaser, on the one hand, and the Company, on the other hand, to effect the Merger are subject to the satisfaction on or prior to the Closing Date of the following conditions: (i) the Merger Agreement shall have been approved and adopted by the requisite vote of the holders of Shares, if required by applicable law and the Company's Restated Certificate of Incorporation, in order to consummate the Merger; (ii) no statute, rule, order, decree or regulation shall have been enacted or promulgated by any foreign or domestic government or any governmental agency or authority of competent jurisdiction which prohibits the consummation of the Merger and all foreign or domestic governmental consents, orders and approvals required for the consummation of the Merger and the transactions contemplated by the Merger Agreement will have been obtained and will be in effect at the Effective Time; (iii) there will be no order or injunction of a foreign or United States Federal or state court or other governmental authority of competent jurisdiction in effect precluding, restraining, enjoining or prohibiting consummation of the Merger and there will be no suit, action, proceeding or investigation by a governmental entity seeking to restrain, enjoin or prohibit the Merger; and (iv) Parent, the Purchaser or their affiliates will have purchased the Shares pursuant to the Offer. In addition, the obligation of Parent to effect the Merger is subject to the ICC having made a determination that the terms of the Merger are just and reasonable or having issued a declaratory order that no such determination is required.

The Merger Agreement provides that as of the Effective Time, each issued and outstanding share of Common Stock (other than Shares that are owned by the Company as treasury stock and any Shares owned by Parent, the Purchaser or any other wholly owned subsidiary of Parent) will be converted into the right to receive the Offer Price, without interest.

Pursuant to the Merger Agreement, the issued and outstanding shares of common stock, par value $.01 per share, of the Purchaser will be converted into and become such number of fully paid and non-assessable shares of common stock of the Surviving Corporation as the Company had outstanding immediately prior to the Effective Time.

The Company's Board of Directors. The Merger Agreement provides that, promptly upon the purchase of and payment for any Shares by the Purchaser or any other subsidiary of Parent pursuant to the Offer which, together with the Non-Voting Common Stock represents at least a majority of the outstanding Shares on a fully diluted basis (assuming conversion of the Non-Voting Common Stock into Shares), Parent will be entitled to designate such number of directors,

rounded up to the next whole number, to the Board of Directors of the Company as is equal to the product of the total number of directors on such Board (giving effect to the existing representatives of Parent serving on the Board of Directors, including representatives which Parent has the right to designate pursuant to the 1993 Agreement (as defined above) and the directors designated by Parent pursuant to this sentence) multiplied by the ratio of the aggregate number of Shares and shares of Non-Voting Common Stock (if any) beneficially owned by the Purchaser, Parent and any of their affiliates to the total number of Shares and shares of Non-Voting Common Stock (if any) then outstanding. Promptly after consummation of the Offer, the Company will, upon request of the Purchaser, use its best efforts promptly either to increase the size of the Board of Directors or, at the Company's election, secure the resignations of such number of its incumbent directors as is necessary to enable Parent's designees to be so elected or appointed to the Company's Board, and will cause Parent's designees to be so elected or appointed. The Merger Agreement also provides that the Company will cause persons designated by Parent to constitute the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each subsidiary of the Company and (iii) each committee (or similar body) of each such board, in each case only to the extent permitted by applicable law or the rules of any stock exchange on which the Shares are listed. Notwithstanding the foregoing, until the Effective Time, the Company and Parent will use all reasonable efforts to retain as members of the Board of Directors at

least three (3) directors who were directors of the Company on the date of the Merger Agreement and were not representatives of Parent (or certain replacements) (the 'Company Directors'); provided, that subsequent to the purchase of and payment for Shares pursuant to the Offer, Parent will always have its designees represent at least a majority of the entire Board of Directors. The concurrence of a majority of the Company Directors will be required for any amendment or termination of the Merger Agreement by the Company, any waiver of any of the Company's rights thereunder, any extension of the time for performance of Parent's or the Purchaser's obligations or other acts thereunder, or any other action taken by the Company's Board of Directors in connection with the Merger Agreement (including actions to enforce the Merger Agreement). If there are no such directors notwithstanding the reasonable best efforts of the other directors to appoint Company Directors, such actions may be effected by majority vote of the entire Board of Directors of the Company. The Company's obligation to appoint the Purchaser's designees to the Board of Directors is subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder.

Stockholders' Meeting. Pursuant to the Merger Agreement, the Company will, if required by applicable law in order to consummate the Merger, duly call, give notice of, convene and hold a special meeting of its stockholders (the 'Special Meeting') as soon as practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon the Merger Agreement. The Merger Agreement provides that the Company will, if required by applicable law in order to consummate the Merger, prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and the Merger Agreement and use

its best efforts (i) to obtain and furnish the information required to be included by the SEC in the Proxy Statement (as defined below) and, after consultation with Parent, to respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement (the 'Proxy Statement') to be mailed to its stockholders and (ii) to obtain the necessary approvals of the Merger and the Merger Agreement by its stockholders. The Company has agreed, subject to the fiduciary obligations of the Board under applicable law as advised by independent counsel, to include in the Proxy Statement the recommendation of the Board that stockholders of the Company vote in favor of the approval of the Merger and the adoption of the Merger Agreement. Following the consummation of the Offer and receipt of the ICC Final Approval, Parent will convert or cause to be converted all of its Non-Voting Common Stock into Shares and will vote, or cause to be voted, all of the Shares then owned by it, the Purchaser or any of its other subsidiaries and affiliates in favor of the approval of the Merger and the adoption of the Merger Agreement.

The Merger Agreement provides that in the event that Parent, the Purchaser or any other permitted assignee of the Purchaser acquires at least 90% of the outstanding Shares, pursuant to the Offer, the Option Agreement, the conversion of Non-Voting Common Stock into Shares or, subsequent to the consummation of the Offer, by any other means, Parent, the Purchaser and the Company agree, at the request of Parent and subject to the terms of the Merger Agreement, to take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Utah Law and Delaware Law. In connection therewith, Parent and the Company entered into the Option Agreement, pursuant to which, subject to Parent having previously acquired at least 85% of the outstanding Shares (assuming conversion of the Non-Voting Common Stock into Shares) and other conditions set forth therein, the Purchaser will have the right to purchase from the Company at the per Share price paid in the Offer a sufficient number of Shares such that such Shares purchased pursuant to the Option Agreement, together with all Shares owned by Parent or the Purchaser, would represent at least 90.01% of the outstanding Shares and permit the Merger to be effected in accordance with Utah Law and Delaware Law. Parent has agreed to effect the Merger without a meeting of stockholders of the Company promptly following the exercise of the option under the Option Agreement.

Interim Operations. In the Merger Agreement, the Company has agreed that, except as expressly provided in the Merger Agreement or consented to in writing by Parent, prior to the time the directors of the Purchaser have been elected to, and shall constitute a majority of, the Board of Directors of the Company: (i) the business of the Company and its subsidiaries will be conducted only in the ordinary and usual course consistent with past practice and, to the extent consistent therewith, each of the Company and its subsidiaries will use its reasonable best efforts to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees, creditors and business partners; (ii) the Company will not, directly or indirectly, split, combine or reclassify the outstanding Shares, Non-Voting Common Stock or any outstanding capital stock of any

of the subsidiaries of the Company; (iii) neither the Company nor any of its subsidiaries will (a) amend its articles of incorporation or by-laws or similar organizational documents; (b) except as set forth in the disclosure schedule to the Merger Agreement (the 'Disclosure Schedule'), declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock (other than dividends paid by a wholly-owned subsidiary in the ordinary course of business consistent with past practice); (c) issue, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its subsidiaries, other than issuances pursuant to the exercise of Options (as defined in the Merger Agreement) outstanding on the date of the Merger Agreement or pursuant to the conversion of the Non-Voting Common Stock into Shares; (d) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any material assets other than in the ordinary and usual course of business and consistent with past practice, or incur or modify any material indebtedness; (e) except as set forth in the Disclosure Schedule, redeem, purchase or otherwise acquire directly or indirectly any of its capital stock; (f) except as set forth in the Disclosure Schedule, promote any employee or grant any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any employee, except for certain compensation increases (1) required by collective bargaining agreements or (2) constituting annual raises for non-executive officers not to exceed 4%, or adopt any new or amend or otherwise increase or accelerate the payment or vesting of the amounts payable or to become payable under any existing bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan agreement or arrangement; (g) enter into any, or amend any existing, employment or severance agreement with or, except in accordance with the existing written policies of the Company, grant any severance or termination pay to any officer, director or employee of the Company or any of its subsidiaries; (h) modify, amend or terminate any of its material Company Agreements (as defined in the Merger Agreement) or waive, release or assign any material rights or claims, except in the ordinary course of business and consistent with past practice; (i) permit any material insurance policy naming the Company or any of its subsidiaries, as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Parent, except in the ordinary course of business and consistent with past practice; (j) incur or assume any long-term debt in excess of $1,000,000 in the aggregate, or, except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice; (k) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business and consistent with past practice; (l) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned subsidiaries of the Company or customary loans or advances to employees in accordance with past practice); (m) except as disclosed in the Disclosure Schedule, enter into any material commitment or transaction (including, but not limited to, any borrowing, capital expenditure or purchase, sale or lease of assets) other than capital expenditures pursuant to the Company's capital expenditures budget that aggregate since December 31, 1994 not more than $75,000,000; (n) change any of the accounting principles used by it unless required by GAAP; (o) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, (1) in the ordinary course of business and consistent with past practice, of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its consolidated subsidiaries, (2) incurred in the ordinary course of business and consistent with past practice, or (3) which are legally required to be paid, discharged or satisfied (provided that if such claims, liabilities or obligations referred to in this clause (3) are legally required to be paid and are also not otherwise payable in accordance with clauses (1) or (2) above, the Company will notify Parent in writing if such claims, liabilities or obligations exceed, individually or in the aggregate, $10,000,000 in value, reasonably in advance of their payment); (p) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries or any agreement relating to a Takeover Proposal (as defined below) (other than the Merger); or (q) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing.

No Solicitation. In the Merger Agreement, the Company has agreed that neither the Company nor any of its subsidiaries or affiliates will, and the Company (and its subsidiaries and affiliates) will use their best efforts to ensure that their respective officers, directors, employees, investment bankers, attorneys, accountants and other

agents do not, directly or indirectly, initiate, solicit, or encourage, or take any action to facilitate the making of, any offer or proposal which constitutes or is reasonably likely to lead to any Takeover Proposal of the Company or any subsidiary or affiliate or an inquiry with respect thereto. The Company also agreed that it will, and will cause its subsidiaries and affiliates to, immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties conducted prior to the date of the Merger Agreement with respect to any Takeover Proposal relating to the Company. The Merger Agreement provides that the Company may engage in discussions and negotiations with, or provide any information or data to, a third party concerning an unsolicited Takeover Proposal for the Company or any subsidiary or affiliate if the Board of Directors of the Company determines, based on the opinion of outside legal counsel, that the failure to engage in such negotiations or discussions or provide such information would likely result in a breach of the fiduciary duties of the Board of Directors under applicable law. The Company has agreed to notify Parent and the Purchaser of any such offers or proposals (including Takeover Proposals) within 24 hours of the receipt thereof, unless the Board determines, based on the opinion of outside legal counsel to the Company, that giving such notice would result in a breach of the Board of Directors' fiduciary duties under applicable law. The Merger Agreement provides that the Company or the Board of Directors may make certain disclosures and communications that the Company determines, pursuant to an opinion of legal counsel, the Board of Directors would likely be required by its fiduciary duties or otherwise to make under applicable law. As used in the Merger Agreement, 'Takeover Proposal' when used in connection with any person means any tender or exchange offer involving such person, any proposal for a merger, consolidation or other business combination involving such person or any subsidiary of such person, any proposal or offer to acquire in any manner a substantial equity

interest in, or a substantial portion of the business or assets of, such person or any subsidiary of such person, any proposal or offer with respect to any recapitalization or restructuring with respect to such person or any subsidiary of such person or any proposal or offer with respect to any other transaction similar to any of the foregoing with respect to such person or any subsidiary of such person; provided, however, that, as used in the Merger Agreement, the term 'Takeover Proposal' shall not apply to any transaction of the type described above involving Parent, the Purchaser or their affiliates.

Directors' and Officers' Insurance and Indemnification. In the Merger Agreement, Parent has agreed that at all times after consummation of the Offer, it will indemnify, or will cause the Company (or the Surviving Corporation if after the Effective Time) and its subsidiaries to indemnify, each person who is now, or has been at any time prior to the date of the Merger Agreement, an employee, agent, director or officer of the Company or of any of the Company's subsidiaries, successors and assigns (individually an 'Indemnified Party' and collectively the 'Indemnified Parties'), to the same extent and in the same manner as is now provided in the respective charters or by-laws of the Company and such subsidiaries or otherwise in effect on the date of the Merger Agreement, with respect to any claim, liability, loss, damage, cost or expense (whenever asserted or claimed) ('Indemnified Liability') based in whole or in part on, or arising in whole or in part out of, any matter existing or occurring at or prior to the Effective Time. Parent will, and will cause the Company (or the Surviving Corporation if after the Effective Time) to, maintain in effect for not less than six years after consummation of the Offer the current policies of directors' and officers' liability insurance maintained by the Company and its subsidiaries on the date of the Merger Agreement (provided that Parent may substitute therefor policies having at least the same coverage and containing terms and conditions which are no less advantageous to the persons currently covered by such policies as insured) with respect to matters existing or occurring at or prior to the Effective Time; provided, however, that if the aggregate annual premiums for such insurance at any time during such period will exceed 300% of the per annum rate of premium currently paid by the Company and its subsidiaries for such insurance on the date of the Merger Agreement, then Parent will cause the Company (or the Surviving Corporation if after the Effective Time) to, and the Company (or the Surviving Corporation if after the Effective Time) will, provide the maximum coverage that is then available at an annual premium equal to 300% of such rate, and Parent, in addition to the indemnification provided above, will indemnify the Indemnified Parties for the balance of such insurance coverage on the same terms and conditions as though Parent were the insurer under those policies. Without limiting the foregoing, in the event any Indemnified Party becomes involved in any capacity in any action, proceeding or investigation based in whole or in part on, or arising in whole or in part out of, any matter, including the transactions contemplated by the Merger Agreement, existing or occurring at or prior to the Effective Time, then to the extent permitted by law Parent will, or will cause the Company (or the Surviving Corporation if after the Effective Time) to, periodically advance to such Indemnified

Party its legal and other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the provision by such Indemnified Party of an undertaking to reimburse the amounts so advanced in the

event of a final determination by a court of competent jurisdiction that such Indemnified Party is not entitled thereto.

Conversion of Non-Voting Common Stock. Pursuant to the Merger Agreement, the Company has agreed to (i) acquiesce in the Labor Condition and the Soo Condition contained in the ICC's decision in Finance Docket No. 32133 served on March 7, 1995, subject to the consummation of the Offer and (ii) cooperate with Parent, and join in any filings or submissions to the ICC, in connection with obtaining the ICC Final Approval, provided that prior to consummation of the Offer, neither the Company nor Parent waive any rights under the Stockholders Agreement with respect to conditions contained in the Final ICC Approval. Under the Stockholders Agreement, the Company is obligated to acquiesce in the Labor Condition and the Soo Condition on the terms described in clause (y) of the following sentence. The Merger Agreement also provides that on or after April 6, 1995 (provided no stays have been entered by any court or by the ICC prior to such time) or on such later date that the parties receive the ICC Final Approval, and if either (x) the Offer has been consummated or (y) the cost of compliance with the Soo Condition contained in the ICC Final Approval can reasonably be determined and Parent shall have fully and adequately indemnified the Company and its affiliates with respect to the cost of compliance with the Soo Condition and the cost of improper assertions of rights to labor protection under the Labor Condition (and subject to the Company's right to determine with Parent the allocation between Parent and the Company of costs of compliance with the Labor Condition), the Company will convert Purchaser's shares of Non-Voting Common Stock into Shares and appoint two designees of Parent to the Board of Directors.

ICC Determination. Pursuant to the Merger Agreement, the Company has agreed to support, and if requested by Parent, to join in, the application of Parent to the ICC requesting a determination that the terms of the Merger are just and reasonable or, alternatively, a declaratory order of the ICC that no such determination is required, and the Company has agreed to take such further action as is necessary or desirable to obtain such determination or order. See 'DISSENTERS' RIGHTS.'

Compensation and Benefits. Pursuant to the Merger Agreement, Parent has agreed to cause the Surviving Corporation and its subsidiaries to honor and assume the Change of Control Employment Agreements listed in the Disclosure Schedule (the 'Change of Control Employment Agreements'). If Parent notifies the Company prior to the Effective Time that Parent wishes to substitute alternate contractual arrangements (to become effective as of the Effective Time) with one or more of the employees who currently have Change of Control Employment Agreements, the Company has agreed to use its best efforts to facilitate Parent's negotiations with any such employee and to cooperate in making any such contractual changes which are agreed upon by Parent and such employee. Each individual employee who (i) receives a lump sum payment in cash of all benefits under Section 5(a) of a Change of Control Employment Agreement, (ii) agrees to amend certain agreements with the Company and Parent to terminate such agreements as of the Effective Time, and to waive all rights thereunder, and (iii) waives any claims against the Company, except for certain routine benefit claims and certain indemnification claims under the Merger Agreement, will also receive a Separate Payment from the Company representing his or her individual share of $15 million on a pro rata basis in the proportion that his or her individual 1995 annualized compensation bears to the total 1995 annualized

compensation of all of the 27 executives who have Change of Control Employment Agreements, subject to certain tax adjustments.

Under the Merger Agreement, no employee of the Company who is not an executive officer of the Company and whose compensation or benefits are not the subject of a collective bargaining agreement, and who has not entered into a Change of Control Employment Agreement with the Company will be terminated within 18 months of the Effective Date for the sole purpose of a reduction in the workforce without being permitted to participate in a two-part cash severance program (voluntary and involuntary) consistent with, and no less generous than, that offered by Parent to certain of its employees in December 1994, under the Union Pacific Railroad Company Marketing and Sales Department 1994 Voluntary Force Reduction Program.

Pursuant to the Merger Agreement, Parent, the Purchaser, and the Company agreed that (i) each employee of the Company who is eligible to participate in one or more of the Retirement Plans (as defined in the Merger Agreement) will, until December 31, 1995, continue to be eligible to participate in each Retirement Plan in which he was eligible to participate as of the date of the Merger Agreement, subject to the terms and conditions of the applicable Retirement Plan as in effect from time to time, and under the Savings Program (as defined in the

Merger Agreement), the 1995 Company contribution will be based upon the 1995 first quarter contribution base multiplied by 4, (ii) each of the Retirement Plans will be amended to provide that no benefits will accrue thereunder after December 31, 1995, (iii) effective January 1, 1996, each employee of the Company who was an active participant in the Company's Pension Plan as of December 31, 1995 will become a participant in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the 'UPPP') and will be credited thereunder (A) with compensation paid by the Company before January 1, 1996, as determined in accordance with the terms of the Pension Plan as in effect on the date of the Merger Agreement, (B) for eligibility, vesting, retirement eligibility, and benefit accrual purposes, with the service with which he was credited for such purposes under the Pension Plan as of December 31, 1995, and (C) with compensation and service from and after January 1, 1996, in accordance with the applicable provisions of the UPPP; provided that the benefits to which each such employee shall be entitled under the UPPP shall be reduced by certain amounts as provided in the Pension Plan and the actuarial equivalent of certain benefits provided under certain other Retirement Plans, (iv) effective January 1, 1996, each employee of the Company who was an active participant in the Savings Program (as defined in the Merger Agreement) as of December 31, 1995 will be eligible to participate in the Union Pacific Corporation Thrift Plan (the 'Thrift Plan') and will receive credit, for eligibility and vesting purposes, with the service he was credited with under the Savings Program as of December 31, 1995, and for service from and after January 1, 1996, and (v) from and after January 1, 1996, each employee of the Company on that date who was an active participant in the Executive Retirement Plan, the Excess Benefit Plan, or both, as of December 31, 1995 will be entitled to participate in any excess benefit or other unfunded deferred compensation plan that supplements the UPPP or the Thrift Plan and in which similarly situated employees of Parent are then entitled to participate.

Pursuant to the Merger Agreement, each of the Company's employee benefit plans will be amended to provide that if an employee of the Company as of the date of the Merger Agreement, whose compensation or benefits at such date are not the subject of a collective bargaining agreement (a 'Nonagreement Employee'), is transferred to employment with Parent or the Purchaser after such date and before January 1, 1996, the Nonagreement Employee will be permitted to participate in such plan pursuant to the terms of such plan and will not be prohibited from such participation solely by reason of such transfer, provided that the Nonagreement Employee is otherwise eligible to participate in the plan in accordance with the terms and conditions thereof. In addition, except to the extent otherwise provided in the Merger Agreement, from and after January 1, 1996, each Nonagreement Employee of the Company at the Effective Time who is a Nonagreement Employee of Parent, the Purchaser, or the Company on January 1, 1996 will be entitled to participate in, and to receive benefits under, the employee benefit plans of the Company, Parent, and the Purchaser, in accordance with terms and conditions that are comparable to the terms and conditions that apply to similarly situated employees of the Purchaser or Parent. Except with respect to the Retirement Plans, each employee of the Company whose compensation or benefits are not subject to a collective bargaining agreement will at all times on and after January 1, 1996 be given full credit for all past service under all employee benefit plans of Parent, the Purchaser and all affiliates to the extent to which credit is given for such service under the Company's similar benefit plans, subject to reduction for any benefits to which such employee is entitled from the Company under its similar benefit plans.

Pursuant to the Merger Agreement, the Company will, after the Closing (as defined in the Merger Agreement), pay bonuses under its Bonus Plan in an amount determined by projecting to December 31, 1995 the Company's performance through the date of Closing and prorating the resulting bonus amounts to the date of Closing.

Pursuant to the Merger Agreement, with respect to options granted under its equity incentive plans (the 'Plans'), its Rollover Option Agreements or otherwise (collectively the 'Options') the Company has agreed to (i) terminate the Plans immediately prior to the Effective Time; (ii) grant no additional Options after the date of the Merger Agreement; (iii) use its best efforts to obtain the consent of Option holders to cancel the Options (whether or not exercisable) the Company does not have the right to cancel; and (iv) cancel those Options (whether or not exercisable) it has the right to cancel. The prior sentence will not apply to Options (i) with respect to which the holder agrees to exercise limited stock appreciation rights ('LSARs') prior to the Effective Time and (ii) Options held by employees of the Company that Parent has agreed to employ, and who agree that their Options will be exchanged for options of Parent Common Stock (the 'Parent Options') of similar value. The Company will pay to each holder of an Option to purchase Shares (other than those cancelled pursuant to LSAR

exercises or in exchange for Parent Option grants) that is cancelled at the Effective Time (whether or not then presently exercisable, and whether or not the Company had the right to cancel the Option, provided that the holder of the Option has consented, if such consent is required) in consideration of the

cancellation thereof, an amount in cash equal to the product of (i) the excess, if any, of the Offer Price over the exercise price per Share of each such Option and (ii) the number of Shares covered by such Option.

Representations and Warranties. In the Merger Agreement, the Company has made customary representations and warranties to Parent and the Purchaser with respect to, among other things, its organization, authorization, capitalization, financial statements, public filings, employee benefit plans, compliance with laws, litigation, tax matters, environmental matters, consents and approvals, the opinion of the Company's financial advisor, and the absence of certain events, except as disclosed or provided for in the Disclosure Schedule, the Company's Form 10-K or its Annual Report to Stockholders for the fiscal year ended December 31, 1994 (including financial statements, exhibits and schedules included or expressly incorporated by reference therein on or prior to the date of the Merger Agreement) as filed with the SEC or delivered to Parent in draft form prior to the date of the Merger Agreement, in certain cases having, or which would be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Company and its subsidiaries, taken as a whole.

Termination; Fees. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the stockholders of the Company, (a) by mutual consent of the Board of Directors of Parent and the Company, (b) by either the Board of Directors of Parent or the Board of Directors of the Company (i) if Shares have not been purchased pursuant to the Offer on or prior to June 30, 1995, provided that such right to terminate will not be available to any party whose failure to fulfill any material obligation under the Merger Agreement was the cause of, or resulted in, the failure of Parent or the Purchaser, as the case may be, to purchase the Shares pursuant to the Offer on or before such date; or (ii) if any governmental entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties will use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Merger Agreement and such order, decree, ruling or other action shall have become final and non-appealable, (c) by the Board of Directors of the Company (i) if, prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn (or modified or changed in a manner adverse to Parent or the Purchaser) its approval or recommendation of the Offer, the Merger Agreement or the Merger in order to approve and permit the Company to execute a definitive agreement relating to a Takeover Proposal, and determined, based on an opinion of outside legal counsel to the Company, that the failure to take such action would likely result in a breach of its fiduciary duties under applicable law; or (ii) if, prior to the purchase of Shares pursuant to the Offer, Parent or the Purchaser breaches or fails in any material respect to perform or comply with any of its material covenants and agreements contained in the Merger Agreement or breaches its representations and warranties in any material respect; (iii) if Parent or the Purchaser shall have terminated the Offer, or the Offer shall have expired, without Parent or the Purchaser, as the case may be, purchasing any Shares pursuant thereto; provided, that the Company may not terminate the Merger Agreement pursuant to this clause (iii) if the Company is in material breach of the Merger Agreement; (d) by the Board of Directors of Parent (i) if (A) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn or modified or changed (including by amendment of the Schedule 14D-9) in a manner adverse to

Parent or the Purchaser its approval or recommendation of the Offer, the Merger Agreement or the Merger, or shall have recommended a Takeover Proposal, or shall have executed an agreement in principle (or similar agreement) or definitive agreement providing for a Takeover Proposal or other business combination with a person or entity other than Parent, the Purchaser or their affiliates (or the Board of Directors of the Company resolves to do any of the foregoing), or (B) it shall have been publicly disclosed or Parent or the Purchaser shall have learned that any person, entity or 'group' (as that term is defined in Section 13(d)(3) of the Exchange Act) (an 'Acquiring Person'), other than Parent or its affiliates or any group of which any of them is a member, shall have acquired beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act), of more than 30% of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted an option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 30% of any class or series of capital stock of the Company (including the Shares), or (ii) if Parent or the Purchaser, as the case may be, shall have terminated the Offer, or the Offer shall have expired without Parent or the Purchaser, as the case may be, purchasing any Shares thereunder, provided that Parent may not terminate the Merger

Agreement pursuant to this clause (ii) if it or the Purchaser has failed to purchase Shares in the Offer in violation of the material terms thereof.

In accordance with the Merger Agreement, if (1) the Board of Directors of the Company terminates the Merger Agreement pursuant to clause (c)(i) of the immediately preceding paragraph, (2) the Board of Directors of Parent terminates the Merger Agreement pursuant to clause (d)(i) of the immediately preceding paragraph, or (3) the Board of Directors of the Company terminates the Merger Agreement pursuant to clause (c)(iii) or the Board of Directors of Parent shall terminate the Merger Agreement pursuant to clause (d)(ii) and within one (1) year of any such termination under this clause (3), a Person acquires or beneficially owns a majority of the then outstanding Shares or shall have obtained representation on the Company's Board of Directors or shall enter into a definitive agreement with the Company with respect to a Takeover Proposal or similar business combination, then in any such case as described in clause (1), (2) or (3) (each such case of termination being referred to as a 'Trigger Event'), the Company will promptly assume and pay, or reimburse Parent for, all reasonable fees and expenses incurred, or to be incurred, by Parent, the Purchaser and their affiliates, in connection with the Offer, the Merger and the consummation of the transactions contemplated by the Merger Agreement in an amount not to exceed $3 million in the aggregate.

DISSENTERS' RIGHTS

In accordance with the United States Supreme Court decision, Schwabacher v. United States, 334 U.S. 192 (1948), stockholders of the Company will not have any dissenters' rights under state law, unless (a) Parent and the Company, at Parent's sole discretion, elect to seek, and obtain, a declaratory order that the class exemption for mergers within a corporate family is available for the Merger or (b) the ICC (or any successor agency) or a court of competent jurisdiction determines that state-law dissenters' rights are available to

holders of Shares. Parent does not expect to seek the declaratory order described in the preceding sentence, and considers it unlikely that the ICC or a court will determine that state-law dissenters' rights are available to holders of Shares. Parent and the Company intend to seek a determination of the ICC that the terms of the Merger are just and reasonable prior to consummating the Merger. It is Parent's and the Company's understanding that upon the issuance of such a determination, state-law dissenters' rights will be pre-empted. Stockholders of the Company will have an opportunity to participate in this ICC proceeding.

Parent and the Company expect to ask the ICC to consider the matter using a procedure under which submissions are made in writing and the ICC renders a decision without an oral hearing. Parent and the Company expect to request that the ICC adopt a schedule under which a notice of the proceeding will promptly be published in the Federal Register and a decision will be rendered within approximately six weeks of the filing of the petition. However, there can be no assurance that the proceeding will be completed within this period of time because of, among other reasons, a delay in publishing the Federal Register notice, the ICC's adoption of a different schedule, the pursuit of discovery by stockholders who become parties to the proceeding, the ICC's decision to hold an oral hearing, or the ICC's need for additional time to consider the matter and issue a decision. Parent's present intention is not to proceed with the Merger until the ICC issues a determination that the terms of the Merger are just and reasonable. If the ICC determines that the terms of the Merger are not just and reasonable, Parent and the Company would have to consider revising the terms of the Merger.

If dissenters' rights are available to holders of Shares, such rights will be provided in accordance with Delaware Law, as discussed below.

In the event that dissenters' rights are available as provided above, Section 262 of Delaware Law provides that any holder of Shares at the Effective Time (a 'Remaining Stockholder') who does not wish to accept the Offer Price pursuant to the Merger has the right to seek an appraisal and be paid the 'fair value' of its Shares at the Effective Time (exclusive of any element of value arising from the accomplishment or expectation of the Merger) judicially determined and paid to them in cash provided that such holder complies with the provisions of Section 262 of Delaware Law.

The following is a brief summary of the statutory procedures to be followed by a Remaining Stockholder in order to dissent from the Merger and perfect appraisal rights, if available, under Delaware Law. THIS SUMMARY IS NOT INTENDED TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SECTION 262 OF DELAWARE LAW, THE TEXT OF WHICH IS SET FORTH IN ANNEX II HERETO. ANY REMAINING STOCKHOLDER CONSIDERING DEMANDING APPRAISAL IS ADVISED TO CONSULT LEGAL COUNSEL. APPRAISAL RIGHTS WILL NOT BE AVAILABLE, IF AT ALL, UNLESS AND UNTIL THE MERGER (OR A SIMILAR BUSINESS COMBINATION) IS CONSUMMATED.

Remaining Stockholders of record who desire to exercise their appraisal rights must fully satisfy all of the following conditions. A written demand for appraisal of Shares must be delivered to the Secretary of the Company (x) before

the taking of the vote on the approval and adoption of the Merger Agreement if the Merger is not being effected as a 'short-form' merger, but rather is being consummated following approval thereof at a meeting of the Company's stockholders (a 'long-form merger') or (y) within 20 days after the date that the Surviving Corporation mails to the Remaining Stockholders a notice (the 'Notice of Merger') to the effect that the Merger is effective and that appraisal rights may be available to the extent that Schwabacher v. United States is not applicable to the Merger (and includes in such notice a copy of Section 262 of Delaware Law and any other information required thereby) if the Merger is being effected as a 'short-form' merger without a vote or meeting of the Company's stockholders. If the Merger is effected as a 'long-form' merger, this written demand for appraisal of Shares must be in addition to and separate from any proxy or vote abstaining from voting against the approval and adoption of the Merger Agreement, and neither voting against, abstaining from voting, nor failing to vote on the Merger Agreement will constitute a demand for appraisal within the meaning of Section 262 of Delaware Law. In the case of a 'long-form' merger, any stockholder seeking appraisal rights must hold the Shares for which appraisal is sought on the date of the making of the demand, continuously hold such Shares through the Effective Time, and otherwise comply with the provisions of Section 262 of Delaware Law.

In the case of both a 'short-form' and a 'long-form' merger, a demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder's name appears on the stock certificates representing Shares. If Shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If Shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner.

A record owner, such as a broker, who holds Shares as a nominee for others, may exercise appraisal rights with respect to the Shares held for all or less than all beneficial owners of Shares as to which the holder is the record owner. In such case the written demand must set forth the number of Shares covered by such demand. Where the number of Shares is not expressly stated, the demand will be presumed to cover all Shares outstanding in the name of such record owner. Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise of appraisal rights before the date of any meeting of stockholders of the Company called to approve the Merger in the case of a 'long-form' merger and within 20 days following the mailing of the Notice of Merger in the case of a 'short-form' merger.

Remaining Stockholders who elect to exercise appraisal rights must mail or deliver their written demands to: Chicago and North Western Transportation Company, 165 North Canal Street, Chicago, Illinois 60606-1551, Attention: Office of the Secretary. The written demand for appraisal should specify the stockholder's name and mailing address, the number of Shares covered by the demand and that the stockholder is thereby demanding appraisal of such Shares. In the case of a 'long-form' merger, the Company must, within ten days after the Effective Time, provide notice of the Effective Time to all stockholders who

have complied with Section 262 of Delaware Law and have not voted for approval and adoption of the Merger Agreement.

In the case of a 'long-form' merger, Remaining Stockholders electing to exercise their appraisal rights under Section 262 must not vote for the approval and adoption of the Merger Agreement or consent thereto in writing. Voting in favor of the approval and adoption of the Merger Agreement, or delivering a proxy in connection with the stockholders meeting called to approve the Merger Agreement (unless the proxy votes against, or expressly abstains from the vote on, the approval and adoption of the Merger Agreement), will

constitute a waiver of the stockholder's right of appraisal and will nullify any written demand for appraisal submitted by the stockholder.

Regardless of whether the Merger is effected as a 'long-form' merger or a 'short-form' merger, within 120 days after the Effective Time, either the Company or any stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the Shares of the dissenting stockholders. If a petition for an appraisal is timely filed, after a hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and thereafter will appraise the Shares owned by such stockholders, determining the fair value of such Shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In Weinberger v. UOP, Inc., et al., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that 'proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court' should be considered and that '[f]air price obviously requires consideration of all relevant factors involving the value of a company.' The Delaware Supreme Court stated that in making this determination of fair value the court must consider 'market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of merger which throw any light on future prospects of the merged corporation . . .' The Delaware Supreme Court has construed Section 262 of Delaware Law to mean that 'elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.' However, the court noted that Section 262 provides that fair value is to be determined 'exclusive of any element of value arising from the accomplishment or expectation of the merger.'

Remaining Stockholders who in the future consider seeking appraisal should have in mind that the fair value of their Shares determined under Section 262 of Delaware Law could be more than, the same as, or less than the Offer Price if they do seek appraisal of their Shares, and that opinions of investment banking firms as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262 of Delaware Law. Moreover, Parent intends to cause the Surviving Corporation to argue in any appraisal proceeding that, for

purposes thereof, the 'fair value' of the Shares is less than that paid in the Offer. The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable in the circumstances. Upon application of a dissenting stockholder, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all Shares entitled to appraisal. In the absence of such a determination or assessment, each party bears its own expenses.

Any Remaining Stockholder who has duly demanded appraisal in compliance with Section 262 of Delaware Law will not, after the Effective Time, be entitled to vote for any purpose the Shares subject to such demand or to receive payment of dividends or other distributions on such Shares, except for dividends or other distributions payable to stockholders of record at a date prior to the Effective Time.

At any time within 60 days after the Effective Time, any former holder of Shares shall have the right to withdraw his or her demand for appraisal and to accept the Offer Price. After this period, such holder may withdraw his or her demand for appraisal only with the consent of the Company as the Surviving Corporation. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the Effective Time, stockholders' rights to appraisal shall cease and all stockholders shall be entitled to receive the Offer Price. Inasmuch as the Company has no obligation to file such a petition, and Parent has no present intention to cause or permit the Surviving Corporation to do so, any stockholder who desires such a petition to be filed is advised to file it on a timely basis. However, no petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just.

Failure to take any required step in connection with the exercise of appraisal rights may result in the termination or waiver of such rights.

PARENT AND THE COMPANY INTEND TO SEEK A DETERMINATION OF THE ICC THAT THE TERMS OF THE MERGER ARE JUST AND REASONABLE. IF SUCH DETERMINATION IS OBTAINED, IT IS THE UNDERSTANDING OF PARENT AND THE COMPANY THAT STOCKHOLDERS OF THE COMPANY WILL NOT HAVE ANY APPRAISAL RIGHTS IN CONNECTION WITH THE MERGER.

APPRAISAL RIGHTS CANNOT BE EXERCISED AT THIS TIME. THE INFORMATION SET FORTH ABOVE IS FOR INFORMATIONAL PURPOSES ONLY WITH RESPECT TO ALTERNATIVES AVAILABLE TO STOCKHOLDERS IF APPRAISAL RIGHTS BECOME AVAILABLE AND THE MERGER (OR ANY SIMILAR BUSINESS COMBINATION) IS CONSUMMATED. STOCKHOLDERS WHO WILL BE ENTITLED TO APPRAISAL RIGHTS, IF ANY, IN CONNECTION WITH THE MERGER (OR SIMILAR BUSINESS COMBINATION) WILL RECEIVE ADDITIONAL INFORMATION CONCERNING APPRAISAL RIGHTS AND THE PROCEDURES TO BE FOLLOWED IN CONNECTION THEREWITH BEFORE SUCH STOCKHOLDERS HAVE TO TAKE ANY ACTION RELATING THERETO.

STOCKHOLDERS WHO SELL SHARES IN THE OFFER WILL NOT BE ENTITLED TO EXERCISE ANY APPRAISAL RIGHTS WITH RESPECT THERETO BUT, RATHER, WILL RECEIVE THE OFFER PRICE.

THE OFFER

1. TERMS OF THE OFFER. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), the Purchaser will accept for payment and pay for all Shares validly tendered prior to the Expiration Date (as hereinafter defined) and not withdrawn in accordance with Section 4. The term 'Expiration Date' means 12:00 Midnight, New York City time, on Wednesday, April 19, 1995, unless and until the Purchaser, in its sole discretion (but subject to the terms of the Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term 'Expiration Date' shall refer to the latest time and date at which the Offer, as so extended by the Purchaser, shall expire.

The Offer is conditioned upon, among other things, satisfaction of the Minimum Condition and the ICC Final Approval Condition. If the Minimum Condition or the ICC Final Approval Condition is not satisfied or any or all of the other events set forth in Section 10 shall have occurred or shall be determined by the Purchaser to have occurred prior to the Expiration Date, the Purchaser reserves the right (but shall not be obligated) to (i) decline to purchase any of the Shares tendered in the Offer and terminate the Offer, and return all tendered Shares to the tendering stockholders, (ii) except for the Minimum Condition, waive or amend any or all conditions to the Offer, to the extent permitted by applicable law and the provisions of the Merger Agreement, and, subject to complying with applicable rules and regulations of the SEC, purchase all Shares validly tendered, or (iii) subject to the terms of the Merger Agreement, extend the Offer and, subject to the right of stockholders to withdraw Shares until the Expiration Date, retain the Shares which have been tendered during the period or periods for which the Offer is extended.

The Purchaser expressly reserves the right, in its sole discretion (but subject to the terms of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any of the events specified in Section 10, by giving oral or written notice of such extension to the Depositary. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw its Shares. See Section 4.

Subject to the applicable regulations of the SEC, the Purchaser also expressly reserves the right, in its sole discretion (but subject to the terms of the Merger Agreement), at any time and from time to time, (i) to delay acceptance for payment of, or, regardless of whether such Shares were theretofore accepted for payment, payment for, any Shares pending receipt of any regulatory approval specified in Section 11 or in order to comply in whole or in part with any other applicable law, (ii) to terminate the Offer and not accept for payment any Shares if any of the conditions referred to in Section 10 have not been satisfied or upon the occurrence of any of

the events specified in Section 10 and (iii) to waive any condition (other than the Minimum Condition) or otherwise amend the Offer in any respect by giving oral or written notice of such delay, termination, waiver or amendment to the Depositary and by making a public announcement thereof.

The Merger Agreement provides that, without the written consent of the Company (such consent to be authorized by the Board of Directors or a duly authorized committee thereof), the Purchaser will not amend or waive the Minimum Condition, decrease the Offer Price, decrease the number of Shares sought in the Offer, or amend any other condition of the Offer in a manner adverse to the stockholders, except that if on the initial scheduled Expiration Date, all conditions to the Offer shall not have been satisfied or waived, the Offer may be extended from time to time until June 30, 1995 without the consent of the Company. In addition, the Merger Agreement provides that without the consent of the Company, the Offer Price may be increased and the Offer may be extended to the extent required by law in connection with such an increase in the Offer Price.

The Purchaser acknowledges that (i) Rule 14e-1(c) under the Exchange Act requires the Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the Offer, and (ii) the Purchaser may not delay acceptance for payment of, or payment for (except as provided in clause (i) of the second preceding paragraph), any Shares upon the occurrence of any of the conditions specified in Section 10 without extending the period of time during which the Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, with such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to stockholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which the Purchaser may choose to make any public announcement, the Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, the Purchaser will extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act.

Subject to the terms of the Merger Agreement, if, prior to the Expiration Date, the Purchaser should decide to decrease the number of Shares being sought or to increase or decrease the consideration being offered in the Offer, such decrease in the number of Shares being sought or such increase or decrease in the consideration being offered will be applicable to all stockholders whose Shares are accepted for payment pursuant to the Offer and, if at the time notice of any such decrease in the number of Shares being sought or such increase or decrease in the consideration being offered is first published, sent or given to holders of such Shares, the Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from and including the date

that such notice is first so published, sent or given, the Offer will be extended at least until the expiration of such ten business day period. For purposes of the Offer, a 'business day' means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

The Company has provided the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase, the related Letter of Transmittal, and other relevant materials, will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase, by accepting for payment, and will pay for, all Shares validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in Section 10. Subject to applicable rules of the SEC and the terms of the Merger Agreement, the Purchaser expressly reserves the right, in

its discretion, to delay acceptance for payment of, or payment for, Shares pending receipt of any regulatory approvals specified in Section 11. See Section 11.

In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the 'Share Certificates') or timely confirmation of a book-entry transfer (a 'Book-Entry Confirmation') of such Shares, if such procedure is available, into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (each a 'Book-Entry Transfer Facility' and, collectively, the 'Book-Entry Transfer Facilities') pursuant to the procedures set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

The term 'Agent's Message' means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when the

Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment. Payment for Shares accepted pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payments from the Purchaser and transmitting payments to such tendering stockholders. Under no circumstances will interest on the purchase price for Shares be paid by the Purchaser, regardless of any delay in making such payment. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering stockholders, the Purchaser's obligation to make such payment shall be satisfied and tendering stockholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. The Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal, as well as any charges and expenses of the Depositary and the Information Agent.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer, or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering stockholder (or, in the case of Shares tendered by book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited to an account maintained at such Book-Entry Transfer Facility), as promptly as practicable following the expiration, termination or withdrawal of the Offer.

If, prior to the Expiration Date, the Purchaser increases the consideration to be paid per Share pursuant to the Offer, the Purchaser will pay such increased consideration for all such Shares purchased pursuant to the Offer, whether or not such Shares were tendered prior to such increase in consideration.

The Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender of Shares. In order for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary at such address or Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the

Depositary, in each case prior to the Expiration Date, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at each Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in any of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents, must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the tendering stockholder must comply with the guaranteed delivery procedures described below. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH THE BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Signature Guarantees. Signatures on all Letters of Transmittal must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each, an 'Eligible Institution'), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box entitled 'Special Delivery Instructions' or the box entitled 'Special Payment Instructions' on the Letter of Transmittal, or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's Share Certificates are not immediately available or time will not permit all required documents to reach the Depositary

prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all the following conditions are satisfied:

(i) the tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser herewith, is received by the Depositary as provided below prior to the Expiration Date; and

(iii) in the case of a guarantee of Shares, the Share Certificates for all tendered Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantee(s) (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depositary within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Any Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares purchased pursuant to the Offer will, in all cases, be made only after timely receipt by the Depositary of (i) the Share Certificates evidencing such Shares, or a Book-Entry Confirmation of the delivery of such Shares, if available, (ii) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) (or, in the case of a book-entry transfer, an Agent's Message) and (iii) any other documents required by the Letter of Transmittal.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tendered Shares pursuant to any of the procedures described above will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders of any Shares determined by it not to be in proper form or if the acceptance for payment of, or payment for, such Shares may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right, in its sole discretion, to waive any of the conditions of the Offer (other than the Minimum Condition) or any defect or irregularity in any tender with respect to Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived.

The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. None of Parent, the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give

notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

Appointment as Proxy. By executing a Letter of Transmittal as set forth above, a tendering stockholder irrevocably appoints designees of the Purchaser as such stockholder's proxies, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by the Purchaser (and any and all non-cash dividends, distributions, rights, other Shares, or other securities issued or issuable in respect of such Shares on or after the date of the Merger Agreement). All such proxies shall be considered coupled with an interest in the tendered Shares. This appointment will be effective if, when, and only to the extent that, the Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such stockholder with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of the Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of such stockholder as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's stockholders, by written consent or otherwise, and the Purchaser reserves the right to require that, in order for Shares or other securities to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares the Purchaser must be able to exercise full voting rights with respect to such Shares.

TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING WITH RESPECT TO PAYMENT TO CERTAIN STOCKHOLDERS OF THE PURCHASE PRICE OF SHARES PURCHASED PURSUANT TO THE OFFER, EACH SUCH STOCKHOLDER MUST PROVIDE THE DEPOSITARY WITH SUCH STOCKHOLDER'S CORRECT TAXPAYER IDENTIFICATION NUMBER AND CERTIFY THAT SUCH STOCKHOLDER IS NOT SUBJECT TO BACKUP FEDERAL INCOME TAX WITHHOLDING BY COMPLETING THE SUBSTITUTE FORM W-9 IN THE LETTER OF TRANSMITTAL. IF BACKUP WITHHOLDING APPLIES WITH RESPECT TO A STOCKHOLDER, THE DEPOSITARY IS REQUIRED TO WITHHOLD AND DEPOSIT WITH THE INTERNAL REVENUE SERVICE 31% OF ANY PAYMENTS MADE TO SUCH STOCKHOLDER. SEE INSTRUCTION 9 OF THE LETTER OF TRANSMITTAL.

The Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and the Purchaser upon the terms and subject to the conditions of the Offer.

4. WITHDRAWAL RIGHTS. Tenders of Shares made pursuant to the Offer are irrevocable except that such Shares may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after May 21, 1995, or at such later time as may apply if the Offer is extended.

If the Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares

may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding. None of Parent, the Purchaser, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will thereafter be deemed to not have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered at any time prior to the Expiration Date by following one of the procedures described in Section 3.

5. PRICE RANGE OF SHARES; DIVIDENDS. The Shares are listed and principally traded on the NYSE and quoted under the symbol CNW. The following table sets forth, for the quarters indicated, the high and low closing sales prices per Share on the NYSE as reported by the Dow Jones News Service.

	MARKET PRICE	
	HIGH	LOW
FISCAL YEAR ENDED DECEMBER 31, 1993:		
First Quarter	$23 1/8	$19 1/8
Second Quarter	24 1/4	19 7/8
Third Quarter	23	19
Fourth Quarter	25 1/8	19 1/2
FISCAL YEAR ENDED DECEMBER 31, 1994:		
First Quarter	28 1/8	24 1/8
Second Quarter	25	21 5/8
Third Quarter	24 1/4	19 3/8
Fourth Quarter	20 7/8	18 1/4
FISCAL YEAR ENDED DECEMBER 31, 1995:		
First Quarter (through March 22, 1995)	34 5/8	19 1/8

On March 9, 1995, the last full trading day prior to the public announcement that the Parent had agreed to acquire the Company at a price of $35 per Share, subject to certain conditions, the reported closing sales price of the Shares on the NYSE Composite Tape was $26 1/8 per Share. On March 16, 1995, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the reported closing sales price of the Shares on the NYSE Composite Tape was $34 1/2 per Share. On March 22, 1995, the last full trading day prior to the date of this Offer to Purchase, the reported closing sales price of the Shares on the NYSE Composite Tape was $34 5/8 per Share. STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

The Company does not pay cash dividends on Shares. Certain agreements pertaining to the Company's long-term indebtedness contain covenants which restrict the Company's ability to pay dividends.

6. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; EXCHANGE LISTING AND EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS. The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and the number of holders of Shares and could adversely affect the liquidity and market value of the remaining Shares held by the public and have other consequences with respect to NYSE listing, Exchange Act registration and availability of margin credit. See 'SPECIAL FACTORS--Certain Effects of the Transaction.'

7. CERTAIN INFORMATION CONCERNING THE COMPANY. Except as otherwise noted below, the information concerning the Company contained in this Offer to Purchase, including financial information, has been taken from or is based upon publicly available documents and records on file with the SEC and other public sources. Neither Parent nor the Purchaser assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent or the Purchaser.

The Company is a Delaware corporation and its principal executive offices are located at 165 North Canal Street, Chicago, Illinois, 60606. The telephone number of the Company at such offices is (312) 559-7000. The Company is the holding company for the nation's eighth largest railroad based on total operating revenues and miles of track operated, transporting approximately 53 billion ton miles of freight in 1994. The railroad was chartered in 1836 and operated approximately 5,400 miles of track in nine states in the Midwest and West, as of March 16, 1995. The Company's east-west main line between Chicago and Omaha is the principal connection between the lines of UPRR and the lines of major eastern railroads, providing the most direct transcontinental route in the nation's central corridor.

Financial Information. Set forth below is certain selected consolidated financial information relating to the Company and its subsidiaries which has been excerpted or derived from the financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (the 'Company Form 10-K'). More comprehensive financial information is included in the Company Form 10-K and other documents filed by the Company with the SEC. The financial information that follows is qualified in its entirety by reference to the Company Form 10-K and other documents, including the financial statements and related notes contained therein. The Company Form 10-K and other documents may be examined and copies may be obtained from the offices of the SEC in the manner set forth below. Exhibit II attached hereto contains audited financial statements of the Company for the fiscal years ended December 31, 1993 and December 31, 1994.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT RATIOS AND PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
OPERATING STATEMENT DATA:			
Operating revenues	$1,129.8	$1,043.2	$985.0
Operating expenses	903.9	834.1	810.8
Operating income	225.9	209.1	174.2
Net income (loss)	84.0	53.2	(56.2)
PER SHARE INFORMATION:			
Net earnings (loss) per Share	1.86	1.20	(3.15)

	AT DECEMBER 31,	
	1994	1993
BALANCE SHEET DATA:		
Current assets	$ 282.9	$ 248.8
Net property	1,872.8	1,820.8
Total assets	2,218.6	2,135.9
Long-term debt, current portion	95.4	58.9
Current liabilities	373.7	300.7
Long-term debt, excluding current portion	1,033.7	1,142.8
Total shareholders' equity	315.9	226.2
Book value per Share	7.16	5.18
Ratio of earnings to fixed charges	1.83x	1.70x

The Company does not as a matter of course make public forecasts as to future financial performance (although on February 22, 1995 the Company announced that due to better than anticipated operating performance, it expected 1995 net income to be 30-35% above 1994 net income). In January of 1995, the Company, as part of the annual update of the Business Plan, prepared certain projections for the fiscal years 1995 through 1999. In connection with Parent's due diligence investigation of the Company on March 11, 1995, the Company and its representatives discussed with Parent and its representatives certain matters regarding the business, assets and financial condition of the Company. The Company also furnished Parent with the Business Plan, which included the following projected summary financial information concerning the Company, which Parent and the Purchaser believe has not previously been publicly available.

PROJECTIONS OF THIS TYPE ARE BASED ON ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, INDUSTRY AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT AND MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE PROJECTED RESULTS WOULD BE REALIZED OR THAT ACTUAL RESULTS WOULD NOT BE SIGNIFICANTLY HIGHER OR LOWER THAN THOSE PROJECTED. IN ADDITION, THESE PROJECTIONS WERE PREPARED BY THE COMPANY NOT WITH A VIEW TO PUBLIC DISCLOSURE OR COMPLIANCE WITH THE PUBLISHED GUIDELINES OF THE SEC OR THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PROJECTIONS AND FORECASTS AND ARE INCLUDED IN THIS OFFER TO PURCHASE ONLY BECAUSE SUCH INFORMATION WAS PROVIDED TO PARENT DURING ITS DISCUSSIONS WITH THE COMPANY. THE INCLUSION OF THIS INFORMATION SHOULD NOT BE REGARDED AS AN INDICATION THAT PARENT OR THE PURCHASER OR ANYONE WHO RECEIVED THIS INFORMATION CONSIDERED IT A RELIABLE PREDICTOR OF FUTURE OPERATING RESULTS AND THIS INFORMATION SHOULD NOT BE RELIED ON AS SUCH. THE PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS RELATING TO THE BUSINESSES OF THE COMPANY WHICH, ALTHOUGH CONSIDERED REASONABLE BY THE COMPANY, MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. NONE OF PARENT, THE PURCHASER, THE COMPANY OR ANY OTHER PARTY ASSUMES RESPONSIBILITY FOR THE ACCURACY OR VALIDITY OF THE FOLLOWING PROJECTIONS.

The summary projected financial information provided by the Company to Parent is as follows:

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Total consolidated revenues	$1,269.2	$1,367.2	$1,549.9	$1,683.8	$1,833.0
Total operating income	273.5	303.5	351.2	391.5	438.0
Net income	115.4	138.6	175.9	212.9	257.7
Earnings per Share	2.50	3.01	3.82	4.63	5.60

The foregoing summary projected financial information is based on the following assumptions:

1. Revenue. The forecast of freight revenues for the Company (excluding WRPI) is based on historical trends and management forecasts. Management's forecast for each business segment was developed by considering the numerous factors which will influence car loadings and pricing, including existing contracts and the prospects for continued business with current customers, new business opportunities and competition from both rail carriers and trucks. Management utilized DRI/McGraw-Hill, Inc. macroeconomic planning assumptions for all commodities except coal.

WRPI revenue is based on (i) existing contracts and (ii) management's probability-weighted estimate of successful bidding on (a) contract renewals and (b) coal contracts as they become available for bid. Most contracts have provisions which permit WRPI to pass all or a portion of increased expenses resulting from inflation to its customers. The growth in WRPI's revenues includes the utilities which have elected to 'switch' to low sulfur coal (instead of 'scrub') in order to comply with Phase I of the 1990 Clean Air Act.

2. Operating Ratio. The Company's (excluding WRPI) operating ratio (operating expenses/revenue) has been projected at 85% for the 1995-99 period. WRPI's operating ratio is forecast to be 56.4% in 1995, 55% in 1996, and 54% in 1997-99.

3. Depreciation. Depreciation is calculated at composite straight-line rates except the metallic components of the track structure of WRPI, which are depreciated on the unit of production method.

4. Interest Expense. Interest expense for the Company (excluding WRPI) and for WRPI is calculated on average principal balances, taking into account terms of the floating and fixed interest rate swap agreements. A credit spread of 150 basis points is assumed for the Company's Credit Facility debt and 125 basis points is assumed for the WRPI debt. LIBOR and interest rate assumptions are as follows:

LIBOR 1995-1999	7.00%

Obligation	Rate
Existing other senior debt	10.00%
WRPI Beneficial Owner	12.00%

5. Fee Amortization. Debt financing fees are amortized according to the interest method based on the contractual amortization schedule of the related facility.

6. Book Taxes. The Company adopted FASB 109 effective January 1, 1991 and expects to have a consolidated blended federal/state book tax rate of 35% in all periods. WRPI's book tax rate is 35% in all periods.

In April 1992, the Company completed a recapitalization involving, among other things, the sale of Shares in a registered initial public offering. Pursuant to this offering, the Company offered 8,750,000 Shares at an offering price of $20.50 per Share, with aggregate proceeds to the Company of $169,962,500. In July 1993, certain stockholders of the Company offered 13,712,645 Shares in the Secondary Offering at an offering price of $19.25 per Share, with the Company receiving none of the aggregate proceeds.

During the past 60 days, neither the Company nor any officer or director of the Company or pension plan, profit sharing plan or similar plan of the Company has effected any transaction in the Shares. In addition, the Company has made no purchases of its Shares since January 1, 1993.

The Company is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's stockholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at prescribed rates at the following regional offices of the SEC: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

8. CERTAIN INFORMATION CONCERNING THE PURCHASER AND PARENT.

The Purchaser. The Purchaser was organized in connection with the Purchaser's initial investment in the Company in 1989 and has not carried on any significant activities other than acquiring and holding Shares and Non-Voting Common Stock, and activities undertaken in connection with the Offer and the Merger. The Purchaser was reincorporated from Delaware to Utah in March 1995. The principal offices of the Purchaser are located at Martin Tower, Eighth & Eaton Avenues, Bethlehem, Pennsylvania 18018. The Purchaser is an indirect wholly owned subsidiary of Parent. Until immediately prior to the time that the Purchaser will purchase Shares pursuant to the Offer, it is not expected that the Purchaser will have any significant assets (other than the shares of Non-Voting Common Stock) or liabilities or engage in activities other than those incident to Purchaser's equity interest in the Company and the transactions contemplated by the Offer and the Merger.

Parent. Parent is a Utah corporation and its principal executive offices are located at Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018.

Parent operates, through subsidiaries, in the areas of rail transportation (UPRR and MPRR (collectively, the 'Railroad')), oil, gas and mining (Union Pacific Resources Company ('Resources')), and trucking (Overnite

Transportation Company ('Overnite')). Each of these subsidiaries is indirectly wholly owned by Parent. Substantially all of Parent's operations are in the United States.

The Railroad is the third largest railroad in the United States in terms of track miles, with over 17,500 route miles linking West Coast and Gulf Coast ports with the Midwest. The Railroad maintains coordinated schedules with other carriers for the handling of freight to and from the Atlantic seaboard, the Pacific Coast, the Southeast, the Southwest, Canada and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Texas-Mexico border.

Resources is an independent oil and gas company engaged in exploration for and production of natural gas, crude oil and associated products. Substantially all of its exploration and production programs are concentrated in the Austin Chalk trend and Carthage area in eastern Texas and Louisiana, the Union Pacific Land Grant in Colorado, Wyoming and Utah, the Gulf of Mexico and Canada. Resources is also responsible for developing Parent's reserves of coal and trona which are located primarily in the Rocky Mountain region.

Overnite, a major interstate trucking company, serves all 50 states and portions of Canada through 173 service centers and through agency partnerships with several small, high-quality carriers serving areas not directly covered by Overnite. As one of the largest trucking companies in the United States, specializing in less-than-truckload shipments, Overnite transports a variety of products, including machinery, textiles, plastics, electronics and paper products.

Parent is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and officers, their remuneration, stock options granted to them, the principal holders of Parent's securities, any material interests of such persons in transactions with Parent and other matters is required to be disclosed in proxy statements distributed to Parent's stockholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection and copies may be obtained in the same manner as set forth for the Company in Section 7. The shares of Parent common stock are listed on the NYSE under the symbol 'UNP', and reports, proxy statements and other information concerning Parent should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

The name, citizenship, business address, principal occupation or employment

and five-year employment history for each of the directors and executive officers of the Purchaser and Parent are set forth in Schedule I hereto.

Since January 1, 1993, the Purchaser has made one purchase of the Company's securities. On July 28, 1993, the Purchaser purchased 500,000 Shares at a price per Share of $19.25 from certain former principal stockholders of the Company. See 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction.'

Schedule III hereto sets forth transactions in the Shares effected during the past 60 days by Parent and its affiliates. Except as set forth in this Offer to Purchase and Schedule III hereto, none of Parent or the Purchaser, or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto, or any associate or majority-owned subsidiary of such persons, beneficially owns any equity security of the Company, and none of Parent, the Purchaser, or, to the best knowledge of Parent or the Purchaser, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the past 60 days.

Except as set forth in this Offer to Purchase, none of Parent or the Purchaser, or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, without limitation, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, none of Parent or the Purchaser, or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto has had any transactions with the Company, or any of its executive officers, directors or affiliates that would require reporting under the rules of the SEC.

Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or the Purchaser, or their respective subsidiaries, or, to the best knowledge of Parent or the

Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, or a sale or other transfer of a material amount of assets.

9. DIVIDENDS AND DISTRIBUTIONS.

If, on or after the date of the Merger Agreement, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) issue or sell any additional securities of the Company or otherwise cause an increase in the number of outstanding securities of the Company (except for Shares issuable upon the exercise of employee stock options outstanding on the date of the Merger Agreement or Shares issuable upon conversion of the Non-Voting Common Stock) or (iii) acquire currently outstanding Shares or otherwise cause a

reduction in the number of outstanding Shares, then, without prejudice to the Purchaser's rights under Sections 1 and 10, the Purchaser, in its sole discretion, may make such adjustments as it deems appropriate in the Offer Price and other terms of the Offer and the Merger, including, without limitation, the amount and type of securities offered to be purchased.

If, on or after the date of the Merger Agreement, the Company should declare or pay any dividend on the Shares or make any distribution (including, without limitation, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to stockholders of record on a date prior to the transfer to the name of the Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to the Purchaser's rights under Sections 1 and 10, (i) the purchase price per Share payable by the Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) any such non-cash dividend, distribution or right to be received by the tendering stockholders will be received and held by the tendering stockholders for the account of the Purchaser and will be required to be promptly remitted and transferred by each tendering stockholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, the Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by the Purchaser in its sole discretion.

The Company has agreed in the Merger Agreement that it will not declare, set aside or pay any dividends or distributions on the Shares, or take any other action described in the preceding paragraph, prior to the Merger. See 'THE MERGER AGREEMENT.'

10. CONDITIONS OF THE OFFER.

Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) the Purchaser's rights to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Merger Agreement), the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and may terminate the Offer as to any Shares not then paid for, if (i) the Minimum Condition has not been satisfied prior to the expiration of the Offer, (ii) the ICC Final Approval Condition shall not have been satisfied prior to the expiration of the Offer or (iii) at any time on or after March 16, 1995 and prior to the acceptance for payment of any such Shares, any of the following events shall occur or shall be determined by the Purchaser to have occurred:

(a) there shall have been instituted or pending any action, proceeding, application, claim or suit, or any statute, rule, regulation, judgment, order or injunction promulgated, entered, enforced, enacted,

proposed, issued or applicable to the Offer or the Merger by any domestic or foreign federal, state or local governmental regulatory or administrative agency or authority or court or legislative body or commission which directly or indirectly (l) prohibits or makes illegal, or imposes any material adverse limitations on, Parent's or the Purchaser's ownership or operation of all or a material portion of the businesses or assets of the Company and its subsidiaries, taken as a whole, or compels Parent or the Purchaser or their respective subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the Company or its subsidiaries, in each case taken as a whole, (2) prohibits, or makes illegal the acceptance for payment, payment for or purchase of Shares or the consummation of the Offer or the Merger, (3) restricts

the ability of the Purchaser, or renders the Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares, (4) imposes material limitations on the ability of the Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, (5) prohibits, restricts, results in a delay, or imposes material limitations on the ability of the Purchaser to convert the Non-Voting Common Stock into Shares, or (6) otherwise materially adversely affects the financial condition, businesses or results of operations of the Company and its subsidiaries, taken as a whole; provided that in each such case Parent shall have used all reasonable efforts to cause any such judgment, order or injunction to be vacated or lifted;

(b) the representations and warranties of the Company set forth in the Merger Agreement shall not have been true and correct when made, except (i) those representations and warranties that address matters only as of a particular date are true and correct as of such date and (ii) where the failure of such representations and warranties to have been true and correct when made (without giving effect to any limitation as to 'materiality' or 'material adverse effect' set forth therein), does not have, and is not likely to have, individually or in the aggregate, a material adverse effect on the financial condition or businesses of the Company and its subsidiaries, taken as a whole, or the Company shall have breached or failed in any material respect to perform or comply with any material obligation, agreement or covenant required by the Merger Agreement to be performed or complied with by it;

(c)(i) it shall have been publicly disclosed or Parent or the Purchaser shall have otherwise learned that any person, entity or 'group' (as defined in Section 13(d)(3) of the Exchange Act), other than Parent or its affiliates or any group of which any of them is a member, shall have acquired beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of more than 30% of the outstanding shares of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted an option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 30%

of any class or series of capital stock of the Company (including the Shares); or (ii) any person or group shall have entered into a definitive agreement or agreement in principle with the Company with respect to a Takeover Proposal or other business combination with the Company;

(d) the Company's Board of Directors shall have withdrawn, or modified or changed in a manner adverse to Parent or the Purchaser (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, or recommended another proposal or offer, or shall have resolved to do any of the foregoing; or

(e) the Merger Agreement shall have been terminated in accordance with its terms;

which in the sole judgment of Parent or the Purchaser, in any such case, and regardless of the circumstances (including any action or inaction by Parent or the Purchaser giving rise to such condition) makes it inadvisable to proceed with the Offer or with such acceptance for payment or payments.

The foregoing conditions are for the sole benefit of the Purchaser and Parent and may be waived by Parent or the Purchaser, in whole or in part at any time and from time to time in the sole discretion of Parent or the Purchaser. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

11. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS.

General. Except as otherwise disclosed herein, based on a review of publicly available information filed by the Company with the SEC, neither the Purchaser nor Parent is aware of (i) any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by the Purchaser pursuant to the Offer or the Merger or (ii) any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required for the acquisition or ownership of Shares by the Purchaser as contemplated herein. Should any such approval or other action be required, the Purchaser currently contemplates that such approval or action would be sought. While the Purchaser does not currently intend to delay the acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or action, if needed, would be obtained or would be obtained without substantial

conditions or that adverse consequences might not result to the business of the Company, the Purchaser or Parent or that certain parts of the businesses of the Company, the Purchaser or Parent might not have to be disposed of in the event that such approvals were not obtained or any other actions were not taken. The Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions. See Section 10.

Antitrust. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the 'HSR Act'), and the rules that have been promulgated thereunder by the Federal Trade Commission (the 'FTC'), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the 'Antitrust Division') and the FTC and certain waiting period requirements have been satisfied. The notice and waiting period requirements of the HSR Act do not apply to the affiliation of Parent's and the Company's ICC-regulated railroad operations, provided that information and documentary material filed with the ICC in connection with the seeking of ICC approval of the affiliation of such operations are contemporaneously filed with the Antitrust Division and the FTC. Parent has complied with these contemporaneous filing requirements and, therefore, believes such the notice and waiting period requirements of the HSR Act do not apply to the Transaction.

ICC Matters. By decision served March 7, 1995 and scheduled to become effective on April 6, 1995, the ICC determined that the common control of Parent's railroad subsidiaries and the Company's railroad subsidiaries is in the public interest, and authorized Parent, the Company and their affiliates to effectuate such common control, either through marketing and operating coordinations short of a full integration of the railroads, or through a full integration of the railroads, such as Parent intends to effectuate following consummation of the Offer and the Merger. Except for imposing the Labor Conditions and the Soo Condition, the ICC rejected all requests to impose conditions on its approval of common control.

The ICC's March 7, 1995 order directed the Company and Soo to attempt to agree on terms to implement the Soo Condition, and, by March 17, 1995, either to submit agreed terms or to submit separate proposals for terms. The order indicated that the ICC intended to decide upon the terms to implement the condition in time for the condition to become effective on the April 6, 1995 effective date for the order approving common control. The Company and Soo were unable to agree on terms by March 17, and on that date submitted separate proposals for terms to the ICC. Soo has argued that, under the condition, there should be no restrictions on which railroads can be admitted without the Company's consent to the Soo-CNW joint facilities that are the subject of the condition, and on what traffic flows those railroads can carry; the Company has argued that certain restrictions should apply. Parent and the Company expect the ICC to resolve this matter by choosing between the Soo and the Company proposals on or before April 6, 1995 so that both the Soo Condition and the control authority can become effective on that date. No party sought a stay of the effectiveness of the ICC order within the 10-day period provided for under the ICC's rules. However, there can be no assurance that the ICC order authorizing common control of Parent's railroad subsidiaries and the Company's railroad subsidiaries will become final and effective on April 6, 1995.

Parent and the Company intend to seek a declaration of the ICC that the terms of the Merger are just and reasonable prior to consummating the Merger. Stockholders will have an opportunity to participate in this ICC proceeding. See 'DISSENTERS' RIGHTS.'

State Takeover Statutes. As a Delaware corporation, the Company is subject to Section 203 ('Section 203') of Delaware Law. Section 203 would prevent an 'Interested Stockholder' (generally defined as a person beneficially owning 15%

or more of a corporation's voting stock) from engaging in a 'Business Combination' (as defined in Section 203) with a Delaware corporation for three years following the date such person became an Interested Stockholder unless: (i) before such person became an Interested Stockholder, the board of directors of the corporation approved the transaction in which the Interested Stockholder became an Interested Stockholder or approved the Business Combination, (ii) upon consummation of the transaction which resulted in the Interested Stockholder becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time that the transaction commenced (excluding stock held by directors who are also officers and by employee stock ownership plans that do not allow plan participants to determine confidentially whether to tender shares) or (iii) following the transaction in which such person became an Interested Stockholder, the Business Combination is (x) approved by the board of directors of the corporation and (y) authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 2/3% of the

outstanding voting stock of the corporation not owned by the Interested Stockholder. In accordance with the provisions of the Company's Restated Certificate of Incorporation and Section 203, the Board has, to the extent required, approved the transactions contemplated by the Merger Agreement, including Purchaser's acquisition of Shares pursuant to the Offer. Accordingly, the transactions contemplated by the Merger Agreement, including Purchaser's acquisition of Shares pursuant to the Offer, are exempt from the provisions of Section 203.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. In 1982, in Edgar v. MITE Corp., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law, and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. The Purchaser does not know whether any of these laws will, by their terms, apply to the Offer and has not complied with any such laws. Should any person seek to apply any state takeover law, the Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer and the Merger, and an appropriate court does not determine that it is

inapplicable or invalid as applied to the Offer, the Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, the Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment any Shares tendered. See Section 10.

12. FEES AND EXPENSES.

CS First Boston is acting as the Dealer Manager in connection with the Offer and is acting as financial advisor to Parent in connection with its effort to acquire the Company. Parent has agreed to pay CS First Boston for its services a retainer fee of $500,000 (the 'Retainer Fee'), an announcement fee of $750,000 (the 'Announcement Fee'), payable upon the first public announcement of the Transaction, and a transaction fee payable in connection with Parent's proposed acquisition of the Company, based upon the size of such transaction, but in an amount not to exceed $8 million (the 'Transaction Fee'), $2 million of which is payable for prior services of CS First Boston rendered in connection with Parent's investment in the Company unrelated to the Transaction. See 'SPECIAL FACTORS--Background of the Transaction.' Any portion of the Retainer Fee and Announcement Fee paid prior to the consummation of Parent's acquisition of the Company will be fully credited against the Transaction Fee. Parent has agreed to reimburse CS First Boston for its reasonable out-of-pocket expenses, including the fees and expenses of its legal counsel, incurred in connection with its engagement, and to indemnify CS First Boston and certain related persons against certain liabilities and expenses in connection with its engagement, including certain liabilities under the federal securities laws. Parent has also agreed that CS First Boston will have a right of first opportunity for a two-year period to act as Parent's exclusive financial advisor in connection with (i) any dispositions or divestitures of the assets or securities of the Company acquired in the Transaction or (ii) any transactions regarding trackage, haulage or other operating rights resulting from the Transaction, with fees and other conditions of such future transactions to be mutually agreed upon. CS First Boston has rendered various investment banking and other advisory services to Parent and its affiliates in the past and is expected to continue to render such services, for which it has received and will continue to receive customary compensation from Parent and its affiliates. See 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.' for a description of the Company's fee arrangements with Blackstone.

The Purchaser has retained Morrow & Co., Inc. ('Morrow') to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials

relating to the Offer to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws.

Citibank, N.A. has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws.

It is estimated that the expenses incurred in connection with the Transaction will be approximately as set forth below:

Filing Fees	$ 237,166
Dealer Manager/Financial	6,000,000
Blackstone Fees	6,000,000
Information Agent Fees	2,500
Depositary Fees	40,000
Legal Fees	3,000,000
Printing and Mailing Costs	100,000
Miscellaneous	120,334
Total	15,500,000

Except as set forth above, the Purchaser will not pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request only, be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding material to their customers.

13. MISCELLANEOUS. The Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, the Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, the Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR THE PURCHASER NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Parent and the Purchaser have filed with the SEC the Schedule 14D-1, together with exhibits, pursuant to Rule 14d-3 of the General Rules and

Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer; Parent, the Purchaser and the Company have filed with the SEC the Schedule 13E-3 together with exhibits, with respect to the Offer; and the Company has filed with the SEC the Solicitation/Recommendation Statement on Schedule 14D-9, together with exhibits, with respect to the Offer. The Company's recommendation with respect to the Offer and other information required to be disseminated to stockholders of the Company pursuant to Rule 14d-9 is contained in the Offer to Purchase. Such statements, including exhibits and any amendments thereto, which furnish certain additional information with respect to the Offer, may be inspected at, and copies may be obtained from, the same places and in the same manner as set forth in Section 7 (except that they will not be available at the regional offices of the SEC).

UP RAIL, INC.

March 23, 1995

SCHEDULE I

INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF PARENT, UNION PACIFIC HOLDINGS, INC. AND THE PURCHASER

1. Directors and Executive Officers of Parent. Set forth below is the name, current business address, citizenship and the present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each director and executive officer of Parent. Unless otherwise indicated, each person identified below is employed by Parent. The principal address of Parent and, unless otherwise indicated below, the current business address for each individual listed below is Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018. Directors are identified by an asterisk. Each director and executive officer listed below is a citizen of the United States.

NAME AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
*Drew Lewis	Chairman and Chief Executive Officer of Parent. Director, American Express Company, AT&T Corp., Ford Motor Company, FPL Group, Inc.
*L. White Matthews, III	Executive Vice President-Finance of Parent; Director, the Pilot Funds.
Ursula F. Fairbairn	Senior Vice President-Human Resources of Parent since April 1990; prior thereto, Mrs. Fairbairn served as Director of Education and Management Development for International Business Machines Corporation. Director, Menasha Corporation, Armstrong World Industries, VF Corporation.
Carl W. von Bernuth	Senior Vice President and General Counsel of Parent since September 1991; prior thereto, Mr. von Bernuth served as Vice President and General Counsel of Parent.
Charles E. Billingsley	Vice President and Controller of Parent since January 1990; prior thereto, Mr. Billingsley served as Controller of Parent.
James D. Douglas	President and Chief Operating Officer of Overnite Transportation Company ('Overnite') since February 1995. From July 1993 through January 1995, Mr. Douglas served as Senior Vice President-Finance and Administration of Overnite; from March 1991 through June 1993, Mr. Douglas served as Vice President--Finance of Overnite; prior thereto, Mr. Douglas served as Assistant Controller--Accounting of Parent.
*Richard K. Davidson 1416 Dodge Street Omaha, NE 68179	President of Parent; Chairman and Chief Executive Officer of UPRR; Director, FirsTier Financial, Inc., California Energy Company, Inc.
John E. Dowling	Vice President-Corporate Development of Parent since January 1990; prior thereto, Mr. Dowling served as Vice President-Financial Administration of Parent.
John B. Gremillion, Jr.	Vice President-Taxes of Parent since February 1992; prior thereto, Mr. Gremillion served as Director of Taxes of Parent.
Mary E. McAuliffe 555 13th Street, N.W. Suite 450W Washington, DC 20004	Vice President-External Relations of Parent since December 1991; prior thereto, Ms. McAuliffe served as Director-Washington Affairs, Transportation and Tax of Parent.
Gary F. Schuster	Vice President-Corporate Relations of Parent.
Gary M. Stuart	Vice President and Treasurer of Parent since January 1990; prior thereto, Mr. Stuart served as Treasurer of Parent.

NAME AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Judy L. Swantak	Vice President and Corporate Secretary of Parent since September 1991; from March 1990 to September 1991, Mrs. Swantak served as Corporate Secretary of Parent and prior thereto served as Assistant Secretary of Parent.
*Robert P. Bauman SmithKline Beecham Consumer Healthcare 1500 Littleton Road Parsippany, NJ 07054	Chairman, British Aerospace, p.l.c., aircraft and aerospace manufacturer, London, England. Director, Capital Cities/ABC, Inc., CIGNA Corporation, Reuters Holdings p.l.c., Russell Reynolds Associates, Inc.
*Richard B. Cheney American Enterprise Institute 1150 17th Street, NW Suite 1100 Washington, DC 20036	Former Secretary of Defense. Senior Fellow, American Enterprise Institute, public policy research, Washington, D.C. Director, IGI Inc., Morgan Stanley Group Inc., Procter & Gamble Co., US WEST, Inc.
*E. Virgil Conway 101 Park Avenue 31st Floor New York, NY 10178	Financial Consultant. Chairman, Financial Accounting Standards Advisory Council. Director, Accu-Health, Inc., Centennial Insurance Company, Metropolitan Transportation Authority, Trism, Inc. Trustee, Atlantic Mutual Insurance Company, Consolidated Edison Company of New York, Inc., HRE Properties, Mutual Funds Managed by Phoenix Home Life.
*Spencer F. Eccles First Security Corporation P.O. Box 30006 Salt Lake City, UT 84130	Chairman and Chief Executive Officer, First Security Corporation, bank holding company, Salt Lake City, Utah. Director, Anderson Lumber Co., First Security Bank of Utah, Zion's Cooperative Mercantile Institution.
*Elbridge T. Gerry, Jr. Brown Brothers Harriman & Co. 59 Wall Street New York, NY 10005	Partner, Brown Brothers Harriman & Co., bankers, New York, New York.
*William H. Gray, III United Negro College Fund, Inc. 8260 Willow Oaks Corporate Drive P.O. Box 10444 Fairfax, VA 22031	President, United Negro College Fund, Inc., educational assistance, New York, NY. Director, Chase Manhattan Corp., Lotus Development Corp., MBIA Inc., Prudential Insurance Company of America, Rockwell International Corporation, Warner Lambert Company, Westinghouse Electric Corporation.
*Judith Richards Hope Paul, Hastings, Janofsky & Walker 1299 Pennsylvania Ave., NW Tenth Floor Washington, DC 20004	Senior Partner, Paul, Hastings, Janofsky & Walker, law firm, Los Angeles, California and Washington D.C. Director, The Budd Company, General Mills, Inc., Russell Reynolds Associates, Inc., Zurich Reinsurance Center Holdings, Inc. Member, The Harvard Corporation (The President and Fellows of Harvard College).
*Lawrence M. Jones The Coleman Company, Inc. 250 N. St. Francis Street P.O. Box 1762 Wichita, KS 67201	Retired Chairman and Chief Executive Officer, The Coleman Company, Inc. Director, Coleman Company, Inc., Fleming Companies, Inc., Fourth Financial Corp.
*Richard J. Mahoney Monsanto Company 800 N. Lindbergh Boulevard St. Louis, MO 63167	Chairman and Chief Executive Officer, Monsanto Company. Director, Metropolitan Life Insurance Company.

NAME AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
*Claudine B. Malone ..... Financial and Management Consulting, Inc. 7570 Potomac Fall Road McLean, VA 22102	President, Financial and Management Consulting, Inc., management consulting. Director, Dell Computer Corporation, Hannaford Brothers, Hasbro, Inc., Houghton Mifflin Company, Mallinckrodt Group, Lafarge Corporation, The Limited, Inc., S.A.I.C., Scott Paper Company. Trustee, Penn Mutual Life Insurance Co.
*Jack L. Messman ..... Union Pacific Resources Company 801 Cherry Street Fort Worth, TX 76102	President and Chief Executive Officer, Union Pacific Resources Company. Director, Cambridge Technologies Partners, Inc., Novell, Inc., Safeguard Scientifics, Inc., Tandy, Inc., WaWa, Inc.
*John R. Meyer ..... Center for Business and Government Harvard University 79 Kennedy Street Cambridge, MA 02138	Professor, Harvard University, Cambridge, Massachusetts. Director, The Dun & Bradstreet Corporation, Rand McNally Co., Inc. Trustee, Mutual Life Insurance Company of New York.
*Thomas A. Reynolds, Jr. ..... Winston & Strawn 35 West Wacker Drive Suite 4700 Chicago, IL 60601	Chairman Emeritus, Winston & Strawn, law firm, Chicago, Illinois, New York, New York and Washington, D.C. Director, Gannett Co., Inc., Jefferson Smurfit Group.
*James D. Robinson, III ..... New York, New York J.D. ROBINSON INC. 126 East 56th Street 26th Floor New York, NY 10022	President, J. D. ROBINSON INC., a strategic advisory company, and Principal, RRE Investors, LLC, a private investment company, New York, NY. Former Chairman and CEO, American Express Company. Director, Alexander & Alexander Services, Inc., Bristol Myers/Squibb Company, The Coca-Cola Company, First Data Corporation, New World Communications Group, Inc. Senior Advisor, Trust Company of the West.
*Robert W. Roth ..... 1580 Griffen Rd. Pebble Beach, CA 93953	Retired President and Chief Executive Officer, Jantzen, Inc.
*Richard D. Simmons ..... International Herald Tribune 1150 15th Street, NW Washington, DC 20071	President, International Herald Tribune, communications, Washington, D.C. Director, International Herald Tribune, J.P. Morgan & Co., Incorporated, Morgan Guaranty Trust Company of New York, The Washington Post Company, Yankee Publishing.

Except for the directors listed below, each of the directors named in the preceding tables has held the indicated office or position in his or her principal occupation for at least five years. Each of the directors listed below held the office or position first indicated as of five years ago.

Mr. Robert P. Bauman was Chief Executive of SmithKline Beecham p.l.c. through April 1994 and since such date has been non-executive Chairman of British Aerospace, p.l.c.

Mr. Richard B. Cheney served as Secretary of Defense through January 20, 1993, and since such date has been Senior Fellow, American Enterprise Institute.

Mr. Richard K. Davidson was Executive Vice President of the Railroad until August 7, 1991, President and Chief Executive Officer of UPRR and MPRR until September 17, 1991, and since such latter date has been Chairman and Chief Executive Officer of UPRR and MPRR. Mr. Davidson has also been President of Parent since May 26, 1994.

Mr. William H. Gray, III, served as a member of the United States House of Representatives from the Second District of Pennsylvania through August 1991 and since such date has been President of United Negro College Fund, Inc.

Mr. Lawrence M. Jones was President and Chief Executive Officer of The Coleman Company, Inc. through September 1990, and Chairman and Chief Executive Officer of Coleman through December 31, 1993.

Mr. Drew Lewis was Chairman, President and Chief Executive Officer of Parent through May 26, 1994 and since such date has been Chairman and Chief Executive Officer of Parent. Mr. Lewis also served as Chairman of the Railroad during August and September 1991.

Mr. L. White Matthews, III, was Senior Vice President--Finance of Parent until April 16, 1992 and since such date has been Executive Vice President--Finance of Parent.

Mr. Jack L. Messman was Chairman and Chief Executive Officer of USPCI, Inc., to May 1, 1991 and since such date has been President and Chief Executive Officer of Union Pacific Resources Company. Mr. Messman continued as Chairman of USPCI through December 31, 1994.

Mr. Thomas A. Reynolds, Jr., was Chairman of Winston & Strawn through December 31, 1992 and since such date has been Chairman Emeritus of such firm.

Mr. James D. Robinson, III, was Chairman, President and Chief Executive Officer of American Express Company through July 1991, Chairman and Chief Executive Officer from August 1991 through January 25, 1993, and Chairman from January 26 through February 22, 1993.

Mr. Richard D. Simmons was President of The Washington Post Co. (communications) through May 1991 and since such date has been President of International Herald Tribune.

2. Directors and Executive Officers of Union Pacific Holdings, Inc. ('UP Holdings'). The name and present position with UP Holdings of each of the directors and executive officers of UP Holdings are set forth below. The business address of each person listed below is Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018. Each director and executive officer

listed below is a citizen of the United States. Directors are identified by an asterisk. The present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each such person are set forth in Part 1 above.

NAME	PRESENT POSITION WITH UP HOLDINGS
*Drew Lewis	Chairman
*L. White Matthews, III	Executive Vice President--Finance
*Carl W. von Bernuth	Senior Vice President and General Counsel
Charles E. Billingsley	Vice President and Controller
John B. Gremillion, Jr	Vice President--Taxes
Gary M. Stuart	Vice President and Treasurer
Judy L. Swantak	Vice President and Secretary

3. Directors and Executive Officers of the Purchaser. Set forth below are the name and present position with the Purchaser of each director and executive officer of the Purchaser. The principal address of the Purchaser and the current business address for each individual listed below is Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018. Directors are identified by an asterisk. Each such person is a citizen of the United States. The present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each such person are set forth in Part 1 above.

NAME	PRESENT POSITION WITH THE PURCHASER
*L. White Matthews, III	President
*Carl W. von Bernuth	Vice President and Assistant Secretary
John B. Gremillion, Jr	Vice President--Taxes
*John E. Dowling	Vice President
Judy L. Swantak	Vice President and Secretary
Gary M. Stuart	Vice President and Treasurer

SCHEDULE II

INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

1. Directors and Executive Officers of the Company. Set forth below is the name, current business address, citizenship and the present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each director and executive officer of the Company. Unless otherwise indicated, each person identified below is employed by the Company. The principal address of the Company, and, unless otherwise indicated below, the current business address for each individual listed below is 165 North Canal Street, Chicago, Illinois 60606. Directors are identified by an asterisk. Each such person is a citizen of the United States.

NAME AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
* Robert Schmiege	Chairman and Chief Executive Officer since August of 1988; President and Director since July of 1988.
* James E. Martin	Director since May of 1992; Executive Vice President--Operations since May of 1994; President of the Belt Railway Company of Chicago from 1989 to April of 1994.
F. Gordon Bitter.....	Senior Vice President--Finance and Accounting since October of 1994; Senior Vice President of The Perkin-Elmer Corporation and President of the Metco Division from 1992 to December of 1993; Senior Vice President--Finance and Administration of The Perkin-Elmer Corporation from 1990 to 1992, and Vice President--Finance and Chief Financial Officer from May of 1988 to December of 1991.
Paul A. Lundberg.....	Senior Vice President--Transportation Services since May of 1994; Vice President--Labor Relations from July of 1989 to April of 1994.
Arthur W. Peters.....	Senior Vice-President--Sales and Marketing since June of 1988.
Dennis E. Waller.....	Senior Vice-President--Engineering and Equipment since May of 1994; Vice President--Engineering and Materials from October of 1990 to April of 1994; Vice President--Motive Power and Materials from December of 1988 to September of 1990.
* Richard K. Davidson ..... Martin Tower Eighth and Eaton Avenues Bethlehem, PA 18018	Director since September 1991; President of Parent since May of 1994; Chairman and Chief Executive Officer of UPRR and MPRR since September of 1991; President and Chief Executive Officer of UPRR from August of 1991 to September of 1991; Executive Vice President--Operations of UPRR from 1989 to 1991; Mr. Davidson is also a director of FirstTier Financial, Inc. and California Energy Company, Inc. Mr. Davidson was designated as a director of the Company by the Purchaser. Certain of the executive officers of the Company are obligated to vote their shares to elect Mr. Davidson and to assure certain other representation of the Purchaser on the Company's Board of Directors.
* James J. Mossman ..... 345 Park Avenue 31st Floor New York, NY 10154	Director since February 1990 and Vice President, Assistant Treasurer and Assistant Secretary from October of 1989 through January of 1992; General Partner of Blackstone Group Holdings L.P. since 1990. Mr. Mossman is a director of Collins & Aikman Corporation, Great Lakes Dredge and Dock Corporation, Transtar Holdings, L.P. and Transtar Capital Corporation.

NAME AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
* Harold A. Poling ..... Regent Court Building Suite 1080 16800 Executive Plaza Drive Dearborn, MI 48126	Director since November of 1993; Chairman and Chief Executive Officer of Ford Motor Company from March of 1990 until his retirement in November of 1993; Vice Chairman and Chief Operating Officer from October of 1987 to February of 1990. Mr. Poling is a director of Shell- Oil Company, LTV Corporation, Kellogg Company, Flint Ink Corporation, the PGA Tournament Policy Board, and is a member of the BHP International Advisory Council and the VIAG International Board.
* Samuel K. Skinner ..... First National Bank Building 10 South Dearborn 37th Floor Chicago, IL 60603	Director since November of 1993; President and director of Commonwealth Edison Company since February of 1993; prior to February of 1993, General Chairman of the Republican National Committee, Chief of Staff to the President of the United States, and Secretary of Transportation. Mr. Skinner is director of LTV Corporation.
* James R. Thompson ..... 35 West Wacker Drive 46th Floor Chicago, IL 60601-9703	Director since May of 1992; Chairman of Winston & Strawn since January of 1993; Partner and Chairman of the Executive Committee of Winston & Strawn since 1991. Governor of Illinois from 1977 until 1991. Governor Thompson is a member of the Board of Directors of FMC Corporation, American Publishing Company, Jefferson Smurfit Company, Prime Retail, Inc., Wackenhut Corrections Corp., Pechiney International, the Chicago Board of Trade, and on the International Advisory Board of the Bank of Montreal.

SCHEDULE III

TRANSACTIONS IN SHARES DURING THE PAST 60 DAYS
BY THE PURCHASER AND PARENT

NONE

[Letterhead of The Blackstone Group]

EXHIBIT 1

March 16, 1995

Board of Directors
Chicago and North Western
  Transportation Company
165 North Canal Street
Chicago, Illinois 60606

Dear Sirs:

You have asked our opinion with respect to the fairness from a financial point of view to the holders of Common Stock of Chicago and North Western Transportation Company ("CNW" or the "Company") of the cash consideration to be received by such holders pursuant to the Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), among CNW, Union Pacific Corporation ("UP") and an indirect wholly owned subsidiary of UP (the "Purchaser"). The Merger Agreement provides, among other things, that the Purchaser will make a cash tender offer for all outstanding shares of Common Stock of CNW at $35.00 per share (the "Offer"), and that following consummation of the Offer, the Purchaser will merge with CNW in a transaction (the "Merger") in which all outstanding shares of Common Stock of CNW, other than shares held by UP and its subsidiaries, will be converted into the right to receive $35.00 per share in cash.

In arriving at our opinion, we have reviewed the Merger Agreement and related documents, certain publicly available information relating to the business, financial condition and operations of CNW, and certain financial and other information, including financial forecasts, furnished to us by CNW that is not publicly available. We have met with certain senior officers of the Company to discuss the operations, financial condition, history and prospects of CNW's businesses.

In conducting our analysis, we have considered the terms of the Merger Agreement; stock price data, the historical and current financial position and the historical and projected cash flows and results of operations of the Company; historical financial information and stock price data with respect to certain public companies with operations that we considered comparable to those of CNW; and prices paid in certain other business combinations involving companies with operations that we considered comparable to CNW. In addition to the foregoing, we have conducted such other analyses and examinations as we have deemed necessary in arriving at our opinion. We have not approached third parties to solicit indications of interest in acquiring the Company.

In the course of our investigation, we have relied upon, and have assumed the accuracy and completeness of, publicly available information and the financial and other information provided to us by the Company, but we have not assumed any responsibility for independent verification of any of the foregoing information. With respect to financial forecasts, we have relied upon the Company's assurances that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Company's management as to the future financial performance of CNW. We express no view as to such financial forecasts or the assumptions on which they were based. In addition, we have not made an independent evaluation or appraisal of the assets of CNW, nor have we been furnished with any such evaluation and appraisals. Our opinion is based on circumstances existing and disclosed to us as of the date hereof.

We have acted as financial advisor to the Company in connection with the Offer and the Merger and will receive a fee for our services, including for rendering this opinion. In addition, an affiliate of The Blackstone Group L.P. owns shares of Common Stock of the Company amounting to less than 0.1% of the total issued and outstanding Common Stock, and a partner of the Blackstone Group L.P. is a member of the Board of Directors of the Company. The Blackstone Group L.P. has performed various financial advisory services for the Company in the past and has received fees for such services.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the cash consideration to be received by holders of Common Stock of CNW pursuant to the Offer and the Merger is fair to such holders of Common Stock of CNW from a financial point of view.

Very truly yours,

THE BLACKSTONE GROUP L.P.

By: /s/ J. Tomilson Hill

J. Tomilson Hill

EXHIBIT II

CONSOLIDATED FINANCIAL STATEMENTS OF
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	(MILLIONS OF DOLLARS EXCEPT FOR PER SHARE AMOUNTS)		
Operating revenues	$1,129.8	$1,043.2	$ 985.0
Operating expenses	903.9	834.1	810.8
Operating income	$ 225.9	$ 209.1	$ 174.2
Other income, net	7.1	11.0	8.1
Interest expense	97.5	105.4	126.1
Income before income taxes	$ 135.5	$ 114.7	$ 56.2
Income taxes	51.5	50.7	18.8
Income before extraordinary item and cumulative effect of a change in method of accounting	$ 84.0	$ 64.0	$ 37.4
Extraordinary loss on prepayment of long-term debt, net of income taxes	--	(10.8)	(91.0)
Cumulative effect of a change in method of accounting for other postretirement benefits, net of income taxes	--	--	(2.6)
Net income (loss)	$ 84.0	$ 53.2	$ (56.2)
Preferred stock dividends	--	--	11.9
Excess of liquidation value over carrying value of preferred stock called for redemption	--	--	46.8
Income (loss) available for common shareholders	$ 84.0	$ 53.2	$ (114.9)
Earnings (loss) per common share:			
Before extraordinary item and cumulative effect of a change in method of accounting	$ 1.86	$ 1.44	$ (.58)
Extraordinary item	--	(.24)	(2.50)
Cumulative effect of a change in method of accounting	--	--	(.07)
Total	$ 1.86	$ 1.20	$ (3.15)
Shares used in earnings per share computation (thousands)	45,092	44,261	36,457

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS OF
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
ASSETS	1994	1993
	(MILLIONS OF DOLLARS)	
Current assets:		
Cash and cash equivalents	$ 105.4	$ 70.9
Accounts receivable	143.7	140.9
Materials and supplies	27.6	27.7
Prepaid expenses and other	6.2	9.3
Total current assets	$ 282.9	$ 248.8
Property:		
Road	$ 2,055.0	$ 1,938.6
Equipment	148.5	155.3
Accumulated depreciation	(330.7)	(273.1)
Net property	$ 1,872.8	$ 1,820.8
Other assets	62.9	66.3
Total assets	$ 2,218.6	$ 2,135.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 212.1	$ 179.4
Payroll and vacation pay	35.6	35.3
Interest	10.7	10.9
Taxes	19.9	16.2
Total, excluding long-term debt due within one year	$ 278.3	$ 241.8
Long-term debt due within one year	95.4	58.9
Total current liabilities	$ 373.7	$ 300.7
Casualties and environmental reserves	76.7	78.3
Other liabilities	68.6	84.3
Deferred income taxes	350.0	303.6
Long-term debt, excluding amounts due within one year	1,033.7	1,142.8
Total liabilities	$ 1,902.7	$ 1,909.7
Shareholders' equity:		
Common stock, par value $.01 per share, authorized 250,000,000 shares of which 125,000,000 are non-voting; issued and outstanding 44,063,235 and 43,650,561 shares, respectively (of which 12,835,304 are non-voting)	$ 0.4	$ 0.4
Capital surplus	543.2	537.5
Retained income	(227.7)	(311.7)
Total shareholders' equity	$ 315.9	$ 226.2
Total liabilities and shareholders' equity	$ 2,218.6	$ 2,135.9

See accompanying Notes to Consolidated Financial Statements.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	(MILLIONS OF DOLLARS)		
Cash flow from operating activities:			
Net income (loss)	$ 84.0	$ 53.2	$ (56.2)
Items not affecting cash flow from operating activities:			
Depreciation	73.9	68.8	64.9
Amortization of debt cost	7.2	8.1	8.7
Gain from sales of property, net	(1.0)	(4.4)	(1.9)
Deferred income taxes	49.3	49.4	18.8
Extraordinary items, net	--	10.8	91.0
Cumulative effect of a change in method of accounting	--	--	2.6
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2.8)	(11.2)	25.2
(Increase) decrease in other current assets except cash	3.2	3.8	7.1
Increase (decrease) in accounts payable and accruals	36.5	5.6	(39.3)
Other, net	(20.7)	(3.5)	7.2
Net cash flow from operating activities	$ 229.6	$ 180.6	$ 128.1
Cash flow from financing activities:			
Proceeds from debt financing	$ 0.1	$ 6.7	$ 758.5
Proceeds from sale of common stock	2.8	26.4	216.0
Payments on debt	(57.2)	(50.9)	(54.1)
Prepayment on long-term debt	(16.0)	(32.9)	(842.9)
Repurchase of interest rate swap agreements	--	--	(7.2)
Redeem preferred stock	--	--	(124.7)
Net cash flow used for financing activities	$ (70.3)	$ (50.7)	$ (54.4)
Cash flow from investing activities:			
Additions to property	$(140.7)	$(115.4)	$ (83.3)
Proceeds from property dispositions	14.5	9.9	12.8
Other, net	1.4	2.3	(2.5)
Net cash flow used for investing activities	$(124.8)	$(103.2)	$ (73.0)
Increase in cash and cash equivalents	$ 34.5	$ 26.7	$ 0.7
Cash and cash equivalents--beginning of period	70.9	44.2	43.5
--end of period	$ 105.4	$ 70.9	$ 44.2

See accompanying Notes to Consolidated Financial Statements.

1. SUMMARY OF ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements reflect the results of operations and financial position of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. The Company's primary subsidiaries are the Chicago and North Western Railway Company (the 'Railway') and Western Railroad Properties, Incorporated ('WRPI').

WRPI's operations consist of the movement of unit coal trains from the southern Powder River Basin in Wyoming to a connection with the Union Pacific Railroad in Nebraska. The Railway operates WRPI under an agency agreement. WRPI's assets include a 103-mile rail line, jointly owned with the Burlington Northern Railroad; 101 miles of track and support facilities financed by a capital lease with a trust ('WRPI Trust') for the benefit of a subsidiary of Union Pacific Corporation (together with its subsidiaries 'UP'); a wholly-owned, six-mile rail line; and certain other assets.

b) Derivative Financial Instruments

The Company uses a program of financial derivatives to limit its exposure to interest rate volatility and fuel commodity price risks. Derivatives are not held or issued for trading purposes and, therefore, are not marked to market.

The Company is exposed to losses in the event of nonperformance by counterparties to its derivative instruments. The Company anticipates that the counterparties, each a financial institution with a minimum of an 'A' rating, will be able to fully satisfy their obligations under the contracts.

The Company's interest rate program includes the use of swap agreements and caps. Gains and losses are reported as interest expense in the period realized. (See Note 4 for descriptions of the classes of interest rate derivatives.)

The Company's fuel program uses collars and caps. Gains or losses are reported as fuel expense in the period realized. As of December 31, 1994, the Company had purchased collars with a floor of 44 cents per gallon and a ceiling of 56 cents per gallon covering ten million gallons of fuel per month (the Company's approximate usage) for January through June 1995.

c) Revenue Recognition

The Company recognizes transportation revenue proportionately as shipments move from origin to destination.

d) Cash Equivalents

Cash equivalents are highly liquid short-term investments purchased less than ninety days from maturity and recorded at cost.

e) Materials and Supplies

Materials and supplies, which consist mainly of fuel oil and items to be used for maintenance and capital additions to road and equipment properties, are stated at average cost.

f) Property and Depreciation

Property balances include assets under capital leases with costs (before accumulated depreciation) of $255.9 million and $256.6 million at December 31, 1994 and 1993, respectively.

1. SUMMARY OF ACCOUNTING POLICIES--(CONTINUED)

Depreciation is provided at composite straight-line rates except for the track structure components of WRPI, which are depreciated on the unit of production method. For 1994, 1993 and 1992, the overall depreciation provision approximated an annual rate of 4.2%, 4.4% and 4.2%, respectively, of depreciable property.

Additions and renewals constituting a unit of property are capitalized. Other renewals, repairs and maintenance are charged to expense. Track removal costs and costs of units of property retired or replaced, less salvage, are charged to accumulated depreciation. Overhead costs related to assets constructed by Company personnel are capitalized.

g) Changes in Method of Accounting

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards ('SFAS') No. 106, 'Employers' Accounting for Postretirement Benefits Other than Pensions,' and SFAS No. 112, 'Employers' Accounting for Postemployment Benefits.'

2. INCOME TAXES

The provision (benefit) for income taxes consisted of the following:

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	(MILLIONS OF DOLLARS)		
Provision (benefit) from:			
Continuing operations	$51.5	$50.7	$ 18.8
Extraordinary loss	--	(6.6)	(57.0)
Change in method of accounting	--	--	(1.5)
Total income tax provision (benefit)	$51.5	$44.1	$(39.7)
Current--Federal	$ 2.2	$ 1.3	$ --
--State	--	--	--
Deferred	20.0	26.7	3.9
Loss carryover benefit used (generated)	29.3	16.1	(40.8)
Reduction of deferred tax asset valuation allowance	--	--	(2.8)
Total income tax provision (benefit)	$51.5	$44.1	$(39.7)

The 1993 provision includes a $7.1 million charge to reflect the effect of the increase in the federal corporate tax rate on the deferred tax balance as of December 31, 1992.

Total income taxes reflected in the Consolidated Statement of Income differ from the amounts computed by applying the federal statutory corporate tax rate as follows:

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	(MILLIONS OF DOLLARS)		
Tax provision (benefit):			
At the federal statutory rate	$45.2	$32.5	$(30.4)
Change in federal corporate tax rate	--	7.1	--
Reduction of deferred tax asset valuation allowance	--	--	(2.8)
Federal income tax provision	$45.2	$39.6	$(33.2)
State income tax provision	6.3	4.5	(6.5)
Total income tax provision (benefit)	$51.5	$44.1	$(39.7)

2. INCOME TAXES--(CONTINUED)

As of December 31, 1994, the Company has net operating losses (NOLs) of approximately $132 million and $50 million for regular and alternative minimum taxes (AMTs), respectively. The Company's NOLs are recognized for financial statement purposes as a reduction of the deferred tax liability and expire as follows:

2000	$ 27 million
2002	5 million
2008	100 million

In addition, the Company has approximately $43 million of investment tax credits for tax return purposes which expire as follows:

1995	$10 million
1996	8 million
1997	5 million
1998	4 million
1999	9 million
2000	5 million
2001	2 million

These investment tax credits are subject to certain limitations as to their future use. For financial statement purposes, the Company has established a $31 million valuation reserve for credits which are unlikely to be used. The estimate of NOLs and ITCs likely to be used was determined using internal Company projections of future taxable income. The Company generated book income before income taxes of $136 million in 1994 and $97 million in 1993 and a book loss before income taxes of $96 million in 1992. Taxable gains for 1994 and 1993 were somewhat lower, while the taxable loss for 1992 is somewhat higher, primarily due to temporary differences related to property additions. The Company's projections to support the recognition of these deferred tax assets do not require continued operating income improvements.

The components of the deferred tax liability include:

	AMOUNTS AS OF DECEMBER 31,	
	1994	1993
	(MILLIONS OF DOLLARS)	
Deferred tax liabilities:		
Depreciation and basis differences	$ 534.6	$ 512.9
All other	8.0	15.4
Total deferred tax liabilities	$ 542.6	$ 528.3
Deferred tax assets:		
Property treated as leased for tax purposes	$ (57.6)	$ (59.6)
Tax loss carryforwards	(50.2)	(79.5)
Accruals and reserves	(60.4)	(59.2)
Investment tax credit carryforwards, net of valuation reserves of $31.4 and $37.6	(11.5)	(11.5)
All other	(12.9)	(14.9)
Total deferred tax assets	$ (192.6)	$ (224.7)
Net deferred income tax liability	$ 350.0	$ 303.6

3. OTHER INCOME, NET

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	(MILLIONS OF DOLLARS)		
Interest income	$ 4.3	$ 2.5	$ 2.8
Gains from sales of property and investments	1.0	6.0	1.9
Rents from property not used for operations	3.2	3.9	3.7
Financing commitment and amendment fees	(1.8)	(0.6)	(0.8)
Proceeds from note receivable previously written-off	3.3	--	--
Other, net	(2.9)	(0.8)	0.5
Total	$ 7.1	$11.0	$ 8.1

4. LONG-TERM DEBT

a) Non-Current Portion of Long-Term Debt:

	AMOUNTS AS OF DECEMBER 31,	
	1994	1993
	(MILLIONS OF DOLLARS)	
C&NW Railway:		
9.92% Senior Secured Notes due from 1998 to 2001	$ 465.0	$ 465.0
Term Loan due from 1996 to 1997	39.1	72.5
Standby Loan due from 1996 to 1998	96.6	132.7
Equipment and other obligations due from 1996 to 2006	33.5	41.5
Capital lease obligations due from 1996 to 2005 (Note 5)	15.2	18.7
Total C&NW Railway	$ 649.4	$ 730.4
WRPI:		
Term Loan due from 1996 to 2002	$ 248.4	$ 275.8
Capital lease with WRPI Trust due from 1996 to 2002 (Note 5)	104.7	104.7
Capital lease with UP due from 1996 to 2011 (Note 5)	31.2	31.9
Total WRPI	$ 384.3	$ 412.4
Total	$1,033.7	$1,142.8

b) C&NW Railway Debt

The 9.92% Senior Secured Notes are fixed rate obligations; however, in order to take advantage of relatively low floating rates, the Company, in 1992 reverse swapped $425 million of those obligations to floating through January 1996. Under the terms of those reverse swaps, the Company receives an average of 7.8% and pays three-month LIBOR.

The Term Loan and Standby Loan bear interest at a floating rate equal to (at the Company's option) either: i) the Adjusted LIBOR Rate plus 1.5%; ii) the Alternate Base Rate plus 0.5%; or iii) the Adjusted CD rate plus 1.625% (in each case as defined in the credit agreement). The composite interest rates for C&NW Railway debt net of the effect of interest rate cap, swap and reverse swap agreements at December 31, 1994, 1993 and 1992, were 8.4%, 7.1% and 8.3%, respectively. As of December 31, 1994 and 1993, interest rates on $635.5 million and $678.7 million, respectively, of debt floated with short-term interest rates; these amounts included $425 million of fixed rate debt referred to above, reverse swapped to floating.

The Company has hedged the interest rate exposure related to its floating rate Railway debt, including fixed rate debt reverse swapped to floating, by entering into interest rate swap agreements covering $450 million of

4. LONG-TERM DEBT--(CONTINUED)

debt through April 15, 1995, whereby the railroad pays an average fixed rate of 6.3% and receives the three-month LIBOR. The railroad is also a party to

interest rate swap agreements covering $260 million of debt from April 15, 1995 to January 15, 1996 whereby the railroad pays an average fixed rate of 6.8% and receives the three-month LIBOR.

Additionally, the railway has entered various interest rate cap agreements under which LIBOR is effectively capped as follows:

$250 million; LIBOR capped at 5.0% through 4/15/95
$100 million; LIBOR capped at 7.0% from 4/15/95 to 1/15/96
$100 million; LIBOR capped at 5.0% from 4/15/95 to 1/15/96

See Note 12 for a discussion of the Company's 1992 recapitalization.

c) WRPI Debt

WRPI's debt consists of a Term Loan, a capital lease obligation to WRPI Trust and a capital lease obligation to UP.

The Term Loan and capital lease with WRPI Trust bear interest at floating rates calculated at the option of WRPI or WRPI Trust, as applicable, equal to either: i) the Adjusted LIBOR Rate plus 1.25%; ii) the Alternate Base Rate plus 0.25%; or iii) the Adjusted CD Rate plus 1.375% (in each case as defined in WRPI's debt agreement). The capital lease with UP bears interest at 12% per annum.

The composite interest rates, net of the effect of interest rate cap and swap agreements as of December 31, 1994, 1993 and 1992 were 8.5%, 7.1% and 7.2%, respectively.

WRPI has hedged its floating rate interest exposure by entering interest rate swap agreements covering $165 million of debt, through February 7, 1996, whereby WRPI pays an average fixed rate of 8.2% and receives three-month LIBOR. Additionally, WRPI has entered various interest rate cap agreements under which LIBOR on $200 million of debt is effectively capped at 7.0% from April 15, 1995 to January 15, 1996 and LIBOR on $300 million of debt is effectively capped at 8.0% from January 15, 1996 to January 15, 1997.

d) Annual Debt Payments

Scheduled principal payments (including capital lease obligations) due in 1995 through 1999 are as follows:

	C&NW RAILWAY	WRPI	TOTAL
	(MILLIONS OF DOLLARS)		
1995	$ 72.7	$22.7	$ 95.4
1996	80.9	25.0	105.9
1997	60.5	32.1	92.6
1998	137.5	37.2	174.7
1999	121.6	22.9	144.5

The WRPI Term Loan and capital lease obligation to WRPI Trust require accelerated debt payments subsequent to December 31, 1996 if there is excess cash flow as defined in the WRPI loan agreement.

e) Principal Encumbrances

Borrowings under the Railway's Senior Secured Notes and Term and Standby Loans are secured by the assets and guarantees of all of the Company's subsidiaries other than WRPI. Borrowings under WRPI's Term Loan and capital lease with WRPI Trust are secured by WRPI's assets, excluding certain intercompany loans.

4. LONG-TERM DEBT--(CONTINUED)
f) Extraordinary Items

The 1993 extraordinary loss resulted from the refinancing of a portion of the Railway's Term and Standby Loans. The total pretax loss was $17.4 million and the related income tax benefit was $6.6 million.

The 1992 extraordinary loss resulted primarily from the retirement of debentures in connection with the Recapitalization (see Note 12). The total pretax loss was $148.0 million and the related income tax benefit was $57.0 million.

5. LONG-TERM LEASES

The Company has substantial lease commitments for rolling stock, vehicles and portions of the track structure and related facilities of WRPI. Those leases which meet the criteria established by SFAS No. 13 are capitalized. The remainder are reported as operating leases.

Mimimum annual rental commitments for noncancelable leases at December 31, 1994 were as follows:

	CAPITAL LEASES		
	C&NW RAILWAY	WRPI	OPERATING LEASES
	(MILLIONS OF DOLLARS)		
1995	$ 5.1	$ 13.5	$ 117.5
1996	4.1	13.5	115.8
1997	2.7	13.5	108.3
1998	2.7	13.5	103.6
1999	2.7	13.5	100.8
After 1999	9.8	178.7	735.2
Total	$27.1	$246.2	$ 1281.2
Less imputed interest (at rates from 6.15% to 12.5%)	8.6	109.6	
Present value of net minimum lease payments	$18.5	$136.6	

The Company's lease agreements have terms of 3 to 28 years and expiration dates ranging from 1995 to 2018. The majority of the leases contain options allowing the Company a right of first refusal to purchase the leased property at the end of the lease for fair market value, or at a set percentage of its cost.

Lease rental expense for operating leases, including cancelable leases, was $126.6 million in 1994 and $111.3 million in 1993 and 1992.

The above amounts include insignificant amounts of rental income from subleases. Excluded from such amounts are contingent rentals on freight cars based on off-line car hire earnings of $0.5 million, $0.3 million and $0.9 million in 1994, 1993 and 1992, respectively. Also excluded from the above amounts are contingent rentals payable by WRPI out of its cash flow of $14.0 million for 1994, $18.2 million for 1993 and $15.6 million for 1992.

6. SHAREHOLDERS' EQUITY

a) Changes in Shareholders' Equity

	COMMON STOCK	CAPITAL SURPLUS	RETAINED INCOME
	(MILLIONS OF DOLLARS)		
December 31, 1991	$0.2	$ 112.5	$ (211.2)
Issuance of common stock	0.2	395.7	(38.8)
Net loss for the period	--	--	(56.2)
Exercise of stock options	--	0.3	--
Dividends on and accretion of preferred stock*	--	--	(11.9)
Excess of liquidation value over carrying value of preferred stock called for redemption*	--	--	(46.8)
December 31, 1992	$0.4	$ 508.5	$ (364.9)
Net income for the period	--	--	53.2
Issuance of common stock	--	24.4	--
Exercise of stock options	--	4.6	--
December 31, 1993	$0.4	$ 537.5	$ (311.7)
Net income for the period	--	--	84.0
Exercise of stock options	--	5.7	--
December 31, 1994	$0.4	$ 543.2	$ (227.7)

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* Preferred dividends of the Company, all paid in additional shares, were 13% per annum for each share of UP Convertible Preferred Stock, and 17% per annum for each share of Merger Preferred Stock. See Note 12 for discussion of preferred stock redemption.

b) Preferred Stock

The authorized capital stock of the Company includes 15 million shares of preferred stock, par value $.01 per share. There is no preferred stock outstanding at December 31, 1994.

c) Secondary Stock Offering

In 1993 Blackstone Capital Partners, L.P. ('Blackstone'), DLJ Capital Corporation ('DLJ') and related investors sold substantially all of their respective shares in a secondary offering at $19.25 per share. UP Rail, Inc. ('UP Rail'), a subsidiary of UP, purchased 500,000 shares from the selling shareholders, thereby increasing its ownership to 12,835,304 shares, all of which are non-voting. On January 29, 1993, UP filed an application with the ICC requesting approval to convert the non-voting common stock to common stock. On December 13, 1994, the ICC in a voting conference orally approved the conversion subject to certain conditions; however, on release of a written Commission order the Company and UP must determine if the conditions to the conversion are acceptable. The Company must accept the conditions if they are acceptable to UP and if the cost of compliance can reasonably be determined and if the UP shall have fully and adequately indemnified the Company and its affiliates.

In connection with the secondary offering, the underwriters exercised overallotment options under which the Company issued an additional 1,371,265 shares of common stock for which it received net proceeds after underwriting discount and issuance expenses of approximately $24.4 million. Such net proceeds were used for the payment of a portion of the amounts owing under the Company's debt agreements.

6. SHAREHOLDERS' EQUITY--(CONTINUED)

d) Stock Option Agreements

1,820,012 options on common stock, with an exercise price of $5.88, were granted in 1989 and an additional 247,582 such options were granted in 1990. As of December 31, 1994, 785,218 options had been exercised, 113,484 had been canceled and 1,168,892 were exercisable. In addition, 323,542 options, all of which are exercisable, with exercise prices between $1.09 and $2.07 were granted in 1989 to certain executives. As of December 31, 1994, 62,500 of the 323,542 options have been exercised. All options expire on the tenth anniversary of the grant date or earlier under certain circumstances.

1,000,000 options, with an exercise price of $21.375, were granted on December 8, 1992. An additional 359,500 options were granted during 1994, with exercise prices between $20.125 and $22.625. These options become exercisable for 20% of the shares subject thereto, annually, beginning on the first anniversary of the grant date and expire on the tenth anniversary of the grant date. As of December 31, 1994, 16,400 options have been exercised, 32,800 have been canceled and 374,800 are exercisable. Additionally, 740,107 and 2,000,000 options are available to be granted under the 1992 and 1994 stock option plans, respectively.

e) Dividend Restrictions

The Company's debt agreements limit the payment of dividends or making other distributions with respect to the common stock to 10% of income, as defined by the debt agreements, plus the amount of proceeds from equity issuances subsequent to the Recapitalization. As of December 31, 1994, the Company's potential dividend payments were limited to approximately $40 million.

7. EMPLOYEE BENEFIT PLANS

a) Pensions

The Company has a noncontributory defined benefit pension plan for employees who are not covered by a collective bargaining agreement. The benefits are based on years of service and the employee's average compensation over the last five years of employment. These benefits are reduced by eligible retirement benefits under the Company's Profit Sharing and Retirement Savings Plan and the Railroad Retirement Act. The Company makes annual contributions to the plan based on actuarial determinations and cash requirements. The plan's assets are invested in a guaranteed investment contract with an insurance company.

Net pension expense was $0.3 million in each of 1994, 1993 and 1992, which consisted primarily of interest on the projected benefit obligation. The projected benefit obligation was $5.7 million and $7.0 million as of December 31, 1994 and 1993, respectively.

The Company has accrued pension liabilities of $4.1 million and $4.3 million as of December 31, 1994 and 1993, respectively, consisting of the projected benefit obligation and unrecognized net gains (losses) less the fair value of plan assets. The fair value of plan assets was $2.3 million and $2.9 million as of December 31, 1994 and 1993, respectively.

Pension expense was determined using a weighted average discount rate of 7.0% for 1994 and 8.25% for 1993. The projected benefit obligation was determined using a weighted average discount rate of 8.5% at December 31, 1994 and 7.0% at December 31, 1993. The expected long-term rate of return on plan assets was 8.75%. The assumed rate of compensation increase was 6.0% at December 31, 1994 and 1993.

7. EMPLOYEE BENEFIT PLANS--(CONTINUED)
b) Postemployment Benefits

SFAS No. 106 primarily affects the Company's plan under which life insurance is provided for retired employees not covered under collective bargaining agreements. The Company's plan is unfunded. Operating expense of $0.4 million was recognized in each of 1994, 1993, and 1992, consisting primarily of interest on the accumulated postretirement benefit obligation.

Certain employees not covered by collective bargaining agreements also have received postretirement health care benefits to age 65 under special employee severance programs. The amount paid for these benefits, which was accrued by the Company prior to the employees' retirement was $1.6 million in 1994, $1.2 million in 1993 and $1.1 million in 1992.

The Company provides health care benefits through a multi-employer insurance plan for retired employees between the ages of 62 and 65 who are covered by collective bargaining agreements. The cost of these benefits for retired employees was $1.6 million in 1994 and $1.7 million in 1993 and 1992.

8. CONTINGENT LIABILITIES AND COMMITMENTS

The Company expects to expend $144 million for 1995 capital projects and plans to acquire equipment under operating leases with a cost to the lessors of $185 million.

The Company's operations are subject to a variety of federal, state and local environmental and pollution control statutes and regulations. The Company has been named as a potentially responsible party ('PRP') in three proceedings under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ('CERCLA'), and in five state Superfund matters, all but one of which is in the Midwest. The Company is also a defendant in one private CERCLA cost recovery action. The current estimate of the total cost of remediation for CERCLA, state and private cost recovery proceedings to all PRPs aggregates approximately $82 million. The Company has assumed that other PRPs will pay appropriate shares of remediation obligations, except when the Company is aware they are incapable of doing so. In such instances, the Company has reapportioned the potential liability and provided a reserve.

The Company is the lessor of real property under approximately 1,600 leases for commercial, agricultural and industrial uses and owns or leases numerous other sites. The Company has additionally provided reserves for environmental

exposure from current and former railroad operating properties, fueling facilities, leased properties and pending litigation and enforcement actions. The Company's environmental exposure is reevaluated periodically.

At December 31, 1994, the Company's reserve for environmental liabilities was $30 million. No offsets were credited for possible insurance recoveries, as the Company believes, to a large extent, it would not be able to obtain such recoveries. The reserve was determined based on the Company's anticipated cost of remediation at all known sites, including those where no claim or enforcement action has been issued, taking into consideration the extent of damage and the Company's remediation cost history. The Company has not discounted its environmental liabilities as the timing of remediation payments is uncertain. Environmental regulations and remediation processes are subject to future change, and determining the actual cost of remediation will require further investigation and remediation experience. Therefore, the ultimate cost cannot be determined at this time. However, while such cost may vary from the Company's current estimate, the Company believes the difference between its reserve and the ultimate liability will not be material.

The Company is a party to service interruption insurance agreements under which additional premiums of up to a maximum of $18.7 million may arise in the event of work stoppages on other railroads. Conversely, the Company is entitled to receive payments under certain conditions if a work stoppage occurs on its property.

8. CONTINGENT LIABILITIES AND COMMITMENTS--(CONTINUED)

The Company is a party to a number of other legal actions arising in the ordinary course of business, including actions involving personal injury claims. The Company believes that the legal actions will not have a material adverse impact upon the financial position or results of operations of the Company.

9. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	1994 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(MILLION OF DOLLARS EXCEPT PER SHARE AMOUNTS)			
Operating revenues	$273.9	$ 282.6	$290.7	$ 282.6
Operating income	48.2	53.3	67.9	56.5a
Net income	16.0	21.5	27.1	19.4
Net income per share	.35	.47	.60	.43

	1993 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(MILLION OF DOLLARS EXCEPT PER SHARE AMOUNTS)			
Operating revenues	$254.7	$ 257.0	$262.9	$ 268.6
Operating income	45.6	52.7	49.2b	61.6
Income before extraordinary item	14.6	18.7	6.2	24.5
Net income (loss)	14.6	18.7	(4.6)c	24.5
Income before extraordinary item per share	.33	.43	.14	.54
Net income (loss) per share	.33	.43	(.10)	.54

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(a) Includes $4.8 million charge for employee buyouts and related costs.
(b) Includes $5.0 million charge for employee buyouts, relocation costs and a management fee payable to one of the Company's previous principal shareholders.
(c) Includes a $10.8 million extraordinary charge from a debt refinancing.

10. RELATED PARTY TRANSACTIONS

Union Pacific Corporation and its subsidiaries ('UP') are related parties as a result of their ownership of common stock of the Company. Blackstone is a related party as James J. Mossman, a general partner, is a member of the Company's Board of Directors. DLJ was formerly a related party as a result of its or its affiliates' ownership of common stock of the Company.

The Company paid Blackstone $250,000 in 1994 and $1.0 million in each of 1993 and 1992 for management and advisory fees, and $1.2 million in 1992 with respect to the Recapitalization. The Company paid DLJ $1.2 million in fees in 1992 related to the Recapitalization. In addition, DLJ, acting as a lead underwriter, realized aggregate selling concessions of $2.3 million in connection with the Company's 1993 secondary offering and $4.1 million in connection with the Company's 1992 stock offering.

In connection with the Recapitalization, the Company exchanged 10,153,304 shares of non-voting common stock for the outstanding UP Convertible Preferred Stock and an additional cash investment of $28 million. In connection with the secondary offering, UP Rail purchased an additional 500,000 shares of non-voting common stock. See Note 6(c).

Approximately 67% of the Company's total loads in 1994, 65% in 1993 and 62% in 1992 were interchanged with the UP with revenue shared in accordance with standard industry procedures. Pursuant to a trackage rights agreement, approved by the Interstate Commerce Commission, among the Company and subsidiaries of UP, the Company hauls certain traffic for subsidiaries of UP under terms that preserve the Company's revenue on that

10. RELATED PARTY TRANSACTIONS--(CONTINUED)
traffic. Note 5 details WRPI capital lease payments (including contingent rent payable out of cash flow) made to a trust for the benefit of a subsidiary of UP.

11. OTHER DISCLOSURES

a) Additional Disclosures for Consolidated Statement of Cash Flows

The following cash payments occurred in the periods shown:

	1994	1993	1992
	(MILLIONS OF DOLLARS)		
Interest	$90.0	$103.0	$118.6
Income taxes	2.7	0.9	--

Noncash financing activities of the Company consisted of UP convertible preferred stock dividends of $4.8 million and a $141.4 million exchange of UP convertible preferred stock for non-voting common stock in 1992.

b) Cash Resources

The Company has a credit line available through a $50 million revolving credit facility. Approximately $45 million was available under this credit line as of December 31, 1994.

c) Concentration of Credit Risk

The Company is not dependent upon a single customer or on a few customers. However, approximately 35% of the Company's 1994 traffic was coal, primarily destined to electric utilities in the United States. Approximately 67% of the Company's 1994 traffic was interchanged with subsidiaries of the Union Pacific Corporation.

d) Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments as of December 31, 1994 was as follows:

	CARRYING VALUE	FAIR VALUE
	(MILLIONS OF DOLLARS)	
Assets:		
Cash and cash equivalents	$ 105.4	$ 105.4
Other current assets	177.5	177.5
Investments	5.5	5.5
Interest rate and fuel price hedges	--	9.9
Liabilities:		
Current liabilities	373.7	373.7
Long-term debt	1,033.7	1,060.1

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Current Assets and Current Liabilities: The carrying value approximates fair value due to the short maturity of these items.

Investments: The Company has a minor amount of assets accounted for on the cost basis for which the Company believes the carrying value approximates fair value.

11. OTHER DISCLOSURES--(CONTINUED)

Long-Term Debt: The fair value of long-term debt and related swaps is estimated based on quoted market prices for similar issues.

12. RECAPITALIZATION

On April 7, 1992, the Company issued 20,069,463 shares of common stock, of which 9,916,159 shares were issued to the public and 10,153,304 non-voting shares were issued to UP Rail as part of a recapitalization plan (the 'Recapitalization') to: (i) eliminate dividends on its 17% cumulative exchangeable preferred stock, par value $.01 per share (the 'merger preferred stock') and 13% cumulative convertible exchangeable senior pay-in-kind preferred stock, par value $.01 per share (the 'UP convertible preferred stock') issued in connection with the acquisition of CNW Corporation in 1989 (the 'Acquisition'); (ii) increase common shareholders' equity; and (iii) reduce the interest costs of the Company's consolidated indebtedness. The principal sources of funds in the Recapitalization were: (i) the public common stock issuance; (ii) new senior secured debt facilities for borrowings of up to $850 million; and (iii) an investment by UP Rail of $28 million, along with the surrender of the UP convertible preferred stock in exchange for the issuance of non-voting common stock to UP Rail.

The proceeds of the Recapitalization (approximately $1.2 billion) were used to: (i) redeem all of the issued and outstanding shares of merger preferred stock at an aggregate redemption price equal to its liquidation value plus accrued and unpaid dividends to the redemption date of May 8, 1992; (ii) prepay all borrowings outstanding under the credit agreement (the 'Merger Credit Agreement') entered into in connection with the Acquisition; (iii) retire $362 million of the 15 1/2% senior subordinated debentures due 2001 (the 'Debentures') issued by a subsidiary of the Company in connection with the Acquisition; (iv) exchange all of the issued and outstanding shares of UP

convertible preferred stock (plus an additional cash investment by UP Rail of $28 million) for 10,153,304 shares of non-voting common stock; (v) fund a portion of employee severance costs; (vi) terminate certain interest rate swap agreements; and (vii) pay financing and transaction costs. In connection with the Recapitalization, the Company recorded a first quarter after-tax extraordinary charge to earnings of approximately $91 million (net of $57 million of income taxes) related to the retirement of the Debentures and the termination of the Merger Credit Agreement and a charge of approximately $47 million to accrete the merger preferred stock to its liquidation value.

Concurrent with the common stock issuance, the Company effected a 32.25-for-one stock split. Share and per share data included in the Consolidated Financial Statements have been restated for the stock split.

On a pro forma basis, as of January 1, 1992, the Recapitalization would have reduced 1992 interest expense by $9.2 million and eliminated all preferred stock dividends.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY AND SUBSIDIARIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Chicago and North Western Transportation Company:

We have audited the accompanying consolidated balance sheets of Chicago and North Western Transportation Company (a Delaware corporation) and subsidaries as of December 31, 1994 and 1993, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago and North Western Transportation Company and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As explained in Note 1(g) to the financial statements, effective January 1, 1992, the Company changed its method of accounting for other postretirement

benefits.

Arthur Andersen LLP

Chicago, Illinois
January 27, 1995

ANNEX I

AGREEMENT AND PLAN OF MERGER
BY AND AMONG
UNION PACIFIC CORPORATION,
UP RAIL, INC.
AND
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
DATED AS OF
MARCH 16, 1995

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of March 16, 1995, by and among Union Pacific Corporation, a Utah corporation ('Parent'), UP Rail, Inc., a Utah corporation and an indirect, wholly owned subsidiary of Parent (the 'Purchaser'), and Chicago and North Western Transportation Company, a Delaware corporation (the 'Company').

WHEREAS, the Boards of Directors of Parent, the Purchaser and the Company have approved, and deem it advisable and in the best interests of their

respective shareholders to consummate, the acquisition of the Company by Parent upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I
THE OFFER AND MERGER

Section 1.1 The Offer. (a) As promptly as practicable (but in no event later than five business days after the public announcement of the execution hereof), the Purchaser shall commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended (the 'Exchange Act')) an offer (the 'Offer') to purchase for cash all of the issued and outstanding shares of Common Stock, par value $.01 per share (referred to herein as either the 'Shares' or 'Company Common Stock'), of the Company at a price of $35.00 per Share, net to the seller in cash (such price, or such higher price per Share as may be paid in the Offer, being referred to herein as the 'Offer Price'), subject to there being validly tendered and not withdrawn prior to the expiration of the Offer, that number of Shares which, together with the shares of Non-Voting Common Stock, par value $.01 per Share (the 'Non-Voting Shares'), of the Company beneficially owned by Parent or the Purchaser (assuming conversion of such Non-Voting Shares into Shares), represent at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Shares into Shares) (the 'Minimum Condition') and to the other conditions set forth in Annex A hereto. The Purchaser shall, on the terms and subject to the prior satisfaction or waiver (except that the Minimum Condition may not be waived) of the conditions of the Offer, accept for payment and pay for Shares tendered as soon as practicable after it is permitted to do so under the Exchange Act. The obligations of the Purchaser to commence the Offer and to accept for payment and to pay for any Shares validly tendered on or prior to the expiration of the Offer and not withdrawn shall be subject only to the Minimum Condition and the other conditions set forth in Annex A hereto. The Offer shall be made by means of an offer to purchase (the 'Offer to Purchase') containing the terms set forth in this Agreement, the Minimum Condition and the other conditions set forth in Annex A hereto. Without the written consent of the Company (such consent to be authorized by the Board of Directors of the Company or a duly authorized committee thereof), the Purchaser shall not amend or waive the Minimum Condition and shall not decrease the Offer Price or decrease the number of Shares sought, or amend any other condition of the Offer in any manner adverse to the holders of the Shares, provided, however, that if on the initial scheduled expiration date of the Offer (as it may be extended), all conditions to the Offer shall not have been satisfied or waived, the Offer may be extended from time to time until June 30, 1995 without the consent of the Company. In addition, the Offer Price may be increased and the Offer may be extended to the extent required by law in connection with such increase in each case without the consent of the Company.

(b) As soon as practicable on the date the Offer is commenced, Parent and the Purchaser shall file with the United States Securities and Exchange Commission (the 'SEC') (i) a Tender Offer Statement on Schedule 14D-1 with respect to the Offer (together with all amendments and supplements thereto and including the exhibits thereto, the 'Schedule 14D-1') which will include, as

exhibits, the Offer to Purchase and a form of letter of transmittal and summary advertisement (collectively, together with any amendments and supplements thereto, the 'Offer Documents'), and (ii) a Rule 13e-3 Transaction Statement on Schedule 13E-3 (together with any supplements or amendments thereto, the 'Schedule 13E-3') with respect to the Offer. Parent and the Purchaser represent that the Offer Documents and the Schedule 13E-3 will comply in all material respects with the provisions of applicable federal securities laws and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements

therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by Parent or the Purchaser with respect to information supplied by the Company in writing for inclusion in the Offer Documents or the Schedule 13E-3. Each of Parent and the Purchaser further agrees to take all steps necessary to cause the Offer Documents and the Schedule 13E-3 to be filed with the SEC and to be disseminated to holders of Shares, in each case as and to the extent required by applicable federal securities laws. Each of Parent and the Purchaser, on the one hand, and the Company, on the other hand, agrees promptly to correct any information provided by it for use in the Offer Documents and/or the Schedule 13E-3 if and to the extent that it shall have become false and misleading in any material respect, and Parent and the Purchaser further agree to take all steps necessary to cause the Offer Documents and/or the Schedule 13E-3, as the case may be, as so corrected to be filed with the SEC and to be disseminated to holders of Shares, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given the opportunity to review the Schedule 14D-1 and the Schedule 13E-3 before they are filed with the SEC. In addition, Parent and the Purchaser agree to provide the Company and its counsel in writing with any comments Parent, the Purchaser or their counsel may receive from time to time from the SEC or its staff with respect to the Offer Documents or the Schedule 13E-3 promptly after the receipt of such comments.

Section 1.2 Company Actions.

(a) The Company hereby approves of and consents to the Offer and represents that the Board of Directors, at a meeting duly called and held, has unanimously (with Richard K. Davidson absent and not voting) (i) determined that each of the Offer and the Merger (as defined in Section 1.4) is fair to and in the best interests of the Company's stockholders (other than Parent and the Purchaser), (ii) approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger (collectively, the 'Transactions'), (iii) resolved to recommend that the stockholders of the Company accept the Offer, tender their Shares thereunder to the Purchaser and approve and adopt this Agreement and the Merger; provided, however, that such recommendation may be withdrawn, modified or amended only to the extent that the Board of Directors of the Company determines, based on an opinion of outside legal counsel to the Company, that the failure to take such action would likely result in a breach of the Board of Directors' fiduciary duties under applicable laws; and (iv) to the extent required, approved this Agreement, the Offer, the Merger, the Company Stock Option Agreement (as defined in Section 1.9) and the transactions contemplated

hereby and thereby for purposes of Section 203 of the Delaware General Corporation Law ('DGCL'). The Company further represents that The Blackstone Group L.P. ('Blackstone') has delivered to the Board of Directors of the Company its opinion that the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair to such holders from a financial point of view.

(b) Concurrently with the commencement of the Offer, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto and including the exhibits thereto, the 'Schedule 14D-9') which shall contain the recommendation referred to in clauses (i), (ii) and (iii) of Section 1.2(a) hereof and will join in the filing of the Schedule 13E-3. The Company represents that the Schedule 14D-9 and the Schedule 13E-3 will comply in all material respects with the provisions of applicable federal securities laws and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Parent or the Purchaser for inclusion in the Schedule 14D-9 or the Schedule 13E-3. The Company further agrees to take all steps necessary to cause the Schedule 14D-9 and the Schedule 13E-3 to be filed with the SEC and to be disseminated to holders of Shares, in each case as and to the extent required by applicable federal securities laws. Each of the Company, on the one hand, and Parent and the Purchaser, on the other hand, agrees promptly to correct any information provided by it for use in the Schedule 14D-9 and the Schedule 13E-3 if and to the extent that it shall have become false and misleading in any material respect and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 and the Schedule 13E-3 as so corrected to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. Parent and its counsel shall be given the opportunity to review the Schedule 14D-9 and the Schedule 13E-3 before it is filed with the SEC. In addition, the Company agrees to provide Parent, the Purchaser and their counsel in writing with

any comments the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Schedule 14D-9 and the Schedule 13E-3 promptly after the receipt of such comments.

(c) In connection with the Offer, the Company will promptly furnish or cause to be furnished to the Purchaser mailing labels, security position listings and any available listing or computer file containing the names and addresses of the record holders of the Shares as of a recent date, and shall furnish the Purchaser with such information and assistance as the Purchaser or its agents may reasonably request in communicating the Offer to the stockholders of the Company.

Section 1.3 Directors.

(a) Promptly upon the purchase of and payment for any Shares by the

Purchaser or any other subsidiary of Parent pursuant to the Offer which, together with the Non-Voting Shares, represents at least a majority of the outstanding shares of Company Common Stock (on a fully diluted basis and assuming conversion of the Non-Voting Shares into Shares), Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Board of Directors of the Company as is equal to the product of the total number of directors on such Board (giving effect to the existing representatives of Parent serving on the Board of Directors, including representatives which Parent has the right to designate under the 1993 Agreement (as defined in Section 3.2), and the directors designated by Parent pursuant to this sentence) multiplied by the ratio of the aggregate number of Shares and Non-Voting Shares (if any) beneficially owned by the Purchaser, Parent and any of their affiliates to the total number of Shares and Non-Voting Shares (if any) then outstanding. Promptly after consummation of the Offer, the Company shall, upon request of the Purchaser, use its best efforts promptly either to increase the size of its Board of Directors or, at the Company's election, secure the resignations of such number of its incumbent directors as is necessary to enable Parent's designees to be so elected or appointed to the Company's Board, and shall cause Parent's designees to be so elected or appointed. At such time, the Company shall also cause persons designated by Parent to constitute the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each Subsidiary (as defined in Section 3.1) of the Company and (iii) each committee (or similar body) of each such board, in each case only to the extent permitted by applicable law or the rules of any stock exchange on which the Company Common Stock is listed. Notwithstanding the foregoing, until the Effective Time (as defined in Section 1.5 hereof), the Company and Parent shall use all reasonable efforts to retain as members of its Board of Directors at least three (3) directors who are directors of the Company on the date hereof and are not representatives of Parent (the 'Company Directors'); provided, that subsequent to the purchase of and payment for Shares pursuant to the Offer, Parent shall always have its designees represent at least a majority of the entire Board of Directors. As used in this Agreement, the term 'Company Directors' shall initially mean each of Messrs. James R. Thompson, Samuel K. Skinner and Harold A. Poling; provided that in the event that any of such initial directors resigns or otherwise ceases to be a director for any reason, then the other Company Directors shall have the right, by majority vote, to designate a replacement for such directors (and such replacement shall be a 'Company Director'). If for any reason at any time prior to the Effective Time no Company Directors then remain, the other directors shall use reasonable best efforts to designate three persons to be the Company Directors, none of whom shall be directors, officers, employees or affiliates of Parent or the Purchaser.

(b) The Company's obligations under Section 1.3(a) shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all actions required pursuant to such Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 1.3(a), including mailing to stockholders as part of the Schedule 14D-9 the information required by such Section 14(f) and Rule 14f-1, as is necessary to enable Parent's designees to be elected to the Company's Board of Directors. Parent or the Purchaser will supply the Company any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-1. The provisions of this Section 1.3(a) are in

addition to and shall not limit any rights which the Purchaser, Parent or any of their affiliates may have as a holder or beneficial owner of Shares or Non-Voting Shares as a matter of law with respect to the election of directors or otherwise (except that, as provided above, the number of directors that Parent shall have the right to designate pursuant to this Section 1.3 shall include the representatives which Parent has the right to designate under the 1993 Agreement).

(c) The concurrence of a majority of the Company Directors shall be required for any amendment or termination of this Agreement by the Company, any waiver of any of the Company's rights hereunder or otherwise pursuant to Section 8.3 hereof, any extension of the time for performance of Parent's or the Purchaser's obligations or other acts hereunder, or any other action taken by the Company's Board of Directors in connection with this Agreement (including actions to enforce this Agreement); provided, that if there shall be no such directors notwithstanding the reasonable best efforts of the other directors to appoint Company Directors, such actions may be effected by majority vote of the entire Board of Directors of the Company.

Section 1.4 The Merger. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.5 hereof), the Company and the Purchaser shall consummate a merger (the 'Merger') pursuant to which (a) the Purchaser shall be merged with and into the Company and the separate corporate existence of the Purchaser shall thereupon cease, (b) the Company shall be the successor or surviving corporation in the Merger and shall continue to be governed by the laws of the State of Delaware, and (c) the separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger. Pursuant to the Merger, (x) the Restated Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation (as defined below) until thereafter amended as provided by law and such Restated Certificate of Incorporation, and (y) the By-laws of the Purchaser, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided by law, the Restated Certificate of Incorporation and such By-laws. The corporation surviving the Merger is sometimes hereinafter referred to as the 'Surviving Corporation.' The Merger shall have the effects set forth in the DGCL and the Utah Business Corporation Act ('UBCA').

Section 1.5 Effective Time. Parent, the Purchaser and the Company will cause appropriate Certificates of Merger or, if applicable, Certificates of Ownership and Merger (the 'Certificates of Merger') to be executed and filed on the date of the Closing (as defined in Section 1.6) (or on such other date as Parent and the Company may agree) with the Secretary of State of the State of Delaware (the 'Secretary of State') as provided in the DGCL and with the Division of Corporations and Commercial Code of the State of Utah (the 'Division') as provided in the UBCA. The Merger shall become effective on the date on which the Certificates of Merger have been duly filed with the Secretary of State and the Division or such time as is agreed upon by the parties and specified in the Certificates of Merger, and such time is hereinafter referred to as the 'Effective Time.'

Section 1.6 Closing. The closing of the Merger (the 'Closing') will take place at 10:00 a.m., New York time, on a date to be specified by the parties, which shall be no later than the first business day after satisfaction or waiver of all of the conditions set forth in Article VI hereof (the 'Closing Date'), at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, unless another date or place is agreed to in writing by the parties hereto.

Section 1.7 Directors and Officers of the Surviving Corporation. The directors and officers of the Purchaser at the Effective Time shall, from and after the Effective Time, be the directors and officers, respectively, of the Surviving Corporation until their successors shall have been duly elected or appointed or qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Certificate of Incorporation and By-laws.

Section 1.8 Stockholders' Meeting.

(a) If required by applicable law in order to consummate the Merger, the Company, acting through its Board of Directors, shall, in accordance with applicable law:

(i) duly call, give notice of, convene and hold a special meeting of its stockholders (the 'Special Meeting') as soon as practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon this Agreement;

(ii) prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and this Agreement and use its best efforts (x) to obtain and furnish the information required to be included by the SEC in the Proxy Statement (as hereinafter defined) and, after consultation with Parent, to respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement (the 'Proxy Statement') to be mailed to its

stockholders and (y) to obtain the necessary approvals of the Merger and this Agreement by its stockholders; and

(iii) subject to the fiduciary obligations of the Board under applicable law as advised by independent counsel, include in the Proxy Statement the recommendation of the Board that stockholders of the Company vote in favor of the approval of the Merger and the adoption of this Agreement.

(b) Not later than promptly following the consummation of the Offer and receipt of the ICC Final Approval (as defined in Section 3.4 hereof), Parent will convert or cause to be converted all of its Non-Voting Shares into Shares. Parent agrees that it will vote, or cause to be voted, all of the Shares then owned by it, the Purchaser or any of its other subsidiaries and affiliates in favor of the approval of the Merger and the adoption of this Agreement.

Section 1.9 Merger Without Meeting of Stockholders. Notwithstanding Section 1.8 hereof, in the event that Parent, the Purchaser or any permitted assignee of Purchaser shall acquire at least 90% of the outstanding shares of the capital stock of the Company, pursuant to the Offer, the Company Stock Option Agreement (as defined below), the conversion of Non-Voting Shares into Shares or, subsequent to consummation of the Offer, by any other means, the parties hereto agree, at the request of Parent and subject to Article VI hereof, to take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL and Sections 1104 and 1107 of the UBCA. In connection therewith, Parent and the Company are entering into a Company Stock Option Agreement, dated as of the date hereof (the 'Company Stock Option Agreement'), pursuant to which, subject to Parent having previously acquired at least 85% of the outstanding Shares (assuming conversion of the Non-Voting Shares into Shares) and other conditions set forth therein, Parent shall have the right to purchase from the Company a sufficient number of Shares such that such Shares purchased pursuant to the Company Stock Option Agreement, together with all Shares owned by Parent or the Purchaser, would represent 90% of the outstanding Shares and permit the Merger to be effected in accordance with Section 253 of the DGCL and Sections 1104 and 1107 of the UBCA (a 'Short-form Merger'). Parent agrees to effect a Short-form Merger promptly following the exercise of the option under the Company Stock Option Agreement.

ARTICLE II

CONVERSION OF SHARES

Section 2.1 Conversion of Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of any shares of Company Common Stock or common stock, par value $.01 per share, of the Purchaser (the 'Purchaser Common Stock'):

(a) Purchaser Common Stock. The issued and outstanding shares of the Purchaser Common Stock shall be converted into and become such number of fully paid and nonassessable shares of common stock of the Surviving Corporation as the Company had outstanding immediately prior to the Effective Time.

(b) Cancellation of Treasury Stock and Parent-Owned Stock. All shares of Company Common Stock that are owned by the Company as treasury stock and any shares of Company Common Stock and Non-Voting Shares owned by Parent, the Purchaser or any other wholly owned Subsidiary (as defined in Section 3.1 hereof) of Parent shall be cancelled and retired and shall cease to exist and no stock of Parent or other consideration shall be delivered in exchange therefor.

(c) Conversion of Shares. Each issued and outstanding share of Company Common Stock (other than shares to be cancelled in accordance with Section 2.1(b)) shall be converted into the right to receive the Offer Price, payable to the holder thereof, without interest (the 'Merger Consideration'), upon surrender of the certificate formerly representing such share of Company Common Stock in the manner provided in Section 2.2.

All such shares of Company Common Stock, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest.

Section 2.2 Exchange of Certificates.

(a) Paying Agent. Parent shall designate a bank or trust company to act as agent for the holders of shares of Company Common Stock in connection with the Merger, which Paying Agent shall be reasonably satisfactory to the Company (the 'Paying Agent'), to receive the funds to which holders of shares of Company Common Stock shall become entitled pursuant to Section 2.1(c). Such funds shall be invested by the Paying Agent as directed by Parent or the Surviving Corporation.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a certificate or certificates, which immediately prior to the Effective Time represented outstanding shares of Company Common Stock (the 'Certificates'), whose shares were converted pursuant to Section 2.1 into the right to receive the Merger Consideration (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for payment of the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, which agents shall be reasonably satisfactory to the Company, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration for each share of Company Common Stock formerly represented by such Certificate and the Certificate so surrendered shall forthwith be cancelled. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Corporation that such tax either has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration in cash as contemplated by this Section 2.2.

(c) After the Effective Time there shall be no transfers on the stock transfer books of the Surviving Corporation of the Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time,

Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger Consideration as provided in this Article II.

Section 2.3 Company Option Plans and Agreements.

(a) The Company shall (i) terminate its 1989 Equity Incentive Plan for Key Employees, 1992 Equity Incentive Plan and 1994 Equity Incentive Plan (collectively, the 'Plans'), immediately prior to the Effective Time without prejudice to the rights of the holders of options awarded pursuant thereto and (ii) grant no additional options or similar rights under the Plans or otherwise on or after the date hereof. As used hereafter in this Section 2.3, 'Options' shall include each employee stock option granted by the Company, whether pursuant to the Plans, pursuant to certain Rollover Option Agreements dated as of July 14, 1989 or otherwise.

(b) The Company shall use its best efforts to obtain the consent of each holder of any Options (whether or not then exercisable) that it does not have the right to cancel, and shall cancel, his Options (irrespective of their exercise price), or, in the case of Options that the Company has the right to cancel, shall cancel such Options, such cancellation (whether or not consent is required therefor) to take effect as of the Effective Time. The preceding sentence shall not apply to (i) Options with respect to which the holder thereof holds, and agrees, prior to consummation of the Offer, to exercise limited stock appreciation rights ('LSARs') prior to the Effective Time and does exercise such LSARs prior to the Effective Time, and (ii) Options (whether or not then exercisable) held by employees of the Company that Parent or its affiliates have agreed to employ and who agree prior to consummation of the Offer to cancel such Options effective as of the Effective Time in consideration for issuance at such time of Options on common stock of Parent ('Parent Options'), Parent being obligated with respect thereto to issue Parent Options to each such employee which Options cover common stock having an aggregate Fair Market Value on the date of issuance of such Options equal to the aggregate value at the Offer Price of stock of the Company subject to such Options held by such employee and having an aggregate spread between Fair Market Value (as defined below) and exercise price equal to the aggregate spread on such

employee's Options between the Offer Price and the weighted average exercise price of such Options. As soon as practicable after the date hereof, the Company shall notify each holder of Options as to the alternatives made available pursuant to this Section 2.3. Parent Options shall have the same expiration dates as corresponding Options and terms and conditions (other than any reload feature or 'Change in Control' feature) not materially less favorable than those of corresponding Options. In consideration of each cancellation of Options (except those cancelled in consideration of Parent Options and those cancelled on exercise of LSARs), the Company shall pay to such holders, promptly upon such cancellation, in respect of each Option (whether or not then exercisable and whether or not the Company had the right to cancel the Option, provided, however, that in the case of Options requiring a consent to the cancellation thereof, such consent shall have been obtained), an amount equal to the excess, if any, of the Offer Price over the exercise price per Share subject thereto, multiplied by the number of Shares subject thereto. 'Fair Market Value' means the average closing price on the New York Stock Exchange Composite Tape for

common stock of Parent on each of the ten trading days preceding the day on which the Effective Time occurs.

Section 2.4 No Dissenter's Rights. In accordance with Schwabacher v. United States, 334 U.S. 192 (1948), stockholders of the Company will not have any dissenter's rights; provided, however, that if (a) the parties, at Parent's sole discretion, elect to seek, for mergers within a corporate family, and obtain, a declaratory order that the class exemption is available for the Merger or (b) the Interstate Commerce Commission (or any successor agency) (the 'ICC') or a court of competent jurisdiction determines that dissenter's rights are available to holders of Shares, then holders of Shares shall be provided with dissenter's rights in accordance with the DGCL.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and the Purchaser that, except as disclosed (including, in the case of financial statements, provided for) in the Company's Form 10-K for the fiscal year ended December 31, 1994 ('Form 10-K') or the Annual Report to Stockholder for the fiscal year ended December 31, 1994 (the 'Annual Report'), each as heretofore filed with the SEC or delivered to Parent in draft form prior to the date hereof (including, without limitation, any financial statements and related notes or schedules included in such documents and all exhibits and schedules included or expressly incorporated by reference therein on or prior to the date hereof):

Section 3.1 Organization. Each of the Company and its Subsidiaries is a corporation, partnership or other entity duly organized, validly existing, duly qualified or licensed to do business and in good standing under the laws of the jurisdiction of its incorporation or organization and in each jurisdiction in which the nature of the business conducted by it makes such qualification or licensing necessary, and has all requisite corporate or other power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power, authority, and governmental approvals would not have a Material Adverse Effect on the Company. As used in this Agreement, the word 'Subsidiary' means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (i) such party or any other Subsidiary of such party is a general partner (excluding such partnerships where such party or any Subsidiary of such party do not have a majority of the voting interest in such partnership) or (ii) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries. As used in this Agreement, any reference to any event, change or effect having a 'Material Adverse Effect' on or with respect to any entity means such event, change or effect, individually or in the aggregate with such other events, changes, or effects, is materially adverse to the financial condition or businesses of such entity and its Subsidiaries, taken as a whole. Exhibit 21 to the Form 10-K sets forth a complete list of the Company's active Subsidiaries. The Company's inactive subsidiaries have no material

operations and no liabilities which would have or be likely to have a Material Adverse Effect on the Company.

Section 3.2 Capitalization. (a) The authorized capital stock of the Company consists only of 125,000,000 shares of Company Common Stock, 125,000,000 shares of Company Non-Voting Common Stock, $0.01 par value (the 'Non-Voting Common Stock') and 15,000,000 preferred shares, $0.01 par value (the 'Preferred Stock'). As of the date hereof, (i) 31,330,631 shares of Company Common Stock are issued and outstanding, (ii) 12,835,304 shares of Non-Voting Common Stock are issued and outstanding, (iii) 25,479 shares of Company Common Stock and no shares of Company Non-Voting Common Stock are issued and held in the treasury of the Company, and (iv) 2,550,267 shares of Company Common Stock are reserved for issuance upon exercise of then outstanding Options granted under the Option Plans and 12,835,304 shares of Company Common Stock are reserved for issuance upon conversion of the Non-Voting Common Stock. As of the date hereof, there are no shares of Preferred Stock issued and outstanding. All the outstanding shares of the Company's capital stock are, and all shares which may be issued pursuant to the exercise of outstanding Options or upon exercise of the option under the Company Stock Option Agreement will be, when issued in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and non-assessable. As of the date hereof, the Company has no outstanding stock appreciation rights except for limited stock appreciation rights granted in tandem with Options. There are no bonds, debentures, notes or other indebtedness having voting rights (or convertible into securities having such rights) ('Voting Debt') of the Company or any of its Subsidiaries issued and outstanding. Except as set forth above and except for the transactions contemplated by this Agreement and the Company Stock Option Agreement and except as set forth in Section 3.2 of the disclosure schedule delivered by the Company to Parent on or prior to the date hereof (the 'Disclosure Schedule'), as of the date hereof, there are no existing options, warrants, calls, pre-emptive rights, subscriptions or other rights, convertible securities, agreements, arrangements or commitments of any character, relating to the issued or unissued capital stock of the Company or any of its Subsidiaries, obligating the Company or any of its Subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity interest in, the Company or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or obligations of the Company or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, subscription or other right, convertible security, agreement, arrangement or commitment. Except as set forth in Section 3.2 of the Disclosure Schedule, there are no outstanding contractual obligations of the Company or any of its Subsidiaries to (i) repurchase, redeem or otherwise acquire any Shares or the capital stock of the Company or any subsidiary or affiliate of the Company or (ii) to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in (x) any Subsidiary which is not wholly-owned or (y) any other entity. Except as permitted by this Agreement and except for Options which by their terms can not be cancelled as set forth in Section 3.2 of the Disclosure Schedule, following the Merger, neither the Company (or the Surviving Corporation) nor any of its Subsidiaries will have any obligation to issue, transfer or sell any shares of its capital stock pursuant to any employee benefit plan or otherwise.

(b) Except as set forth in Section 3.2 of the Disclosure Schedule, all of the outstanding shares of capital stock of each of the Subsidiaries are beneficially owned by the Company, directly or indirectly, and all such shares have been validly issued and are fully paid and nonassessable and, except for security interests arising under the Credit Agreement, dated as of March 27, 1992, as amended to date, among the Company, Chemical Bank, as agent, and the banks named therein (the 'Credit Agreement'), the Senior Secured Note Purchase Agreement, dated as of March 27, 1992, as amended to date, among Chicago and North Western Transportation Company, the Company (as Guarantor), and the Purchasers listed therein (the 'Note Agreement'), and the Pledge Agreement, dated as of December 20, 1990 between Chicago and North Western Railway Company and Citibank, N.A., as trustee, and the Mortgage Trust Deed and Security Agreement, dated as of December 20, 1990, among Citibank, N.A., as trustee, and Chemical Bank, as administrative agent et al., are owned by either the Company or one of its Subsidiaries free and clear of all liens, charges, claims or encumbrances.

(c) Except for the Second Amended and Restated Stockholders Agreement, dated as of March 30, 1992, as amended, among the Company, Parent and certain other parties (the 'Stockholders Agreement'), and an agreement, dated as of June 21, 1993 (the '1993 Agreement') among the parties to the Stockholders Agreement, there are no voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party with respect to the voting of the capital stock of the Company or any of the Subsidiaries. None of the Company or its Subsidiaries is required to redeem, repurchase or otherwise acquire shares of capital stock of the Company, or any of its Subsidiaries, respectively, as a result of the transactions contemplated by this Agreement. Parent and the Company agree to terminate, and agree to use their reasonable best efforts to cause the other

parties thereto to terminate, as of the Effective Time, the Stockholders Agreement, the 1993 Agreement and the Registration Rights Agreement, dated July 14, 1989, as amended, among Parent, Blackstone Capital Partners L.P. and certain other parties thereto.

Section 3.3 Corporate Authorization; Validity of Agreement; Company Action. (a) The Company has full corporate power and authority to execute and deliver this Agreement and, subject to obtaining any necessary approval of its stockholders as contemplated by Section 1.8 hereof with respect to the Merger, to consummate the transactions contemplated hereby. The execution, delivery and performance by the Company of this Agreement, and the consummation by it of the transactions contemplated hereby, have been duly and validly authorized by its Board of Directors and, except for those actions contemplated by Section 1.2(a) hereof and obtaining any approval of its stockholders as contemplated by Section 1.8 hereof with respect to the Merger, no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement and the consummation by it of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery of this Agreement by Parent and the Purchaser, is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar

laws, now or hereafter in effect, affecting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) The Board of Directors of the Company has duly and validly approved and taken all corporate action required to be taken by the Board of Directors for the consummation of the transactions contemplated by this Agreement, including the Offer, the acquisition of Shares pursuant to the Offer and the Merger or the Company Stock Option Agreement, including, but not limited to, all actions, to the extent required, necessary to render the provisions of Section 203 of the DGCL inapplicable to such transactions. The affirmative vote of the holders of a majority of the Shares is the only vote of the holders of any class or series of Company capital stock necessary to approve the Merger. Except as previously disclosed to Parent in writing, neither the Offer nor the Merger, individually or taken together, is a transaction that constitutes a change in control under any of the Company's stock option or restricted stock plans, any other benefit plan in which any employee of the Company or any of its Subsidiaries participates or any Company Agreement (as defined in Section 3.4).

Section 3.4 Consents and Approvals; No Violations. Except (A) as disclosed in Section 3.4 of the Disclosure Schedule, (B) for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, (C) for the filing and recordation of the Certificate of Merger as required by the DGCL and the UBCA, (D) for any applicable state takeover laws, (E) for the applicable requirements relating to a determination by the ICC that the terms of the Merger are just and reasonable, and (F) for the ICC's approval of Parent's application for an order authorizing the common control (within the meaning of the Interstate Commerce Act) of the rail subsidiaries of the Company and Parent having become final and effective (the 'ICC Final Approval'), neither the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby nor compliance by the Company with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the certificate of incorporation or by-laws or similar organizational documents of the Company or of any of its Subsidiaries, (ii) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency (a 'Governmental Entity'), except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings would not have a Material Adverse Effect on the Company, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, guarantee, other evidence of indebtedness, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound (a 'Company Agreement') or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company, any of its Subsidiaries or any of their properties or assets, except in the case of (iii) or (iv) for such violations, breaches or defaults which would not, individually or in the aggregate, have a Material Adverse Effect on the Company, and which will not materially impair the ability of the Company to consummate

the transactions contemplated hereby.

Section 3.5 SEC Reports and Financial Statements. The Company has filed with the SEC, and has heretofore made available to Parent true and complete copies of, all forms, reports, schedules, statements and other documents required to be filed by it and its Subsidiaries since January 1, 1992 under the Exchange Act or the Securities Act of 1933, as amended (the 'Securities Act') (as such documents have been filed prior to the date hereof, and amended since the time of their filing prior to the date hereof, collectively, the 'Company SEC Documents'). As of their respective dates or, if amended, as of the date of the last such amendment, the Company SEC Documents, including, without limitation, any financial statements or schedules included therein (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and the applicable rules and regulations of the SEC thereunder. Each of the consolidated financial statements included in the Company SEC Documents have been prepared from, and are in accordance with, the books and records of the Company and its consolidated subsidiaries, comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles ('GAAP') applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto including the effect of such notes on earlier financial statements and except that the quarterly financial statements contain all footnote disclosures required by Regulation S-X but not all footnotes required by GAAP) and fairly present the consolidated financial position and the consolidated results of operations and cash flows (and changes in financial position, if any) of the Company and its consolidated subsidiaries as at the dates thereof or for the periods presented therein.

Section 3.6 Absence of Certain Changes. Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement, from December 31, 1994 until the date of this Agreement, the Company and its Subsidiaries have conducted their respective businesses and operations consistent with past practice only in the ordinary and usual course and there have not occurred (i) any events, changes, or effects (including the incurrence of any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise) having or, which would be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on the Company; (ii) except as set forth in Section 3.6 of the Disclosure Schedule, any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to the equity interests of the Company or of any of its Subsidiaries; or (iii) any change by the Company or any of its Subsidiaries in accounting principles or methods, except insofar as may be required by a change in GAAP. Since December 31, 1994, except as set forth in Section 3.6 of the Disclosure Schedule, neither the Company nor any of its Subsidiaries has taken any of the actions prohibited by Section 5.1(b),(c)(i), (ii) and (v), (d), (g), (h), (j) or (k) hereof. Section 3.6 of the Disclosure Schedule sets forth the amount of principal and unpaid interest outstanding under each instrument

evidencing indebtedness of the Company and its Subsidiaries (other than immaterial indebtedness) which will accelerate or become due or result in a right of redemption or repurchase on the part of the holder of such indebtedness (with or without due notice or lapse of time) as a result of this Agreement, the Offer or the Merger or the other transactions contemplated hereby.

Section 3.7 Information in Proxy Statement. The Proxy Statement (or any amendment thereof or supplement thereto) will, at the date mailed to Company stockholders and at the time of the meeting of Company stockholders to be held in connection with the Merger, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation is made by the Company with respect to statements made therein based on information supplied by Parent or the Purchaser in writing for inclusion in the Proxy Statement. The Proxy Statement will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

Section 3.8 Employee Benefit Plans; ERISA. To the best knowledge of the Company:

(a) There are no material employee benefit plans, arrangements, contracts or agreements (including, without limitation, employment agreements, change of control employment agreements and severance agreements) of any type (including but not limited to plans described in section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ('ERISA')), maintained, or contributed to, by the Company, any of its Subsidiaries or any trade or business, whether or not incorporated (an 'ERISA

Affiliate'), that together with the Company would be deemed a 'single employer' within the meaning of section 4001(b)(15) of ERISA, with respect to which the Company or any of its Subsidiaries has or may have a liability, other than those listed on Section 3.8(a) of the Disclosure Schedule (the 'Benefit Plans'). Neither the Company nor any ERISA Affiliate has any formal plan or commitment, whether legally binding or not, to create any additional Benefit Plan or modify or change any existing Benefit Plan that would affect any employee or terminated employee of the Company or any Subsidiary.

(b) With respect to each Benefit Plan: (i) if intended to qualify under section 401(a), 401(k) or 403(a) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the 'Code'), such plan so qualifies, and its trust is exempt from taxation under section 501(a) of the Code; (ii) such plan has been administered in all material respects in accordance with its terms and applicable law; (iii) no breaches of fiduciary duty have occurred which might reasonably be expected to give rise to material liability on the part of the Company or the Subsidiaries; (iv) no disputes are pending, or, to the knowledge of the Company, threatened that might reasonably be expected to give rise to material liability on the part of the Company or the Subsidiaries; (v) no prohibited transaction (within the meaning of Section 406 of ERISA) has

occurred that might reasonably be expected to give rise to material liability on the part of the Company or the Subsidiaries; and (vi) all contributions and premiums due as of the date hereof (including any extensions for such contributions and premiums) have been made in full.

(c) Full payment has been made, or will be made in accordance with section 404(a)(6) of the Code, of all amounts which the Company or its Subsidiaries are required to pay under the terms of each of the Benefit Plans as of the last day of the most recent plan year thereof ended prior to the date of this Agreement, and all such amounts which become payable through the Effective Time will be paid by the Company or its Subsidiaries at or prior to the Effective Time, except for annual contributions by the Company for calendar 1994, which are due and payable in the ordinary course on or before the Company's tax return due date, including any extensions.

(d) Neither the Company nor any ERISA Affiliate has incurred any liability under Title IV of ERISA since the effective date of ERISA that has not been satisfied in full. Except as identified in Section 3.8(d) of the Disclosure Schedule, neither the Company nor any ERISA Affiliate maintains (or contributes to), or has maintained (or has contributed to) within the last six years, any employee benefit plan that is subject to Title IV of ERISA.

(e) With respect to each Benefit Plan that is a 'welfare plan' (as defined in section 3(1) of ERISA): except as specifically disclosed in Section 3.8 of the Disclosure Schedule, no such plan provides medical or death benefits with respect to current or former employees of the Company or any of its Subsidiaries beyond their termination of employment, other than on an employee-pay-all basis.

(f) Except as specifically set forth on Schedule 3.8, the consummation of the transactions contemplated by this Agreement will not (i) entitle any individual to severance pay or accelerate the time of payment or vesting, or increase the amount, of compensation or benefits due to any individual, (ii) constitute or result in a prohibited transaction under section 4975 of the Code or section 406 or 407 of ERISA or (iii) subject the Company, any of its Subsidiaries, any ERISA Affiliate, any of the Benefit Plans, any related trust, any trustee or administrator thereof, or any party dealing with the Benefit Plans or any such trust to either a civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a tax imposed pursuant to section 4976 or 4980B of the Code.

(g) Except as set forth in Section 3.8(g) of the Disclosure Schedule, there is no Benefit Plan that is a 'multiemployer plan,' as such term is defined in section 3(37) of ERISA.

(h) With respect to each Benefit Plan, the Company has delivered to Parent accurate and complete copies of all plan texts, summary plan descriptions, summaries of material modifications, trust agreements and other related agreements including all amendments to the foregoing; the two most recent annual reports; the most recent annual and periodic accounting of plan assets; the most recent determination letter received from the United States Internal Revenue Service (the 'Service'); and the two most recent actuarial reports, to the extent any of the foregoing may be

applicable to a particular Benefit Plan.

Section 3.9 LITIGATION; COMPLIANCE WITH LAW.

(a) Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement or as disclosed in Section 3.9 of the Disclosure Schedule, there is no suit, claim, action, proceeding or investigation pending (other than suits, claims, actions or proceedings which have not been served and as to which none of the Chief Executive Officer, the Chief Financial Officer or the most senior legal officer of the Company has knowledge) or, to the best knowledge of the Chief Executive Officer, Chief Financial Officer or the most senior legal officer of the Company, threatened against, the Company or any of its Subsidiaries which, individually or in the aggregate, is likely, individually or in the aggregate, to have a Material Adverse Effect on the Company, or materially impair the ability of the Company to consummate the Offer, the Merger or the other transactions contemplated hereby.

(b) To the best knowledge of the Company, the Company and its Subsidiaries have complied in a timely manner with all laws, statutes, regulations, rules, ordinances, and judgments, decrees, orders, writs and injunctions, of any court or governmental entity relating to any of the property owned, leased or used by them, or applicable to their business, including, but not limited to, equal employment opportunity, discrimination, occupational safety and health, environmental, interstate commerce and antitrust laws, except where the failure to so comply would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

Section 3.10 TAXES. (a) The Company and its Subsidiaries have (i) duly filed (or there has been filed on their behalf) with the appropriate governmental authorities all material Tax Returns (as hereinafter defined) required to be filed by them on or prior to the date hereof, and (ii) duly paid in full or made provision in accordance with GAAP (or there has been paid or provision has been made on their behalf) for the payment of all material Taxes (as hereinafter defined) for all periods ending through the date hereof.

(b) Other than payroll tax issues being reviewed by the Internal Revenue Service Appeals Division, no federal, state, local or foreign audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of the Company or its Subsidiaries wherein an adverse determination or ruling in any one such proceeding or in all such proceedings in the aggregate could have a Material Adverse Effect on the Company.

(c) The federal income Tax Returns of the Company and its Subsidiaries have been examined by the Internal Revenue Service (or the applicable statutes of limitation for the assessment of federal income Taxes for such periods have expired) for all periods through and including December 31, 1990 (except for the 1985, 1987 and 1989B tax years), and no material deficiencies were asserted as a result of such examinations which have not been resolved and fully paid.

(d) 'Taxes' shall mean all federal, state, local and foreign taxes, and other assessments of a similar nature (whether imposed directly or through withholding), including any interest, additions to tax, or penalties applicable thereto. 'Tax Returns' shall mean all federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns and any amended Tax Returns relating to Taxes.

Section 3.11. ENVIRONMENTAL MATTERS. (a) Except as set forth in the Company SEC Documents or otherwise previously disclosed in writing by the Company to Parent, to the best knowledge of the Chief Executive Officer, Chief Financial Officer, the most senior legal officer, and the most senior legal officer directly in charge of environmental matters of the Company, there are no Environmental Liabilities (as defined below) of the Company that have had or are likely to have a Material Adverse Effect on the Company.

(b) As used in this Agreement, 'Environmental Laws' means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof. 'Environmental Liabilities' with respect to any person means any and all liabilities of or relating to

such Person or any of its Subsidiaries (including any entity which is, in whole or in part, a predecessor of such Person or any of its Subsidiaries), whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which (i) arise under or relate to matters covered by Environmental Laws and (ii) relate to actions occurring or conditions existing on or prior to the date of this Agreement. 'Hazardous Substances' means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics, including, without limitation, any substance regulated under Environmental Laws.

Section 3.12 OPINION OF FINANCIAL ADVISORS. The Company has received an opinion from Blackstone to the effect that the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair to such holders from a financial point of view, a copy of which opinion will be delivered to Parent.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT AND THE PURCHASER

Parent and the Purchaser represent and warrant to the Company as follows:

Section 4.1 ORGANIZATION. Each of Parent and the Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Utah and has all requisite corporate or other power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power, authority, and governmental approvals would not have a Material Adverse Effect on Parent. Parent and each of its Subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not, in the aggregate, have a Material Adverse Effect on Parent.

Section 4.2 AUTHORIZATION; VALIDITY OF AGREEMENT; NECESSARY ACTION. Each of Parent and the Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent and the Purchaser and no other corporate proceedings on the part of Parent and the Purchaser are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly executed and delivered by Parent and the Purchaser, as the case may be, and, assuming due authorization, execution and delivery of this Agreement by the Company, is a valid and binding obligation of each of Parent and the Purchaser, as the case may be, enforceable against them in accordance with its respective terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors' rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 4.3 CONSENTS AND APPROVALS; NO VIOLATIONS. Except (A) for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, (B) the filing and recordation of the Certificate of Merger as required by the DGCL and the UBCA, (C) any applicable state takeover laws, (D) the applicable requirements relating to a determination by the ICC that the terms of the Merger are just and reasonable, and (E) the ICC Final Approval, neither the execution, delivery or performance of this Agreement by Parent and the Purchaser nor the consummation by Parent and the Purchaser of the transactions contemplated hereby nor compliance by Parent and the Purchaser with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the respective articles of incorporation or by-laws of Parent and the Purchaser, (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings would not have a material adverse effect on Parent and its Subsidiaries taken as a whole), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, license, lease, contract,

agreement or other instrument

or obligation to which Parent or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, any of its Subsidiaries or any of their properties or assets, except in the case of (iii) and (iv) for violations, breaches or defaults which would not, individually or in the aggregate, materially impair the ability of Parent or Purchaser to consummate the Offer, the Merger or the other transactions contemplated hereby.

Section 4.4 INFORMATION IN PROXY STATEMENT; SCHEDULE 14D-9. None of the information supplied by Parent or the Purchaser for inclusion or incorporation by reference in the Proxy Statement or the Schedule 14D-9 will, at the date mailed to stockholders and at the time of the meeting of stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 4.5 FINANCING. Either Parent or the Purchaser has, or will have prior to the satisfaction of the conditions to the Offer, sufficient funds available (through existing credit arrangements or otherwise) to purchase all of the Shares outstanding on a fully diluted basis and to refinance the indebtedness referred to in Section 3.6 of the Disclosure Schedule.

ARTICLE V
COVENANTS

Section 5.1 INTERIM OPERATIONS OF THE COMPANY. The Company covenants and agrees that, except (i) as expressly provided in this Agreement, or (ii) with the prior written consent of Parent after the date hereof, and prior to the time the directors of the Purchaser have been elected to, and shall constitute a majority of, the Board of Directors of the Company pursuant to Section 1.3 (the 'Appointment Date'):

(a) the business of the Company and its Subsidiaries shall be conducted only in the ordinary and usual course consistent with past practice and, to the extent consistent therewith, each of the Company and its Subsidiaries shall use its reasonable best efforts to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees, creditors and business partners;

(b) the Company will not, directly or indirectly, split, combine or reclassify the outstanding Company Common Stock, Non-Voting Common Stock or any outstanding capital stock of any of the Subsidiaries of the Company;

(c) neither the Company nor any of its Subsidiaries shall: (i) amend its articles of incorporation or by-laws or similar organizational documents; (ii) except as set forth in Section 5.1(c) of the Disclosure Schedule, declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock (other

than dividends paid by a wholly-owned Subsidiary in the ordinary course of business consistent with past practice); (iii) issue, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its Subsidiaries, other than issuances pursuant to the exercise of Options outstanding on the date hereof or pursuant to the conversion of the Non-Voting Shares into Shares; (iv) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any material assets other than in the ordinary and usual course of business and consistent with past practice, or incur or modify any material indebtedness; or (v) except as set forth in Section 5.1(c) of the Disclosure Schedule, redeem, purchase or otherwise acquire directly or indirectly any of its capital stock;

(d) neither the Company nor any of its Subsidiaries shall: (i) except as set forth in Section 5.1(d) of the Disclosure Schedule, promote any employee or grant any increase in the compensation payable or to become payable by the Company or any of its Subsidiaries to any employee, provided, however, the Company may increase compensation (x) as required pursuant to collective bargaining agreements and (y) for employees other than executive officers, on the anniversary date of the employee whose compensation is being increased provided that such employee's compensation has not been increased since his prior anniversary date and provided further that the percentage increase on his 1995 anniversary date

does not exceed 4% or (A) adopt any new, or (B) amend or otherwise increase, or accelerate the payment or vesting of the amounts payable or to become payable under any existing, bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan agreement or arrangement; or (ii) enter into any, or amend any existing, employment or severance agreement with or, except in accordance with the existing written policies of the Company, grant any severance or termination pay to any officer, director or employee of the Company or any of its Subsidiaries;

(e) neither the Company nor any of its Subsidiaries shall modify, amend or terminate any of its material Company Agreements or waive, release or assign any material rights or claims, except in the ordinary course of business and consistent with past practice;

(f) neither the Company nor any of its Subsidiaries shall permit any material insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Parent, except in the ordinary course of business and consistent with past practice;

(g) neither the Company nor any of its Subsidiaries shall: (i) incur or assume any long-term debt in excess of $1,000,000 in the aggregate, or except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other

person, except in the ordinary course of business and consistent with past practice; (iii) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned Subsidiaries of the Company or customary loans or advances to employees in accordance with past practice); or (iv) except as disclosed in Section 5.1(g) of the Disclosure Schedule enter into any material commitment or transaction (including, but not limited to, any borrowing, capital expenditure or purchase, sale or lease of assets) other than capital expenditures pursuant to the Company's capital expenditures budget that aggregate since December 31, 1994 not more than $75,000,000;

(h) neither the Company nor any of its Subsidiaries shall change any of the accounting principles used by it unless required by GAAP;

(i) neither the Company nor any of its Subsidiaries shall pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, (x) in the ordinary course of business and consistent with past practice, of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its consolidated Subsidiaries, (y) incurred in the ordinary course of business and consistent with past practice or (z) which are legally required to be paid, discharged or satisfied (provided that if such claims, liabilities or obligations referred to in this clause (z) are legally required to be paid and are also not otherwise payable in accordance with clauses (x) or (y) above, the Company will notify Parent in writing if such claims, liabilities or obligations exceed, individually or in the aggregate, $10 million in value, reasonably in advance of their payment);

(j) neither the Company nor any of its Subsidiaries will adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries or any agreement relating to a Takeover Proposal (as hereafter defined) (other than the Merger); and

(k) neither the Company nor any of its Subsidiaries will enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing.

Section 5.2 ACCESS TO INFORMATION. The Company shall (and shall cause each of its Subsidiaries to) afford to the officers, employees, accountants, counsel, financing sources and other representatives of Parent, access, during normal business hours, during the period prior to the Effective Time, to all of its and its Subsidiaries' properties, books, contracts, commitments and records and, during such period, the Company shall (and shall cause each of its Subsidiaries to) furnish promptly to the Parent (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements

of federal securities laws and (b) all other information concerning its business, properties and personnel as Parent may reasonably request. Until the Effective Time, Parent will hold any such information which is nonpublic in confidence in accordance with the provisions of the confidentiality agreement between the Company and the Parent (the 'Confidentiality Agreement'), subject to the requirements of applicable law. Notwithstanding anything in the Confidentiality Agreement to the contrary, materials furnished to Parent pursuant to this Section 5.2 may be used by Parent for strategic and integration planning purposes.

Section 5.3 CONSENTS AND APPROVALS. Each of the Company, Parent and the Purchaser will take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on it with respect to this Agreement and the transactions contemplated hereby (which actions shall include, without limitation, furnishing all information in connection with approvals of or filings with any Governmental Entity) and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their Subsidiaries in connection with this Agreement and the transactions contemplated hereby. Each of the Company, Parent and the Purchaser will, and will cause its Subsidiaries to, take all reasonable actions necessary to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party required to be obtained or made by Parent, the Purchaser, the Company or any of their Subsidiaries in connection with the Offer or the Merger or the taking of any action contemplated thereby or by this Agreement.

Section 5.4 EMPLOYEE BENEFITS.

With respect to employee benefits matters, Parent, Purchaser and Company agree as follows:

(a) Parent agrees to cause the Surviving Corporation and its Subsidiaries to honor and assume the Change of Control Employment Agreements listed on Schedule 5.4(a) hereto. If Parent shall notify Company prior to the Effective Time that Parent wishes to substitute alternate contractual arrangements (to become effective as of the Effective Time) with one or more of the employees who currently have Change of Control Employment Agreements, the Company agrees to use its best efforts to facilitate Parent's negotiations with any such employee and to cooperate in making any such contractual changes which are agreed upon by Parent and such employee. Each individual employee who (i) receives a lump sum payment in cash of all benefits under Section 5(a) of a Change of Control Employment Agreement, (ii) agrees to amend the Second Amended and Restated Stockholders Agreement, dated as of March 30, 1992, as amended, an agreement, dated as of June 21, 1993 among the parties to such Stockholders Agreement, and the Registration Rights Agreement, dated July 14, 1989, as amended (collectively, the 'Three Agreements'), to provide that they shall terminate upon the Effective Time of the Merger and to waive (effective as of the Effective Time) any and all rights under each of the Three Agreements to which such employee is a party, and (iii) waives any claims such employee may have against the Company except for routine benefit claims under the Company's benefit plans pursuant to their terms and any rights to indemnification by the Company under Section 5.9 of this

Agreement, will also receive a separate payment ('Extra Payment') from the Company representing his or her individual share of $15 million on a pro rata basis in the proportion that his or her individual 1995 annualized compensation (current salary and maximum bonus) bears to the total 1995 annualized compensation (current salary and maximum bonus) of all of the 27 executives who have Change of Control Employment Agreements, provided that if the amount an employee would receive from the sum of amounts paid ('Relevant Compensation') under the Change of Control Employment Agreement, the Extra Payment and all other compensation and benefits paid to the employee which would not be deductible (in whole or in part) as a result of Section 280G of the Code, net of all applicable federal, state and local income and excise taxes ('Applicable Taxes') thereon, would be smaller than the amount such employee would receive from Relevant Compensation net of Applicable Taxes if the amount of the Extra Payment were reduced, then the Extra Payment shall be reduced (but not below zero) to the amount which results in the employee receiving the largest possible amount from Relevant Compensation net of Applicable Taxes.

(b) No employee of the Company who is not an executive officer of the Company and whose compensation or benefits are not the subject of a collective bargaining agreement, and who has not entered into a Change of Control Employment Agreement with the Company shall be terminated during the 18-month period following the Effective Date for the sole purpose of a reduction in force without being

permitted to participate in a two-part cash severance program (voluntary and involuntary) consistent with, and no less generous than, that offered by Parent to certain of its employees in December 1994, under the Union Pacific Railroad Company Marketing and Sales Department 1994 Voluntary Force Reduction Program.

(c) With respect to the Chicago and North Western Railway Company Supplemental Pension Plan (the 'Pension Plan'), the Chicago and North Western Railway Company Profit Sharing and Retirement Savings Program (the 'Savings Program'), the Chicago and North Western Transportation Company Executive Retirement Plan (the 'Executive Retirement Plan'), and the Chicago and North Western Transportation Company Excess Benefit Retirement Plan (the 'Excess Benefit Plan'), hereinafter referred to collectively as the 'Retirement Plans,' Parent, the Purchaser, and the Company agree as follows:

(i) Each employee of the Company who, as of the date hereof, is eligible to participate in one or more of the Retirement Plans shall, until December 31, 1995, continue to be eligible to participate in each Retirement Plan in which he was eligible to participate as of the date hereof, subject to the terms and conditions of the applicable Retirement Plan as in effect from time to time (which, until December 31, 1995, shall remain, to the extent lawful (and, where applicable, consistent with the tax qualification of the Retirement Plan), consistent in all material respects with the terms and conditions of the Retirement Plan in effect at the Effective Time). Under the Savings Program the Company contribution for 1995 shall be equal to the 1995 Company contribution

which would occur if the Company Contribution Base (as defined under the Savings Program) for 1995 equalled the Company Contribution Base for the calendar quarter ending March 31, 1995 (excluding any expenses of the transaction contemplated by the Agreement) multiplied by four (4).

(ii) Each of the Retirement Plans shall be amended to provide that no benefits shall accrue thereunder after December 31, 1995.

(iii) Effective January 1, 1996, each employee of the Company on that date who was an active participant in the Pension Plan as of December 31, 1995 shall become a participant in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the 'UPPP') and shall be credited thereunder (A) with compensation paid by the Company before January 1, 1996, as determined in accordance with the terms of the Pension Plan as in effect on the date of this Agreement, (B) for eligibility, vesting, retirement eligibility, and benefit accrual purposes, with the service with which he was credited for such purposes under the Pension Plan as of December 31, 1995, and (C) with compensation and service from and after January 1, 1996, in accordance with the applicable provisions of the UPPP; provided that the benefits to which each such employee shall be entitled under the UPPP shall be reduced by the actuarial equivalent of the benefits to which the employee is entitled, as of December 31, 1995, under the Pension Plan and the actuarial equivalent of the amount described in Article 2.1(c) and (d) of the Pension Plan as in effect on the date of this Agreement, and determined as of December 31, 1995. For purposes of this paragraph (iii), actuarial equivalence shall be determined in accordance with the applicable provisions of Appendix I to the Pension Plan as in effect on the date of this Agreement.

(iv) Effective January 1, 1996, each employee of the Company on that date who was an active participant in the Savings Program as of December 31, 1995 shall be eligible to participate in the Union Pacific Corporation Thrift Plan (the 'Thrift Plan') in accordance with the terms of the Thrift Plan as in effect from time to time and shall be credited thereunder, for eligibility and vesting purposes, with the service he was credited with for such purposes under the Savings Program as of December 31, 1995, and for service from and after January 1, 1996, in accordance with the terms of the Thrift Plan as in effect from time to time.

(v) From and after January 1, 1996, each employee of the Company on that date who was an active participant in the Executive Retirement Plan, the Excess Benefit Plan, or both as of December 31, 1995 shall be entitled to participate in any excess benefit or other unfunded deferred compensation plan that supplements the UPPP or the Thrift Plan and in which similarly situated employees of Parent are then entitled to participate.

(d) Each of the Company's employee benefit plans shall be amended to provide that if an employee of the Company as of the date hereof, whose compensation or benefits at such date are not the subject of a collective bargaining agreement (a 'Nonagreement Employee'), is transferred to employment with the Parent or the Purchaser after such date and before January 1, 1996, the Non-agreement Employee shall be permitted to participate in the plan pursuant to the terms of the plan and shall not be prohibited from such participation solely by reason of such transfer, provided that the Nonagreement Employee is otherwise eligible to participate in the plan in accordance with the terms and conditions thereof.

(e) Except to the extent otherwise provided in this Agreement, from and after January 1, 1996, each Nonagreement Employee of the Company at the Effective Time who is a Nonagreement Employee of the Parent, Company, or Purchaser on January 1, 1996 shall be entitled to participate in, and to receive benefits under, the employee benefit plans of the Company, Parent, and the Purchaser, in accordance with terms and conditions that are comparable to the terms and conditions that apply to similarly situated employees of the Purchaser or Parent. Except with respect to the Retirement Plans, each such employee of the Company whose compensation or benefits are not subject to a collective bargaining agreement shall at all times on and after January 1, 1996 be given full credit for all past service under all employee benefit plans of Parent, Purchaser and all affiliates to the extent to which credit is given for such service under the Company's similar benefit plans, subject to reduction for any benefits to which such employee is entitled from the Company under its similar benefit plans.

(f) The Company will pay, as soon as reasonably practical after the date of Closing, bonuses under its Bonus Plan in an amount determined by projecting to December 31, 1995 the Company's performance (measured using the performance measures established by the Compensation Committee for 1995, calculating such bonuses without giving effect to the expenses of the transaction contemplated by the Agreement) through the date of Closing and prorating the resulting bonus amounts to the date of Closing.

Section 5.5 NO SOLICITATION. (a) The Company (and its Subsidiaries and affiliates) will not, and the Company (and its Subsidiaries and affiliates) will use their best efforts to ensure that their respective officers, directors, employees, investment bankers, attorneys, accountants and other agents do not, directly or indirectly: (i) initiate, solicit or encourage, or take any action to facilitate the making of, any offer or proposal which constitutes or is reasonably likely to lead to any Takeover Proposal (as defined below) of the Company or any Subsidiary or affiliate or an inquiry with respect thereto, or, (ii) in the event of an unsolicited Takeover Proposal for the Company or any Subsidiary or affiliate, engage in negotiations or discussions with, or provide any information or data to any Person relating to any Takeover Proposal, except to the extent that the Company's Board of Directors determines, based on the opinion of outside legal counsel to the Company, that the failure to engage in such negotiation or discussions or provide such information would likely result in a breach of the Board of Directors' fiduciary duties under applicable law. The Company shall notify Parent and the Purchaser orally and in writing of any such offers, proposals or Takeover Proposals (including, without limitation, the terms and conditions thereof and the identity of the Person making it), within 24 hours of the receipt thereof, unless the Company's Board of Directors determines, based on the opinion of outside legal counsel to the Company, that giving such notice would result in a breach of the Board of Directors' fiduciary duties under applicable law. The Company shall, and shall cause its Subsidiaries and affiliates, and their respective officers, directors, employees, investment bankers, attorneys, accountants and other agents to, immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties conducted heretofore with respect to any Takeover Proposal relating to the Company. Notwithstanding anything to the contrary, nothing contained in this Section 5.5 shall prohibit the Company or its Board of Directors from (i) issuing a press release or otherwise publicly disclosing the terms of any Takeover Proposal; (ii) communicating to the Company's stockholders a position as required by Rule 14e-2 promulgated under the Exchange Act; or (iii) making any disclosure to the Company's stockholders which the Board of Directors of the Company determines, based on the opinion of outside legal counsel to the Company, that the Company would likely be required to make under applicable law (including, without limitation, laws relating to the fiduciary duties of directors).

(b) As used in this Agreement, 'Takeover Proposal' when used in connection with any Person shall mean any tender or exchange offer involving such Person, any proposal for a merger, consolidation or other business combination involving such Person or any Subsidiary of such Person, any proposal or offer to acquire in any

manner a substantial equity interest in, or a substantial portion of the business or assets of, such Person or any Subsidiary of such Person, any proposal or offer with respect to any recapitalization or restructuring with respect to such Person or any Subsidiary of such Person or any proposal or offer with respect to any other transaction similar to any of the foregoing with respect to such Person or any Subsidiary of such Person; provided, however, that, as used in this Agreement, the term 'Takeover Proposal' shall not apply to any transaction of the type described in this subsection (b) involving Parent, the Purchaser or their affiliates. As used in this Agreement, 'Person' shall mean any corporation, partnership, person or other entity or group (including the Company and its affiliates and representatives, but excluding Parent or any of its affiliates or representatives).

Section 5.6 ADDITIONAL AGREEMENTS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable, whether under applicable laws and regulations or otherwise, and to remove any injunctions or other impediments or delays, legal or otherwise, to consummate and make effective the Merger and the other transactions contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of the Company and Parent shall use all reasonable efforts to take, or cause to be taken, all such necessary actions. Parent and the Company further agree to use their reasonable best efforts to make final and effective the ICC Final Approval.

Section 5.7 PUBLICITY. So long as this Agreement is in effect and subject to Section 5.5 hereof, neither the Company, Parent nor any of their respective

affiliates shall issue or cause the publication of any press release or other announcement with respect to the Merger, this Agreement or the other transactions contemplated hereby without the prior consultation of the other party, except as may be required by law or by any listing agreement with a national securities exchange. Nothing contained in this Section 5.7 shall prohibit Parent or its affiliates from issuing a press release or otherwise publicly commenting on, without prior consultation, any matter disclosed by the Company or its Board of Directors without prior consultation pursuant to clause (iii) of the last sentence of Section 5.5(a) hereof.

Section 5.8 NOTIFICATION OF CERTAIN MATTERS. The Company shall give prompt notice to Parent and Parent shall give prompt notice to the Company, of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time and (ii) any material failure of the Company or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.8 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 5.9 DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION. Parent agrees that at all times after consummation of the Offer, it shall indemnify, or shall cause the Company (or the Surviving Corporation if after the Effective Time) and its Subsidiaries to indemnify, each person who is now, or has been at any time prior to the date hereof, an employee, agent, director or officer of the Company or of any of the Company's Subsidiaries, successors and assigns (individually an 'Indemnified Party' and collectively the 'Indemnified Parties'), to the same extent and in the same manner as is now provided in the respective charters or by-laws of the Company and such Subsidiaries or otherwise in effect on the date hereof, with respect to any claim, liability loss, damage, cost or expense (whenever asserted or claimed) ('Indemnified Liability') based in whole or in part on, or arising in whole or in part out of, any matter existing or occurring at or prior to the Effective Time. Parent shall, and shall cause the Company (or the Surviving Corporation if after the Effective Time) to, maintain in effect for not less than 6 years after consummation of the Offer the current policies of directors' and officers' liability insurance maintained by the Company and its Subsidiaries on the date hereof (provided that Parent may substitute therefor policies having at least the same coverage and containing terms and conditions which are no less advantageous to the persons currently covered by such policies as insured) with respect to matters existing or occurring at or prior to the Effective Time; provided, however, that if the aggregate annual premiums for such insurance at any time during such period shall exceed 300% of the per annum rate of premium currently paid by the Company and its Subsidiaries for such insurance on the date of this Agreement, then Parent shall cause the Company (or the Surviving Corporation if after the Effective Time) to, and the Company (or the Surviving Corporation if after the Effective Time) shall, provide the maximum coverage that shall then be available at an annual premium equal to 300% of such rate, and Parent, in addition to the indemnification provided above in this

Section 5.9, shall indemnify the Indemnified Parties for the balance of such

insurance coverage on the same terms and conditions as though Parent were the insurer under those policies. Without limiting the foregoing, in the event any Indemnified Party becomes involved in any capacity in any action, proceeding or investigation based in whole or in part on, or arising in whole or in part out of, any matter, including the transactions contemplated hereby, existing or occurring at or prior to the Effective Time, then to the extent permitted by law Parent shall, or shall cause the Company (or the Surviving Corporation if after the Effective Time) to, periodically advance to such Indemnified Party its legal and other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the provision by such Indemnified Party of an undertaking to reimburse the amounts so advanced in the event of a final determination by a court of competent jurisdiction that such Indemnified Party is not entitled thereto. Promptly after receipt by an Indemnified Party of notice of the assertion (an 'Assertion') of any claim or the commencement of any action against him in respect to which indemnity or reimbursement may be sought against Parent, the Company, the Surviving Corporation or a Subsidiary of the Company or the Surviving Corporation ('Indemnitors') hereunder, such Indemnified Party shall notify any Indemnitor in writing of the Assertion, but the failure to so notify any Indemnitor shall not relieve any Indemnitor of any liability it may have to such Indemnified Party hereunder except to the extent that such failure shall have materially and irreversibly prejudiced Indemnitor in defending against such Assertion. Indemnitors shall be entitled to participate in and, to the extent Indemnitors elect by written notice to such Indemnified Party within 30 days after receipt by any Indemnitor of notice of such Assertion, to assume the defense of such Assertion, at their own expense, with counsel chosen by Indemnitors and reasonably satisfactory to such Indemnified Party. Notwithstanding that Indemnitors shall have elected by such written notice to assume the defense of any Assertion, such Indemnified Party shall have the right to participate in the investigation and defense thereof, with separate counsel chosen by such Indemnified Party, but in such event the fees and expenses of such counsel shall be paid by such Indemnified Party unless such separate counsel is required due to a conflict of interest, in which case the Indemnitors shall be responsible for the fees and expenses of one separate counsel for all such Indemnified Parties. No Indemnified Party shall settle any Assertion without the prior written consent of Parent, nor shall Parent settle any Assertion without either (i) the written consent of all Indemnified Parties against whom such Assertion was made, or (ii) obtaining a general release from the party making the Assertion for all Indemnified Parties as a condition of such settlement. The provisions of this Section 5.9 are intended for the benefit of, and shall be enforceable by, the respective Indemnified Parties.

Section 5.10 CONVERSION OF NON-VOTING COMMON STOCK. The Company agrees to acquiesce in the two conditions contained in the ICC's decision in Finance Docket No. 32133 served on March 7, 1995, subject to the consummation of the Offer. The Company agrees to cooperate with Parent, and join in any filings or submissions to the ICC, in connection with obtaining the ICC Final Approval; provided, however, that notwithstanding the foregoing, prior to consummation of the Offer, neither party shall be deemed to waive any rights under Section 9 of the Stockholders Agreement with respect to any conditions in the ICC Final Approval. On or after April 6, 1995 (provided no stays have been entered by any court or by the ICC prior to such time in connection with Parent's application with the ICC for an order authorizing the common control of the rail subsidiaries of Parent and the Company) or on such later date that the parties shall receive the ICC Final Approval, and provided that Purchaser shall have

consummated the Offer or, if the Offer shall not have been consummated, the provisions of Section 9 of the Stockholders Agreement relating to the conditions of the ICC Final Approval shall have been satisfied, the Company shall, not later than the next business day immediately following the receipt of the request of Parent or the Purchaser, accompanied by delivery to the Company's transfer agent of certificates representing Purchaser's shares of Non-Voting Common Stock, convert Purchaser's shares of Non-Voting Common Stock into shares of Company Common Stock and appoint two Parent designees to the Board of Directors of the Company.

Section 5.11 ICC DETERMINATION. The Company agrees to support, and if requested by Parent, to join in, the application of Parent to the ICC requesting a determination that the terms of the Merger are just and reasonable or, alternatively, a declaratory order of the ICC that no such determination is required, and the Company agrees to take such further action as is necessary or desirable to obtain such determination or order.

ARTICLE VI
CONDITIONS

Section 6.1 CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligation of each party to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions:

(a) STOCKHOLDER APPROVAL. This Agreement shall have been approved and adopted by the requisite vote of the holders of Company Common Stock, if required by applicable law and the Restated Certificate of Incorporation, in order to consummate the Merger;

(b) STATUTES; CONSENTS. No statute, rule, order, decree or regulation shall have been enacted or promulgated by any foreign or domestic government or any governmental agency or authority of competent jurisdiction which prohibits the consummation of the Merger and all foreign or domestic governmental consents, orders and approvals required for the consummation of the Merger and the transactions contemplated hereby shall have been obtained and shall be in effect at the Effective Time;

(c) INJUNCTIONS. There shall be no order or injunction of a foreign or United States federal or state court or other governmental authority of competent jurisdiction in effect precluding, restraining, enjoining or prohibiting consummation of the Merger and there shall be no suit, action, proceeding or investigation by a Governmental Entity seeking to restrain, enjoin or prohibit the Merger; and

(d) PURCHASE OF SHARES IN OFFER. Parent, the Purchaser or their affiliates shall have purchased shares of Company Common Stock pursuant to the Offer.

Section 6.2 CONDITIONS TO PARENT'S OBLIGATION TO EFFECT THE MERGER. The obligation of Parent to effect the Merger shall be subject to the ICC having made a determination that the terms of the Merger are just and reasonable or

having issued a declaratory order that no such determination is required.

ARTICLE VII
TERMINATION

Section 7.1 TERMINATION. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and the Merger contemplated herein may be abandoned at any time prior to the Effective Time, whether before or after stockholder approval thereof:

(a) By the mutual consent of the Board of Directors of Parent and the Board of Directors of the Company.

(b) By either of the Board of Directors of the Company or the Board of Directors of Parent:

(i) if shares of Company Common Stock shall not have been purchased pursuant to the Offer on or prior to June 30, 1995; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of Parent or the Purchaser, as the case may be, to purchase shares of Company Common Stock pursuant to the Offer on or prior to such date; or

(ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable.

(c) By the Board of Directors of the Company:

(i) if, prior to the purchase of shares of Company Common Stock pursuant to the Offer, the Board of Directors of the Company shall have (A) withdrawn, or modified or changed in a manner adverse to Parent or the Purchaser its approval or recommendation of the Offer, this Agreement or the Merger in order to approve and permit the Company to execute a definitive agreement relating to a Takeover

Proposal, and (B) determined, based on an opinion of outside legal counsel to the Company, that the failure to take such action as set forth in the preceding clause (A) would likely result in a breach of the Board of Directors' fiduciary duties under applicable law; or

(ii) if, prior to the purchase of Company Common Stock pursuant to the Offer, Parent or the Purchaser breaches or fails in any material respect to perform or comply with any of its material covenants and agreements contained herein or breaches its representations and warranties in any material respect; or

(iii) if Parent or the Purchaser shall have terminated the Offer, or the Offer shall have expired, without Parent or the Purchaser, as the case may be, purchasing any shares of Company Common Stock pursuant thereto; provided that the Company may not terminate this Agreement pursuant to this Section 7.1(c)(iii) if the Company is in material breach of this Agreement; or

(iv) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions set forth in Annex A hereto, Parent, the Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate this Agreement pursuant to this Section 7.1(c)(iv) if the Company is in material breach of this Agreement.

(d) By the Board of Directors of Parent:

(i) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions set forth in Annex A hereto, Parent, the Purchaser, or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided that Parent may not terminate this Agreement pursuant to this Section 7.1(d)(i) if Parent is in material breach of this Agreement; or

(ii) if (A) prior to the purchase of shares of Company Common Stock pursuant to the Offer, the Board of Directors of the Company shall have withdrawn, or modified or changed (including by amendment of the Schedule 14D-9) in a manner adverse to Parent or the Purchaser its approval or recommendation of the Offer, this Agreement or the Merger or shall have recommended a Takeover Proposal, or shall have executed an agreement in principle (or similar agreement) or definitive agreement providing for a Takeover Proposal or other business combination with a person or entity other than Parent, the Purchaser or their affiliates (or the Board of Directors of the Company resolves to do any of the foregoing), or (B) it shall have been publicly disclosed or Parent or the Purchaser shall have learned that any person, entity or 'group' (as that term is defined in Section 13(d)(3) of the Exchange Act) (an 'Acquiring Person'), other than Parent or its affiliates or any group of which any of them is a member, shall have acquired beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of more than 30% of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted an option, right, or warrant, conditional or otherwise, to acquire beneficial ownership of more than 30% of any class or series of capital stock of the Company (including the Shares); or

(iii) if Parent or the Purchaser, as the case may be, shall have terminated the Offer, or the Offer shall have expired without Parent or the Purchaser, as the case may be, purchasing any shares of Company

Common Stock thereunder, provided that Parent may not terminate this Agreement pursuant to this Section 7.1(d)(iii) if it or the Purchaser has failed to purchase shares of Company Common Stock in the Offer in violation of the material terms thereof.

Section 7.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement as provided in Section 7.1, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void, and there shall be no liability on the part of the Parent, the Purchaser or the Company except (A) for fraud or for material breach of this Agreement and (B) as set forth in Sections 8.1 and 8.2 hereof.

ARTICLE VIII
MISCELLANEOUS

Section 8.1 FEES AND EXPENSES. (a) Except as contemplated by this Agreement, including Section 8.1(b) hereof, all costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such expenses.

(b) If (w) the Board of Directors of the Company shall terminate this Agreement pursuant to Section 7.1(c)(i) hereof, (x) the Board of Directors of Parent shall terminate this Agreement pursuant to Section 7.1(d)(ii) hereof, (y) the Board of Directors of the Company shall terminate this Agreement pursuant to Section 7.1(c) (iii) or 7.1(c)(iv) or the Board of Directors or Parent shall terminate this Agreement pursuant to Section 7.1(d)(iii) and within one (1) year of any such termination under this clause (y), a Person shall acquire or beneficially own a majority of the then outstanding shares of Company Common Stock or shall have obtained representation on the Company's Board of Directors or shall enter into a definitive agreement with the Company with respect to a Takeover Proposal or similar business combination or (z) the Board of Directors of Parent shall terminate this Agreement pursuant to Section 7.1(d)(i) due to (I) a material breach of the representations and warranties of the Company set forth in this Agreement or (II) a material breach of, or failure to perform or comply with, any material obligation, agreement or covenant contained in this Agreement, including but not limited to the covenants contained in Section 5.1 hereof, by the Company, then in any such case as described in clause (w), (x), (y) or (z) (each such case of termination being referred to as a 'Trigger Event'), the Company agrees that it shall promptly assume and pay, or reimburse Parent for, all reasonable fees and expenses incurred, or to be incurred by Parent, the Purchaser and their affiliates (including the fees and expenses of legal counsel, accountants, financial advisors, other consultants, financial printers and financing sources) in connection with the Offer, the Merger and the consummation of the transactions contemplated by this Agreement, in an amount not to exceed $3 million in the aggregate.

Section 8.2 FINDERS' FEES. (a) Except for Blackstone, a copy of whose engagement agreement has been or will be provided to Parent and whose fees will be paid by the Company, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Company or any of its Subsidiaries who might be entitled to any fee or commission from the Company or any of its Subsidiaries upon consummation of the transactions contemplated by this Agreement.

(b) Except for CS First Boston Corporation, a copy of whose engagement agreement has been or will be provided to the Company and whose fees will be paid by Parent, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Parent or any of its Subsidiaries who might be entitled to any fee or commission from Parent or any of its Subsidiaries upon consummation of the transactions contemplated by this Agreement.

Section 8.3 AMENDMENT AND MODIFICATION. Subject to applicable law, this Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company contemplated hereby, by written agreement of the parties hereto, by action taken by their respective Boards of Directors (which in the case of the Company shall include approvals as contemplated in Section 1.3(c)), at any time prior to the Closing Date with respect to any of the terms contained herein; provided, however, that after the approval of this Agreement by the stockholders of the Company, no such amendment, modification or supplement shall reduce or change the Merger Consideration.

Section 8.4 NONSURVIVAL OF REPRESENTATIONS AND WARRANTIES. None of the representations and warranties in this Agreement or in any schedule, instrument or other document delivered pursuant to this Agreement shall survive the Effective Time.

Section 8.5 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by an overnight courier service, such as Federal Express, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or the Purchaser, to:

Union Pacific Corporation
Martin Tower, Eighth and
Eaton Avenues
Bethlehem, Pennsylvania 18018
Attention: Chairman and Chief
Executive Officer
Telephone No.: (610) 861-3200
Telecopy No.: (610) 861-3111
with a copy to:
Paul T. Schnell, Esq.
Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Telephone No.: (212) 735-3000
Telecopy No.: (212) 735-2001

and

(b) if to the Company, to:

Chicago and North Western
Transportation Company
165 North Canal Street
Chicago, Illinois 60606
Attention: Chairman and Chief
Executive Officer
Telephone No.: (312) 559-6172
Telecopy No.: (312) 559-7169
with a copy to:
Paul J. Miller, Esq.
Sonnenschein, Nath & Rosenthal
8000 Sears Tower
Chicago, Illinois 60606-6404
Telephone No.: (312) 876-8000
Telecopy No.: (312) 876-7934

Section 8.6 INTERPRETATION. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words 'include', 'includes' or 'including' are used in this Agreement they shall be deemed to be followed by the words 'without limitation'. The phrase 'made available' in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available. The phrases 'the date of this Agreement', 'the date hereof', and terms of similar import, unless the context otherwise requires, shall be deemed to refer to March 16, 1995. As used in this Agreement, the term 'affiliate(s)' shall have the meaning set forth in Rule l2b-2 of the Exchange Act.

Section 8.7 COUNTERPARTS. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 8.8 ENTIRE AGREEMENT; NO THIRD PARTY BENEFICIARIES; RIGHTS OF OWNERSHIP. This Agreement and the Confidentiality Agreement (including the documents and the instruments referred to herein and therein

except to the extent superseded hereby): (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) except as provided in Section 5.9 are not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 8.9 SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions of this

Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 8.10 GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law thereof.

Section 8.11 ASSIGNMENT. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except that the Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to Parent or to any direct or indirect wholly owned Subsidiary of Parent. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, Parent, the Purchaser and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

UNION PACIFIC CORPORATION
By: _____/s/ DREW LEWIS_____
Name:
Title:
UP RAIL, INC.
By: _____/s/ CARL VON BERNUTH_____
Name:
Title:

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: _____/s/ ROBERT SCHMIEGE_____
Name: Robert Schmiege
Title: Chairman, President and
Chief Executive Officer

ANNEX A TO AGREEMENT AND PLAN OF MERGER

CONDITIONS TO THE TENDER OFFER

Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) the Purchaser's rights to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Merger Agreement), the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and may terminate the Offer as to any Shares not then paid for, if (i) the Minimum Condition has not been satisfied prior to the expiration of the Offer, (ii) the Interstate Commerce Commission's ('ICC') approval of Parent's application for an order authorizing the common control, within the meaning of the Interstate Commerce Act, of the rail subsidiaries of the Company and Parent shall not have become final and effective prior to the expiration of the Offer, or (iii) at any time on or after March 16, 1995 and prior to the acceptance for payment of any such Shares, any of the following events shall occur or shall be determined by the Purchaser to have occurred:

(a) there shall have been instituted or pending any action, proceeding, application, claim or suit, or any statute, rule, regulation, judgment, order or injunction promulgated, entered, enforced, enacted, proposed, issued or applicable to the Offer or the Merger by any domestic or foreign federal, state or local governmental regulatory or administrative agency or authority or court or legislative body or commission which directly or indirectly (l) prohibits or makes illegal, or imposes any material adverse limitations on, Parent's or the Purchaser's ownership or operation of all or a material portion of the businesses or assets of the Company and its Subsidiaries, taken as a whole, or compels Parent or the Purchaser or their respective Subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the Company or its Subsidiaries, in each case taken as a whole, (2) prohibits, or makes illegal the acceptance for payment, payment for or purchase of Shares or the consummation of the Offer or the Merger, (3) restricts the ability of the Purchaser, or renders the Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares, (4) imposes material limitations on the ability of the Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, (5) prohibits, restricts, results in a delay, or imposes material limitations on the ability of Purchaser to convert the Non-Voting Shares into Shares, or (6) otherwise materially adversely affects the financial condition, businesses or results of operations of the Company and its Subsidiaries, taken as a whole; provided that in each such case Parent shall have used all reasonable efforts to cause any such judgment, order or injunction to be vacated or lifted;

(b) the representations and warranties of the Company set forth in the Merger Agreement shall not have been true and correct when made, except (i) those representations and warranties that address matters only as of a particular date are true and correct as of such date, and (ii) where the failure of such representations and warranties to have been true and correct when made (without giving effect to any limitation as to 'materiality' or 'material adverse effect' set forth therein), does not have, and is not likely to have, individually or in the aggregate, a Material Adverse Effect on the Company and its Subsidiaries, taken as a whole, or the Company shall have breached or failed in any material respect to perform or comply with any material obligation, agreement or covenant required by the Merger Agreement to be performed or complied with by it;

(c) (i) it shall have been publicly disclosed or Parent or the Purchaser shall have otherwise learned that any person, entity or 'group' (as defined in Section 13(d)(3) of the Exchange Act), other than Parent or its affiliates or any group of which any of them is a member, shall have acquired beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of more than 30% of the outstanding shares of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted an option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 30% of any class or series of

capital stock of the Company (including the Shares); or (ii) any person or group shall have entered into a definitive agreement or agreement in principle with the Company with respect to a Takeover Proposal or other business combination with the Company;

(d) the Company's Board of Directors shall have withdrawn, or modified or changed in a manner adverse to Parent or the Purchaser (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, or recommended another proposal or offer, or shall have resolved to do any of the foregoing; or

(e) the Merger Agreement shall have been terminated in accordance with its terms;

which in the sole judgment of Parent or the Purchaser, in any such case, and regardless of the circumstances (including any action or inaction by Parent or the Purchaser giving rise to such condition) makes it inadvisable to proceed with the Offer or with such acceptance for payment or payments.

The foregoing conditions are for the sole benefit of the Purchaser and Parent and may be waived by Parent or the Purchaser, in whole or in part at any time and from time to time in the sole discretion of Parent or the Purchaser. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

262 APPRAISAL RIGHTS.--(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to Section 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of his shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word 'stockholder' means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words 'stock' and 'share' mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words 'depository receipt' mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to Section 251, 252, 254, 257, 258, 263 or 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the holders of the surviving corporation as provided in subsection (f) of Section 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to SectionSection 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under Section 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision,

the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsections (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of his shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this

subsection and has not voted in favor or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to Section 228 or 253 of this title, the surviving or resulting corporation, either before the effective date of the merger or consolidation or within 10 days thereafter, shall notify each of the stockholders entitled to appraisal rights of the effective date of the merger or consolidation and that appraisal rights are available for any or all of the shares of the constituent corporation, and shall include in such notice a copy of this section. The notice shall be sent by certified or registered mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of the notice, demand in writing from the surviving or resulting corporation the appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw his demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after his written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at

least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or

such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted his certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that he is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded his appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of his demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Manually signed facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or such stockholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below:

The Depositary for the Offer is:

CITIBANK, N.A.

By Mail:
Citibank, N.A.
c/o Citicorp Data Distribution, Inc.
P.O. Box 1429
Paramus, New Jersey 07653

By Overnight Delivery:
Citibank, N.A.
c/o Citicorp Data Distribution, Inc.
404 Sette Drive
Paramus, New Jersey 07652
By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240
Confirm By Telephone:
(800) 422-2066

By Hand:
Citibank, N.A.
Corporate Trust Window
111 Wall Street, 5th Floor
New York, New York
By Telex:
(710) 990-4964
Answer Back: CDDI PARA

Questions and requests for assistance or for additional copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may

be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

MORROW & CO., INC.

909 Third Avenue, 20th Floor
New York, New York 10022
(212) 754-8000
(Call Collect)

14755 Preston Road, Suite 725
Dallas, TX 75240
(214) 788-0977
(Call Collect)

39 South LaSalle Street
Chicago, Illinois 60603
(312) 444-1150
(Call Collect)

or

Banks & Brokers Call Toll Free 1-800-662-5200
All Others Call Toll Free 1-800-566-9058

The Dealer Manager for the Offer is:

CS FIRST BOSTON

Park Avenue Plaza
55 East 52nd Street
New York, New York 10055
(212) 909-2000 (Call Collect)

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK

OF

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

PURSUANT TO THE OFFER TO PURCHASE DATED MARCH 23, 1995

BY

UP RAIL, INC.
AN INDIRECT WHOLLY OWNED SUBSIDIARY

OF

UNION PACIFIC CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995,
UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:
CITIBANK, N.A.

By Mail:	By Overnight Delivery:	By Hand:
Citibank, N.A. c/o Citicorp Data Distribution, Inc. P.O. Box 1429 Paramus, New Jersey 07653	Citibank, N.A. c/o Citicorp Data Distribution, Inc. 404 Sette Drive Paramus, New Jersey 07652	Citibank, N.A. Corporate Trust Window 111 Wall Street, 5th Floor New York, New York

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240

By Telex:
(710) 990-4964
Answer Back: CDDI PARA

Confirm By Telephone:
(800) 422-2066

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OR TELEX TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by stockholders either if certificates evidencing Shares ('Share Certificates') are to be forwarded herewith or if delivery of Shares is to be made by book-entry transfer to the

Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (each a 'Book-Entry Transfer Facility' and collectively, the 'Book-Entry Transfer Facilities') pursuant to the book-entry transfer procedure described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase (as defined below). Delivery of documents to a Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

Stockholders whose Share Certificates are not immediately available or who cannot deliver their Share Certificates and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in 'THE OFFER--Terms of the Offer' of the Offer to Purchase) or who cannot complete the procedure for delivery by book-entry transfer on a timely basis and who wish to tender their Shares must do so pursuant to the guaranteed delivery procedure described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase. See Instruction 2.

/ / CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

Check Box of Applicable Book-Entry Transfer Facility:

/ / The Depository Trust Company / / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

Account Number _____ Transaction Code Number _____

/ / CHECK HERE IF SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): _____

Window Ticket No. (if any): _____

Date of Execution of Notice
of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

/ / The Depository Trust Company / / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

Account Number _____ Transaction Code Number _____

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SHARE CERTIFICATE(S))	SHARE CERTIFICATE(S) AND SHARE(S) TENDERED (ATTACH ADDITIONAL LIST, IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES EVIDENCED BY SHARE CERTIFICATE(S)*	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

* Need not be completed by stockholders tendering Shares by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares evidenced by each Share Certificate delivered to the Depositary are being tendered hereby. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW. PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation, the above-described shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), pursuant to the Purchaser's offer to purchase all outstanding Shares, at a price of $35.00 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 23, 1995 (the 'Offer to Purchase'), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer'). The undersigned understands that the Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith, in accordance with the terms of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect of such Shares) and rights declared, paid or distributed in respect of such Shares on or after March 16, 1995, (collectively, 'Distributions'), and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver Share Certificates evidencing such Shares and all Distributions, or transfer ownership of such Shares and all Distributions on the account books maintained by a Book-Entry Transfer Facility, together, in either case, with all accompanying evidence of transfer and authenticity, to or upon the order of the Purchaser, (ii) present such Shares and all Distributions for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and all Distributions, all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned irrevocably appoints L. White Matthews, III, Richard K. Davidson and Judy L. Swantak as proxies of the undersigned, each with full power of substitution, to the full extent of the undersigned's rights with respect to the Shares tendered by the undersigned and accepted for payment by the Purchaser (and all Distributions). All such proxies shall be considered coupled with an interest in the tendered Shares. This appointment will be effective if, when, and only to the extent that, the Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Shares and all Distributions will, without further action, be revoked, and no subsequent proxies may be given. All such proxies will, with respect to the Shares and all Distributions for which the appointment is effective, be empowered to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's stockholders, by written consent or otherwise, and the Purchaser reserves the right to require that, in order for Shares or all Distributions to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares the Purchaser must be able to exercise full voting rights with respect to such Shares.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, and that when such Shares are accepted for payment by the Purchaser, the Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances, and that none of such Shares and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of the Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, the Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price, the amount or value of such Distribution as determined by the Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in 'THE OFFER-- Procedures for Tendering Shares' of the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. The Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will

constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, the Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated herein in the box entitled 'Special Payment Instructions,' please issue the check for the purchase price of all Shares purchased, and return all Share Certificates evidencing Shares not purchased or not tendered, in the name(s) of the registered holder(s) appearing above under 'Description of Shares Tendered.' Similarly, unless otherwise indicated in the box entitled 'Special Delivery Instructions,' please mail the check for the purchase price of all Shares purchased and all Share Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under 'Description of Shares Tendered.' In the event that the boxes entitled 'Special Payment Instructions' and 'Special Delivery Instructions' are both completed, please issue the check for the purchase price of all Shares purchased and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of, and mail such check and Share Certificates to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled 'Special Payment Instructions,' please credit any Shares tendered hereby and delivered by book-entry transfer, but which are not purchased, by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that the Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares from the name of the registered holder(s) thereof if the Purchaser does not accept for payment any of the Shares tendered hereby.

SPECIAL PAYMENT INSTRUCTIONS

(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned, or if Shares tendered hereby and delivered by book-entry transfer which are not purchased are to be returned by credit to an account at one of the Book-Entry Transfer Facilities other than that designated above.

Issue / / check / / Share Certificate(s) to:

Name: _____

(PLEASE PRINT)

Address: _____

_____

(ZIP CODE)

_____

TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER
(SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

/ / Credit Shares delivered by book-entry transfer and not purchased to the account set forth below:

Check appropriate box:
/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

Account Number _____

_____

_____

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or Share Certificates evidencing Shares not tendered or not purchased are to be mailed to someone other than the undersigned, or to the undersigned at an address other than that shown under 'Description of Shares Tendered.'

Mail / / check / / Share Certificate(s) to:

Name: _____

(PLEASE PRINT)

Address: _____

_____

(ZIP CODE)

_____

IMPORTANT
STOCKHOLDERS: SIGN HERE
(PLEASE COMPLETE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

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- ----------

SIGNATURE(S) OF HOLDER(S)

Dated: , 1995

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Share Certificates or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s) ----------

- ----------

(PLEASE PRINT)

Capacity (full title) ----------

(SEE INSTRUCTION 5)

Address ----------

- ----------

(INCLUDE ZIP CODE)

Area Code and Telephone No. ----------

Taxpayer Identification or
Social Security No. ----------

(SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

GUARANTEE OF SIGNATURE(S)

(IF REQUIRED--SEE INSTRUCTIONS 1 AND 5)

Authorized Signature ----------

Name ----------

(PLEASE PRINT)

Title ----------

Name of Firm ----------

Address ----------

(INCLUDE ZIP CODE)

Area Code and Telephone No. ----------

Dated: ----------, 1995

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each an 'Eligible Institution'). No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) of Shares herewith, unless such holder(s) has completed either the box entitled 'Special Delivery Instructions' or the box entitled 'Special Payment Instructions' on the reverse hereof, or (b) if such Shares are tendered for the account of an Eligible Institution. See Instruction 5. If a Share Certificate is registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made, or a Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed as described above. See Instruction 5.

2. Delivery of Letter of Transmittal and Share Certificates. This Letter of Transmittal is to be used either if Share Certificates are to be forwarded herewith or if Shares are to be delivered by book-entry transfer pursuant to the procedure set forth in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase. Share Certificates evidencing all tendered Shares, or confirmation of a book-entry transfer of such Shares, if such procedure is available, into the Depositary's account at one of the Book-Entry Transfer Facilities pursuant to the procedures set forth in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message, as defined below) and any other documents required by the Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the reverse hereof prior to the Expiration Date (as defined in 'THE OFFER--Terms of the Offer' of the Offer to Purchase). If Share Certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. Stockholders whose Share Certificates are not immediately available, who cannot deliver their Share Certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Shares pursuant to the guaranteed delivery procedure described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser herewith, must be received by the Depositary prior to the Expiration Date; and (iii) in the case of a guarantee of Shares, the Share Certificates, in proper form for transfer, or a confirmation of a book-entry transfer of such Shares, if such procedure is available, into the Depositary's account at one of the Book-Entry Transfer Facilities, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within five New York Stock Exchange, Inc. trading days after the date of execution of the Notice of Guaranteed Delivery, all as described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase. The term 'Agent's Message' means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of this Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering stockholders waive any right to receive any notice of the acceptance of their Shares for payment.

3. Inadequate Space. If the space provided herein under 'Description of Shares Tendered' is inadequate, the Share Certificate numbers, the number of Shares evidenced by such Share Certificates and the number of Shares tendered should be listed on a separate schedule and attached hereto.

4. Partial Tenders. (Not applicable to stockholders who tender by book-entry transfer.) If fewer than all the Shares evidenced by any Share Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares which are to be tendered in the box entitled 'Number of Shares Tendered.' In such cases, new Share Certificate(s) evidencing the remainder of the Shares that were evidenced by the Share Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled 'Special Delivery Instructions,' as soon as practicable after the expiration or termination of the

Offer. All Shares evidenced by Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal; Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificates evidencing such Shares without alteration, enlargement or any other change whatsoever.

If any Share tendered hereby is owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such Shares.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of Share Certificates or separate stock powers are required, unless payment is to be made to, or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Share Certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of such person's authority so to act must be submitted.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, the Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased, unless evidence satisfactory to the Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE SHARE CERTIFICATES EVIDENCING THE SHARES TENDERED HEREBY.

7. Special Payment and Delivery Instructions. If a check for the purchase price of any Shares tendered hereby is to be issued, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Share Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box

entitled 'Description of Shares Tendered,' the appropriate boxes on this Letter of Transmittal must be completed. Stockholders delivering Shares tendered hereby by book-entry transfer may request that Shares not purchased be credited to such account maintained at a Book-Entry Transfer Facility as such stockholder may designate in the box entitled 'Special Payment Instructions.' If no such instructions are given, all such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated on the reverse hereof as the account from which such Shares were delivered.

8. Requests for Assistance or Additional Copies. Requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Information Agent or the Dealer Manager or from brokers, dealers, commercial banks or trust companies.

9. Substitute Form W-9. Each tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ('TIN') on the Substitute Form W-9 which is provided under 'Important Tax Information' below, and to certify, under penalties of perjury, that such number is correct and that such stockholder is not subject to backup withholding of federal income tax. If a tendering stockholder has been notified by the Internal Revenue Service that such stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such stockholder has since been notified by the Internal Revenue Service that such stockholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to 31% federal income tax withholding on the payment of the purchase price of all Shares purchased from such stockholder. If the tendering stockholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such stockholder should write 'Applied For' in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the

Substitute Form W-9. If 'Applied For' is written in Part l and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

10. Lost, Destroyed or Stolen Certificates. If any certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary. The stockholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

11. Waiver of Conditions. The conditions of the Offer are for the sole benefit of the Purchaser and Parent and may be waived by Parent or the Purchaser, in whole or in part at any time and from time to time in the sole discretion of Parent or the Purchaser.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF), PROPERLY COMPLETED AND DULY EXECUTED, WITH ANY REQUIRED SIGNATURE GUARANTEES, OR AN AGENT'S MESSAGE (TOGETHER WITH SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A PROPERLY COMPLETED AND DULY

EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a stockholder whose tendered Shares are accepted for payment is required by law to provide the Depositary (as payer) with such stockholder's correct TIN on Substitute Form W-9 below. If such stockholder is an individual, the TIN is such stockholder's social security number. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding of 31%.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies with respect to a stockholder, the Depositary is required to withhold 31% of any payments made to such stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN), and (b) that (i) such stockholder has not been notified by the Internal Revenue Service that such stockholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such stockholder that such stockholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the stockholder should write 'Applied For' in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If 'Applied For' is

written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

PAYER'S NAME: CITIBANK, N.A.

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number OR Employer Identification Number (If awaiting TIN write 'Applied For')

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART II -- For Payees Exempt From Backup Withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein. CERTIFICATION -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ('IRS') or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number), and (2) I am not subject to backup withholding either because I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATE INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)

SIGNATURE: DATE: , 1995

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

Questions and requests for assistance or additional copies of the Offer to Purchase, Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below:

The Information Agent for the Offer is:

MORROW & CO., INC.

909 Third Avenue, 20th Floor
New York, New York 10022
(212) 754-8000
(Call Collect)

14755 Preston Road, Suite 725
Dallas, TX 75240
(214) 788-0977
(Call Collect)

39 South LaSalle Street
Chicago, Illinois 60603
(312) 444-1150
(Call Collect)

or

Banks & Brokers Call Toll Free 1-800-662-5200
All Others Call Toll Free 1-800-566-9058

The Dealer Manager for the Offer is:

CS FIRST BOSTON CORPORATION

Park Avenue Plaza
55 East 52nd Street
New York, New York 10055
(212) 909-2000 (Call Collect)

[LOGO]

CS First Boston
Corporation
Park Avenue Plaza
New York, New York 10055
Tel: (212) 909-2000

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
OF
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY
AT
$35.00 NET PER SHARE
BY
UP RAIL, INC.
AN INDIRECT WHOLLY OWNED SUBSIDIARY OF
UNION PACIFIC CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995,
UNLESS THE OFFER IS EXTENDED.

March 23, 1995

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been appointed by UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ('Parent'), to act as Dealer Manager in connection with the Purchaser's offer to purchase all outstanding shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), at a price of $35.00 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase, dated March 23, 1995 (the 'Offer to Purchase'), and the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer') enclosed herewith.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE HAVING BEEN VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES WHICH, WHEN ADDED TO THE SHARES OF NON-VOTING COMMON STOCK OF THE COMPANY, PAR VALUE $.01 PER SHARE (THE 'NON-VOTING COMMON STOCK') BENEFICIALLY OWNED BY PARENT AND THE PURCHASER (ASSUMING CONVERSION THEREOF INTO SHARES), CONSTITUTES AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS (ASSUMING CONVERSION OF THE NON-VOTING COMMON STOCK INTO SHARES) AND (2) THE INTERSTATE COMMERCE COMMISSION'S APPROVAL OF PARENT'S AND THE COMPANY'S APPLICATION FOR AN ORDER AUTHORIZING THE COMMON CONTROL OF THE RAIL SUBSIDIARIES OF THE COMPANY AND PARENT HAVING BECOME FINAL AND EFFECTIVE PRIOR TO THE EXPIRATION OF THE OFFER.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Offer to Purchase, dated March 23, 1995;

2. Letter of Transmittal to be used by holders of Shares in accepting the Offer and tendering Shares;

3. Notice of Guaranteed Delivery to be used to accept the Offer if the certificates evidencing such Shares (the 'Share Certificates') are not immediately available or time will not permit all required documents to reach Citibank, N.A. (the 'Depositary') prior to the Expiration Date (as defined in the Offer to Purchase) or the procedure for book-entry transfer cannot be completed on a timely basis;

4. A letter to stockholders of the Company from Mr. Robert Schmiege, Chairman of the Board and Chief Executive Officer of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company;

5. A letter which may be sent to your clients for whose account you hold Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to the Depositary.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase, by accepting for payment, and will pay for, all Shares validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with 'THE OFFER--Withdrawal Rights' of the Offer to Purchase) promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in 'THE OFFER--Conditions of the Offer' of the Offer to Purchase. For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the Share Certificates or timely confirmation of a book-entry transfer of such Shares, if such procedure is available, into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company pursuant to the procedures set forth in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined in 'THE OFFER--Acceptance for Payment and Payment' of the Offer to Purchase) and (iii) any other documents required by the Letter of Transmittal.

The Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager and the Information Agent as described in 'THE OFFER--Fees and Expenses' of the Offer to Purchase) in

connection with the solicitation of tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

The Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Depositary, and certificates evidencing the tendered Shares should be delivered or such Shares should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender Shares, but it is impracticable for them to forward their certificates or other required documents prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures specified under 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed materials may be obtained from the undersigned, at CS First Boston Corporation, telephone (212) 909-2000 (Collect) or by calling the Information Agent, Morrow & Co., Inc., at (212) 754-8000 (Collect), or from brokers, dealers, commercial banks or trust companies.

Very truly yours,

CS FIRST BOSTON CORPORATION

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PARENT, THE PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGER, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK

OF

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

AT

$35.00 NET PER SHARE

BY

UP RAIL, INC.
AN INDIRECT WHOLLY OWNED SUBSIDIARY OF
UNION PACIFIC CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995,
UNLESS THE OFFER IS EXTENDED.

March 23, 1995

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated March 23, 1995 (the 'Offer to Purchase') and the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer') in connection with the Offer by UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ('Parent'), to purchase all outstanding shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), at a price of $35.00 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer.

Stockholders whose certificates evidencing Shares ('Share Certificates') are not immediately available or who cannot deliver their Share Certificates and all other documents required by the Letter of Transmittal to the Depositary prior to the Expiration Date (as defined in 'THE OFFER--Terms of the Offer' of the Offer to Purchase) or who cannot complete the procedure for delivery by book-entry transfer to the Depositary's account at a Book-Entry Transfer Facility (as defined in 'THE OFFER--Acceptance for Payment and Payment' of the Offer to Purchase) on a timely basis and who wish to tender their Shares must do so pursuant to the guaranteed delivery procedure described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase. See Instruction 2 of the Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

The material is being sent to you as the beneficial owner of Shares held by us for your account but not registered in your name. We are the holder of record

of Shares held by us for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is $35.00 per Share, net to the seller in cash.

2. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Wednesday, April 19, 1995, unless the Offer is extended.

3. The Offer is being made for all outstanding Shares.

4. The Board of Directors of the Company has unanimously (with one director affiliated with Parent absent and not voting) approved the Offer and the Merger (as defined in the Offer to Purchase), has determined that the Offer and the Merger are fair to and in the best interests of holders of Shares (other than Parent and the Purchaser) and recommends that stockholders of the Company accept the Offer and tender their Shares pursuant to the Offer.

5. The Offer is conditioned upon, among other things, (1) there having been validly tendered and not withdrawn prior to the expiration of the Offer a number of Shares which, when added to the shares of non-voting common stock of the Company, par value $.01 per share (the 'Non-Voting Common Stock') beneficially owned by Parent and the Purchaser (assuming conversion thereof into Shares), constitutes at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Common Stock into Shares) and (2) the Interstate Commerce Commission's approval of Parent's and the Company's application for an order authorizing the common control of the rail subsidiaries of the Company and Parent having become final and effective prior to the expiration of the Offer.

6. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Shares. The Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, the Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, the Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be

deemed to be made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form contained in this letter. An envelope in which to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth in this letter. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

INSTRUCTIONS WITH RESPECT TO THE OFFER
TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
OF CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated March 23, 1995, and the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer'), in connection with the offer by UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ('Parent'), to purchase all outstanding shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company').

This will instruct you to tender to the Purchaser the number of Shares indicated below (or, if no number is indicated below, all Shares) held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

NUMBER OF SHARES TO BE TENDERED:*

_____ SHARES

Account Number: _____

Dated: _____, 1995

SIGN HERE

_____

Signature(s)

_____

Please type or print name(s) here

_____

Please type or print address(es) here

_____

Area Code and Telephone Number

_____

Taxpayer Identification or
Social Security Number(s)

- ------------------

* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

NOTICE OF GUARANTEED DELIVERY

FOR

TENDER OF SHARES OF COMMON STOCK

OF

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

TO

UP RAIL, INC.
AN INDIRECT WHOLLY OWNED SUBSIDIARY OF
UNION PACIFIC CORPORATION

(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates ('Share Certificates') evidencing shares of common stock, par value $.01 per share (the 'Common Stock' or the 'Shares'), of Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'), are not immediately available, (ii) time will not permit all required documents to reach Citibank, N.A., as Depositary (the 'Depositary'), prior to the Expiration Date (as defined in 'THE OFFER--Terms of the Offer' of the Offer to Purchase (as defined below)) or (iii) the procedure for book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary. See 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase.

The Depositary for the Offer is:

CITIBANK, N.A.

By Mail:	By Overnight Delivery:	By Hand:
Citibank, N.A. c/o Citicorp Data Distribution, Inc. P.O. Box 1429 Paramus, New Jersey 07653	Citibank, N.A. c/o Citicorp Data Distribution, Inc. 404 Sette Drive Paramus, New Jersey 07652	Citibank, N.A. Corporate Trust Window 111 Wall Street, 5th Floor New York, New York

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 262-3240

By Telex:
(710) 990-4964
Answer Back: CDDI PARA

Confirm By Telephone:
(800) 422-2066

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN 'ELIGIBLE INSTITUTION' UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to UP Rail, Inc., a Utah corporation and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 23, 1995 (the 'Offer to Purchase'), and the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer'), receipt of each of which is hereby acknowledged, the number of Shares specified below pursuant to the guaranteed delivery procedures described in 'THE OFFER--Procedures for Tendering Shares' of the Offer to Purchase.

Number of Shares:

_____

Certificate Nos. (if available):

_____

Check ONE box if Shares will be tendered by book-entry transfer:

/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

Account Number:_____

Dated:_____, 1995

Name(s) of Record Holder(s):

_____

_____

PLEASE PRINT

Address(es):

_____

ZIP CODE

_____

Area Code and Tel. No: _____

Signature(s):_____

_____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, hereby guarantees delivery to the Depositary, at one of its addresses set forth above, of certificates evidencing the Shares tendered hereby in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's accounts at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees, or an Agent's Message (as defined in 'THE OFFER--Acceptance for Payment and Payment' of the Offer to Purchase), and any other documents required by the Letter of

Transmittal, within five New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in financial loss to such Eligible Institution.

_____
NAME OF FIRM

_____
AUTHORIZED SIGNATURE

_____
ADDRESS

_____
TITLE

_____
ZIP CODE

Name:_____
PLEASE PRINT

Area Code and Tel. No.:_____

Date:_____, 1995

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase dated March 23, 1995, and the related Letter of Transmittal and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) the holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of UP Rail, Inc. by CS First Boston Corporation ("CS First Boston") or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
Chicago and North Western
Transportation Company
at
$35.00 Net Per Share
by
UP Rail, Inc.
an indirect wholly owned subsidiary of
Union Pacific Corporation

UP Rail, Inc., a Utah corporation (the "Purchaser") and an indirect wholly owned subsidiary of Union Pacific Corporation, a Utah corporation ("Parent"), is offering to purchase all outstanding shares of common stock, par value $.01 per share (the "Shares"), of Chicago and North Western Transportation Company, a Delaware corporation (the "Company"), at a price of $35.00 per Share, net to the seller in cash (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 23, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). Following the Offer, the Purchaser intends to effect the Merger described below.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON WEDNESDAY, APRIL 19, 1995,
UNLESS THE OFFER IS EXTENDED.

The Offer is conditioned upon, among other things, (1) there being validly tendered and not withdrawn prior to the expiration of the Offer a number of Shares which, when added to the shares of non-voting common stock of the Company, par value $.01 per share (the "Non-Voting Common Stock"), beneficially owned by Parent and the Purchaser (assuming conversion thereof into Shares), constitutes at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Common Stock into Shares) and (2) the Interstate Commerce Commission's approval of Parent's application for an order authorizing the common control of the rail subsidiaries of the Company and Parent having become final and effective prior to expiration of the Offer. The Offer is also subject to other terms and conditions.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of March 16, 1995 (the "Merger Agreement"), by and among the Company, Parent and the Purchaser. The Merger Agreement provides, among other things, that following completion of the Offer and the satisfaction or waiver of certain conditions set forth in the Merger Agreement, the Purchaser will be merged with and into the Company (the "Merger"), with the Company as the surviving corporation (the "Surviving Corporation"). In the Merger, each outstanding Share (other than Shares held in the treasury of the Company or owned by Parent, the Purchaser or any other wholly owned subsidiary of Parent) will be converted into the right to receive the Offer Price or any higher price per Share paid in the Offer, without interest thereon. As a result of the Merger, the Surviving Corporation will become an indirect wholly owned subsidiary of Parent.

Pursuant to the Merger Agreement, the Company and the Purchaser have entered into a Company Stock Option Agreement (the "Option Agreement"), pursuant to which and subject to the Purchaser and its affiliates owning at least 85% of the outstanding Shares (assuming conversion of the Non-Voting Common Stock into Shares) and certain other conditions set forth therein, the Purchaser will have the right to purchase from the Company, at the per Share price paid in the Offer, a sufficient number of Shares such that the Shares purchased pursuant to the Option Agreement, together with all Shares owned by Parent or the Purchaser, would, assuming conversion of the Non-Voting Common Stock into Shares, represent 90.01% of the outstanding Shares (assuming conversion of the Non-Voting Common Stock into Shares). Subject to the Purchaser, Parent and any permitted assignee of the Purchaser acquiring at least 90% of the outstanding Shares, the Purchaser, Parent and the Company have agreed to take, at the request of Parent, all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of the Company's stockholders in accordance with applicable law. If, however, the Purchaser does not acquire at least 90% of the then outstanding Shares pursuant to the Offer, the Option Agreement, conversion of the Non-Voting Common Stock or otherwise, and a vote of the Company's stockholders is required under applicable law, a significantly longer period of time will be required to effect the Merger.

The Board of Directors of the Company has unanimously (with one director affiliated with Parent absent and not voting) approved the Offer and the Merger, has determined that the Offer and the Merger are fair to and in the best interests of the Company's stockholders (other than Parent and the Purchaser) and recommends that stockholders of the Company accept the Offer and tender their Shares pursuant to the Offer.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn if, as and when the Purchaser gives oral or written notice to Citibank, N.A. (the "Depositary") of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as

agent for tendering stockholders for the purpose of receiving payments from the Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. Under no circumstances will interest on the purchase price for Shares be paid by the Purchaser, regardless of any delay in making such payment. In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at one of the Book-Entry Transfer Facilities (as defined under the caption "THE OFFER--Acceptance for Payment and Payment" of the Offer to Purchase) pursuant to the procedures set forth under the caption "THE OFFER--Procedures for Tendering Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the Letter of Transmittal.

The Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any of the events specified under the caption "THE OFFER--Conditions of the Offer" of the Offer to Purchase, by giving oral or written notice of such extension to the Depositary. Any such extension will be followed as promptly as practicable by public announcement thereof, such announcement to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date of the Offer. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder's Shares.

Tenders of Shares made pursuant to the Offer are irrevocable except that such Shares may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Wednesday, April 19, 1995 (or the latest time and date at which the Offer, if extended by the Purchaser, shall expire) and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after May 21, 1995 or at such later time as may apply if the Offer is extended. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined under the caption "THE OFFER--Procedures for Tendering Shares" of the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth under the caption "THE OFFER--Procedures for Tendering Shares" of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) and Rule 13e-3(e)(1) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal, and other relevant materials will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information which should be read carefully before any decision is made with respect to the Offer.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and addresses set forth below. Requests for copies of the Offer to Purchase, the Letter of Transmittal and other related materials may be directed to the Information Agent or the Dealer Manager. No fees or commissions will be paid to brokers, dealers or other persons (other than the Dealer Manager or the Information Agent) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:
Morrow & Co., Inc.

909 Third Avenue, 20th Floor	14755 Preston Road, Suite 725	39 South LaSalle Street
New York, NY 10022	Dallas, TX 75240	Chicago, IL 60603
(212) 754-8000 (Call Collect)	(214) 788-0977 (Call Collect)	(312) 444-1150 (Call Collect)

or
Banks & Brokers Call Toll Free 1-800-622-5200
All Others Call Toll Free 1-800-566-9058

The Dealer Manager for the Offer is:

CS First Boston
Park Avenue Plaza
55 East 52nd Street
New York, New York 10055
(212) 909-2000 (Call Collect)

March 23, 1995

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner.

(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

o A corporation.

o A financial institution.

o An organization exempt from tax under section 501(a), or an individual retirement plan.

o The United States or any agency or instumentality thereof.

o A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.

o A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.

o An international organization or any agency, or instrumentality thereof.

o A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.

o A real estate investment trust.

o A common trust fund operated by a bank under section 584(a).

o An exempt charitable remainder trust, or a nonexempt trust described in section 4947(a)(1).

o An entity registered at all times under the Investment Company Act of 1940.

o A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

o Payments to nonresident aliens subject to withholding under section 1441.

o Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.

o Payments of patronage dividends where the amount received is not paid in money.

o Payments made by certain foreign organizations.

o Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

o Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

o Payments of tax-exempt interest (including exempt-interest dividends under section 852).

o Payments described in section 6049(b)(5) to non-resident aliens.

o Payments on tax-free covenant bonds under section 1451.

o Payments made by certain foreign organizations.

o Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE 'EXEMPT' ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041(a), 6045, and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification

purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Beginning January 1, 1984, payers must generally withhold 20% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a payer, you are subject to a

penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS.--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an under-payment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-9
SOLICITATION/RECOMMENDATION STATEMENT PURSUANT TO SECTION 14(D)(4)
OF THE SECURITIES EXCHANGE ACT OF 1934

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
(NAME OF SUBJECT COMPANY)

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
(NAMES OF PERSON(S) FILING STATEMENT)

COMMON STOCK, PAR VALUE $0.01 PER SHARE
(TITLE OF CLASS OF SECURITIES)

167155 10 0
(CUSIP NUMBER OF CLASS OF SECURITIES)

ROBERT SCHMIEGE
CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
165 NORTH CANAL STREET
CHICAGO, ILLINOIS 60606-1551
(312) 559-7000

(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO
RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF THE PERSON(S) FILING STATEMENT)

With a copy to:

PAUL J. MILLER, ESQ.
SONNENSCHEIN NATH & ROSENTHAL
8000 SEARS TOWER
CHICAGO, ILLINOIS 60606
(312) 876-8074

ITEM 1. SECURITY AND SUBJECT COMPANY

The name of the subject company is Chicago and North Western Transportation Company, a Delaware corporation (the 'Company'). The address of the Company's principal executive offices is 165 North Canal Street, Chicago, Illinois 60606-1551. The title of the class of securities to which this Statement relates is the common stock, par value $.01 per share (the 'Shares'), of the Company.

ITEM 2. TENDER OFFER OF THE BIDDER

This Statement relates to a tender offer by UP Rail, Inc. (the 'Purchaser'), a Utah corporation and an indirect wholly-owned subsidiary of Union Pacific Corporation, a Utah corporation ('Union Pacific'), disclosed in a Tender Offer Statement on Schedule 14D-1 (the 'Schedule 14D-1'), dated March 23, 1995, to purchase all of the outstanding Shares at a price of $35 per Share, net to the seller in cash (such price, or such higher amount per Share as may be payable in the Offer, being referred to herein as the 'Offer Price'), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 23, 1995 (the 'Offer to Purchase'), and the related Letter of Transmittal (which, as amended from time to time, together constitute the 'Offer'), which have been filed with the Securities and Exchange Commission ('SEC') as Exhibits 1 and 2, respectively, to this Schedule 14D-9.

The Offer is conditioned upon, among other things, (i) there having been validly tendered and not withdrawn prior to the expiration of the Offer, that number of Shares which, when added to the shares of non-voting common stock, $.01 par value per share ('Non-Voting Shares'), of the Company beneficially owned by Union Pacific or the Purchaser (assuming conversion of such Non-Voting Shares into Shares), constitutes at least a majority of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Shares into Shares) (the 'Minimum Condition') and (ii) the Interstate Commerce Commission's ('ICC') approval of Union Pacific's and the Company's application for an order authorizing the common control of the rail subsidiaries of Union Pacific and the Company having become final and effective prior to the expiration of the Offer (the 'ICC Final Approval Condition'). As of the close of business on March 22, 1995, the Purchaser beneficially owned 12,835,304 Non-Voting Shares representing approximately 27.48% of the Shares outstanding on a fully diluted basis (assuming conversion of the Non-Voting Shares into Shares and exercise of outstanding stock options). See Section 10 of the Offer to Purchase under the caption 'THE OFFER--Conditions of the Offer.'

The Offer is being made pursuant to the terms of an Agreement and Plan of Merger, dated as of March 16, 1995, by and among the Company, Union Pacific and the Purchaser (the 'Merger Agreement'). The Merger Agreement provides, among other things, for the making of the Offer by the Purchaser and further provides that, following the completion of the Offer and the satisfaction or the waiver of certain conditions set forth in the Merger Agreement, the Purchaser will be merged with and into the Company (the 'Merger' and, together with the Offer, the 'Transaction'). Following the consummation of the Merger (the 'Effective Time'), the Company will be the surviving corporation (the 'Surviving Corporation') and an indirect wholly-owned subsidiary of Union Pacific.

The Schedule 14D-1 states that the principal executive offices of Union

Pacific and the Purchaser are located at Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018.

ITEM 3. IDENTITY AND BACKGROUND

(a) The name and business address of the Company, which is the person filing this statement, are set forth in Item 1 above.

(b) Except as described below or incorporated by reference herein, to the knowledge of the Company, as of the date hereof, there exists no material contract, agreement, arrangement or understanding and no actual or potential conflict of interest between the Company or its affiliates and (i) the Company, its executive officers, directors or affiliates or (ii) the Purchaser or its executive officers, directors or affiliates.

Certain information with respect to certain contracts, agreements, arrangements or understandings between the Company or its affiliates and (i) the Company, its executive officers, directors or affiliates or (ii) the Purchaser or its executive officers, directors or affiliates is set forth in Annex I to this Schedule 14D-9 and is hereby incorporated herein by reference.

In addition, certain contracts, agreements, arrangements and understandings and certain actual and potential conflicts of interest between the Company and certain of its directors, executive officers or affiliates, including contractual arrangements between the Company and Union Pacific or its affiliates and certain arrangements made in connection with the Merger Agreement, are described in the Offer to Purchase under the captions 'SPECIAL FACTORS--Interests of Certain Persons in the Transaction' and 'THE MERGER AGREEMENT,' and such portions of the Offer to Purchase are hereby incorporated herein by reference. Such portions of the Offer to Purchase contain summaries of certain of these arrangements. Such summaries do not purport to be complete and are qualified in their entirety by reference to the full text of the appropriate agreements which have been filed with the SEC as Exhibits to this Schedule 14D-9, each of which is hereby incorporated herein by reference.

The following is a summary of certain provisions of (i) the Merger Agreement (including the related Company Stock Option Agreement, dated March 16, 1995, by and between the Company and the Purchaser (the 'Option Agreement') and (ii) the Confidentiality Agreement, dated March 10, 1995, by and among the Company, Union Pacific, Union Pacific Holdings, Inc. and the Purchaser (the 'Confidentiality Agreement'). Such summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement which is attached as Annex I to the Offer to Purchase, and to the full text of the Option Agreement and the Confidentiality Agreement, which have been filed with the SEC as Exhibits 3 and 4, respectively, to this Schedule 14D-9, each of which is hereby incorporated herein by reference.

MERGER AGREEMENT

Capitalized terms not otherwise defined in the following summary shall have the meanings set forth in the Merger Agreement.

The Offer. The Merger Agreement provides that the Purchaser will commence the Offer and that, upon the terms and subject to the prior satisfaction or waiver (except that the Minimum Condition may not be waived) of the conditions of the Offer, the Purchaser will purchase all Shares validly tendered pursuant to the Offer. The Merger Agreement provides that, without the written consent of the Company (such consent to be authorized by the Board of Directors or a duly authorized committee thereof), the Purchaser will not decrease the Offer Price, decrease the number of Shares sought in the Offer, waive the Minimum Condition, or amend any condition of the Offer in a manner adverse to the holders of Shares except that if on the initial scheduled expiration date of the Offer (as it may be extended), all conditions to the Offer shall not have been satisfied or waived, the Offer may be extended from time to time until June 30, 1995 without the consent of the Company. In addition, the Merger Agreement provides that, without the consent of the Company, the Offer Price may be increased and the Offer may be extended to the extent required by law in connection with such an increase in the Offer Price.

The Merger. The Merger Agreement provides that, subject to the terms and conditions thereof, at the Effective Time, the Purchaser will be merged with and into the Company and the Company will become an indirect wholly owned subsidiary of Union Pacific. As a result of the Merger, the separate corporate existence of the Purchaser will cease and the Company will continue as the Surviving Corporation and will continue to be governed by Delaware law. The Merger will have the effects set forth under Delaware Law (as defined below) and the Utah Business Corporation Act ('Utah Law').

The respective obligations of Union Pacific and the Purchaser, on the one hand, and the Company, on the other hand, to effect the Merger are subject to the satisfaction on or prior to the Closing Date of the following conditions: (i) the Merger Agreement shall have been approved and adopted by the requisite vote of the holders of Shares, if required by applicable law and the Company's Restated Certificate of Incorporation, in order to consummate the Merger; (ii) no statute, rule, order, decree or regulation shall have been enacted or promulgated by any foreign or domestic government or any governmental agency or authority of competent jurisdiction which prohibits the consummation of the Merger and all foreign or domestic governmental consents, orders and approvals required for the consummation of the Merger and the transactions contemplated by the Merger Agreement will have been obtained and will be in effect at the Effective Time; (iii) there will be no order or injunction of a foreign or United States Federal or state court or other governmental authority of competent jurisdiction in effect precluding, restraining, enjoining or prohibiting consummation of the Merger and there will be no suit, action, proceeding or investigation by a governmental entity seeking to restrain, enjoin or prohibit the Merger; and (iv) Union Pacific, the Purchaser or their affiliates will have purchased the Shares pursuant to the Offer. In addition, the obligation of Union Pacific to effect the Merger is subject to the ICC having made a

determination that the terms of the Merger are just and reasonable or having issued a declaratory order that no such determination is required.

The Merger Agreement provides that as of the Effective Time, each issued and outstanding share of Common Stock (other than Shares that are owned by the Company as treasury stock and any Shares owned by Union Pacific, the Purchaser or any other wholly owned subsidiary of Union Pacific) will be converted into the right to receive the Offer Price, without interest.

Pursuant to the Merger Agreement, the issued and outstanding shares of common stock, par value $.01 per share, of the Purchaser will be converted into and become such number of fully paid and non-assessable shares of common stock of the Surviving Corporation as the Company had outstanding immediately prior to the Effective Time.

The Company's Board of Directors. The Merger Agreement provides that, promptly upon the purchase of and payment for any Shares by the Purchaser or any other subsidiary of Union Pacific pursuant to the Offer which, together with the Non-Voting Shares represents at least a majority of the outstanding Shares on a fully diluted basis (assuming conversion of the Non-Voting Shares into Shares), Union Pacific will be entitled to designate such number of directors, rounded up to the next whole number, to the Board of Directors of the Company as is equal to the product of the total number of directors on such Board (giving effect to the existing representatives of Union Pacific serving on the Board of Directors, including representatives which Union Pacific has the right to designate pursuant to the 1993 Agreement and the directors designated by Union Pacific pursuant to this sentence) multiplied by the ratio of the aggregate number of Shares and Non-Voting Shares (if any) beneficially owned by the Purchaser, Union Pacific and any of their affiliates to the total number of Shares and Non-Voting Shares (if any) then outstanding. Promptly after consummation of the Offer, the Company will, upon request of the Purchaser, use its best efforts promptly either to increase the size of the Board of Directors or, at the Company's election, secure the resignations of such number of its incumbent directors as is necessary to enable Union Pacific's designees to be so elected or appointed to the Company's Board, and will cause Union Pacific's designees to be so elected or appointed. The Merger Agreement also provides that the Company will cause persons designated by Union Pacific to constitute the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each subsidiary of the Company and (iii) each committee (or similar body) of each such board, in each case only to the extent permitted by applicable law or the rules of any stock exchange on which the Shares are listed. Notwithstanding the foregoing, until the Effective Time, the Company and Union Pacific will use all reasonable efforts to retain as members of the Board of Directors at least three directors who were directors of the Company on the date of the Merger Agreement and were not representatives of Union Pacific (or certain replacements) (the 'Company Directors'); provided, that subsequent to the purchase of and payment for Shares pursuant to the Offer, Union Pacific will always have its designees represent at least a majority of the entire Board of Directors. The concurrence of a majority of the Company Directors will be required for any amendment or termination of the Merger Agreement by the Company, any waiver of any of the Company's rights thereunder, any extension of the time for performance of Union Pacific's or the Purchaser's obligations or other acts thereunder, or any other action taken by the Company's Board of Directors in connection with the Merger Agreement (including actions to enforce the Merger Agreement). If there are no such directors notwithstanding the reasonable best efforts of the other directors to appoint Company Directors, such actions may be effected by majority vote of the entire Board of Directors of the Company. The Company's obligation to appoint the Purchaser's designees to the Board of Directors is subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder.

Stockholders' Meeting. Pursuant to the Merger Agreement, the Company will, if required by applicable law in order to consummate the Merger, duly call, give notice of, convene and hold a special meeting of its stockholders (the 'Special Meeting') as soon as practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon the Merger Agreement. The Merger Agreement provides that the Company will, if required by applicable law in order to consummate the Merger, prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and the Merger Agreement and use its best efforts (i) to obtain and furnish the information required to be included by the SEC in the Proxy Statement (as defined below) and, after consultation with Union Pacific, to respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement (the 'Proxy Statement') to be

mailed to its stockholders and (ii) to obtain the necessary approvals of the Merger and the Merger Agreement by its stockholders. The Company has agreed, subject to the fiduciary obligations of the Board under applicable law as advised by independent counsel, to include in the Proxy Statement the recommendation of the Board that stockholders of the Company vote in favor of the approval of the Merger and the adoption of the Merger Agreement. Following the consummation of the Offer and receipt of the ICC Final Approval, Union Pacific will convert or cause to be converted all of its Non-Voting Shares into Shares and will vote, or cause to be voted, all of the Shares then owned by it, the Purchaser or any of its other subsidiaries and affiliates in favor of the approval of the Merger and the adoption of the Merger Agreement.

The Merger Agreement provides that in the event that Union Pacific, the Purchaser or any other permitted assignee of the Purchaser acquires at least 90% of the outstanding Shares, pursuant to the Offer, the Option Agreement, the conversion of Non-Voting Shares into Shares or, subsequent to the consummation of the Offer, by any other means, Union Pacific, the Purchaser and the Company agree, at the request of Union Pacific and subject to the terms of the Merger Agreement, to take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Utah Law and Delaware Law. In connection therewith, Union Pacific and the Company entered into the Option Agreement, pursuant to which, subject to Union Pacific having previously acquired at least 85% of the outstanding Shares (assuming conversion of the Non-Voting Shares into Shares) and other conditions set forth therein, the Purchaser will have the right to purchase from the Company at the per Share price paid in the Offer a sufficient number of Shares such that such Shares purchased pursuant to the Option Agreement, together with all Shares owned by Union Pacific or the Purchaser, would represent at least 90.01% of the outstanding Shares and permit the Merger to be effected in accordance with Utah Law and Delaware Law. Union Pacific has agreed to effect the Merger without a meeting of stockholders of the Company promptly following the exercise of the option under the Option Agreement.

Interim Operations. In the Merger Agreement, the Company has agreed that, except as expressly provided in the Merger Agreement or consented to in writing by Union Pacific, prior to the time the directors of the Purchaser have been elected to, and shall constitute a majority of, the Board of Directors of the Company: (i) the business of the Company and its subsidiaries will be conducted only in the ordinary and usual course consistent with past practice and, to the extent consistent therewith, each of the Company and its subsidiaries will use its reasonable best efforts to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees, creditors and business partners; (ii) the Company will not, directly or indirectly, split, combine or reclassify the outstanding Shares, Non-Voting Shares or any outstanding capital stock of any of the subsidiaries of the Company; (iii) neither the Company nor any of its subsidiaries will (a) amend its articles of incorporation or by-laws or similar organizational documents; (b) except as set forth in the disclosure schedule to the Merger Agreement (the 'Disclosure Schedule'), declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock (other than dividends paid by a wholly-owned subsidiary in the ordinary course of business consistent with past practice); (c) issue, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its subsidiaries, other than issuances pursuant to the exercise of Options outstanding on the date of the Merger Agreement or pursuant to the conversion of the Non-Voting Shares into Shares; (d) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any material assets other than in the ordinary and usual course of business and consistent with past practice, or incur or modify any material indebtedness; (e) except as set forth in the Disclosure Schedule, redeem, purchase or otherwise acquire directly or indirectly any of its capital stock; (f) except as set forth in the Disclosure Schedule, promote any employee or grant any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any employee, except for certain compensation increases (1) required by collective bargaining agreements or (2) constituting annual raises for non-executive officers not to exceed 4%, or adopt any new or amend or otherwise increase or accelerate the payment or vesting of the amounts payable or to become payable under any existing bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan agreement or arrangement; (g) enter into any, or amend any existing, employment or severance agreement with or, except in accordance with the existing written policies of the Company, grant any severance or termination pay to any officer, director or employee of the Company or any of its subsidiaries; (h) modify, amend or terminate any of its material Company Agreements or waive, release or

assign any material rights or claims, except in the ordinary course of business and consistent with past practice; (i) permit any material insurance policy naming the Company or any of its subsidiaries, as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Union Pacific, except in the ordinary course of business and consistent with past practice; (j) incur or assume any long-term debt in excess of $1,000,000 in the aggregate, or,

except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice; (k) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business and consistent with past practice; (l) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned subsidiaries of the Company or customary loans or advances to employees in accordance with past practice); (m) except as disclosed in the Disclosure Schedule, enter into any material commitment or transaction (including, but not limited to, any borrowing, capital expenditure or purchase, sale or lease of assets) other than capital expenditures pursuant to the Company's capital expenditures budget that aggregate since December 31, 1994 not more than $75,000,000; (n) change any of the accounting principles used by it unless required by GAAP; (o) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, (1) in the ordinary course of business and consistent with past practice, of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its consolidated subsidiaries, (2) incurred in the ordinary course of business and consistent with past practice, or (3) which are legally required to be paid, discharged or satisfied (provided that if such claims, liabilities or obligations referred to in this clause (3) are legally required to be paid and are also not otherwise payable in accordance with clauses (1) or (2) above, the Company will notify Union Pacific in writing if such claims, liabilities or obligations exceed, individually or in the aggregate, $10,000,000 in value, reasonably in advance of their payment); (p) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries or any agreement relating to a Takeover Proposal (as defined below) (other than the Merger); or (q) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing.

No Solicitation. In the Merger Agreement, the Company has agreed that neither the Company nor any of its subsidiaries or affiliates will, and the Company (and its subsidiaries and affiliates) will use their best efforts to ensure that their respective officers, directors, employees, investment bankers, attorneys, accountants and other agents do not, directly or indirectly, initiate, solicit, or encourage, or take any action to facilitate the making of, any offer or proposal which constitutes or is reasonably likely to lead to any Takeover Proposal of the Company or any subsidiary or affiliate or an inquiry with respect thereto. The Company also agreed that it will, and will cause its subsidiaries and affiliates to, immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties conducted prior to the date of the Merger Agreement with respect to any Takeover Proposal relating to the Company. The Merger Agreement provides that the Company may engage in discussions and negotiations with, or provide any information or data to, a third party concerning an unsolicited Takeover Proposal for the Company or any subsidiary or affiliate if the Board of Directors of the Company determines, based on the opinion of outside legal counsel, that the failure to engage in such negotiations or discussions or provide such information would likely result in a breach of the fiduciary duties of the Board of Directors under applicable

law. The Company has agreed to notify Union Pacific and the Purchaser of any such offers or proposals (including Takeover Proposals) within 24 hours of the receipt thereof, unless the Board determines, based on the opinion of outside legal counsel to the Company, that giving such notice would result in a breach of the Board of Directors' fiduciary duties under applicable law. The Merger Agreement provides that the Company or the Board of Directors may make certain disclosures and communications that the Company determines, pursuant to an opinion of legal counsel, the Board of Directors would likely be required by its fiduciary duties or otherwise to make under applicable law. As used in the Merger Agreement, 'Takeover Proposal' when used in connection with any person means any tender or exchange offer involving such person, any proposal for a merger, consolidation or other business combination involving such person or any subsidiary of such person, any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of the business or assets of, such person or any subsidiary of such person, any proposal or offer with respect to any recapitalization or restructuring with respect to such person or any subsidiary of such person or any

proposal or offer with respect to any other transaction similar to any of the foregoing with respect to such person or any subsidiary of such person; provided, however, that, as used in the Merger Agreement, the term 'Takeover Proposal' shall not apply to any transaction of the type described above involving Union Pacific, the Purchaser or their affiliates.

Directors' and Officers' Insurance and Indemnification. In the Merger Agreement, Union Pacific has agreed that at all times after consummation of the Offer, it will indemnify, or will cause the Company (or the Surviving Corporation if after the Effective Time) and its subsidiaries to indemnify, each person who is now, or has been at any time prior to the date of the Merger Agreement, an employee, agent, director or officer of the Company or of any of the Company's subsidiaries, successors and assigns (individually an 'Indemnified Party' and collectively the 'Indemnified Parties'), to the same extent and in the same manner as is now provided in the respective charters or by- laws of the Company and such subsidiaries or otherwise in effect on the date of the Merger Agreement, with respect to any claim, liability, loss, damage, cost or expense (whenever asserted or claimed) ('Indemnified Liability') based in whole or in part on, or arising in whole or in part out of, any matter existing or occurring at or prior to the Effective Time. Union Pacific will, and will cause the Company (or the Surviving Corporation if after the Effective Time) to, maintain in effect for not less than six years after consummation of the Offer the current policies of directors' and officers' liability insurance maintained by the Company and its subsidiaries on the date of the Merger Agreement (provided that Union Pacific may substitute therefor policies having at least the same coverage and containing terms and conditions which are no less advantageous to the persons currently covered by such policies as insured) with respect to matters existing or occurring at or prior to the Effective Time; provided, however, that if the aggregate annual premiums for such insurance at any time during such period will exceed 300% of the per annum rate of premium currently paid by the Company and its subsidiaries for such insurance on the date of the Merger Agreement, then Union Pacific will cause the Company (or the Surviving Corporation if after the Effective Time) to, and the Company (or the Surviving Corporation if after the Effective Time) will, provide the maximum coverage that

is then available at an annual premium equal to 300% of such rate, and Union Pacific, in addition to the indemnification provided above, will indemnify the Indemnified Parties for the balance of such insurance coverage on the same terms and conditions as though Union Pacific were the insurer under those policies. Without limiting the foregoing, in the event any Indemnified Party becomes involved in any capacity in any action, proceeding or investigation based in whole or in part on, or arising in whole or in part out of, any matter, including the transactions contemplated by the Merger Agreement, existing or occurring at or prior to the Effective Time, then to the extent permitted by law Union Pacific will, or will cause the Company (or the Surviving Corporation if after the Effective Time) to, periodically advance to such Indemnified Party its legal and other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the provision by such Indemnified Party of an undertaking to reimburse the amounts so advanced in the event of a final determination by a court of competent jurisdiction that such Indemnified Party is not entitled thereto.

Conversion of Non-Voting Shares. Pursuant to the Merger Agreement, the Company has agreed to (i) acquiesce in the Labor Condition and the Soo Condition (as such terms are defined below) contained in the ICC's decision in Finance Docket No. 32133 served on March 7, 1995, subject to the consummation of the Offer and (ii) cooperate with Union Pacific, and join in any filings or submissions to the ICC, in connection with obtaining the ICC Final Approval, provided that prior to consummation of the Offer, neither the Company nor Union Pacific waive any rights under the Stockholders Agreement with respect to conditions contained in the Final ICC Approval. Under the Stockholders Agreement, the Company is obligated to acquiesce in the Labor Condition and the Soo Condition on the terms described in clause (y) of the following sentence. The Merger Agreement also provides that on or after April 6, 1995 (provided no stays have been entered by any court or by the ICC prior to such time) or on such later date that the parties receive the ICC Final Approval, and if either (x) the Offer has been consummated or (y) the cost of compliance with the Soo Condition contained in the ICC Final Approval can reasonably be determined and Union Pacific shall have fully and adequately indemnified the Company and its affiliates with respect to the cost of compliance with the Soo Condition and the cost of improper assertions of rights to labor protection under the Labor Condition (and subject to the Company's right to determine with Union Pacific the allocation between Union Pacific and the Company of costs of compliance with the Labor Condition), the Company will convert Purchaser's Non-Voting Shares into Shares and appoint two designees of Union Pacific to the Board of Directors.

ICC Determination. Pursuant to the Merger Agreement, the Company has agreed to support, and if requested by Union Pacific, to join in, the application of Union Pacific to the ICC requesting a determination that the terms of the Merger are just and reasonable or, alternatively, a declaratory order of the ICC that no such determination is required, and the Company has agreed to take such further action as is necessary or desirable to obtain such determination or order.

Compensation and Benefits. Pursuant to the Merger Agreement, Union Pacific has agreed to cause the Surviving Corporation and its subsidiaries to honor and

assume the Change of Control Employment Agreements listed in the Disclosure Schedule (the 'Change of Control Employment Agreements'). If Union Pacific notifies the Company prior to the Effective Time that Union Pacific wishes to substitute alternate contractual arrangements (to become effective as of the Effective Time) with one or more of the employees who currently have Change of Control Employment Agreements, the Company has agreed to use its best efforts to facilitate Union Pacific's negotiations with any such employee and to cooperate in making any such contractual changes which are agreed upon by Union Pacific and such employee. Each individual employee who (i) receives a lump sum payment in cash of all benefits under Section 5(a) of a Change of Control Employment Agreement, (ii) agrees to amend certain agreements with the Company and Union Pacific to terminate such agreements as of the Effective Time, and to waive all rights thereunder, and (iii) waives any claims against the Company, except for certain routine benefit claims and certain indemnification claims under the Merger Agreement, will also receive a Separate Payment from the Company representing his or her individual share of $15 million on a pro rata basis in the proportion that his or her individual 1995 annualized compensation bears to the total 1995 annualized compensation of all of the 27 executives who have Change of Control Employment Agreements, subject to certain tax adjustments.

Under the Merger Agreement, no employee of the Company who is not an executive officer of the Company and whose compensation or benefits are not the subject of a collective bargaining agreement, and who has not entered into a Change of Control Employment Agreement with the Company will be terminated within 18 months of the Effective Date for the sole purpose of a reduction in the workforce without being permitted to participate in a two-part cash severance program (voluntary and involuntary) consistent with, and no less generous than, that offered by Union Pacific to certain of its employees in December 1994, under the Union Pacific Railroad Company Marketing and Sales Department 1994 Voluntary Force Reduction Program.

Pursuant to the Merger Agreement, Union Pacific, the Purchaser and the Company agreed that (i) each employee of the Company who is eligible to participate in one or more of the Retirement Plans will, until December 31, 1995, continue to be eligible to participate in each Retirement Plan in which he was eligible to participate as of the date of the Merger Agreement, subject to the terms and conditions of the applicable Retirement Plan as in effect from time to time, and under the Savings Program, the 1995 Company contribution will be based upon the 1995 first quarter contribution base multiplied by four, (ii) each of the Retirement Plans will be amended to provide that no benefits will accrue thereunder after December 31, 1995, (iii) effective January 1, 1996, each employee of the Company who was an active participant in the Company's Pension Plan as of December 31, 1995 will become a participant in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the 'UPPP') and will be credited thereunder (A) with compensation paid by the Company before January 1, 1996, as determined in accordance with the terms of the Pension Plan as in effect on the date of the Merger Agreement, (B) for eligibility, vesting, retirement eligibility, and benefit accrual purposes, with the service with which he was credited for such purposes under the Pension Plan as of December 31, 1995, and (C) with compensation and service from and after January 1, 1996, in accordance with the applicable provisions of the UPPP; provided that the benefits to which each such employee shall be entitled under the UPPP shall be reduced by certain amounts as provided in the Pension Plan and the actuarial equivalent of certain benefits provided under certain other Retirement Plans,

(iv) effective January 1, 1996, each employee of the Company who was an active participant in the Savings Program as of December 31, 1995 will be eligible to participate in the Union Pacific Corporation Thrift Plan (the 'Thrift Plan') and will receive credit, for eligibility and vesting purposes, with the service he was credited with under the Savings Program as of December 31, 1995, and for service from and after January 1, 1996, and (v) from and after January 1, 1996, each employee of the Company on that date who was an active participant in the Executive Retirement Plan, the Excess Benefit Plan, or both, as of December 31, 1995 will be entitled to participate in any excess benefit or other unfunded deferred compensation plan that supplements the UPPP or the Thrift Plan and in which similarly situated employees of Union Pacific are then entitled to participate.

Pursuant to the Merger Agreement, each of the Company's employee benefit plans will be amended to provide that if an employee of the Company as of the date of the Merger Agreement, whose compensation or benefits at such date are not the subject of a collective bargaining agreement (a 'Nonagreement Employee'), is transferred to employment with Union Pacific or the Purchaser after such date and before January 1, 1996, the Nonagreement Employee will be permitted to participate in such plan pursuant to the terms of such plan and will not be prohibited from such participation solely by reason of such transfer, provided that the Nonagreement Employee is otherwise eligible to participate in the plan in accordance with the terms and conditions thereof. In addition, except to the extent otherwise provided in the Merger Agreement, from and after January 1, 1996, each Nonagreement Employee of the Company at the Effective Time who is a Nonagreement Employee of Union Pacific, the Purchaser, or the Company on January 1, 1996 will be entitled to participate in, and to receive benefits under, the employee benefit plans of the Company, Union Pacific, and the Purchaser, in accordance with terms and conditions that are comparable to the terms and conditions that apply to similarly situated employees of the Purchaser or Union Pacific. Except with respect to the Retirement Plans, each employee of the Company whose compensation or benefits are not subject to a collective bargaining agreement will at all times on and after January 1, 1996 be given full credit for all past service under all employee benefit plans of Union Pacific, the Purchaser and all affiliates to the extent to which credit is given for such service under the Company's similar benefit plans, subject to reduction for any benefits to which such employee is entitled from the Company under its similar benefit plans.

Pursuant to the Merger Agreement, the Company will, after the Closing, pay bonuses under its Bonus Plan in an amount determined by projecting to December 31, 1995 the Company's performance through the date of Closing and prorating the resulting bonus amounts to the date of Closing.

Pursuant to the Merger Agreement, with respect to options granted under its equity incentive plans (the 'Plans'), its Rollover Option Agreements or otherwise (collectively the 'Options') the Company has agreed to (i) terminate the Plans immediately prior to the Effective Time; (ii) grant no additional Options after the date of the Merger Agreement; (iii) use its best efforts to obtain the consent of Option holders to cancel the Options (whether or not exercisable) the Company does not have the right to cancel; and (iv) cancel those Options (whether or not exercisable) it has the right to cancel. The prior

sentence will not apply to Options (i) with respect to which the holder agrees to exercise limited stock appreciation rights ('LSARs') prior to the Effective Time and (ii) Options held by employees of the Company that Union Pacific has agreed to employ, and who agree that their Options will be exchanged for options of Union Pacific Common Stock (the 'Union Pacific Options') of similar value. The Company will pay to each holder of an Option to purchase Shares (other than those cancelled pursuant to LSAR exercises or in exchange for Union Pacific Option grants) that is cancelled at the Effective Time (whether or not then presently exercisable, and whether or not the Company had the right to cancel the Option, provided that the holder of the Option has consented, if such consent is required) in consideration of the cancellation thereof, an amount in cash equal to the product of (i) the excess, if any, of the Offer Price over the exercise price per Share of each such Option and (ii) the number of Shares covered by such Option.

Representations and Warranties. In the Merger Agreement, the Company has made customary representations and warranties to Union Pacific and the Purchaser with respect to, among other things, its organization, authorization, capitalization, financial statements, public filings, employee benefit plans, compliance with laws, litigation, tax matters, environmental matters, consents and approvals, the opinion of the Company's financial advisor, and the absence of certain events, except as disclosed or provided for in the Disclosure Schedule, the Company's Form 10-K or its Annual Report to Stockholders for the fiscal year ended December 31, 1994 (including financial statements, exhibits and schedules included or expressly incorporated by reference therein on or prior to the date of the Merger Agreement) as filed with the SEC or delivered to Union Pacific in draft form prior to the date of the Merger Agreement, in certain cases having, or which would be reasonably likely to have, individually or in the aggregate, a material adverse effect on the Company and its subsidiaries, taken as a whole.

Termination; Fees. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the stockholders of the Company, (a) by mutual consent of the Board of Directors of Union Pacific and the Company, (b) by either the Board of Directors of Union Pacific or the Board of Directors of the Company (i) if Shares have not been purchased pursuant to the Offer on or prior to June 30, 1995, provided that such right to terminate will not be available to any party whose failure to fulfill any material obligation under the Merger Agreement was the cause of, or resulted in, the failure of Union Pacific or the

Purchaser, as the case may be, to purchase the Shares pursuant to the Offer on or before such date; or (ii) if any governmental entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties will use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Merger Agreement and such order, decree, ruling or other action shall have become final and non-appealable, (c) by the Board of Directors of the Company (i) if, prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn (or modified or changed in a manner adverse to Union Pacific or the Purchaser) its approval or recommendation of the Offer, the Merger Agreement or the Merger in order to

approve and permit the Company to execute a definitive agreement relating to a Takeover Proposal, and determined, based on an opinion of outside legal counsel to the Company, that the failure to take such action would likely result in a breach of its fiduciary duties under applicable law; or (ii) if, prior to the purchase of Shares pursuant to the Offer, Union Pacific or the Purchaser breaches or fails in any material respect to perform or comply with any of its material covenants and agreements contained in the Merger Agreement or breaches its representations and warranties in any material respect; (iii) if Union Pacific or the Purchaser shall have terminated the Offer, or the Offer shall have expired, without Union Pacific or the Purchaser, as the case may be, purchasing any Shares pursuant thereto; provided, that the Company may not terminate the Merger Agreement pursuant to this clause (iii) if the Company is in material breach of the Merger Agreement; (d) by the Board of Directors of Union Pacific (i) if (A) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn or modified or changed (including by amendment of the Schedule 14D-9) in a manner adverse to Union Pacific or the Purchaser its approval or recommendation of the Offer, the Merger Agreement or the Merger, or shall have recommended a Takeover Proposal, or shall have executed an agreement in principle (or similar agreement) or definitive agreement providing for a Takeover Proposal or other business combination with a person or entity other than Union Pacific, the Purchaser or their affiliates (or the Board of Directors of the Company resolves to do any of the foregoing), or (B) it shall have been publicly disclosed or Union Pacific or the Purchaser shall have learned that any person, entity or 'group' (as that term is defined in Section 13(d)(3) of the Exchange Act) (an 'Acquiring Person'), other than Union Pacific or its affiliates or any group of which any of them is a member, shall have acquired beneficial ownership (determined pursuant to Rule 13d-3 promulgated under the Exchange Act), of more than 30% of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted an option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 30% of any class or series of capital stock of the Company (including the Shares), or (ii) if Union Pacific or the Purchaser, as the case may be, shall have terminated the Offer, or the Offer shall have expired without Union Pacific or the Purchaser, as the case may be, purchasing any Shares thereunder, provided that Union Pacific may not terminate the Merger Agreement pursuant to this clause (ii) if it or the Purchaser has failed to purchase Shares in the Offer in violation of the material terms thereof.

In accordance with the Merger Agreement, if (1) the Board of Directors of the Company terminates the Merger Agreement pursuant to clause (c)(i) of the immediately preceding paragraph, (2) the Board of Directors of Union Pacific terminates the Merger Agreement pursuant to clause (d)(i) of the immediately preceding paragraph, or (3) the Board of Directors of the Company terminates the Merger Agreement pursuant to clause (c)(iii) or the Board of Directors of Union Pacific shall terminate the Merger Agreement pursuant to clause (d)(ii) and within one year of any such termination under this clause (3), a Person acquires or beneficially owns a majority of the then outstanding Shares or shall have obtained representation on the Company's Board of Directors or shall enter into a definitive agreement with the Company with respect to a Takeover Proposal or similar business combination, then in any such case as described in clause (1), (2) or (3) (each such case of termination being referred to as a 'Trigger Event'), the Company will promptly assume and pay, or reimburse Union Pacific

for, all reasonable fees and expenses incurred, or to be incurred, by Union Pacific, the Purchaser and their affiliates, in connection with the Offer, the Merger and the consummation of the transactions contemplated by the Merger Agreement in an amount not to exceed $3 million in the aggregate.

CONFIDENTIALITY AGREEMENT

In connection with the proposed Transaction, the Company, Union Pacific, Union Pacific Holdings, Inc. and the Purchaser entered into the Confidentiality Agreement on March 10, 1995. Pursuant to the Confidentiality Agreement, Union Pacific, Union Pacific Holdings, Inc. and the Purchaser (collectively, 'UP') agreed, among other things, to keep confidential certain information furnished to it by the Company and to use such information

solely for the purpose of evaluating a possible transaction with the Company. (The Merger Agreement modifies this use restriction by allowing Union Pacific to also use such information for strategic and integration planning purposes.) The Confidentiality Agreement also provides, among other things, that (i) UP may disclose such information to those representatives of UP who need to know such information for purposes of evaluating a possible transaction with the Company and UP shall be responsible for any unauthorized use or disclosure by any such representative, (ii) subject to certain requirements (including prior notification of the Company), UP may disclose such information to the extent required by law, (iii) upon the Company's request, UP must promptly return all documents furnished by the Company and destroy all portions of documents, memoranda, notes and other writings based on the confidential information furnished by the Company and (iv) until March 1, 1996, UP may not solicit or employ any current officer or senior employee of the Company so long as they are employed by the Company without obtaining the prior written consent of the Company. The Confidentiality Agreement has a term of one year.

ITEM 4. THE SOLICITATION OR RECOMMENDATION.

(a) Recommendation. At a meeting held on March 16, 1995, the Board of Directors of the Company unanimously (with one director, Richard K. Davidson, who is the President of Union Pacific, absent and not voting due to such status) (i) determined that the terms of the Offer and Merger are fair to, and in the best interests of, the Company and its stockholders (other than Union Pacific and Purchaser), (ii) approved the terms of the Merger Agreement and authorized the execution and delivery thereof, (iii) approved, to the extent required, the transactions contemplated by the Merger Agreement in order to exempt such transactions from the provisions of Section 203 of the Delaware General Corporation Law ('Delaware Law') and (iv) recommended that stockholders of the Company accept the Offer. Accordingly, the Board unanimously (with Mr. Davidson not participating) recommends that the stockholders of the Company tender their Shares pursuant to the Offer. The Merger Agreement was executed on March 16, 1995. A press release announcing the Merger Agreement and the transactions contemplated thereby and a form of letter to stockholders of the Company communicating the Board's recommendation have been filed with the SEC as Exhibits 11 and 12, respectively, to this Schedule 14D-9, each of which is hereby incorporated herein by reference.

(b)(1) Background. A predecessor of the Company was acquired in a going-private transaction in 1989 involving the issuance and sale of Shares to various parties, including Blackstone Capital Partners, L.P. ('BCP') (an affiliate of Blackstone) and certain officers of the Company, and the sale of convertible preferred stock of the Company to the Purchaser for a purchase price of $100 million. In April 1992, the Company completed a recapitalization involving, among other things, the sale of Shares in an initial public offering. As part of such recapitalization, the Purchaser exchanged its preferred stock of the Company (and an additional cash investment in the Company of $28 million) for 10,153,304 Non-Voting Shares. In October 1992, the Purchaser purchased 182,000 Shares in the open market and in December 1992, the Purchaser purchased 2,000,000 Shares from BCP, all of such Shares having been exchanged by the Company for the same number of Non-Voting Shares. Two parties to the 1989 going-private transaction (including BCP) sold substantially all of their Shares in July 1993, 500,000 of such Shares to the Purchaser (which converted the shares into Non-Voting Shares) and the balance in a secondary public offering.

On January 29, 1993, Union Pacific, Union Pacific Railroad Company, a wholly owned subsidiary of Parent ('UPRC'), Missouri Pacific Railroad Company, a wholly owned subsidiary of Union Pacific ('MPRR' and together with UPRC, 'UPRR'), the Company and Chicago and North Western Railway Company, a wholly owned subsidiary of the Company ('CNW Railway') filed a joint application with the ICC for an order authorizing the common control, within the meaning of the Interstate Commerce Act (the 'IC Act'), of the rail subsidiaries of the Company and Union Pacific. Union Pacific and the Company requested that the ICC issue an order that would permit Union Pacific to, among other things, convert its Non-Voting Shares into Shares, vote such Shares, acquire additional Shares if it elects to do so and (subject to the approval of the Company) coordinate further the railroad subsidiaries of Union Pacific and the Company, in each case without the need to obtain any further control authorization from the ICC (the 'Control Application').

On December 13, 1994, the commissioners of the ICC voted to approve the Control Application, subject to a standard labor protection condition (the 'Labor Condition') and a requirement that the Soo Line Railroad Company ('Soo') be permitted to admit third parties to certain joint facilities operated by Soo and CNW

Railway (the 'Soo Condition'), and effective upon publication by the ICC of a written opinion (and the expiration of the applicable waiting period).

On February 9, 1995, at a committee meeting of the Association of American Railroads, Robert Schmiege, Chairman, President and Chief Executive Officer of the Company, inquired of Richard K. Davidson, President of Union Pacific and Chairman and Chief Executive Officer of UPRR (and Union Pacific's designee on the Company's Board of Directors), whether Union Pacific had made any determination concerning the future of its investment in the Company. Mr. Davidson advised that, although it was his personal view that a combination of Union Pacific and the Company would be in the long-term best interests of both companies, Union Pacific had made no determination concerning its investment in the Company.

In conversations between Carl W. von Bernuth, Senior Vice President and General Counsel of Union Pacific, and the Company's outside counsel, and between Drew Lewis, Chairman and Chief Executive Officer of Union Pacific, and Mr. Schmiege, on February 10, 1995 and February 14, 1995, respectively, Messrs. von Bernuth and Lewis confirmed that neither management nor the Board of Directors of Union Pacific had made any determination with respect to Union Pacific's investment in the Company, other than to continue to hold such position as an investment.

On February 28, 1995, at a regularly scheduled meeting of the Board of Directors of the Company, the Board (with Mr. Davidson absent due to his status as President of Union Pacific) reviewed with management the Company's Five-Year Business Plan (the 'Business Plan') and gave preliminary consideration to the adoption of a possible stockholder rights plan. At the meeting, Mr. Schmiege discussed with the directors his conversations with Messrs. Lewis and Davidson and the status of the Control Application. Counsel to the Company reviewed with the directors the legal standards under Delaware Law applicable to board decisions in business combination transactions and reviewed the terms of a possible stockholder rights plan.

On March 7, 1995, the ICC issued a written opinion approving the Control Application, subject to the Labor Condition and the Soo Condition. See 'THE OFFER--Certain Legal Matters; Regulatory Approvals' in the Offer to Purchase. On April 6, 1995, the ICC approval is expected to become final and effective (provided that no stays have been entered by any court or the ICC prior to such time). Also on March 7, 1995, Union Pacific and the Purchaser filed an amendment to their Schedule 13D with the SEC disclosing, among other things, (i) receipt of the ICC written opinion, (ii) Union Pacific's intention, upon the effectiveness of ICC approval and upon making provision for the conditions thereto, to designate two additional directors on an expanded nine-member Board of the Company (as provided in the 1993 Agreement described below), and to convert its Non-Voting Shares into Shares and (iii) Union Pacific's plan to seek to explore with the Company from time to time the possibility of entering into various operational arrangements and ways to enhance shareholder value, including the acquisition of all or a part of the Company.

Later on March 7, 1995, Mr. Lewis and Mr. Davidson met with Mr. Schmiege to discuss, among other things, the possibility of exploring the acquisition by Union Pacific of the Company. Mr. Lewis indicated that he was prepared to explore a possible acquisition at a price in the lower $30 per Share range. Mr. Schmiege indicated that although the Board of Directors of the Company had not made any decision to sell the Company, he would report their conversation to the Board. On March 8, 1995, in conversations between Mr. Schmiege and Mr. Lewis, Mr. Schmiege advised that the Company's Board of Directors would meet on March 9, 1995, and Mr. Lewis arranged to call Mr. Schmiege during or after such meeting. On March 8 and 9, 1995, Messrs. Lewis and Davidson, in conversations with Mr. Schmiege, continued to express interest in a possible transaction, and outside counsel to Union Pacific and the Company had conversations regarding process.

On March 9, 1995, the Board of Directors of the Company held a special meeting (with Mr. Davidson absent due to his status as President of Union Pacific) to consider the possibility of a transaction whereby the Company would be acquired by Union Pacific. The Board first confirmed that Blackstone had been

retained to act as its exclusive financial advisor with respect to, among other things, a potential sale of the Company. The Board then reviewed the status of discussions with Union Pacific and received reports from management and Blackstone and a further review by legal counsel of the legal standards applicable to business combination transactions. Among the items discussed were (i) Blackstone's preliminary discussion materials (the 'Blackstone Materials') presenting a range of values of the Shares based on several different analyses and methodologies (see 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.' and '--Summary of Presentation Materials to the Board' in the Offer to Purchase) and (ii) whether any sale at that time was desirable and in the best interests

of the Company and the holders of its Shares. Blackstone also noted that based on a preliminary review with the Company's management of other potential strategic buyers, and given Union Pacific's existing ownership stake in the Company, the significant business relationships between Union Pacific and the Company, and the ICC's March 7, 1995 approval of the Control Application, which would likely strengthen Union Pacific's position relative to other potential railroad industry bidders since the acquisition of the Company by any other railroad would be subject to future ICC approval, viable competition to acquire the Company was unlikely to emerge. Blackstone also discussed with the Board a possible leveraged buyout or leveraged recapitalization of the Company as set forth in the Blackstone Materials, and the difficulties of financing such a transaction. After considering various factors, including the advice of Blackstone and legal counsel, it was the consensus of the Board of Directors that management of the Company enter into negotiations with Union Pacific only if Union Pacific were to make an offer which exceeded the lower $30 per Share range.

During a recess in the meeting of the Board, Mr. Lewis contacted Mr. Schmiege and indicated that Union Pacific was prepared to pursue discussions with the Company concerning a possible transaction at a price of $34 per Share. Mr. Schmiege replied that no decision had been made to sell the Company but that he would report back to the Board of Directors of the Company and would call Mr. Lewis back later in the evening.

The Board reconvened to consider the interest expressed by Union Pacific to acquire the Company. Counsel to the Company again advised the Board as to their fiduciary duties with respect to a possible sale of the Company to Union Pacific. The Board, with the advice of Blackstone and legal counsel, determined that although the Board might be willing to pursue discussions with Union Pacific concerning a transaction at a price of $34 per Share, Mr. Schmiege should attempt to increase the per Share consideration.

During another recess in the meeting, Mr. Schmiege advised Mr. Lewis that the Board was prepared to negotiate a transaction for the sale of the Company and, after further discussion, the two men reached an understanding for a transaction in which Union Pacific would acquire 100% of the Shares at a price of $35 per Share, subject to, among other things, negotiation and execution of a mutually satisfactory merger agreement and approvals by Union Pacific's and the Company's respective boards of directors.

The Board reconvened and Blackstone rendered its oral opinion that the cash consideration of $35 per Share was fair to the holders of Shares from a financial point of view. (See 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.' in the Offer to Purchase). The Board of Directors, after considering various factors, including the fairness opinion of Blackstone and legal advice of the Company's counsel, approved (with Mr. Davidson absent and not voting) a transaction in which Union Pacific would acquire 100% of the Shares at $35 per Share in cash, subject to negotiation and execution of a mutually satisfactory definitive merger agreement and approvals by Union Pacific's and the Company's respective boards of directors. The Board also authorized management to negotiate definitive terms and present a definitive merger agreement to the Board.

Prior to the commencement of trading on March 10, 1995, the Company and Union Pacific issued a joint press release regarding their discussions. The full text of the joint press release of March 10 follows:

> CHICAGO, ILLINOIS, MARCH 10, 1995--Union Pacific Corporation (NYSE: UNP) and Chicago and North Western Transportation Company (NYSE: CNW) announced today that they have agreed that Union Pacific will acquire 100% of CNW's common stock at a price of $35 per share in cash. The transaction is subject, among other things, to negotiation and execution of a mutually satisfactory definitive purchase agreement and approvals by the companies' respective boards of directors.
>
> 'I am very excited about this transaction. The Chicago and North Western is an excellent managed and maintained railroad with a great route to Chicago,' said Union Pacific Corporation Chairman and CEO Drew Lewis. 'This is a strategic move that will make Union Pacific an even greater mover of southern Powder River Basin coal, grain, intermodal and other products.'
>
> Union Pacific is a transportation and natural resource company based in Bethlehem, Pennsylvania, with sales of approximately $8 billion.
>
> The Chicago and North Western Transportation Company is the holding company for the Chicago and North Western Railway Company, a leading railroad freight hauler in the central transcontinental corridor and major transporter of coal, grain and double-stack containers.

On March 10, 1995, the Company, Union Pacific, the Purchaser and Union Pacific Holdings, Inc., a wholly owned subsidiary of Union Pacific, entered into a confidentiality agreement pursuant to which, among other

things, the Company agreed to provide to Union Pacific certain information concerning the Company and its operations for use in evaluating the Transaction and the recipients agreed to keep such information confidential.

Commencing on March 11, 1995, representatives of Union Pacific and the Company and their respective legal advisors began negotiating definitive terms of a merger agreement and continued such negotiations through March 16, 1995. Among other things, during the course of such negotiations: (i) the conditions to Union Pacific's and the Purchaser's obligation to consummate the Offer were narrowed; (ii) the scope of the representations and warranties made by the Company was narrowed; (iii) provision was made for at least three current directors of the Company to remain on the Board after consummation of the Offer, and it was provided that the concurrence of a majority of such directors would be required for any amendment or termination of the Merger Agreement; (iv) the fiduciary duty exception to the provision in the Merger Agreement which prohibits the Board from engaging in negotiations or discussions with, or providing information to, any person (other than Union Pacific or its affiliates) relating to any Takeover Proposal (as defined in the Merger Agreement) was expanded and a proposed breakup fee in the event that the Board accepts a Takeover Proposal with any such person was eliminated; and (v) the expenses of Union Pacific, the Purchaser and their affiliates reimbursable by the Company under certain circumstances (including the Company's acceptance of a Takeover Proposal from a third party other than Union Pacific) were limited to $3 million. On March 11, 1995, representatives and advisors of Union Pacific met with representatives and advisors of the Company at the Company's offices in Chicago, Illinois to discuss certain financial and other information regarding the Company.

On March 16, 1995, the Board of Directors of the Company held a special meeting (with Mr. Davidson absent due to his status as President of Union Pacific) to consider the Merger Agreement, the Offer and the Merger. Blackstone reviewed the Blackstone Materials in final form and indicated that during the period since the public announcement on March 10, 1995, there had been no inquiries, requests for information or offers from any other parties relating to a proposed acquisition of the Company. Blackstone then presented its formal written opinion that as of March 16, 1995, the cash consideration to be received by the holders of Shares pursuant to the Offer and the Merger is fair to such holders of Shares from a financial point of view. Counsel to the Company again reviewed the fiduciary duties of directors and then reviewed in detail the terms and conditions of the Merger Agreement and the Option Agreement. The Board of Directors of the Company (with Mr. Davidson absent and not voting) unanimously approved the Merger Agreement, authorized execution and delivery thereof, determined that the Offer and the Merger are fair to and in the best interests of the holders of Shares (other than Union Pacific and the Purchaser) and recommended that stockholders of the Company accept the Offer and tender their Shares pursuant to the Offer.

The Merger Agreement and the Option Agreement were executed in the evening of March 16, 1995.

Prior to the commencement of trading on March 17, 1995, the Company and Union Pacific issued a joint press release regarding the execution of the Merger Agreement and the commencement of the Offer. The full text of the joint press release of March 17 follows:

> BETHLEHEM, MARCH 17, 1995--Union Pacific Corporation (UNP) and Chicago and North Western Transportation Company (CNW) announced today that they have executed a definitive agreement reflecting the previously announced transaction in which Union Pacific will acquire 100 percent of CNW's common stock at a price of $35 per share in cash. Union Pacific will shortly commence a tender offer for all CNW shares. Following the consummation of the tender offer, Union Pacific will acquire the remaining outstanding CNW shares in a merger for $35 per share in cash.
>
> 'This acquisition will strengthen our capacity to compete in the key western freight corridors,' said Drew Lewis, Union Pacific chairman and CEO. 'It will increase Union Pacific's growing intermodal traffic from the major West Coast ports to the Midwest and enhance our low-sulfur coal shipments out of the Powder River Basin in Wyoming to the Mississippi Valley and the East. We are delighted to have this fine railroad joining the Union Pacific family.'
>
> 'In addition to providing a substantial premium for our shareholders,' said Robert Schmiege, chairman, president and CEO of the CNW, 'this merger offers an opportunity for our customers and virtually all of our employees to participate in a larger railroad with broader horizons, greater resources and enhanced opportunities for the marketing of our customers' products and our employees' professional growth.'

Union Pacific Corporation is a transportation and natural resource company based in Bethlehem, Pennsylvania, with sales of approximately $8 billion.

The Chicago and North Western Transportation Company is the holding company for the Chicago and North Western Railway Company, a leading railroad freight hauler in the central transcontinental corridor and major transporter of coal, grain and double-stack containers.

On March 23, 1995, Union Pacific and the Purchaser commenced the Offer.

(b)(2) Reasons for the Recommendation. In making the determination and recommendation set forth in paragraph (a) above, the Board of Directors of the Company considered many factors including, but not limited to, the following:

(i) the oral and written presentations of Blackstone (see 'SPECIAL FACTORS--Opinion of The Blackstone Group L.P.' in the Offer to Purchase), and the written opinion of Blackstone to the effect that the cash consideration to be received by the holders of Shares in the Offer and the Merger is fair to such holders from a financial point of view (a copy of such opinion, setting forth assumptions made and matters considered and limitations set forth by Blackstone, is attached as Exhibit 13 to this Schedule 14D-9 and should be read in its entirety);

(ii) the historical market prices of and recent trading activity in the Shares, particularly the fact that the Offer and the Merger will enable the stockholders of the Company to realize a significant premium over the prices at which the Shares traded prior to the public announcement of the proposed Transaction; the Offer Price in the Transaction is significantly higher than the highest price ($28.00 per Share on February 10, 1995) at which the Shares had ever traded prior to the public announcement of the Transaction;

(iii) the view that competing offers were unlikely to occur; the Board considered the view of Blackstone that based on a preliminary review with the Company's management of other potential strategic buyers, and given

Union Pacific's existing ownership stake in the Company, the significant business relationships between Union Pacific and the Company and the ICC's March 7, 1995 approval of the Control Application (currently scheduled to become final and effective on April 6, 1995), which would be likely to strengthen Union Pacific's position relative to other potential railroad industry bidders since the acquisition of the Company by any other railroad would be subject to future ICC approval, viable competition to acquire the Company was unlikely to emerge; the Board further considered the fact that since the public announcement on March 10, 1995 (which public announcement occurred six days prior to the execution of the Merger Agreement) the Company has not received any inquiries, requests for information or offers from any other parties relating to a proposed acquisition of the Company;

(iv) the fact that although the Merger Agreement does not permit the Company, its subsidiaries and its affiliates to initiate, solicit or encourage any potential Takeover Proposal, in the event of an unsolicited Takeover Proposal the Company may engage in negotiations or discussions with, or provide information to, a third party to the extent the failure to do so would likely result in a breach of the fiduciary obligations of the Board; and the fact that in the event that the Board decided to accept a takeover bid by a third party, the Board may terminate the Merger Agreement without the payment of a break-up fee, subject only to the payment of the expenses of Union Pacific, the Purchaser and their affiliates in an amount not to exceed $3 million in the aggregate;

(v) the possible alternatives to the Offer and the Merger, including, without limitation, continuing to operate the Company as a separate entity;

(vi) information with regard to the financial condition, results of operations, business and prospects of the Company, as reflected in the projections in the Company's Business Plan, as well as the risks involved in achieving those prospects, current economic and market conditions (including current conditions in the industry in which the Company is engaged) and the going concern value of the Company (as reflected in part in its historical and projected operating results and in the Blackstone Materials); the Board did not consider the liquidation of the Company as a viable course of action, and, therefore, no appraisal or liquidation values were sought for purposes of evaluating the Offer and the Merger;

(vii) the expected timing of the Offer and the Merger, including the fact that the ICC final approval of Union Pacific's control of the Company is scheduled to become final and effective on April 6, 1995, prior to the scheduled expiration of the Offer;

(viii) the terms and conditions of the Merger Agreement, including the fact that Union Pacific's obligation to consummate the Offer and the Merger is subject only to a limited number of conditions and the fact that the Offer is not conditioned upon financing; and

(ix) the terms of certain other recently consummated acquisitions of companies in comparable lines of business as the Company.

The members of the Board of Directors of the Company (with Mr. Davidson, President of Union Pacific, absent and not voting due to such status) considered each of the factors listed above during the course of their deliberations and negotiations prior to entering into the Merger Agreement. The Board evaluated the factors listed above in light of their knowledge of the business and operations of the Company and their business judgment. The Board based its determination that the terms of the Offer and the Merger are fair to the stockholders (other than Union Pacific and the Purchaser) of the Company primarily on the opinion of Blackstone and the other factors set forth above. The Board stated that it regarded all of such factors as important, and did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its decision.

The Board of Directors recognized that the Offer and the Merger are not structured to require the approval of the majority of the unaffiliated stockholders of the Company, and that Union Pacific and the Purchaser would be able to close the Offer and effect the Merger without the vote of any other stockholder of the Company if they acquire 10,522,798 or more of the outstanding Shares pursuant to the Offer. In addition, the Board recognized that certain officers and directors of the Company have certain interests in the Transaction that present actual or potential conflicts of interest. See 'SPECIAL FACTORS--Interest of Certain Persons in the Transaction' in the Offer to Purchase. The Board also recognized that, while the consummation of the Transaction offers stockholders the opportunity to realize a significant premium over the price at which Shares were traded prior to the public announcement of the proposed Transaction, the Transaction would eliminate the opportunity of all stockholders other than Union Pacific to participate in the future growth and profits of the Company. The Board believes, however, that this loss of opportunity was reflected in the Offer Price of $35 per Share, and also recognized that there can be no assurance as to the level of growth or profits to be attained by the Company in the future.

If the Offer and the Merger are not consummated, the Board of Directors expects to continue to operate the Company as an ongoing business.

Because of the appointment of Blackstone as the financial advisor to the Company and the fact that Mr. Davidson did not participate in the deliberations relating to, or vote on, the Transaction, the Board of Directors did not consider it necessary to retain unaffiliated representatives to act solely on behalf of the public stockholders of the Company for purposes of negotiating the terms of the Merger Agreement.

ITEM 5. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED

Except as described below, neither the Company nor any person acting on its behalf has employed, retained or agreed to compensate any other person to make solicitations or recommendations to stockholders of the Company concerning the Offer.

Blackstone is acting as financial advisor to the Company in connection with the Offer and other matters arising in connection therewith pursuant to a letter agreement, dated as of March 3, 1995, between Blackstone and the Company (the 'Engagement Letter'). The Engagement Letter was entered into in addition to a prior letter agreement, dated as of December 14, 1994 (the 'December Engagement Letter') pursuant to which Blackstone had been retained by the Company, effective November 29, 1994, to act as the Company's exclusive financial advisor with respect to various matters, including the Company's discussions and proposed agreement with Union Pacific relating to Union Pacific's then proposed acquisition of Santa Fe Pacific Corporation. Under the terms of the Engagement Letter, Blackstone has agreed to advise and assist the Company in its evaluation of a potential sale of, investment in, recapitalization by, strategic alliances with or joint ventures involving, the Company ('Possible Transactions'). The Engagement Letter also provides, among other things, that Blackstone will render an opinion as to the fairness, from a financial point of view, to the Company's common stockholders of the consideration to be received by such stockholders in any Possible Transaction.

Pursuant to the terms of the Engagement Letter, the Company agreed to pay Blackstone a fee of $6,000,000, less one-half of any retainer fees paid to Blackstone pursuant to the December Engagement Letter. Pursuant to

the December Engagement Letter, the Company paid Blackstone retainer fees totaling $500,000. The Company has also agreed in the Engagement Letter to reimburse Blackstone and its affiliates for its reasonable out-of-pocket expenses and to indemnify Blackstone and its affiliates against certain liabilities, including those relating to or in connection with the Offer.

The Company selected Blackstone primarily due to Blackstone's reputation and experience in investment banking and mergers and acquisitions in general, as well as Blackstone's knowledge and familiarity with the Company in particular. BCP, an affiliate of Blackstone, led a leveraged, going private transaction of CNW Corporation, a predecessor of the Company, in 1989, and Blackstone has since that time performed various financial advisory and financing services for the Company. Mr. James J. Mossman, General Partner of Blackstone Group Holdings L.P., an affiliate of Blackstone, serves on the Board of Directors of the Company. Except as described herein and in Annex I under the caption 'CERTAIN RELATIONSHIPS AND TRANSACTIONS' (the provisions of which are hereby incorporated herein by reference), neither Blackstone nor any of its affiliates has any material interest in, or relationship with, the Company.

ITEM 6. RECENT TRANSACTIONS AND INTENT WITH RESPECT TO SECURITIES

(a) No transactions in the Shares have been effected during the last 60 days by the Company or, to the best of the Company's knowledge, by any executive officer, director, affiliate or subsidiary of the Company.

(b) To the best of the Company's knowledge, except as described in Item 3(b) above under the caption 'Merger Agreement--Compensation and Benefits' (the provisions of which are hereby incorporated herein by reference) and subject to applicable securities laws and personal considerations (including tax planning), each of the directors and executive officers of the Company presently intends to tender pursuant to the Offer all Shares owned beneficially or of record by him. The foregoing does not include any Shares over which, or with respect to which, any such director or executive officer acts in a fiduciary or representative capacity or is subject to the instructions of a third party with respect to such tender.

ITEM 7. CERTAIN NEGOTIATIONS AND TRANSACTIONS BY SUBJECT COMPANY

(a) Except as described in Item 3(b) and Item 4 above (the provisions of which are hereby incorporated herein by reference), no negotiation is being undertaken or is underway by the Company in response to the Offer which relates to or would result in (i) an extraordinary transaction, such as a merger or reorganization, involving the Company or any subsidiary of the Company, (ii) a purchase, sale or transfer of a material amount of assets by the Company or any subsidiary of the Company, (iii) a tender offer for, or other acquisition of, securities by or of the Company or (iv) any material change in the present capitalization or dividend policy of the Company.

(b) Except as described in Item 3(b) and Item 4 above (the provisions of which are hereby incorporated herein by reference), there are no transactions, board resolutions, agreements in principle or signed contracts in response to the Offer which relate to or would result in one or more of the matters referred to in paragraph (a) of this Item 7.

ITEM 8. ADDITIONAL INFORMATION TO BE FURNISHED

(a) Section 203 of Delaware Law

As a Delaware corporation, the Company is subject to Section 203 ('Section 203') of Delaware Law. Section 203 would prevent an 'Interested Stockholder' (generally defined as a person beneficially owning 15% or more of a corporation's voting stock) from engaging in a 'Business Combination' (as defined in Section 203) with a Delaware corporation for three years following the date such person became an Interested Stockholder unless: (i) before such person became an Interested Stockholder, the board of directors of the corporation approved the transaction in which the Interested Stockholder became an Interested Stockholder or approved the Business Combination, (ii) upon consummation of the transaction which resulted in the Interested Stockholder becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time that the transaction commenced (excluding stock held by directors who are also officers and by employee stock ownership plans that do not allow plan participants to determine confidentially whether to tender shares) or (iii) following the transaction in which such person became an Interested Stockholder, the Business Combination is (x) approved by the board of directors of the corporation and (y) authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. In accordance with the

provisions of the Company's Restated Certificate of Incorporation, as amended, and Section 203, the Board has approved, to the extent required, the transactions contemplated by the Merger Agreement, including Purchaser's acquisition of Shares pursuant to the Offer. Accordingly, the transactions contemplated by the Merger Agreement, including Purchaser's acquisition of Shares pursuant to the Offer, are exempt from the provisions of Section 203.

(b) Certain Litigation

The Company, its directors, Union Pacific and Purchaser have been named as defendants in five purported class action lawsuits commenced on March 9, 10 and 13, 1995 in the Court of Chancery in and for New Castle County, Delaware. Such actions each purport to be brought as a class action on behalf of all public stockholders of the Company and are captioned as follows: Feiwel v. Martin, et. al. (C.A. No. 14109); Steiner v. Davidson, et. al. (C.A. No. 14111); Katz v. Martin, et. al. (C.A. No. 14112); Kowal, et al. v. Chicago and Northwestern Transportation Company, et al. (C.A. No. 14115); and Gerber v. Martin, et. al. (C.A. No. 14117). The complaints in the five lawsuits allege, among other things, that (i) directors of the Company breached their fiduciary duties to the stockholders of the Company in considering and approving the proposed Transaction and (ii) as the controlling stockholder of the Company, Union Pacific and Purchaser breached their fiduciary duties to the other stockholders of the Company in agreeing to enter into the proposed Transaction. In particular, such complaints allege that the directors agreed to sell the Company at an inadequate price and without proper information concerning the true value of the Company and its Shares because they failed to use an auction or an active market check or explore other strategic alternatives; and failed to create a special committee of fully disinterested directors. The Steiner complaint adds the claim that the whole Board is disqualified from acting because of various contractual agreements with Union Pacific. The complaint in Gerber alleges that Union Pacific's 29% control of the Company permits Union Pacific to control the terms of any buyout transaction without any bona fide negotiations taking place. In addition, all claim Union Pacific and Purchaser had access to confidential and proprietary non-public information about the Company and used that information to acquire the Company at an inadequate price in violation of Union Pacific's obligations as a controlling stockholder of the Company to assure that the transaction be entirely fair. As relief, the complaints in Feiwel, Katz, Gerber and Kowal seek an injunction against consummation of the Transaction and damages in an unspecified amount. The complaint in Steiner seeks a court order requiring the directors to properly evaluate the alternatives, ensure there are no conflicts and appoint a special committee in connection with a proposed sale of the Company and damages in an unspecified amount. The Company believes that all of such lawsuits are without merit, and intends to vigorously defend such actions.

The above summary does not purport to be complete and is qualified in its entirety by reference to the full text of the complaints in Feiwel v. Martin, et. al., Steiner v. Davidson, et. al. , Katz v. Martin, et. al., Kowal, et. al. v. Chicago and North Western Transportation Company, et. al. and Gerber v. Martin, et. al., which are attached as Exhibits 14, 15, 16, 17 and 18 hereto, respectively, and which are hereby incorporated herein by reference.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS***

Exhibit 1	--	Offer to Purchase dated March 23, 1995 (including the Merger Agreement attached thereto as Annex I).*
Exhibit 2	--	Letter of Transmittal for the Tender of Shares.
Exhibit 3	--	Company Stock Option Agreement, dated March 16, 1995, by and between the Company and the Purchaser.
Exhibit 4	--	Confidentiality Agreement, dated March 10, 1995, between the Company, Union Pacific, Union Pacific Holdings, Inc. and the Purchaser.
Exhibit 5	--	Change of Control Employment Agreement between the Company and F. Gordon Bitter (incorporated by reference to Exhibit 10.61 to the 1994 10-K).
Exhibit 6	--	Change of Control Employment Agreement between the Company and Paul A. Lundberg (incorporated by reference to Exhibit 10.62 to the 1994 10-K).
Exhibit 7	--	Change of Control Employment Agreement between the Company and James E. Martin (incorporated by reference to Exhibit 10.63 to the 1994 10-K).
Exhibit 8	--	Change of Control Employment Agreement between the Company and Arthur W. Peters (incorporated by reference to Exhibit 10.64 to the 1994 10-K).
Exhibit 9	--	Change of Control Employment Agreement between the Company and Dennis E. Waller (incorporated by reference to Exhibit 10.65 to the 1994 10-K).
Exhibit 10	--	Joint Press Release issued by the Company and Union Pacific on March 10, 1995 (incorporated by reference to Exhibit 99 to the 1994 10-K).
Exhibit 11	--	Joint Press Release issued by the Company and Union Pacific on March 17, 1995 (incorporated by reference to Exhibit 99.1 to the 1994 10-K).
Exhibit 12	--	Form of Letter, dated March 23, 1995, to Stockholders of the Company.**
Exhibit 13	--	Opinion of The Blackstone Group L.P.**
Exhibit 14	--	Complaint in Feiwel v. Martin, et. al. (Del. Ch., filed on March 9, 1995) (C.A. No. 14109).
Exhibit 15	--	Complaint in Steiner v. Davidson, et. al. (Del. Ch., filed on March 10, 1995) (C.A. No. 14111).
Exhibit 16	--	Complaint in Katz v. Martin, et. al. (Del. Ch., filed on March 10, 1995) (C.A. No. 14112).
Exhibit 17	--	Complaint in Kowal, et. al. v. Chicago and North Western Transportation Company, et. al. (Del. Ch., filed on March 13, 1995) (C.A. No. 14115).
Exhibit 18	--	Complaint in Gerber v. Martin, et. al. (Del. Ch., filed on March 13, 1995) (C.A. No. 14117).
Exhibit 19	--	Second Participation and Loan Agreement dated as of December 20, 1990 among Western Railroad Properties, Incorporated as Lessee and Citibank, N.A., not individually but solely as Trustee, as Lessor, and UP Leasing Corporation, as Beneficial Owner, and Union Pacific Corporation as Beneficial Owner Parent, and Chicago and North Western Transportation Company and CNW Corporation and Chemical Bank as Administrative Agent and Continental Bank, N.A. and the Long-Term Credit Bank of Japan, Ltd., Chicago Branch, as Co-Agents, and Banque Paribas, New York Branch and Manufacturer Hanover Trust Company as Lead Managers (incorporated by reference to Exhibit 10.19 to the 1990 10-K).
Exhibit 20	--	Amendment dated as of August 26, 1994, to the Second Participation and Loan Agreement dated as of December 20, 1990 among Western Railroad Properties, Incorporated as Lessee and Citibank, N.A., Trustee under the Trust Agreement, as Lessor, and UP Leasing Corporation, as Beneficial Owner, and Union Pacific Corporation, as Beneficial Owner Parent, and Chicago and North Western Railway Company, as successor to Chicago and North Western Transportation Company and CNW Corporation, and Chemical Bank, as Administrative Agent and Continental Bank N.A. and The Long-Term Credit Bank of Japan, Ltd., Chicago Branch, as Co-Agents, and Banque Paribas, New York Branch, as Lead Manager (incorporated by reference to Exhibit 4.14a to the 3rd Quarter 1994 10-Q).

Exhibit 21 -- Second Amended and Restated Stockholders' Agreement, dated as of March 30, 1992, among Chicago and North Western Holdings Corp., CNW Corporation, Chicago and North Western Transportation Company, Blackstone Capital Partners L.P., Blackstone Family Investment Partnership L.P., Blackstone Advisory Directors Partnership L.P., Chemical Investments, Inc., The Prudential Insurance Company of America, DLJ Capital Corporation, Union Pacific Corporation, UP Rail, Inc. and the Management Group (incorporated by reference to Exhibit 10.2 to the 1992 Form S-1).

Exhibit 22 -- Letter Agreement dated October 1, 1992 releasing certain persons from the Second Amended and Restated Stockholders Agreement (incorporated by reference to Exhibit 10.2a to the 1992 10-K).

Exhibit 23 -- Agreement dated as of December 1, 1992 among Chicago and North Western Holdings Corp., Blackstone Capital Partners, L.P., Blackstone Family Investment Partnership, L.P., Blackstone Advisory Directors Partnership, Chemical Investments Inc., Prudential Insurance Company of America, DLJ Capital Corporation, Union Pacific Corporation, UP Rail, Inc., CNW Corporation, Chicago and North Western Transportation Company and the Management Group (incorporated by reference to Exhibit 10.2b to the 1992 10-K).

Exhibit 24 -- Registration Rights Agreement, dated as of July 14, 1989, among Chicago and North Western Holdings Corp., Blackstone Capital Partners L.P., DLJ Capital Corporation, Union Pacific Corporation and the Management Group (the 'Registration Rights Agreement') (incorporated by reference to Exhibit 10.3 to Form S-4).

Exhibit 25 -- Amendment No. 1 to Registration Rights Agreement, dated as of July 24, 1989 (incorporated by reference to Exhibit 10.4 to Form S-4).

Exhibit 26 -- Exchange Agreement between Chicago and North Western Holdings Corp. and UP Rail, Inc. dated March 30, 1992 (incorporated by reference to Exhibit 10.5 to the 1992 10-K).

Exhibit 27 -- Agreement for Modification of Joint Line Agreement and for Interim Trackage Rights dated April 21, 1986 (incorporated by reference to Exhibit 10.11 to Form S-4).

Exhibit 28 -- Agreement for UP Trackage Rights, dated as of July 14, 1989, by and among Union Pacific Railroad Company, Missouri Pacific Railroad Company, CNW Corporation and Chicago and North Western Transportation Company (incorporated by reference to Exhibit 10.60 to Form S-4).

Exhibit 29 -- Supplemental Form of Agreement for UP Trackage Rights, dated as of January 31, 1990 (incorporated by reference to Exhibit 10.39 to the 1990 10-K).

Exhibit 30 -- Amendment to Agreement for UP Trackage Rights dated as of December 20, 1990 (incorporated by reference to Exhibit 10.40 to the 1990 10-K).

Exhibit 31 -- Agreement as of June 21, 1993 among Chicago and North Western Holdings Corp., Blackstone Capital Partners L.P., Blackstone Family Investment Partnership II L.P., Blackstone Advisory Directors Partnership L.P., Chemical Investments, Inc., The Prudential Insurance Company of America, DLJ Capital Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Union Pacific Corporation, UP Rail, Inc., CNW Corporation, Chicago and North Western Transportation Company, Chicago and North Western Acquisition Corporation, UP Leasing Corporation and certain individuals (incorporated by reference to Exhibit 10.59 to 1993 10-K).

Exhibit 32 -- Letter agreement dated December 14, 1994 between Chicago and North Western Transportation Company and The Blackstone Group L.P. for financial advisory services (incorporated by reference to Exhibit 10.60 to 1994 10-K).

Exhibit 33 -- Letter Agreement dated March 3, 1995, between Chicago and North Western Transportation Company and The Blackstone Group L.P. for financial services.

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* The following Sections of the Offer to Purchase are hereby incorporated by reference in this Statement: 'SPECIAL FACTORS--Background of the Transaction,' '--Recommendation of the Board of Directors of the Company: Fairness of the Transaction,' '--Opinion of the The Blackstone Group L.P.'

'--Summary of Presentation Materials to the Board,' '--Interests of Certain Persons in the Transaction,' 'THE MERGER AGREEMENT,' 'Annex I--Agreement and Plan of Merger dated as of March 16, 1995 by and among the Company, Union Pacific and Purchaser,' including the Conditions to the Tender Offer (Annex A thereto). No other section of the Offer to Purchase is incorporated by reference in this Statement or shall be deemed filed with the SEC by the Company for purposes of the Exchange Act.

** Included in copies mailed to stockholders.

*** Certain Company exhibits are incorporated by reference to previous filings of the Company as defined below:

Quarterly Report of Chicago and North Western Transportation Company for the quarter ended September 30, 1994 (the '3rd Quarter 1994 10-Q').

The Form S-4 filed by Chicago and North Western Holdings Corp., file number 33-30874 (the 'Form S-4').

The Form S-1 filed on March 27, 1992 by Chicago and North Western Holdings Corp., file number 33-45265 (the '1992 Form S-1').

The Annual Report of Chicago and North Western Holdings Corp. on Form 10-K for the year ended December 31, 1990, file number 33-30874 (the '1990 10-K').

The Annual Report of Chicago and North Western Holdings Corp. on Form 10-K for the year ended December 31, 1992, file number 33-30874 (the '1992 10-K').

The Annual Report of Chicago and North Western Holdings Corp. on Form 10-K for the year ended December 31, 1993, file number 33-30874 (the '1993 10-K').

The Annual Report of Chicago and North Western Transportation Company on Form 10-K for the year ended December 31, 1994, file number 33-30874 (the '1994 10-K').

Note: On May 6, 1994, the name of Chicago and North Western Holdings Corp. was changed to Chicago and North Western Transportation Company and the name of its wholly-owned subsidiary, Chicago and North Western Transportation Company was changed to Chicago and North Western Railway Company.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: _____/s/ ROBERT SCHMIEGE_____
Name: Robert Schmiege
Title: Chairman, President and Chief Executive Officer

Dated: March 23, 1995

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
165 NORTH CANAL STREET
CHICAGO, ILLINOIS 60606-1551

INFORMATION STATEMENT PURSUANT TO
SECTION 14(F) OF THE SECURITIES
EXCHANGE ACT OF 1934 AND RULE 14F-1 THEREUNDER

This Information Statement is being mailed on or about March 23, 1995 as part of the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the 'Schedule 14D-9'). You are receiving this Information Statement in connection with the possible election of persons designated by Union Pacific to a majority of the seats on the Board of Directors of the Company (the 'Board'). You are urged to read this Information Statement carefully. You are not, however, required to take any action. Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Schedule 14D-9.

Pursuant to the Merger Agreement, the Purchaser commenced the Offer on March 23, 1995. The Offer is scheduled to expire at 12:00 midnight on April 19, 1995, New York City time, at which time, upon the expiration of the Offer, if all conditions of the Offer have been satisfied or waived, the Purchaser has informed the Company that it intends to purchase all Shares validly tendered pursuant to the Offer and not withdrawn. The consummation of the Offer and Merger pursuant to the terms of the Merger Agreement would result in a change of control of the Company.

The information contained in this Information Statement concerning Union Pacific and the Purchaser has been furnished to the Company by Union Pacific and the Purchaser, and the Company assumes no responsibility for the accuracy or completeness of such information.

BOARD OF DIRECTORS

GENERAL

The Shares are the only class of voting stock of the Company outstanding and each Share is entitled to one noncumulative vote. As of March 16, 1995, there were 31,330,631 Shares issued and outstanding. The Board currently consists of seven members, and there are currently no vacancies; the size and composition of the Board is subject to certain contractual commitments set forth in the Stockholders Agreement, the 1993 Agreement and the Merger Agreement. See 'BOARD OF DIRECTORS--Right to Designate Directors,' and 'CERTAIN RELATIONSHIPS AND TRANSACTIONS--Stockholders Agreement' and '--1993 Agreement.' The Board of Directors currently is divided into three classes. The term of one director expires in 1995, with three current directors continuing in office until 1996, and another three current directors continuing until 1997. Each director of the Company holds office until such director's successor is elected and qualified or until such director's earlier resignation or removal.

RIGHT TO DESIGNATE DIRECTORS

The Company has agreed in the Merger Agreement that, promptly upon the purchase of and payment for any Shares by Purchaser or any other subsidiary of Union Pacific pursuant to the Offer which, together with the Non-Voting Shares, represents at least a majority of the outstanding Shares (on a fully diluted basis and assuming conversion of the Non-Voting Shares into Shares and exercise of outstanding options), Union Pacific shall be entitled to designate such number of directors, rounded up to the next whole number, on the Board of Directors of the Company as is equal to the product of the total number of directors on such Board (giving effect to the existing representatives of Union Pacific serving on the Board, including representatives which Union Pacific has the right to designate under the 1993 Agreement and the directors designated by Union Pacific pursuant to the Merger Agreement) multiplied by the ratio of the aggregate number Shares and Non-Voting Shares (if any) beneficially owned by the Purchaser, Union Pacific or any of their affiliates to the total number of Shares and Non-Voting Shares (if any) then outstanding (the 'Union Pacific Designees'), and the Company has agreed to

use its best efforts promptly to cause the Union Pacific Designees to be elected or appointed to the Board, including by increasing the size of the Board or, at the Company's election, securing resignations of incumbent directors. In addition, except as otherwise required by applicable law or the rules of the New York Stock Exchange, the Company agreed pursuant to the Merger Agreement to cause persons designated by Union Pacific to constitute the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each subsidiary of the Company and (iii) each committee (or similar body) of each such board. The Company's obligation to cause designees of Union Pacific to be elected or appointed to the Board of Directors of the Company will be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder.

THE UNION PACIFIC DESIGNEES

Pursuant to the terms of the Merger Agreement, it is expected that the Union Pacific Designees will take office as directors of the Company upon the Purchaser's purchase of and payment for such number of Shares which, together with the Non-Voting Shares, represents at least a majority of the outstanding Shares (on a fully diluted basis and assuming conversion of the Non-Voting Shares into Shares) in the Offer.

Union Pacific has advised the Company that the Union Pacific Designees will be Richard K. Davidson (who already is a designee of Union Pacific serving on the Company's Board) and the persons described in the following table.

NAME	AGE, BUSINESS EXPERIENCE AND OTHER DIRECTORSHIPS
Drew Lewis	Age 63. Chairman, Chief Executive Officer and Director of Union Pacific; Director, American Express Company, AT&T Corp., Ford Motor Company and FPL Group, Inc.
L. White Matthews, III	Age 49. Executive Vice President-Finance and Director of Union Pacific; Director, the Pilot Funds.
Carl W. von Bernuth	Age 51. Senior Vice President and General Counsel of Union Pacific since September 1991; prior thereto, Mr. von Bernuth served as Vice President and General Counsel of Union Pacific.

The business address of each of the Union Pacific Designees is Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018, and each such person is a citizen of the United States. Union Pacific has advised the Company that each of the persons listed in the table above has consented to act as a director, and that none of such persons has during the last five years been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was, or is, subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws. Union Pacific has also advised the Company that none of the persons listed in the table above is a director of, or holds any position with, the Company, and that none of such persons beneficially owns any equity securities, or rights to acquire any equity securities, of the Company or has been involved in any transactions with the Company or any of its directors, executive officers or affiliates which are required to be disclosed pursuant to the rules and regulations of the SEC. The election of the Union Pacific Designees will be accomplished at a meeting or by written consent of the Board.

BOARD OF DIRECTORS OF THE COMPANY

Listed below are the names, present titles, and ages of all directors of the Company and the positions held by such persons in the last five years.

DIRECTOR WITH TERM EXPIRING AT 1995 ANNUAL MEETING

NAME	AGE, BUSINESS EXPERIENCE AND OTHER DIRECTORSHIPS
Robert Schmiege	Age 53, Chairman and Chief Executive Officer since August 1988; President and a Director since July 1988.

DIRECTORS WITH TERM EXPIRING AT 1996 ANNUAL MEETING

Richard K. Davidson	Age 53, Director since September 1991; President of Union Pacific since May 1994; Chairman and Chief Executive Officer of UPRR since September 1991; President and Chief Executive Officer of UPRR from August 1991 to September 1991; Executive Vice President-Operation of UPRR from 1989 to 1991; Mr. Davidson is also a director of FirstTier Financial, Inc. and California Energy Company, Inc. Mr. Davidson was designated as a director of the Company by Purchaser. Two executive officers and one former executive officer of the Company are obligated to vote their Shares to elect Mr. Davidson and to assure certain other representation of Purchaser on the Company's Board of Directors. (See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS.')
Harold A. Poling	Age 69, Director since November 1993; Chairman and Chief Executive Officer of Ford Motor Company from March 1990 until his retirement in November 1993; Vice Chairman and Chief Operating Officer from October 1987 to February 1990. Mr. Poling is a director of Shell Oil Company, LTV Corporation, Kellogg Company, Flint Ink Corporation, the PGA Tournament Policy Board, and is a member of the BHP International Advisory Council and the VIAG International Board.
Samuel K. Skinner	Age 56, Director since November 1993; President and director of Commonwealth Edison Company since February 1993; prior to February 1993, General Chairman of the Republican National Committee, Chief of Staff to the President of the United States, and Secretary of Transportation. Mr. Skinner is a director of LTV Corporation.

DIRECTORS WITH TERM EXPIRING AT 1997 ANNUAL MEETING

NAME	AGE, BUSINESS EXPERIENCE AND OTHER DIRECTORSHIPS
James E. Martin	Age 68, Director since May 1992; Executive Vice President-Operations since May 1994; President of the Belt Railway Company of Chicago from 1989 to April 1994.
James J. Mossman	Age 36, Director since February 1990 and Vice President, Assistant Treasurer and Assistant Secretary from October 1989 through January 1992; General Partner of Blackstone Group Holdings L.P. ('BGH') since 1990. Mr. Mossman is a director of Collins & Aikman Corporation, Great Lakes Dredge and Dock Corporation, Transtar, Inc. and Transtar Capital Corporation.

NAME	AGE, BUSINESS EXPERIENCE AND OTHER DIRECTORSHIPS
James R. Thompson	Age 58, Director since May 1992; Chairman of Winston & Strawn since January 1993; Partner and Chairman of the Executive Committee of Winston & Strawn since 1991. Governor of Illinois from 1977 until 1991. Governor Thompson is a member of the Board of Directors of FMC Corporation, American Publishing Company, Jefferson Smurfit Company, Prime Retail, Inc., Wackenhut Corrections Corp., Pechiney International and the Chicago Board of Trade, and is on the International Advisory Board of the Bank of Montreal.

Until the Effective Time, the Company and Union Pacific have agreed pursuant to the Merger Agreement to use all reasonable efforts to retain as members of its Board at least three directors who are directors of the Company on the date of the Merger Agreement and who are not designees of Union Pacific (the 'Company Directors'), provided that subsequent to consummation of the Offer, designees of Union Pacific shall always constitute a majority of the Company's Board. The Company Directors shall initially be Messrs. James R. Thompson, Samuel K. Skinner and Harold A. Poling, provided that in the event that any of such Company Directors resigns or otherwise ceases to be a director for any reason, then the other Company Directors have the right pursuant to the Merger Agreement to designate a replacement for such director (and such replacement shall be a 'Company Director'). If for any reason at any time prior to the Effective Time no Company Directors then remain, the other directors will use their reasonable best efforts to designate three persons to serve as the Company Directors, none of whom are directors, officers, employees or affiliates of Union Pacific or the Purchaser.

It is contemplated that except for the Company Directors and Mr. Davidson (who will continue to serve as a designee of Union Pacific), the remaining current directors of the Company will resign upon the closing of the Offer.

BOARD AND BOARD COMMITTEE MEETINGS, COMMITTEE FUNCTIONS AND COMPOSITION

The Board of Directors of the Company has an Executive Committee, an Audit Committee and a Compensation and Stock Option Committee.

The Executive Committee consists of Robert Schmiege, Chairman, James E. Martin and James R. Thompson. During 1994, the Executive Committee did not meet. The Executive Committee may exercise the powers of the Board in the management of the business and affairs of the Company, subject to certain limitations of Delaware law.

The Audit Committee consists of Samuel K. Skinner, Chairman, Richard K. Davidson and Harold A. Poling. During 1994, the Audit Committee met four times. The Audit Committee recommends the selection of independent public accountants to the Board for approval, reviews the Company's annual financial statements and its annual report on Form 10-K, considers matters relating to accounting policy and internal controls, and reviews the scope of the annual audit.

The Compensation and Stock Option Committee consists of James R. Thompson, Chairman, James J. Mossman and Harold A. Poling. During 1994, the Compensation and Stock Option Committee met three times. The Compensation and Stock Option Committee determines the salaries and fringe benefits of the executive officers, reviews the salary administration and benefit policies, and administers the 1989 Equity Incentive Plan for Key Employees, the 1992 and 1994 Equity Incentive Plans, and the Bonus Plan.

During 1994, the Board of Directors of the Company held six meetings. Each director attended not less than 75 percent of the aggregate meetings of the Company's Board of Directors and the Company's Board Committees on which he served, during the period of his service.

EXECUTIVE OFFICERS

Listed below are the names, present titles, and ages of all executive officers of the Company except for Messrs. Schmiege and Martin and the positions held by such persons in the last five years. For such information with respect to Messrs. Schmiege and Martin, see 'Directors of the Company' above. Each executive officer holds office until his successor shall have been elected or appointed or until his death, resignation or removal.

NAME	AGE, BUSINESS EXPERIENCE AND OTHER DIRECTORSHIPS
F. Gordon Bitter	Age 52, Senior Vice President--Finance and Accounting since October of 1994; Senior Vice President of The Perkin-Elmer Corporation and President of the Metco Division from 1992 to December 1993; Senior Vice President--Finance and Administration of The Perkin-Elmer Corporation from 1990 to 1992, and Vice President--Finance and Chief Financial Officer from May 1988 to December 1991.
Paul A. Lundberg	Age 43, Senior Vice President--Transportation Services since May 1994; Vice President--Labor Relations from July 1989 to April 1994.
Arthur W. Peters	Age 52, Senior Vice-President--Sales and Marketing since June 1988.
Dennis E. Waller	Age 48, Senior Vice-President--Engineering and Equipment since May 1994; Vice President--Engineering and Materials from October 1990 to April 1994; Vice President--Motive Power and Materials from December 1988 to September 1990.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth below is certain information as of March 1, 1995, with respect to the persons or groups which are known to be the beneficial owners of more than 5% of the Shares. Beneficial ownership of Shares reflected in the tables below includes the right to vote and to dispose of such Shares, except as otherwise noted.

NAME	NUMBER OF SHARES	PERCENT (5)
UP Rail, Inc.(1)	12,835,304	29.1
The Capital Group Companies, Inc.(2)	2,969,500	6.7
Neuberger and Berman(3)	2,921,520	6.6
MacKay-Shields Financial Corporation(4)	2,497,550	5.7

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(1) Purchaser's current stock ownership consists of Non-Voting Shares. Subsequent to approval by the ICC, Purchaser may convert its Non-Voting Shares into Shares on a share-for-share basis. It is a condition to certain of Union Pacific's and Purchaser's obligations under the Merger Agreement that such approval be final and effective (currently scheduled to occur on April 6, 1995) prior to the expiration of the Offer. See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS--ICC Order.' The Non-Voting Shares would automatically convert into Shares in the event of their transfer to an entity not regulated by the ICC. The address of Purchaser is UP Rail, Inc., c/o Union Pacific Corporation, Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018.

(2) Based on information contained in the Schedule 13-G dated February 6, 1995 filed by The Capital Group Companies, Inc., 333 South Hope Street, Los Angeles, CA 90071.

(3) Based on information contained in the Schedule 13-G dated February 10, 1995 filed by Neuberger & Berman, 605 Third Avenue, New York, New York 10158.

(4) Based on information contained in the Schedule 13-G dated February 10, 1995 filed by the MacKay-Shields Financial Corporation, 9 West 57th Street, New York, New York 10019.

(5) Assumes the conversion of Non-Voting Shares into Shares.

Set forth below is certain information as of March 1, 1995 regarding beneficial ownership of the Shares by each of the Company's directors, by each of the executive officers of the Company named in the Summary Compensation Table below, and by all of the Company's directors and executive officers as a group:

NAME	NUMBER OF SHARES	PERCENT (7)
Richard K. Davidson (1)	0	*
James E. Martin (2)	3,000	*
James J. Mossman (3)(4)	31,967	*
Harold A. Poling	500	*
Robert Schmiege (5)	620,087	1.4
Samuel K. Skinner (3)	4,137	*
James R. Thompson (3)	4,237	*
Jerome W. Conlon (5)	81,984	*
James P. Daley (5)	196,245	*
Arthur W. Peters (5)	328,069	*
All executive officers and directors as a group (11 persons) (6)	964,167	2.1

* Less than 1%

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(1) Mr. Davidson is Chairman and Chief Executive Officer of UPRR and President of Union Pacific. Share data for Mr. Davidson does not include any of the Shares in the previous table beneficially owned by the Purchaser.

(2) Includes, for Mr. Martin, 1,000 Shares held in the Director's Pension Plan (the 'Plan') which are voted by him but with respect to which he does not have the right of disposition. Mr. Martin participated in the Plan until May 2, 1994 when he became Executive Vice President--Operations.

(3) Includes, for each of Messrs. Mossman, Skinner and Thompson, 4,137 Shares held in the Plan which are voted by such respective directors but with respect to which such directors do not have the right of disposition.

(4) Includes 27,830 Shares held through a limited partnership affiliated with Blackstone.

(5) Includes shares which may be acquired within 60 days through the exercise of options for Messrs. Schmiege, 466,895; Daley, 62,377; and Peters, 328,069. Also includes 22,512 Shares held by Mr. Daley's spouse, of which Mr. Daley disclaims beneficial ownership. Excludes 12,500 Shares which Mr. Peters does not have the right to acquire in 60 days through the exercise of options.

(6) Includes all directors and executive officers as of March 1, 1995 but excludes Messrs. Conlon and Daley who left the Company effective January 2, 1995 and December 31, 1994, respectively. Share data includes 857,341 shares which may be acquired within 60 days through the exercise of options. Excludes 62,500 Shares subject to options which such persons do not have the right to acquire in 60 days through the exercise of options and also excludes Shares included in the previous table for the Purchaser.

(7) Assumes the conversion of Non-Voting Shares into Shares.

EXECUTIVE COMPENSATION

The following tables set forth compensation information for the Chief Executive Officer and the four other executive officers of the Company who were most highly compensated during the last fiscal year.

SUMMARY COMPENSATION TABLE

					LONG-TERM COMPENSATION			
		ANNUAL COMPENSATION (1)			AWARDS			
YEAR	NAME AND PRINCIPAL POSITION	SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK	STOCK OPTIONS #	LONG-TERM INCENTIVE PAYOUTS	ALL OTHER COMPENSATION(2)
1994	Robert Schmiege	$445,000	$324,850	$ --	$ --	--	$ --	$ 137,793
1993	Chairman, President	390,000	292,500	--	--	--	--	75,574
1992	and CEO	390,000	97,500	--	--	--	--	136,586
1994	James E. Martin	157,913	253,447	--	--	--	--	--
1993	Executive Vice	--	--	--	--	--	--	--
1992	President--Operations(3)	--	--	--	--	--	--	--
1994	Arthur W. Peters	276,140	201,582	--	--	12,500	--	87,022
1993	Senior Vice	263,925	198,263	--	--	--	--	49,575
1992	President-- Sales and Marketing	253,500	63,500	--	--	--	--	85,459
1994	James P. Daley(4)	232,824	169,961	--	--	--	--	66,066
1993	Senior Vice	222,525	133,730	--	--	--	--	41,036
1992	President, General Counsel and Secretary	213,750	53,542	--	--	--	--	71,338
1994	Jerome W. Conlon(4)	227,409	166,009	--	--	--	--	64,410
1993	Senior Vice	217,350	130,620	--	--	--	--	39,968
1992	President-- Administration	208,735	52,288	--	--	--	--	69,515

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(1) Includes amounts earned in fiscal year, whether or not deferred.

(2) All Other Compensation consists of allocations of Company contributions under its qualified profit sharing plan, the Chicago and North Western Railway Company Profit Sharing and Retirement Savings Program (the 'Program'), and under its non-qualified unfunded defined contribution retirement plans, the Chicago and North Western Transportation Company Executive Retirement Plan and the Chicago and North Western Transportation Company Excess Benefit Retirement Plan. During 1994, all other compensation from each of the above plans totaled $7,500, $113,755 and $16,538, respectively for Mr. Schmiege; $22,500, $62,984 and $1,528, respectively for Mr. Peters; $7,500, $42,028 and $16,538, respectively for Mr. Daley; and $22,500, $40,372 and $1,538, respectively for Mr. Conlon.

(3) Became an executive officer of the Company on May 2, 1994.

(4) Messrs. Daley and Conlon retired December 31, 1994 and January 2, 1995, respectively.

OPTION GRANTS IN LAST FISCAL YEAR (1)

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM		
NAME	# OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN LAST FISCAL YEAR(2)	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	0%	5%	10%
Robert Schmiege.....	--	--	--	--	--	--	--
James E. Martin.....	--	--	--	--	--	--	--
Arthur W. Peters.....	12,500(3)	3.5%	$ 22.625	6-23-04	0	$177,863	$450,725
James P. Daley.....	--	--	--	--	--	--	--
Jerome W. Conlon.....	--	--	--	--	--	--	--

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(1) There were no awards of SARs to any of the named executive officers in fiscal 1994.

(2) Based on 359,500 options granted to 112 employees.

(3) The option generally vests 20% per year for the first five years of its term. The consummation of the Offer would result in the acceleration of unvested options and the exercisability of tandem limited stock appreciation rights.

OPTION EXERCISES AND YEAR-END VALUE TABLE (4)

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	TOTAL NUMBER OF UNEXERCISABLE OPTIONS(1) HELD AT FISCAL YEAR END		TOTAL VALUE OF UNEXERCISED, IN-THE-MONEY OPTIONS(1) HELD AT FISCAL YEAR END	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE(2)	UNEXERCISABLE(2)
Robert Schmiege.....	--	--	466,895	--	$ 6,242,386	--
James E. Martin.....	--	--	--	--	--	--
Arthur W. Peters.....	12,500	$270,750	328,069(3)	12,500	5,060,197(3)	--
James P. Daley.....	15,000	328,050	62,377	--	833,980	--
Jerome W. Conlon.....	50,000	699,750	37,377	--	499,730	--

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(1) All options were granted under the Company's 1989 Equity Incentive Plan for Key Employees, except as otherwise noted herein and in footnote 3. None of the named executive officers holds any options or related stock appreciation rights under the Company's 1992 Equity Incentive Plan except that Mr. Peters holds options granted under that plan.

(2) The dollar values shown are calculated by determining the difference between the market value of the Shares underlying the options at December 30, 1994 ($19.25) and the option exercise price. Based on the Offer Price, the total value of unexercised in-the-money options (whether vested or unvested) upon the consummation of the Offer is $13,595,982, $0, $10,381,972, $1,816,418,

and $1,088,418 for Messrs. Schmiege, Martin, Peters, Daley and Conlon, respectively.

(3) Includes 140,692 rollover options (all exercisable) under the rollover option agreements ('Rollover Option Agreements') received in exchange for options of the Company's predecessor (total value $2,554,967).

(4) There have been no awards of SARs to any of the named executive officers.

PENSION PLAN

The Supplemental Pension Plan provides a benefit which is the equivalent of a single life annuity for a participant's life commencing at age 65 in an amount equal to (1) the product of 1.5% of the employee's final five years' average annual salary, multiplied by his years of service (40 years maximum), that product being reduced by (2) the sum of certain offsets related to other benefits received under the Railroad Retirement Act and under the Program, the Chicago and North Western Transportation Company Executive Retirement Plan, and the Chicago and North Western Transportation Company Excess Benefit Retirement Plan. The Internal Revenue Service has issued final regulations which in the future could require the modification of certain of these offsets depending upon the results of certain non-discrimination tests which are sensitive to demographic changes in the population covered under the Supplemental Pension Plan. The Company expects that any changes required to meet the non-discrimination tests will not result in a material increase in the amount of benefits provided under the Supplemental Pension Plan.

The Program was established in April 1975 and does not provide for benefits based upon prior service. Therefore, the later the date at which an employee reaches age 65, the larger the amount the employee could have accumulated under the Program, and thus, the smaller the amount which would be payable under the Supplemental Pension Plan. Actuarial projections indicate that none of the persons named in the Summary Compensation Table will receive benefits under the Supplemental Pension Plan.

AGREEMENTS WITH EXECUTIVE OFFICERS

In December 1994, the Company entered into Change of Control Employment Agreements ('Employment Agreements') with Messrs. F. Gordon Bitter (Senior Vice President--Finance and Accounting), Paul A. Lundberg (Senior Vice President--Services), James E. Martin (Executive Vice President--Operations), Arthur W. Peters (Senior Vice President--Sales and Marketing) and Dennis E. Waller (Senior Vice President-- Engineering and Equipment) and 22 other employees of the Company who are not executive officers. For purposes of such Employment Agreements, a 'Change of Control' includes any of (i) the acquisition by a person or group of 40% or more of the then outstanding voting securities of the Company, (ii) a change in the Board of Directors so that persons who were directors on the date of the Employment Agreement and persons

who subsequently become directors whose nomination to the Board was approved by at least two-thirds of the incumbent directors (as defined) cease to be a majority of the Board, (iii) shareholder approval of a merger, reorganization or

consolidation on consummation of which beneficial owners of the Company's voting securities immediately before the merger, reorganization or consolidation would no longer own 60% of the voting securities of the resulting entity, (iv) the sale or disposition of all or substantially all of the assets of the Company and (v) a liquidation or dissolution of the Company. A Change of Control would occur upon consummation of the Offer.

Each Employment Agreement provides for, among other things, (i) a three-year employment period, beginning on the date of a Change of Control, at an annual base salary equal to at least 12 times the highest monthly salary payable during the 12-month period immediately preceding the change of control, (ii) a guaranteed annual bonus and (iii) continued participation in the incentive, savings, retirement, welfare and other fringe benefit plans sponsored by the Company.

If the executive's employment is terminated by the Company (other than for cause (as defined), or by reason of the executive's death or disability), or if the executive terminates employment for good reason (as defined), the executive will receive (i) annual base salary, guaranteed bonus and accrued vacation pay through the date of termination, (ii) previously deferred and unpaid compensation, (iii) an amount equal to three times the sum of the executive's base salary and annualized guaranteed bonus in the year in which the termination occurs, (iv) reimbursement for benefits which would have accrued in three more years and for unvested benefits forfeited under the Company's Supplemental Pension Plan as a result of termination and (v) continuation of all medical, life insurance and other welfare benefits for a period of three years from termination. Payments under each Agreement will be reduced to the extent it is determined that any portion thereof would be nondeductible under Section 280G of the Internal Revenue Code of 1986, as amended (the 'Code') as an 'excess parachute payment.' If payments equal to or in excess of 300% of the executive's 'base amount' (generally the average annual compensation received by the executive over his five most recent tax years) are made to the executive, then all amounts in excess of 100% of the executive's base amount generally constitute 'excess parachute payments' for purposes of the Code. It is anticipated that the payments made to the executive officers under the Employment Agreements after reduction for the portions of (i) the amount of the prorated guaranteed bonus and (ii) the payments made under the Merger Agreement with respect to the value of the executive's unvested options, all as determined by the Company under the proposed regulations issued by the Internal Revenue Service under Code Section 280G, are $437,112 for Mr. Bitter, $456,302 for Mr. Lundberg, $1,181,172 for Mr. Martin, $1,212,549 for Mr. Peters, $431,648 for Mr. Waller and $11,865,054 for all officers with Employment Agreements. It is anticipated that the following bonus payments would be made pursuant to the Bonus Plan if the Effective Time were May 1, 1995: Mr. Schmiege, $150,000, Mr. Bitter, $91,667; Mr. Lundberg, $75,000; Mr. Martin, $91,667; Mr. Peters, $96,073; Mr. Waller, $75,000; and $1,094,899 for all officers with Employment Agreements.

Under the Merger Agreement, Union Pacific has agreed to cause the surviving corporation to honor the Employment Agreements. In some instances individual employees may enter into employment agreements with Union Pacific or one of its affiliates pursuant to which the rights to payments under the Employment Agreements are extinguished.

In addition, under the Merger Agreement, Union Pacific has agreed that each individual officer with an Employment Agreement whose employment terminates under the Employment Agreement as described in the second preceding paragraph above and who (i) agrees to receive a lump sum payment in cash of all benefits such officer is entitled to upon termination of employment under the Employment Agreement, (ii) agrees to the amendment of the Stockholders Agreements, dated March 30, 1992 and June 21, 1993 and the Registration Rights Agreement dated July 14, 1989 to provide for their termination and to waive all rights which such officer may have under such agreements and (iii) waives any claims which such officer may have against the Company (other than any rights such officer may have to benefits under the Company's benefit plans and any rights such officer may have to indemnification by the Company as provided in the Merger Agreement as described in Item 3(b) under the caption 'Merger Agreement--Directors' and Officers' Insurance and Indemnification.') will receive a separate payment ('Separate Payment') from the Company in an amount equal to the product of $15.0 million and a fraction, the numerator of which is such officer's individual 1995 annualized compensation (current salary and maximum bonus) and the denominator of which is the total 1995 annualized compensation (current salary and maximum bonus) of all officers with Employment Agreements. As a result of the receipt by an

executive of a Separate Payment in addition to payments under such officer's Employment Agreement, portions of the total payments to the executive could constitute 'excess parachute payments,' resulting in non-deductibility of such 'excess parachute payments' to the Company and imposition with respect thereto of a 20% excise tax on the executive.

If the following executive officers have such a termination of employment under the Employment Agreements and agree to the conditions identified for the receipt of the Separate Payments, it is anticipated that such executive officers would receive Separate Payments in the following amounts: Mr. Bitter, $1,079,220; Mr. Lundberg, $882,998; Mr. Martin, $1,079,220; Mr. Peters, $1,131,101, Mr. Waller, $882,998 and all officers with Employment Agreements, $15,000,000. Officers who enter into employment agreements with Union Pacific or one of its affiliates will not receive Separate Payments.

Subject to the employee consenting to the cancellation of his Options, if consent is required by the terms of the Option (whether or not currently exercisable), all outstanding Options under the Company's 1989 Equity Incentive Plan for Key Employees, 1992 Equity Incentive Plan and 1994 Equity Incentive Plan (the 'Option Plans') and certain Rollover Option Agreements will be cancelled by the Company at the Effective Time. Options which have been cancelled on exercise of LSARs will not be considered outstanding for this purpose. In consideration for the cancellation of his or her Options, each employee will receive payment with respect to each Share with respect to which the employee holds an Option in the amount of the excess of the Offer Price over the exercise price. Employees of the Company whom Parent or its affiliates have agreed to employ will be permitted to make an advance election, in lieu of receiving a cash payment, to exchange their Options for options with respect to common stock of Parent having in the aggregate substantially the same terms and conditions, but without change in control features, as the Company Options exchanged therefor. If cash is received in respect of all of their options, the

executive officers and all officers with Employment Agreements would receive the following payments as consideration for the cancellation of their Options: Mr. Schmiege, $13,595,982; Mr. Bitter, $737,500; Mr. Lundberg, $493,743; Mr. Martin, $0; Mr. Peters, $10,381,971; Mr. Waller, $807,976 and all executive officers, $26,017,172.

In addition, in connection with the retention of Mr. James Martin as Executive Vice President--Operations of the Company, effective May 2, 1994, Mr. Martin, received a payment of $125,000 at the time of his retention, and, based on the recommendation at that time of the Chief Executive Officer, is expected to receive, in addition to his normal compensation, a service bonus of $125,000 when he retires.

COMPENSATION OF DIRECTORS

The Company compensated directors who are not officers or employees of the Company or its principal stockholders (or affiliates thereof) with an annual fee of $50,000. In 1994, such compensation amounted to $50,000 for Mr. Poling. Messrs. Martin, Mossman, Skinner and Thompson participated in the Plan described below. Other directors of the Company do not receive any fees or separate compensation. All directors are reimbursed for out-of-pocket expenses. See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS-- Compensation Committee Interlocks and Insider Participation' for a description of annual management fees received by Blackstone.

Beginning effective January 1, 1994, non-employee Directors may elect annually in advance to receive fees currently or to defer all or any part of them under the Chicago and North Western Holdings Corp. Directors' Pension and Retirement Savings Plan ('Directors' Pension Plan') and the Chicago and North Western Holdings Corp. Directors' Deferred Compensation Plan ('Directors' Deferred Compensation Plan'). Pursuant to the Directors' Pension Plan, participating directors are awarded matching contributions equal to 50% of the fees which they elect to defer in a year. The Directors' Pension Plan credits participating directors' accounts with contributions, dividends, and gains and losses, as if their accounts are fully invested in shares of the Company's Common Stock. The Directors' Deferred Compensation Plan credits participating directors' deferred fee accounts with a rate of return based on London Interbank Offered Rates (LIBOR) plus one percent.

Both plans are unfunded. However, the Company has established a trust ('Plan Trust') to hold shares of Common Stock in approximately the amount credited to its participating directors' accounts under the Directors' Pension Plan. The assets of this trust are subject to the claims of the Company's creditors in the event of insolvency or bankruptcy, but are otherwise used to discharge the Company's liabilities under the Directors'

Pension Plan. Each of the participating directors votes any shares held in the trust in the proportion that his account balance under the Directors' Pension Plan is to all account balances under that plan.

Directors' Pension Plan

Each of the participating directors votes any shares held in the trust in the proportion that his account balance under the Directors' Pension Plan is to all account balances under that plan.

Distributions of a director's account balances under both plans are made, in cash, promptly after he retires or otherwise ceases to be a director of the Company. Under the Directors' Deferred Compensation Plan a director may elect, at the time of his election to defer fees for a year, to be paid at the end of a shorter fixed deferral period.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

A predecessor of the Company was acquired in a going-private transaction (the 'Acquisition') in 1989 involving the issuance and sale of Shares to BCP, Donaldson, Lufkin & Jenrette Capital Corporation ('DLJCC') and certain present and former members of the Company's management, and the issuance and sale of convertible preferred stock to Purchaser for a purchase price of $100 million. In April 1992, the Company completed a recapitalization involving, among other things, the sale of Shares in an initial public offering. As part of such recapitalization, Purchaser exchanged its preferred stock (and an additional cash investment in the Company of $28 million) for 10,153,304 Non-Voting Shares. In October 1992, Purchaser purchased 182,000 Shares in the open market and in December 1992, Purchaser purchased 2,000,000 Shares from BCP, all of such Shares having been exchanged by the Company for the same number of Non-Voting Shares. BCP and DLJCC and certain of their respective affiliates (collectively, 'Former Principal Stockholders') sold substantially all of their Shares in July 1993, 500,000 of such Shares (the 'UP Purchase') to Purchaser (which converted the Shares into Non-Voting Shares) and the balance in a secondary public offering (the 'Offering'). The Merger Agreement provides that Union Pacific and the Company will terminate, and will use their reasonable best efforts to cause the other parties thereto to terminate, as of the Effective Time, the Stockholders Agreement, the 1993 Agreement and the Registration Rights Agreement (defined and summarized below).

Compensation Committee Interlocks and Insider Participation

During the last fiscal year, Mr. Mossman served as a member of the Compensation and Stock Option Committee. He is a General Partner of BGH which has entered into an agreement for management and advisory services. Mr. Mossman is also a former officer of the Company.

An agreement among Donaldson, Lufkin & Jenrette Securities Corporation ('DLJSC'), an affiliate of DLJCC, Blackstone and the Company entered into in connection with the Acquisition provided for DLJSC and Blackstone to act as co-investment bankers to the Company with respect to certain transactions and receive investment banking compensation in connection with such transactions to be shared equally between DLJSC and Blackstone. DLJSC's rights described above terminated in July 1992, and Blackstone's rights described above terminated in March 1994.

Pursuant to a letter agreement dated as of March 24, 1992, Blackstone was retained by the Company to provide strategic and financial advice, and the Company agreed to pay Blackstone fees of $1,000,000 in each of 1992, 1993 and 1994, the last of which installments was paid in November, 1994.

Blackstone is acting as financial advisor to the Company in connection with the Offer and other matters arising in connection therewith pursuant to the Engagement Letter. The Engagement Letter was entered into in addition to the December Engagement Letter pursuant to which Blackstone had been retained by the Company, effective November 29, 1994, to act as the Company's exclusive financial advisor with respect to various matters, including the Company's discussions and proposed agreement with Union Pacific relating to Union Pacific's then proposed acquisition of Santa Fe Pacific Corporation. Under the terms of the Engagement Letter, Blackstone has agreed to advise and assist the Company in its evaluation of Possible Transactions. The Engagement Letter also provides, among other things, that Blackstone will render an opinion as to the fairness, from a financial point of view, to the Company's common stockholders of the consideration to be received by such stockholders in any Possible Transaction.

Pursuant to the terms of the Engagement Letter, the Company agreed to pay Blackstone a fee of $6,000,000, less one-half of any retainer fee paid to Blackstone pursuant to the December Engagement Letter. Pursuant to the

December Engagement Letter, the Company paid Blackstone retainer fees totaling $500,000. The Company has also agreed in the Engagement Letter to reimburse Blackstone and its affiliates for its reasonable out-of-pocket expenses and to indemnify Blackstone and its affiliates against certain liabilities, including those relating to or in connection with the Offer.

BCP and certain of its affiliates are also parties to the Stockholders Agreement, the 1993 Agreement and the Registration Rights Agreement, defined and summarized below.

Stockholders Agreement

Under the provisions of the Second Amended and Restated Stockholders Agreement dated as of March 30, 1992, as amended, by and among certain of the Company's executive officers, one former executive officer, the Purchaser and the Company (the 'Stockholders Agreement'), such officers are required to vote their shares for one designee of Purchaser to the Company's Board of Directors. Certain former principal stockholders and certain former executive officers of the Company were originally also parties to the Stockholders Agreement.

Under the Stockholders Agreement, subject to certain exceptions: (i) if the Purchaser wishes to sell or otherwise dispose of any of its Non-Voting Shares or Shares into which such Non-Voting Shares may be converted (the 'Transfer Securities') to a person other than a party to the Stockholders Agreement or a permitted transferee of such party (a 'Third Party') (excluding a sale or spinoff to the stockholders of Union Pacific) in one transaction or from time to time in different transactions or (ii) if the Company wishes to sell or otherwise dispose of all or substantially all of its assets or all or a part of the East-West Main Line, whether or not a part of the sale of any other assets ('Transfer Assets') (any Transfer Securities together with any Transfer Assets being referred to herein as the 'Offered Assets'), then (a) the Purchaser or a permitted transferee, in the case of a proposed sale by the Company of any

Transfer Assets and (b) the Company, in the case of a proposed sale of Transfer Securities by Purchaser or any of its permitted transferees, shall have a right of first refusal with respect to the Offered Assets at a price specified by Purchaser or the Company, as the case may be (the 'Seller'), exercisable for a period of 45 days following written notice from the Seller of the terms of such proposed sale of Offered Assets (the 'Sale Notice'). Following a party's failure to exercise its right of first refusal, for a period of 400 days from the date of the Sale Notice, the Offered Assets may be sold to a Third Party on terms and conditions no more favorable than those offered to the person having the right of first refusal (each, a 'Rights Offeree'), provided that such sale (x) is at a price in excess of 82.5% of the price at which the Offered Assets were offered to the Rights Offeree and (y) is otherwise on the same general terms and conditions as such offer to the Rights Offeree.

The Purchaser's right of first refusal with respect to the proposed sale of any Transfer Assets is subject to certain limitations and exceptions and is also subject to ICC approval or exemption, See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS--ICC Order.' In addition, the Purchaser's right of first refusal with respect to the East-West Main Line terminates if, under certain circumstances, the Purchaser fails to exercise its right, and its right of first refusal with respect to the Transfer Assets (except with respect to the East-West Main Line) terminates if the Purchaser, together with its permitted transferees, ceases to own approximately 2,840,000 or more Shares or Non-Voting Shares.

The Stockholders Agreement generally requires the Company to cooperate with Union Pacific in seeking ICC approval of the common control, within the meaning of the ICC Act, of the rail subsidiaries of Company and Parent. See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS--ICC Order.'

1993 Agreement

Pursuant to an agreement dated as of June 21, 1993 by and among the parties to the Stockholders Agreement (the '1993 Agreement'), the Company has agreed that commencing at the 'ICC Effective Time,' as defined below, it will use its best efforts to (i) ensure that there will at all times be three nominees of the Purchaser on the Board of Directors (and, if the Company shall continue to have a staggered Board of Directors, one such nominee will be in Class I (current term expiring in 1996) and two such nominees will be in Class III (current term expiring in 1995)), such efforts to include, if necessary, expanding the Board of Directors, and filling vacancies on the Board of Directors with, and nominating and soliciting proxies for the election of Directors at each annual meeting of the Company's stockholders of, Purchaser nominees and (ii) to ensure that the Board of Directors consists of nine directors, provided that the number of authorized directors may be increased in certain instances to permit the election of the Purchaser's nominees. The obtaining of any approval, exemption or declaratory

order of the ICC necessary for the election of such individuals to become effective is referred to herein as the 'ICC Effective Time.' See 'CERTAIN RELATIONSHIPS AND TRANSACTIONS--ICC Order.'

Pursuant to the 1993 Agreement, Messrs. Schmiege and Peters and one former executive officer of the Company have agreed to vote their Shares and otherwise use their best efforts to ensure that there will at all times after the ICC Effective Time be three nominees of the Purchaser on the Board of Directors, provided that such obligation will not restrict sales of Shares held by the executive officers and will cease with respect to any executive officer if he ceases to be an employee of the Company.

The provisions of the 1993 Agreement described above will terminate (i) with respect to the two additional Purchaser nominees to the Board of Directors provided for by the 1993 Agreement, if the Purchaser ceases to own at least 20% of the capital stock of the Company of any class or classes, the holders of which are entitled to vote generally in the election of the Board of Directors, and any securities of the Company presently convertible into, or exercisable or exchangeable for, any such capital stock of the Company, including but not limited to the Shares and the Non-Voting Shares (whether or not presently convertible) and (ii) with respect to one of such additional Purchaser nominees, if the Purchaser ceases to own at least 25%, but continues to own at least 20% of such capital stock and securities.

Registration Rights Agreement

Pursuant to a Registration Rights Agreement dated as of July 14, 1989, as amended by and among the Company, the Purchaser and certain other parties, Purchaser has the right to require that the Company effect the registration under the Securities Act of all or any part of its Non-Voting Shares, and Purchaser and certain present and former executive officers of the Company have certain piggyback registration rights at such time or times as the Company publicly offers securities.

Trackage Rights Agreement

Pursuant to a Trackage Rights Agreement by and between UPRR and the Company, as supplemented and amended by a Supplemental Form of Agreement for UP Trackage Rights, dated as of January 31, 1990 (the 'Trackage Rights Agreement'), which has been approved by the ICC, the Company hauls certain traffic over the east-west main line for UPRR using Company employees, engines and facilities under terms that preserve the Company's revenue on that traffic and at the same time provide the Company with increased revenues in the event of increased UPRR usage under the Trackage Rights Agreement. The Trackage Rights Agreement was further amended by the amendment dated as of December 20, 1990. The Trackage Rights Agreement, as so amended, required the Company to maintain 90% of the east-west main line at Class 5 Federal Railroad Administration ('FRA') standards by the end of 1994. Since December 31, 1992, this condition has been met. In addition, UPRR agreed that if it determined by the end of 1994 that further upgrading of the east-west main line was desirable, it would have provided $35 million of additional debt financing to help the Company achieve the maintenance of 100% of the east-west main line at Class 5 FRA standards by 1996. UPRR did not elect to provide such additional financing. As discussed below, implementation of the Trackage Rights Agreement has been approved by the ICC.

The trackage rights granted to UPRR under the Trackage Rights Agreement run for a term of 999 years and consist of bridge rights (i.e., rights to haul freight from one end of the east-west main line to the other, but not to

originate, terminate or interchange traffic at intermediate points) between Fremont, Nebraska/Council Bluffs, Iowa and points in and around Chicago, Illinois, and full rights throughout the Chicago area, each subject to certain limitations. UPRR retains the option of working with the Company and other railroads on an interline basis rather than handling traffic via the trackage rights. UPRR is allowed to interchange with all rail and non-rail transportation companies in the Chicago area for traffic to and from points not served by the Company or Fox River Valley Railroad Corporation (a Wisconsin regional railroad which purchased its line from the Company and has since been acquired by Fox Valley & Western Railroad, a subsidiary of Wisconsin Central Transportation Company).

The Trackage Rights Agreement also calls for provision by the Company of terminal services, including switching for UPRR to connecting railroad companies and to and from selected terminal and shipper's facilities. Other services to be provided to UPRR by the Company include locomotive servicing and fueling, locomotive and train inspection, derailment cleanup, bad order repair and clerical services.

As compensation for the rights and services afforded thereunder, the Trackage Rights Agreement obligates UPRR to pay the Company its revenue per unit (by traffic classifications) of the first quarter of 1989 net of refunds and all appropriate allowance payments, with the level of such compensation to be adjusted upward or downward (subject to a defined minimum rate) in accordance with the percentage increase or decrease of UPRR's net revenue per unit for each trackage right traffic classification. The aforementioned level of compensation will be adjusted every five years to reflect productivity per unit where such adjustment would not reduce the revenue to variable cost ratio below the level prevailing on the date of the Trackage Rights Agreement. In order to provide UPRR with an incentive to increase the traffic subject to the Trackage Rights Agreement, the compensation described above is to be adjusted to reflect UPRR's increase in usage (volume as measured in carloads, trailers or containers) by traffic classification for trackage rights traffic using the East-West Main Line. In addition, the Company is entitled to supplementary compensation for handling empty returns in excess of the number of loads handled. The Trackage Rights Agreement also requires UPRR to reimburse the Company for additional costs associated with certain special services.

Pursuant to the terms of the Trackage Rights Agreement, UPRR paid the Company approximately $16.3 million in 1992, $18.8 million in 1993 and approximately $23.9 million in 1994.

In order to ensure provision by the Company of the high level of service and maintenance required under the Trackage Rights Agreement, any material breach of the service or maintenance standards incorporated therein, which is not cured within the period allotted therefor, will result in the entitlement of UPRR to expanded rights in respect of the trackage right lines, including, under certain circumstances, the right to undertake maintenance therefor, to make capital improvements to ensure continued maintenance at Class 5 standards, the immediate right to fully operate its own trains over such lines, and corresponding changes in the compensation provisions for trackage rights.

The Trackage Rights Agreement further provides that, except in the event of a material breach of the agreement (in which event control of train operations will be held by the party with the greater usage and Union Pacific will be permitted to utilize its own train crews), the Company will be solely responsible for control of train operations on the lines subject to the Trackage Rights Agreement and will conduct the same in a non-discriminatory manner. Absent breach, the Company will also be obligated to provide crews for Union Pacific trains and will in any event bear the same liability for trackage rights traffic as it would have had if such traffic had moved in interline service.

WRPI Agreements

The Company and Union Pacific and certain of its subsidiaries are parties to certain agreements entered into in connection with Union Pacific's participation in the financing of Western Railroad Properties, Incorporated ('WRPI') in 1982 and which were restated in December of 1990 when WRPI completed a refinancing (the 'WRPI Refinancing') of indebtedness incurred in connection with the construction of WRPI's rail lines (the 'WRPI Agreements'). Under the WRPI Agreements, a trust for the benefit of a subsidiary of Union Pacific (the 'WRPI Trust') owns approximately one-half of the track constituting the WRPI line and certain support facilities and leases them to WRPI pursuant to a lease agreement (the 'Lease'). During 1992, 1993 and 1994, WRPI paid $17.7 million, $21.8 million and $20.2 million, respectively, to the WRPI Trust for fixed and contingent rent payments under the Lease, excluding rent paid representing debt service to lenders to the WRPI Trust. Another agreement between WRPI and UPRR provides for the manner in which aggregate revenues from jointly transported coal will be divided between them. At the present time, substantially all the coal transported by WRPI out of the Powder River Basin is interchanged with UPRR at South Morrill, Nebraska and is subject to such agreement. In order to secure the performance of WRPI's obligations under the Lease (including rental payments in respect of indebtedness incurred by the WRPI Trust in connection with the WRPI Refinancing) and the other agreements entered into as part of the WRPI Refinancing, all of the capital stock of WRPI is currently pledged to the WRPI Trust. Under the pledge agreement with the WRPI Trust, the Company is required (subject to certain exceptions) to obtain the consent of the WRPI Trust or Union Pacific to any transfer of capital stock of WRPI at any time prior to April of 2001. In addition, the WRPI Trust has a right of first refusal with respect to transfers of the capital stock of WRPI under this agreement and would have the right, unless prohibited by law, to acquire the capital stock of WRPI at the lower of the fair market value and the book value of such shares in the event of: (i) a material breach of the participation and loan agreement entered into in connection with the WRPI Refinancing, which, in the case of a non-monetary breach, would, after expiration of a 60-day grace period, have

a material adverse effect on Union Pacific or its affiliates or its interest in WRPI or (ii) a continuing event of default under the Lease.

Operating Relationship

In addition to the foregoing, the Company has a substantial operating relationship with UPRR. Approximately 62%, 65% and 67% of the Company's total loads in 1992, 1993 and 1994, respectively, were interchanged with UPRR railroad lines. Additionally, approximately 31%, 34% and 35% of Union Pacific's railroad subsidiaries' total loads in 1992, 1993 and 1994, respectively, were interchanged with the Company's railroad subsidiaries. The Company's east-west main line also links UPRR's primary western routes with eastern railroads in Chicago, providing a direct route for freight service between Chicago and West Coast points. In connection with such interchanges, either or both of Union Pacific's and the Company's railroad subsidiaries may be the party billing the shipper of such interchanged freight, and in cases where one of the parties bills for the entire shipment, such party will periodically remit to the other party the net amount of the proceeds due to such other carrier in accordance with standard industry practice.

ICC Order

Provisions of the IC Act require the ICC to approve the acquisition of control over an entity, such as the Company, that controls one or more railroads, by an entity, such as Purchaser, that is under common control with one or more other railroads.

On January 29, 1993, Union Pacific, UPRR and the Company filed an application with the ICC for an order authorizing the common control, within the meaning of the IC Act, of the rail subsidiaries of the Company and Union Pacific. Union Pacific and the Company requested that the ICC issue an order that would permit Union Pacific to, among other things, convert its Non-Voting Shares into Shares, vote such Shares, acquire additional Shares if it elects to do so and (subject to the approval of the Company) coordinate further the railroad subsidiaries of Union Pacific and the Company, in each case without the need to obtain any further control authorization from the ICC.

On December 13, 1994, the commissioners of the ICC voted to approve the Control Application, subject to the Labor Condition and the Soo Condition, and issuance by the ICC of a written opinion.

On March 7, 1995, the ICC issued a written opinion approving the Control Application ('ICC Opinion'). On April 6, 1995 (provided that no stays have been entered by any court or the ICC prior to such time), the approval will be final and effective (the 'ICC Final Approval').

Pursuant to the Merger Agreement, the Company has agreed to (i) acquiesce in the Labor Condition and the Soo Condition contained in the ICC Opinion, subject to the consummation of the Offer and (ii) cooperate with Union Pacific, and join in any filings or submissions to the ICC, in connection with obtaining the ICC Final Approval, provided that prior to consummation of the Offer, neither the Company nor Union Pacific waive any rights under the Stockholders Agreement with respect to conditions contained in the Final ICC Approval. Under the Stockholders Agreement, the Company is obligated to acquiesce in the Labor Condition and the Soo Condition on the terms described in clause (y) of the following sentence. The Merger Agreement also provides that on or after April 6, 1995 (provided no stays have been entered by any court or by the ICC prior to such time) or on such later date that the parties receive the ICC Final Approval, and if either (x) the Offer has been consummated or (y) the cost of compliance with the Soo Condition contained in the ICC Final Approval can reasonably be determined and Union Pacific shall have fully and adequately indemnified the Company and its affiliates with respect to such cost of compliance and with respect to the cost of improper assertion of rights to labor protection under the Labor Condition (and subject to the Company's rights to determine with Union Pacific the allocation of costs between Union Pacific and the Company of compliance with the Labor Condition), the Company will convert Purchaser's Shares of Non-Voting Shares into Shares and appoint two Union Pacific designees to the Board of Directors.

Pursuant to the Merger Agreement, the Company has agreed to support, and if requested by Union Pacific, to join in, the application of Union Pacific to the ICC requesting a determination that the terms of the Merger are just and reasonable or, alternatively, a declaratory order of the ICC that no such determination is required, and the Company has agreed to take such further action as is necessary or desirable to obtain such determination or order.

March 10, 1995

Union Pacific Corporation
Union Pacific Holdings
UP Rail, Inc.
Martin Tower, Eighth and Eaton Ave.
Bethlehem, Pennsylvania

STRICTLY PRIVATE AND CONFIDENTIAL

Gentlemen:

In connection with the transaction (the "Transaction") with Chicago and North Western Transportation Company (the "Company") announced today in a joint press release of you and the Company (the "Release"), you have requested information concerning the Company. As a condition of your being furnished such information, you agree to treat any information concerning the Company which is furnished to you by or on behalf of the Company whether furnished before, on or after the date of this letter agreement (herein collectively referred to as the "Evaluation Material") in accordance with the provisions of this letter agreement. The term "Evaluation Material" does not include information which (i) was, is or becomes generally available to the public other than as a result of a disclosure by you or your directors, officers, employees, agents or advisors (collectively "representatives") in violation of this agreement, or (ii) was, is or becomes available to you on a non-confidential basis from a source other than the Company or its representatives provided that such source is not bound by a confidentiality agreement with the Company, or (iii) was within your possession prior to its being furnished to you by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof, (iv) has been independently developed by you, without any use of material furnished confidentially by or on behalf of the Company, or (v) is given to you or your representatives by the Company or its representatives in the ordinary course of business.

You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating a possible transaction between the Company and you, and that, except as permitted by this Agreement or as required by law, including but not limited to compliance with reporting, disclosure or other provisions under the Federal securities law, such information will be kept confidential by you; provided, however, that any such information may be disclosed to your representatives who need to know such information for the purpose of evaluating any such possible transaction between the Company and you (it being agreed that such representatives shall be informed by you of the confidential nature of such information and that by receiving such information they are agreeing to be bound by this agreement, and you agree that you shall be responsible for any unauthorized use or disclosure by any such representative. You shall maintain a list of those to whom such information has been disclosed which list you will present to us upon request).

In addition, except (i) as permitted by this Agreement, (ii) as required by law, including but not limited to compliance with reporting, disclosure or other provisions under the Federal securities law, or (iii) disclosures consistent with the Release, without the prior consent of the Company, in the case of disclosures by you or on your behalf, or your prior consent, in the case of disclosures by the Company or on its behalf, you and the Company will not, and each of you and the Company will direct its representatives not to, disclose to any person any of the terms, conditions or other facts with respect to the Transaction, including the status thereof. The term "person" as used in this letter agreement shall be broadly interpreted to include without limitation any corporation, company, group, partnership, other entity or individual.

In addition, you hereby acknowledge that you are aware, and that you will advise your representatives who are informed as to the matters which are the subject of this letter agreement, that the United States securities laws prohibit any person who has material, non-public information concerning a company from purchasing or selling securities of that company or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

In the event that you or any of your representatives are requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) before a court, arbitrator or administrative agency to disclose any Evaluation Material supplied to you in the course of your dealings with the Company or its representatives, it is agreed that you or such representative, as the case may be, will provide the Company with prompt notice of such request(s) and the documents requested thereby so that the Company may seek an appropriate protective order and/or waive your compliance with the provisions of this letter agreement. It is further agreed that if, in the absence of a protective order or the receipt of a waiver hereunder, you or your representatives, as the case may be, are nonetheless, based on the advice of your counsel, required or compelled to disclose Evaluation Material concerning the Company to any tribunal or else stand liable for contempt or suffer other loss, damage, censure or penalty, you may disclose such information to such tribunal without liability hereunder; provided, however, that you shall not disclose more information than is required and you shall give the Company written notice of the information to be so disclosed as far in advance of its disclosure as is reasonably practicable and shall use your best efforts to cooperate with the Company in obtaining an order or other reliable assurance that confidential treatment will be accorded to such portion of the information required to be disclosed as the Company designates.

At any time upon our request you shall promptly redeliver to the Company all written Evaluation Material (whether in your possession or the possession of your representatives) and will not retain any copies, extracts or other reproductions in whole or in part of such written Evaluation Material. All

portions of documents, memoranda, notes and other writings whatsoever (including all copies, extracts or other reproductions), prepared by you or your representatives based on the information contained in the Evaluation Material shall be destroyed, and such destruction shall be certified in writing to the Company by an authorized officer supervising such destruction. The redelivery of such material shall not relieve your obligation of confidentiality or other obligations hereunder.

It is further understood and agreed that we do not make any representation or warranty as to the accuracy or completeness of the Evaluation Material. You

agree that neither the Company nor its representatives shall have any liability to you or any of your representatives resulting from the use of the Evaluation Material supplied by us or our representatives.

It is understood and agreed that this Agreement does not obligate you or the Company to enter into any further agreements. Unless and until a definitive agreement regarding a transaction between the Company and you has been executed, neither the Company nor you will be under any legal obligation of any kind whatsoever with respect to such a transaction by virtue of this letter agreement except for the matters specifically agreed to herein.

Any consent or waiver of compliance with any provision hereof shall be effective only if in writing and signed by the party so consenting or waiving. It is further understood and agreed that no failure or delay by you or the Company in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege.

It is further understood and agreed that money damages would not be a sufficient remedy for any breach of this letter agreement by you or the Company and that the Company and you shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach, and you and the Company further agree to waive any requirement for the securing or posting of any bond in connection with such remedy. Such remedy shall not be deemed to be the exclusive remedy for your or the Company's breach of this letter agreement, but shall be in addition to all other remedies available at law or equity to the Company and you. You and the Company further agree that each shall be reimbursed by the other for all costs and expenses, including reasonable attorney's fees, incurred in any proceeding to enforce this letter agreement; provided, however, that a party will not be responsible for such reimbursement unless such party is judicially determined in such proceeding (such determination not being subject to further appeal) to have breached this letter agreement.

This Agreement shall remain in effect for a period of one (1) year from the date hereof. Until March 1, 1996, you agree that neither you nor any of your representatives will solicit or employ any of the current officers or senior employees of the Company so long as they are employed by the Company without obtaining the prior written consent of the Company.

If any provision hereof should be determined to be void or unenforceable in any jurisdiction, the validity and effectiveness of such provision in any other jurisdiction, and the validity and effectiveness of the remaining provisions, shall not be affected. This letter agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

If you are in agreement with the foregoing, please so indicate by signing and returning one copy of this letter agreement, whereupon it will constitute our agreement with respect to the subject matter hereof.

Very truly yours,

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: /s/ Robin Bourne-Caris
Its: Vice President and Secretary

Confirmed and Agreed to:

UNION PACIFIC CORPORATION

By: /s/ Carl von Bernuth
Its:
Date:

UNION PACIFIC HOLDINGS, INC.

By: /s/ Carl von Bernuth
Its:
Date:

UP RAIL, INC.

By: /s/ Carl von Bernuth
Its:
Date: