

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
January 22, 1996

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

Utah	1-6075	13-2626465
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

Martin Tower, Eighth and Eaton Avenues, Bethlehem, PA 18018  
(Address of principal executive offices) (zip code)

(610) 861-3200  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

Item 7. Financial Statements and Exhibits.

(c) Exhibits:

(i) Exhibit 4: Indenture dated as of January 5, 1996,  
between Union Pacific Corporation and Chemical Bank,  
Trustee.

(ii) Exhibit 23: Consent of KPMG Peat Marwick LLP,  
Independent Auditors.

(iii) Exhibit 99.1: Financial Statements of Southern Pacific  
Rail Corporation and Subsidiary Companies as of September  
30, 1995 and December 31, 1994 and for the nine months ended  
September 30, 1995 and 1994 and the three months ended  
September 30, 1995 and 1994 as set forth in the Quarterly  
Report on Form 10-Q for the quarterly period ended September  
30, 1995, of Southern Pacific Rail Corporation.

(iv) Exhibit 99.2: Financial Statements of Southern Pacific  
Rail Corporation and Subsidiary Companies as of December 31, 1994  
and 1993 and for the three year period ended December 31, 1994  
as set forth in the Annual Report on Form 10-K/A for the year  
ended December 31, 1994, dated as of November 27, 1995 of  
Southern Pacific Rail Corporation.

(v) Exhibit 99.3: Independent Auditors' Report

(vi) Exhibit 99.4: Unaudited Pro Forma Financial Statements of  
Union Pacific Corporation and Southern Pacific Rail Corporation  
as set forth in Registration Statement on Form S-4 of Union  
Pacific Corporation (Registration No. 33-64707) dated as of  
December 12, 1995.

(vii) Exhibit 99.5: Press Release

(viii) Exhibit 99.6: Statement Regarding Consolidated Income from  
Continuing Operations for the Nine Months Ended September 30, 1995.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bethlehem, State of Pennsylvania, on January 22, 1996.

UNION PACIFIC CORPORATION

By: /s/ Morris B. Smith

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Name: Morris B. Smith  
Title: Vice President and  
Controller

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Sequential Page Number
4	Indenture dated as of January 5, 1996, between Union Pacific Corporation and Chemical Bank, Trustee.	
23	Consent of KPMG Peat Marwick LLP, Independent Auditors.	
99.1	Financial Statements of Southern Pacific Rail Corporation and Subsidiary Companies as of September 30, 1995 and December 31, 1994 and for the nine months ended September 30, 1995 and 1994 and the three months ended September 30, 1995 and 1994 as set forth in the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1995, of Southern Pacific Rail Corporation.	
99.2	Financial Statements of Southern Pacific Rail Corporation and Subsidiary Companies as of December 31, 1994 and 1993 and for the three year period ended December 31, 1994 as set forth in the Annual Report on Form 10-K/A for the year ended December 31, 1994, dated as of November 27, 1995 of Southern Pacific Rail Corporation.	
99.3	Independent Auditors' Report	
99.4	Unaudited Pro Forma Financial Statements of Union Pacific Corporation and Southern Pacific Rail Corporation as set forth in Registration Statement on Form S-4 of Union Pacific Corporation (Registration No. 33-64707) dated as of December 12, 1995.	
99.5	Press Release	
99.6	Statement Regarding Consolidated Income from Continuing Operations for the Nine Months Ended September 30, 1995.	

## UNION PACIFIC CORPORATION

and

CHEMICAL BANK,  
Trustee

## INDENTURE

Dated as of January 5, 1996

Providing for Issuance of Securities in Series

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THIS INDENTURE between UNION PACIFIC CORPORATION, a Utah corporation (hereinafter called the "Company") having its principal office at Eighth and Eaton Avenues, Bethlehem, Pennsylvania 18018, and CHEMICAL BANK, a New York corporation, trustee (hereinafter called the "Trustee"), is made and entered into as of this 5th day of January, 1996.

#### Recitals of the Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its debentures, notes, bonds or other evidences of indebtedness, to be issued in one or more fully registered series.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

#### Agreements of the Parties

To set forth or to provide for the establishment of the terms and conditions upon which the Securities are and are to be authenticated, issued and delivered, and in consideration of the premises and the purchase of Securities by the Holders thereof, it is mutually covenanted and agreed as follows, for the equal and proportionate benefit of all Holders of the Securities or of a series thereof, as the case may be:

#### ARTICLE ONE

##### Definitions and Other Provisions of General Application

Section 101. Definitions. For all purposes of this Indenture and of any indenture supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act or by Commission rule under the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;

(4) all references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(5) "including" and words of similar import shall be deemed to be followed by "without limitation".

Certain terms, used principally in Article Six, are defined in that Article.

"Act", when used with respect to any Securityholder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to authenticate Securities under Section 614.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each day which is neither a Saturday, Sunday or other day on which banking institutions in the pertinent Place or Places of Payment are authorized or required by law or executive order to be closed.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request", "Company Order" and "Company Consent" mean, respectively, a written request, order or consent signed in the name of the Company by its Chairman of the Board, President or a Vice President, and by its Treasurer, an Assistant Treasurer, Controller, an Assistant Controller, Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee in New York, New York at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 450 West 33rd Street, New York, New York, 10001, attention: Corporate Trust Administration.

"Debt" means indebtedness for money borrowed.

"Defaulted Interest" has the meaning specified in Section

"Depository" means, unless otherwise specified by the Company pursuant to either Section 204 or 301, with respect to Securities of any series issuable or issued as a Global Security, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation.

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

"Event of Default" has the meaning specified in Article Five.

"Global Security" means with respect to any series of Securities issued hereunder, a Security which is executed by the Company and authenticated and delivered by the Trustee to the Depository or pursuant to the Depository's instruction, all in accordance with this Indenture and an indenture supplemental hereto, if any, or Board Resolution and pursuant to a Company Request, which shall be registered in the name of the Depository or its nominee and which shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, all of the Outstanding Securities of such series or any portion thereof, in either case having the same terms, including, without limitation, the same original issue date, date or dates on which principal is due, and interest rate or method of determining interest.

"Holder", when used with respect to any Security, means a Securityholder.

"Indenture" or "this Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 301.

"Independent", when used with respect to any specified Person, means such a Person who (1) is in fact independent, (2) does not have any direct financial interest

or any material indirect financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, and (3) is not connected with the Company or such other obligor or any Affiliate of the Company or of such other obligor, as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by a Company Order and approved by the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any series of Securities, means the Stated Maturity of any installment of interest on those Securities.

"Maturity", when used with respect to any Securities, means the date on which the principal of any such Security becomes due and payable as therein or herein provided, whether on a Repayment Date, at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

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

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Wherever this Indenture requires that an Officers' Certificate be signed also by an engineer or an accountant or other expert, such engineer, accountant or other expert (except as otherwise expressly provided in this Indenture) may be in the employ of the Company, and shall be acceptable to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of or of counsel to the

Company. Such counsel shall be acceptable to the Trustee, whose acceptance shall not be unreasonably withheld.

"Original Issue Discount Security" means (i) any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof, and (ii) any other Security deemed an Original Issue Discount Security for United States Federal income tax purposes.

"Outstanding", when used with respect to Securities or Securities of any series, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(i) such Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) such Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, or which shall have been paid pursuant to the terms of Section 306 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a person in whose hands such Security is a legal, valid and binding obligation of the Company).

In determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the principal amount of any Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of the taking of such action upon a declaration of acceleration of the Maturity thereof and (ii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded

and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer assigned to the corporate trust department of the Trustee knows to be owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act as owner with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means with respect to any series of Securities issued hereunder the city or political subdivision so designated with respect to the series of Securities in question in accordance with the provisions of Section 301.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Principal Property" means (i) any property owned or leased by the Company or any Subsidiary, or any interest of the Company or any Subsidiary in property, located within the United States of America or any State thereof (including property located off the coast of the United States of America held pursuant to lease from any Federal, State or other governmental body) which is considered by the Company to be capable of producing oil or gas or minerals in commercial quantities and (ii) any refinery, smelter or



processing or manufacturing plant owned or leased by the Company or any Subsidiary and located within the United States of America or any State thereof, except (a) facilities related thereto employed in transportation, distribution or marketing or (b) any refinery, smelter or processing or manufacturing plant, or portion thereof, which in the opinion of the Board of Directors is not a principal plant in relation to the activities of the Company and its Restricted Subsidiaries as a whole.

"Railroad" means Union Pacific Railroad Company, a Utah corporation, and Missouri Pacific Railroad Company, a Delaware corporation, and their respective successors and assigns.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price specified in the Security at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Security on any Interest Payment Date means the date specified in such Security as the Regular Record Date.

"Repayment Date", when used with respect to any Security to be repaid, means the date fixed for such repayment pursuant to such Security.

"Repayment Price", when used with respect to any Security to be repaid, means the price at which it is to be repaid pursuant to such Security.

"Responsible Officer", when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer or trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom

such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means any Subsidiary which owns or leases (as lessor or lessee) a Principal Property but does not include (i) the Railroad or any other Subsidiary which is principally a common carrier by rail or truck engaged in interstate or intrastate commerce and is subject to regulation of such activities by any Federal, State or other governmental body, or (ii) any Subsidiary the principal business of which is leasing machinery, equipment, vehicles or other properties none of which is a Principal Property, or financing accounts receivable, or engaging in ownership and development of any real property which is not a Principal Property.

"Security" or "Securities" means any note or notes, bond or bonds, debenture or debentures, or any other evidences of indebtedness, as the case may be, of any series authenticated and delivered from time to time under this Indenture.

"Security Register" shall have the meaning specified in Section 305.

"Security Registrar" means the Person who keeps the Security Register specified in Section 305.

"Securityholder" means a Person in whose name a Security is registered in the Security Register.

"Special Record Date" for the payment of any Defaulted Interest (as defined in Section 307) means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any specified corporation means any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by the specified corporation or by one or more of its Subsidiaries, or both.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, as in force at the date as of which this instrument was executed except as provided in Section 905.

"Trustee" means the Person named as the Trustee in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean and include each Person who is then a Trustee hereunder. If at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Unrestricted Subsidiary" means any Subsidiary which is not a Restricted Subsidiary.

"Vice President" when used with respect to the Company or the Trustee means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president", including, without limitation, an assistant vice president.

"Voting Stock", as applied to the stock of any corporation, means stock of any class or classes (however designated) having by the terms thereof ordinary voting power to elect a majority of the members of the board of directors (or other governing body) of such corporation other than stock having such power only by reason of the happening of a contingency.

Section 102. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (except for the written statement required by Section 1004) shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to the other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the

Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Securityholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders or Securityholders of any series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. If any Securities are denominated in coin or currency other than that of the United States, then for the purposes of determining whether the Holders of the requisite principal amount of Securities have taken any action as herein described, the principal amount of such Securities shall be deemed to be that amount of United States dollars that could be obtained for such principal amount on the basis of the spot rate of exchange into United States dollars for the currency in which such Securities are denominated (as evidenced to the Trustee by an Officers' Certificate) as of the date the taking of such action by the Holders of such requisite principal amount is evidenced to the Trustee as provided in the immediately preceding sentence. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer authorized

by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Securities Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Securities Outstanding shall be computed as of the record date; provided that no such authorization, agreement or consent by the Holders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon whether or not notation of such action is made upon such Security.

Section 105. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction,

notice, consent, waiver or Act of Securityholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Securityholder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (except as provided in Section 501(4) or, in the case of a request for repayment, as specified in the Security carrying the right to repayment) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notices to Securityholders; Waiver. Where this Indenture or any Security provides for notice to Securityholders of any event, such notice shall be sufficiently given (unless otherwise herein or in such Security expressly provided) if in writing and mailed, first-class postage prepaid, to each Securityholder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Securityholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. Where this Indenture or any Security provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Securityholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impractical to mail notice of any event to any Securityholder when such notice is required to be given pursuant to any provision of this Indenture, then

any method of notification as shall be satisfactory to the Trustee and the Company shall be deemed to be a sufficient giving of such notice.

Section 107. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act through the operation of Section 318(c) thereof, such imposed duties shall control.

Section 108. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. Benefits of Indenture. Nothing in this Indenture or in any Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Authenticating Agent or Paying Agent, the Security Registrar and the Holders of Securities (or such of them as may be affected thereby), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. Governing Law. This Indenture shall be construed in accordance with and governed by the laws of the State of New York.

Section 113. Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 114. Judgment Currency. The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of



obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the New York Banking Day (as defined below) preceding that on which final unappealable judgment is given and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in the City of New York or a day on which banking institutions in the City of New York are authorized or required by law or executive order to close.

## ARTICLE TWO

### Security Forms

Section 201. Forms Generally. The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be required to comply with applicable laws or regulations or with the rules of any securities exchange, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse

thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities, subject, with respect to the Securities of any series, to the rules of any securities exchange on which such Securities are listed.

Section 202. Forms of Securities. Each Security shall be in one of the forms approved from time to time by or pursuant to a Board Resolution, or established in one or more indentures supplemental hereto. Prior to the delivery of a Security to the Trustee for authentication in any form approved by or pursuant to a Board Resolution, the Company shall deliver to the Trustee the Board Resolution by or pursuant to which such form of Security has been approved, which Board Resolution shall have attached thereto a true and correct copy of the form of Security which has been approved thereby or, if a Board Resolution authorizes a specific officer or officers to approve a form of Security, a certificate of such officer or officers approving the form of Security attached thereto. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by the Trustee's authentication of Securities in that form or a certificate signed by a Responsible Officer of the Trustee and delivered to the Company.

Section 203. Form of Trustee's Certificate of Authentication. The form of Trustee's Certificate of Authentication for any Security issued pursuant to this Indenture shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

CHEMICAL BANK,  
as Trustee,

By: \_\_\_\_\_  
Authorized Officer

Section 204. Securities Issuable in the Form of a Global Security. (a) If the Company shall establish pursuant to Sections 202 and 301 that the Securities of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee or its agent shall, in accordance with Section 303 and the Company Request delivered to the Trustee or its agent thereunder, authenticate and deliver, such Global Security or Securities, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Outstanding Securities of such series to be represented by such Global Security or Securities, or such portion thereof as the Company shall specify in a Company Request, (ii) shall be registered in the name of the Depository for such Global Security or Securities or its nominee, (iii) shall be delivered by the Trustee or its agent to the Depository or pursuant to the Depository's instruction and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for the individual Securities represented hereby, this Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository."

(b) Notwithstanding any other provisions of this Section 204 or of Section 305, and subject to the provisions of paragraph (c) below, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Securities, a Global Security may be transferred, in whole but not in part

and in the manner provided in Section 305, only to a nominee of the Depositary for such Global Security, or to the Depositary, or a successor Depositary for such Global Security selected or approved by the Company, or to a nominee of such successor Depositary.

(c) (i) If at any time the Depositary for a Global Security notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary for the Securities for such series ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to such Global Security. If a successor Depositary for such Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee or its agent, upon receipt of a Company Request for the authentication and delivery of individual Securities of such series in exchange for such Global Security, will authenticate and deliver, individual Securities of such series of like tenor and terms in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security.

(ii) The Company may at any time and in its sole discretion determine that the Securities of any series or portion thereof issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Request for the authentication and delivery of individual Securities of such series in exchange in whole or in part for such Global Security, will authenticate and deliver individual Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities representing such series or portion thereof in exchange for such Global Security or Securities.

(iii) If specified by the Company pursuant to Sections 202 and 301 with respect to Securities issued or issuable in the form of a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for individual Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company and such

Depository. Thereupon the Company shall execute, and the Trustee or its agent shall authenticate and deliver, without service charge, (1) to each Person specified by such Depository a new Security or Securities of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (2) to such Depository a new Global Security of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities delivered to the Holders thereof.

(iv) In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee or its agent will authenticate and deliver individual Securities in definitive registered form in authorized denominations. Upon the exchange of the entire principal amount of a Global Security for individual Securities, such Global Security shall be cancelled by the Trustee or its agent. Except as provided in the preceding paragraph, Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or the Security Registrar. The Trustee or the Security Registrar shall deliver such Securities to the Persons in whose names such Securities are so registered.

### ARTICLE THREE

#### The Securities

Section 301. General Title; General Limitations; Issuable in Series; Terms of Particular Series. The aggregate principal amount of Securities which may be authenticated and delivered and Outstanding under this Indenture is not limited.

The Securities may be issued in one or more series up to an aggregate principal amount of Securities as from time to time may be authorized by the Board of Directors. All Securities of each series under this Indenture shall in all respects be equally and ratably entitled to the benefits

hereof with respect to such series without preference, priority or distinction on account of the actual time of the authentication and delivery or Stated Maturity of the Securities of such series.

Each series of Securities shall be created either by or pursuant to a Board Resolution or by or pursuant to an indenture supplemental hereto. The Securities of each such series may bear such date or dates, be payable at such place or places, have such Stated Maturity or Maturities, be issuable at such premium over or discount from their face value, bear interest at such rate or rates (which may be fixed or floating), from such date or dates, payable in such installments and on such dates and at such place or places to the Holders of Securities registered as such on such Regular Record Dates, or may bear no interest, and may be redeemable or repayable at such Redemption Price or Prices or Repayment Price or Prices, as the case may be, whether at the option of the Holder or otherwise, and upon such terms, all as shall be provided for in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating that series. There may also be established in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture prior to the issuance of Securities of each such series, provision for:

(1) the exchange or conversion of the Securities of that series, at the option of the Holders thereof, for or into new Securities of a different series or other securities or other property, including shares of capital stock of the Company or any subsidiary of the Company or securities directly or indirectly convertible into or exchangeable for any such shares;

(2) a sinking or purchase fund or other analogous obligation;

(3) if other than U.S. dollars, the currency or currencies or units based on or related to currencies (including European Currency Units) in which the Securities of such series shall be denominated and in which payments of principal of, and any premium and interest on, such Securities shall or may be payable;

(4) if the principal of (and premium, if any) or interest, if any, on the Securities of such series are to be payable, at the election of the Company or a holder thereof, in a currency or currencies or units based on or related to currencies (including

European Currency Units) other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(5) if the amount of payments of principal of (and premium, if any) or interest, if any, on the Securities of such series may be determined with reference to an index based on (i) a currency or currencies or units based on or related to currencies (including European Currency Units) other than that in which the Securities are stated to be payable, (ii) changes in the price of one or more other securities or groups or indexes of securities or (iii) changes in the prices of one or more commodities or groups or indexes of commodities, or any combination of the foregoing, the manner in which such amounts shall be determined;

(6) if the aggregate principal amount of the Securities of that series is to be limited, such limitations;

(7) the exchange of Securities of that series, at the option of the Holders thereof, for other Securities of the same series of the same aggregate principal amount of a different authorized kind or different authorized denomination or denominations, or both;

(8) the appointment by the Trustee of an Authenticating Agent in one or more places other than the location of the office of the Trustee with power to act on behalf of the Trustee and subject to its direction in the authentication and delivery of the Securities of any one or more series in connection with such transactions as shall be specified in the provisions of this Indenture or in or pursuant to the Board Resolution or the supplemental indenture creating such series;

(9) the portion of the principal amount of Securities of the series, if other than the total principal amount thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or provable in bankruptcy pursuant to Section 504;

(10) any Event of Default with respect to the Securities of such series, if not set forth herein and

any addition, deletions or other changes to the Events of Default set forth herein that shall be applicable to the Securities of such series (including a provision making any Event of Default set forth herein inapplicable to the Securities of that series);

(11) any covenant solely for the benefit of the Securities of such series and any additions, deletions or other changes to the provisions of Article Ten or any definitions relating to such Article that shall be applicable to the Securities of such series (including a provision making any Section of such Article inapplicable to the Securities of such series);

(12) the applicability of Section 403 of this Indenture to the Securities of such series;

(13) if the Securities of the series shall be issued in whole or in part in the form of a Global Security or Global Securities, the terms and conditions, if any, upon which such Global Security or Global Securities may be exchanged in whole or in part for other individual Securities; and the Depositary for such Global Security or Global Securities (if other than the Depositary specified in Section 101 hereof);

(14) the subordination of the Securities of such series to any other indebtedness of the Company, including without limitation, the Securities of any other series; and

(15) any other terms of the series, which shall not be inconsistent with the provisions of this Indenture,

all upon such terms as may be determined in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture with respect to such series. All Securities of the same series shall be substantially identical in tenor and effect, except as to denomination.

The form of the Securities of each series shall be established pursuant to the provisions of this Indenture in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating such series. The Securities of each series shall be distinguished from the Securities of each other series in such manner, reasonably satisfactory to the Trustee, as the Board of Directors may determine.



Unless otherwise provided with respect to Securities of a particular series, the Securities of any series may only be issuable in registered form, without coupons.

Any terms or provisions in respect of the Securities of any series issued under this Indenture may be determined pursuant to this Section by providing in a Board Resolution or supplemental indenture for the method by which such terms or provisions shall be determined.

Section 302. Denominations. The Securities of each series shall be issuable in such denominations and currency as shall be provided in the provisions of this Indenture or in or pursuant to the Board Resolution or the supplemental indenture creating such series. In the absence of any such provisions with respect to the Securities of any series, the Securities of that series shall be issuable only in fully registered form in denominations of \$1,000 and any integral multiple thereof.

Section 303. Execution, Authentication and Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication; and the Trustee shall, upon Company Order, authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Prior to any such authentication and delivery, the Trustee shall be entitled to receive, in addition to any Officers' Certificate and Opinion of Counsel required to be furnished to the Trustee pursuant to Section 102, and the

Board Resolution and any certificate relating to the issuance of the series of Securities required to be furnished pursuant to Section 202, an Opinion of Counsel stating that:

(1) all instruments furnished to the Trustee conform to the requirements of the Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Securities;

(2) the form and terms (or in connection with the issuance of medium-term Securities under Section 311, the manner of determining the terms) of such Securities have been established in conformity with the provisions of this Indenture;

(3) all laws and requirements with respect to the execution and delivery by the Company of such Securities have been complied with, the Company has the corporate power to issue such Securities and such Securities have been duly authorized and delivered by the Company and, assuming due authentication and delivery by the Trustee, constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws and legal principles affecting creditors' rights generally from time to time in effect and to general equitable principles, whether applied in an action at law or in equity) and entitled to the benefits of this Indenture, equally and ratably with all other Securities, if any, of such series Outstanding;

(4) the Indenture is qualified under the Trust Indenture Act; and

(5) such other matters as the Trustee may reasonably request;

and, if the authentication and delivery relates to a new series of Securities created by an indenture supplemental hereto, also stating that all laws and requirements with respect to the form and execution by the Company of the supplemental indenture with respect to that series of Securities have been complied with, the Company has corporate power to execute and deliver any such supplemental indenture and has taken all necessary corporate action for those purposes and any such supplemental indenture has been

executed and delivered and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws and legal principles affecting creditors' rights generally from time to time in effect and to general equitable principles, whether applied in an action at law or in equity).

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature of an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 304. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and, upon receipt of the documents required by Section 303, together with a Company Order, the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment, without charge to the

Holder; and upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of such series of authorized denominations and of like tenor and terms. Until so exchanged the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 305. Registration, Transfer and Exchange. The Company shall keep or cause to be kept a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities, or of Securities of a particular series, and for transfers of Securities or of Securities of such series. Any such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times the information contained in such register or registers shall be available for inspection by the Trustee at the office or agency to be maintained by the Company as provided in Section 1002.

Subject to Section 204, upon surrender for transfer of any Security of any series at the office or agency of the Company in a Place of Payment, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms.

Subject to Section 204, at the option of the Holder, Securities of any series may be exchanged for other Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Securityholder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Security to be transferred or exchanged, no service charge shall be made on any Securityholder for any transfer or exchange of Securities, but the Company may (unless otherwise provided in such Security) require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities, other than exchanges pursuant to Section 304 or 906 not involving any transfer.

The Company shall not be required (i) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series selected for redemption under Section 1103 and ending at the close of business on the date of such mailing, or (ii) to transfer or exchange any Security so selected for redemption in whole or in part, except for the portion of such Security not so selected for redemption.

None of the Company, the Trustee, any agent of the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company initially appoints the Trustee to act as Security Registrar for the Securities on its behalf. The Company may at any time and from time to time authorize any Person to act as Security Registrar in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities. If (i) any mutilated Security is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) there is delivered to the Company and the Trustee such security or indemnity as

may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security, a new Security of like tenor, series, Stated Maturity and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Preserved. Unless otherwise provided with respect to such Security pursuant to Section 301, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Holder on

the relevant Regular Record Date by virtue of his having been such Holder; and, except as hereinafter provided, such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or Clause (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names any such Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of each such Security at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such

notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

If any installment of interest the Stated Maturity of which is on or prior to the Redemption Date for any Security called for redemption pursuant to Article Eleven is not paid or duly provided for on or prior to the Redemption Date in accordance with the foregoing provisions of this Section, such interest shall be payable as part of the Redemption Price of such Securities.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered in the Security Register as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any), and (subject to Section 307) interest on, such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation. All Securities surrendered for payment, redemption, transfer, conversion or exchange or credit against a sinking fund shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Security shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. The Trustee shall dispose of all cancelled Securities in accordance with its customary procedures and shall deliver a certificate of such disposition to the Company.



Section 310. Computation of Interest. Unless otherwise provided as contemplated in Section 301, interest on the Securities shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 311. Medium-term Securities. Notwithstanding any contrary provision herein, if all Securities of a series are not to be originally issued at one time, it shall not be necessary for the Company to deliver to the Trustee an Officers' Certificate, Board Resolution, supplemental indenture, Opinion of Counsel or Company Request otherwise required pursuant to Sections 202, 301 and 303 at or prior to the time of authentication of each Security of such series if such documents are delivered to the Trustee or its agent at or prior to the authentication upon original issuance of the first Security of such series to be issued; provided that any subsequent request by the Company to the Trustee to authenticate Securities of such series upon original issuance shall constitute a representation and warranty by the Company that as of the date of such request, the statements made in the Officers' Certificate delivered pursuant to Section 102 shall be true and correct as if made on such date.

An Officers' Certificate, supplemental indenture or Board Resolution delivered by the Company to the Trustee in the circumstances set forth in the preceding paragraph may provide that Securities which are the subject thereof will be authenticated and delivered by the Trustee or its agent on original issue from time to time upon the telephonic or written order of persons designated in such Officers' Certificate, Board Resolution or supplemental indenture (any such telephonic instructions to be confirmed promptly in writing by such persons) and that such persons are authorized to determine, consistent with such Officers' Certificate, supplemental indenture or Board Resolution, such terms and conditions of said Securities as are specified in such Officers' Certificate, supplemental indenture or Board Resolution.

#### ARTICLE FOUR

##### Satisfaction and Discharge

Section 401. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to any series of Securities (except as to any surviving rights of conversion, transfer or exchange

of Securities of such series expressly provided for herein or in the form of Security for such series), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(1) either

(A) all Securities of that series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee cancelled or for cancellation; or

(B) all such Securities of that series not theretofore delivered to the Trustee cancelled or for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee cancelled or for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Company to the Trustee with respect to that series under Section 607 shall survive and the obligations of the Trustee under Sections 402 and 1003 shall survive.

Section 402. Application of Trust Money. All money and obligations deposited with the Trustee pursuant to Section 401 or Section 403 and all money received by the Trustee in respect of such obligations shall be held in trust and applied by it, in accordance with the provisions of the series of Securities in respect of which it was deposited and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money and obligations have been deposited with or received by the Trustee; but such money and obligations need not be segregated from other funds except to the extent required by law.

Section 403. Satisfaction, Discharge and Defeasance of Securities of any Series. If this Section 403 is specified, as contemplated by Section 301, to be applicable to Securities of any series, the Company shall be deemed to have paid and discharged the entire indebtedness on all the Securities of any such series at the time outstanding, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction, discharge and defeasance of such indebtedness, when

(1) either

(A) with respect to all Securities of such series at the time outstanding,

(i) the Company has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient, together with any obligations

deposited pursuant to clause (ii) below, to pay and discharge the entire indebtedness on all such Securities for principal (and premium, if any) and interest, on the days on which such principal (and premium, if any) or interest, as the case may be, is due and payable in accordance with the terms of this Indenture and such Securities, to the date of maturity or date of redemption thereof as contemplated by the penultimate paragraph of this Section 403, as the case may be; or

(ii) the Company has deposited or caused to be deposited with the Trustee as obligations in trust for such purpose such amount of direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the government which issued the currency in which such Securities are denominated (other than such obligations as are redeemable at the option of the issuer thereof) as will, together with the income to accrue thereon without consideration of any reinvestment thereof, be sufficient, in the written opinion of a firm of nationally recognized independent public accountants (which may be the Company's auditors) delivered to the Trustee, together with any funds deposited pursuant to clause (i) above, to pay and discharge the entire indebtedness on all such Securities for principal (and premium, if any) and interest, on the days on which such principal (and premium, if any) or interest, as the case may be, is due and payable in accordance with the terms of this Indenture and such Securities, to the date of maturity or date of redemption thereof as contemplated by the penultimate paragraph of this Section 403, as the case may be; or

(B) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 301, to be applicable to the Securities of such series;

(2) the Company has paid or caused to be paid all other sums payable with respect to the Securities of such series at the time Outstanding;

(3) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(4) no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing on the date of such deposit; and

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction, discharge and defeasance of the entire indebtedness on all Securities of any such series at the time Outstanding have been complied with.

Any deposits with the Trustee referred to in Section 403(1)(A) above shall be irrevocable. If any Securities of such series at the time outstanding are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory sinking fund requirement, the Company shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Upon the satisfaction of the conditions set forth in this Section 403 with respect to all the Securities of any series at the time Outstanding, the terms and conditions of such series, including the terms and conditions with respect thereto set forth in this Indenture (except as to any surviving rights of conversion, transfer or exchange of Securities of such series expressly provided for herein or in the form of Security for such series), shall no longer be binding upon, or applicable to, the Company, provided that the Company shall not be discharged from any payment obligations in respect of Securities of such series which are deemed not to be Outstanding under clause (iii) of the definition thereof if such obligations continue to be valid obligations of the Company under applicable law.

Notwithstanding the satisfaction of the conditions set forth in this Section 403 with respect to all Securities of any series at the time Outstanding, the obligations of the Company to the Trustee with respect to that series under Section 607 and the obligations of the Trustee with respect to that series under Section 402 and 1003 shall survive.

ARTICLE FIVE

Remedies

Section 501. Events of Default. "Event of Default", wherever used herein, means with respect to any series of Securities any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is either inapplicable to a particular series or it is specifically deleted or modified in the supplemental indenture creating such series of Securities or in the form of Security for such series:

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture in respect of the Securities of such series (other than a covenant or warranty in respect of the Securities of such series a default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), all of such covenants and warranties in the Indenture which are not expressly stated to be for the benefit of a particular series of Securities being deemed in respect of the Securities of all series for this purpose, and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and

requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry of an order for relief against the Company under the Federal Bankruptcy Code by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent under any other applicable Federal or State law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under the Federal Bankruptcy Code or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the consent by the Company to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series.

Section 502. Acceleration of Maturity; Rescission and Annulment. If an Event of Default described in paragraph (1), (2), (3), (4) or (7) (if the Event of Default under paragraph (4) or (7) is with respect to less than all series of Securities then Outstanding) of Section 501 occurs and is continuing with respect to any series, then and in each and every such case, unless the principal of all the

Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of such series then Outstanding hereunder (each such series acting as a separate class), by notice in writing to the Company (and to the Trustee if given by Holders), may declare the principal amount (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of such series then Outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities of such series contained to the contrary notwithstanding. If an Event of Default described in paragraph (4) or (7) (if the Event of Default under paragraph (4) or (7) is with respect to all series of Securities then Outstanding), (5) or (6) of Section 501 occurs and is continuing, then and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of all the Securities then Outstanding hereunder (treated as one class), by notice in writing to the Company (and to the Trustee if given by Holders), may declare the principal amount (or, if any Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms thereof) of all the Securities then Outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities contained to the contrary notwithstanding.

At any time after such a declaration of acceleration has been made with respect to the Securities of any series and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on the Securities of such series,



(B) the principal of (and premium, if any, on) any Securities of such series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Securities of such series, to the extent that payment of such interest is lawful,

(C) interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Securities of such series to the extent that payment of such interest is lawful, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607; and

(2) all Events of Default with respect to such series of Securities, other than the nonpayment of the principal of the Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any installment of interest on any Security of any series when such interest becomes due and payable, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof, or

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any series,

and any such default continues for any period of grace provided with respect to the Securities of such series, the

Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or the Holders of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of Clause (3) above) for principal (and premium, if any) and interest, with interest, to the extent that payment of such interest shall be legally enforceable, upon the overdue principal (and premium, if any) and upon overdue installments of interest, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities of such series and collect the money adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or

otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceedings or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary and advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607) and of the Securityholders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Securityholder to make such payment to the Trustee and in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan or reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 505. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agent and counsel, be for the ratable benefit of the Holders of the Securities of the series in respect of which such judgment has been recovered.

Section 506. Application of Money Collected. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities of such series and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607.

SECOND: To the payment of the amounts then due and unpaid upon the Securities of that series for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

Section 507. Limitation on Suits. No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more Holders of Securities of such series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of such series, or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and proportionate benefit of all the Holders of all Securities of such series.

Section 508. Unconditional Right of Securityholders to Receive Principal, Premium and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on the Redemption Date or Repayment Date, as the case may be) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies. If the Trustee or any Securityholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, then and in every such case the Company, the Trustee and the Securityholders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Securityholders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and

remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Securityholders, as the case may be.

Section 512. Control by Securityholders. The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series, provided that

(1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or would conflict with this Indenture or if the Trustee in good faith shall, by a Responsible Officer, determine that the proceedings so directed would involve it in personal liability or be unjustly prejudicial to the Holders not taking part in such direction, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 513. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any

past default hereunder with respect to such series and its consequences, except a default not theretofore cured

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series to which the suit relates, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on or after the Redemption Date or Repayment Date).

Section 515. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or

advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

#### ARTICLE SIX

##### The Trustee

Section 601. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default with respect to any series of Securities,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to the Securities of such series, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may, with respect to Securities of such series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to any series of Securities has occurred and is continuing, the Trustee shall exercise with respect to the Securities of such series such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own



negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to Securities of any series, the Trustee shall transmit by mail to all Securityholders of such series, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series or in the payment of any sinking or purchase fund installment or analogous obligation with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the

board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Securityholders of such series; and provided, further, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series no such notice to Securityholders of such series shall be given until at least 90 days after the occurrence thereof. For the purpose of this Section, the term "default", with respect to Securities of any series, means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 603. Certain Rights of Trustee. Except as otherwise provided in Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Securityholders pursuant to this Indenture, unless such Securityholders shall have offered to the Trustee reasonable

security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 604. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities. The Trustee, any Paying Agent, the Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 606. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 607. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Securities.

Section 608. Disqualification; Conflicting Interests. The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time provided for therein. In determining whether the Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Securities of any series, there shall be excluded for purposes of the conflicting interest provisions of such Section 310(b) the Securities of every other series issued under this Indenture and (a) the Indenture dated as of December 27, 1990, between the Company and Chemical Bank, as Trustee; (b) the Indenture of Trust dated as of June 1, 1983 between Uinta County, Wyoming and Chemical Bank, as Trustee,

under which \$17,000,000 aggregate principal amount of Floating Rate Monthly Demand Pollution Control Revenue Bonds (Champlin Petroleum Company Project) Series 1983 have been issued, the payment of which Bonds is supported by certain payment obligations of Champlin Petroleum Company (which is now called Union Pacific Resources Company) ("Champlin") to Uinta County and assigned by Uinta County to said Trustee under a Loan Agreement dated as of June 1, 1983 between Uinta County, Champlin and the Company relating to such Bonds, which payment obligations have been guaranteed by the Company pursuant to such Loan Agreement; (c) the Indenture of Trust dated as of June 1, 1983 between Lincoln County, Wyoming and Chemical Bank, as Trustee, under which \$3,100,000 aggregate principal amount of Floating Rate Monthly Demand Pollution Control Revenue Bonds (Champlin Petroleum Company Project) Series 1983 have been issued, the payment of which Bonds is supported by certain payment obligations of Champlin to Lincoln County and assigned by Lincoln County to said Trustee under a Loan Agreement dated as of June 1, 1983 between Lincoln County, Champlin and the Company relating to such Bonds, which payment obligations have been guaranteed by the Company pursuant to such Loan Agreement; (d) the Trust Indenture dated as of June 1, 1989 between the Port of Corpus Christi Authority of Nueces County, Texas (the "Port") and Chemical Bank, as Trustee, under which \$40,000,000 aggregate principal amount of Variable Rate Demand Revenue Refunding Bonds, Series 1989 (Union Pacific Corporation Project) have been issued, the payment of which Bonds is supported by certain payment obligations of the Company to the Port and assigned by the Port to said Trustee under an Installment Payment and Bond Amortization Agreement dated as of June 1, 1989 between the Port and the Company; (e) the Trust Indenture dated as of September 1, 1992 between the Port and Chemical Bank, as Trustee, under which \$16,650,000 aggregate principal amount of Variable Rate Demand Revenue Refunding Bonds, Series 1992 (Union Pacific Corporation Project) have been issued, the payment of which Bonds is supported by certain payment obligations of the Company to the Port and assigned by the Port to said Trustee under an Installment Payment and Bond Amortization Agreement dated as of September 1, 1992 between the Port and the Company; and (f) the Indenture, Deed of Trust and Security Agreement dated as of July 15, 1983 between United States Trust Company of New York, as Owner Trustee, and Chemical Bank, as Indenture Trustee, under which 12.05% Loan Certificates due December 31, 2003 have been issued, the payment of which Certificates is supported by certain rental obligations of Champlin to said Owner Trustee and assigned by said Owner Trustee to said Indenture

Trustee under a Lease Agreement dated as of July 15, 1983 between Champlin and said Owner Trustee, as supplemented, which rental obligations have been guaranteed by the Company pursuant to a Guarantee Agreement dated as of July 15, 1983 between the Company and said Owner Trustee and assigned by said Owner Trustee to said Indenture Trustee. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

Section 609. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder with respect to each series of Securities, which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to any series of Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign with respect to any series of Securities at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of a majority in principal amount of the Outstanding

Securities of that series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 608(a) with respect to any series of Securities after written request therefor by the Company or by any Securityholder who has been a bona fide Holder of a Security of that series for at least 6 months, or

(2) the Trustee shall cease to be eligible under Section 609 with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting with respect to any series of Securities, or

(4) the Trustee shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, with respect to the series, or in the case of Clause (4), with respect to all series, or (ii) subject to Section 514, any Securityholder who has been a bona fide Holder of a Security of such series for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the series, or, in the case of Clause (4), with respect to all series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of the Trustee with respect to any series of Securities for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee for that series of Securities. If, within one year after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series

delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Company with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Company or the Securityholders of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been a bona fide Holder of a Security of that series for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to any series and each appointment of a successor Trustee with respect to any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of that series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee and the address of its principal Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective with respect to any series as to which it is resigning or being removed as Trustee, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the predecessor Trustee with respect to any such series; but, on request of the Company or the successor Trustee, such predecessor Trustee shall, upon payment of its reasonable charges, if any, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the predecessor Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such predecessor Trustee hereunder with respect to all or any such series, subject nevertheless to its lien, if any, provided for in Section 607. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.



In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not being succeeded shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to any series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to that series under this Article.

Section 612. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 613. Preferential Collection of Claims Against Company. (a) Subject to Subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within 3 months prior to a default, as defined in

Subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Securities and the holders of other indenture securities (as defined in Subsection (c) of this Section):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such 3-month period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such 3-month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such 3-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such 3-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in Subsection (c) of this Section would occur within 3 months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such 3-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Securityholders and the holders of other indenture securities in such manner that the Trustee, the Securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Securityholders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for

reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee and the Securityholders and the holders of other indenture securities in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Securityholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such 3-month period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such 3-month period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

(i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such 3-month period; and

(ii) such receipt of property or reduction of claim occurred within 3 months after such resignation or removal.

(b) There shall be excluded from the operation of Subsection (a) of this Section a creditor relationship arising from

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Securityholders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in Subsection (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self liquidating paper as defined in Subsection (c) of this Section.

(c) For the purposes of this Section only:

(1) The term "default" means any failure to make payment in full of the principal of or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable.

(2) The term "other indenture securities" means securities upon which the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account.

(3) The term "cash transaction" means any transaction in which full payment for goods or securities sold is made within 7 days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(4) The term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term "Company" means any obligor upon the Securities.

Section 614. Appointment of Authenticating Agent. At any time when any of the Securities remain Outstanding the Trustee, with the approval of the Company, may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such

series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as an Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and, if other than the Company itself, subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and, if other than the Company, to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent

and, if other than the Company, to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee, with the approval of the Company, may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent (other than an Authenticating Agent appointed at the request of the Company from time to time) reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

CHEMICAL BANK,  
as Trustee

By:  
As Authenticating Agent

By:  
Authorized Officer



ARTICLE SEVEN

Securityholders' Lists and Reports by  
Trustee and Company

Section 701. Company To Furnish Trustee Names and Addresses of Securityholders. The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, in each year in such form as the Trustee may reasonably require, a list of the names and addresses of the Holders of Securities of such series as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. Preservation of Information; Communications to Securityholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Securities contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders of Securities received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) If 3 or more Holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least 6 months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall,

within 5 Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Securityholders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless, within 5 days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities of such series or all Securityholders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Securityholders of such series or all Securityholders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

Section 703. Reports by Trustee. (a) The term "reporting date" as used in this Section means May 15. Within 60 days after the reporting date in each year, beginning in 1996, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report dated as of such reporting date with respect to any of the following events which may have occurred during the 12 months preceding the date of such report (but if no such event has occurred within such period no report need be transmitted):

(1) any change to its eligibility under Section 609 and its qualifications under Section 608;

(2) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of Securities of any series, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities of such series outstanding on the date of such report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an

indebtedness based upon a creditor relationship arising in a manner described in Section 613(b)(2), (3), (4) or (6);

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 602.

(b) The Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities of any series, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding of such series at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange upon which the Securities are listed, and also with the Commission. The Company will notify the Trustee when the Securities are listed on any stock exchange.

Section 704. Reports by Company. The Company will

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

#### ARTICLE EIGHT

Consolidation, Merger, Conveyance or Transfer

Section 801. Company May Consolidate, etc., only on Certain Terms. The Company shall not consolidate with or merge into any other corporation or convey or transfer its

properties and assets substantially as an entirety to any Person, unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 802. Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. In the event of any such conveyance or transfer, the Company as the predecessor corporation may be dissolved, wound up or liquidated at any time thereafter.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Securityholders. Without the consent of the Holders of any Securities, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to add to the covenants of the Company, or to surrender any right or power herein conferred upon the Company, for the benefit of the Holders of the Securities of any or all series (and if such covenants or the surrender of such right or power are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included or such surrenders are expressly being made solely for the benefit of one or more specified series); or

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; or

(4) to add to this Indenture such provisions as may be expressly permitted by the TIA, excluding, however, the provisions referred to in Section 316(a)(2) of the TIA as in effect at the date as of which this instrument was executed or any corresponding provision in any similar federal statute hereafter enacted; or

(5) to establish any form of Security, as provided in Article Two, and to provide for the issuance of any series of Securities as provided in Article Three and to set forth the terms thereof, and/or to add to the rights of the Holders of the Securities of any series; or

(6) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 611; or

(7) to add any additional Events of Default in respect of the Securities of any or all series (and if such additional Events of Default are to be in respect of less than all series of Securities, stating that such Events of Default are expressly being included solely for the benefit of one or more specified series); or

(8) to provide for the issuance of Securities in coupon as well as fully registered form.

No supplemental indenture for the purposes identified in Clauses (2), (3), (5) or (7) above may be entered into if to do so would adversely affect the interest of the Holders of Securities of any series.

Section 902. Supplemental Indentures with Consent of Securityholders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of the Securities of each such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Maturity of the principal of, or the Stated Maturity of any premium on, or any installment of interest on, any Security, or reduce the principal amount thereof or the interest or any premium thereon, or change the method of computing the amount of principal thereof or interest thereon on any date or change any Place of Payment where, or the coin or currency in which, any Security or any premium or



interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be); or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences, provided for in this Indenture; or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not (except to the extent required in the case of a supplemental indenture entered into under Section 901(4) or 901(6)) be obligated to, enter into any such supplemental

indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby to the extent provided therein.

Section 905. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the TIA as then in effect.

Section 906. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

## ARTICLE TEN

### Covenants

Section 1001. Payment of Principal, Premium and Interest. With respect to each series of Securities, the Company will duly and punctually pay the principal of (and premium, if any) and interest on such Securities in accordance with their terms and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in, or made in the Indenture for the benefit of, the Securities of such series.

Section 1002. Maintenance of Office or Agency. The Company will maintain an office or agency in each Place of Payment where Securities may be presented or surrendered for payment, where Securities may be surrendered for transfer or exchange and where notices and demands to or

upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and of any change in the location, of such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the principal Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

Section 1003. Money for Security Payments to be Held in Trust. If the Company shall at any time act as its own Paying Agent for any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on, any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, on or prior to each due date of the principal of (and premium, if any) or interest on, any Securities of such series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee for any series of Securities to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(1) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any such payment of principal (and premium, if any) or interest on the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture with respect to any series of Securities or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent in respect of each and every series of Securities as to which it seeks to discharge this Indenture or, if for any other purpose, all sums so held in trust by the Company in respect of all Securities, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease. The Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company mail to the Holders of the Securities as to which the money to be repaid was held in trust, as their names and addresses appear in the Security Register, a notice that such moneys remain unclaimed and that, after a date specified in the notice, which shall not be less than 30 days from the date on which the notice was first mailed to the Holders of the Securities as to which the money to be repaid was held in trust, any unclaimed

balance of such moneys then remaining will be paid to the Company free of the trust formerly impressed upon it.

The Company initially authorizes the Trustee to act as Paying Agent for the Securities on its behalf. The Company may at any time and from time to time authorize one or more Persons to act as Paying Agent in addition to or in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 1004. Statement as to Compliance. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement signed by the principal executive officer, principal financial officer or principal accounting officer of the Company, stating that

(1) a review of the activities of the Company during such year and of the Company's performance under this Indenture and under the terms of the Securities has been made under his supervision; and

(2) to the best of his knowledge, based on such review, the Company has complied with all conditions and covenants under this Indenture through such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

Section 1005. Corporate Existence. Subject to Article Eight the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 1006. Limitation on Liens. (a) The Company will not, nor will it permit any Subsidiary to, create, assume, incur or suffer to exist any Mortgage upon any stock or indebtedness, whether owned on the date of this Indenture or hereafter acquired, of any Domestic Subsidiary, to secure any Debt of the Company or any other Person (other than the Securities), without in any such case making effective provision whereby all of the Securities Outstanding shall be directly secured equally and ratably with such Debt, excluding, however, from the operation of the foregoing provisions of this Subsection (a) any Mortgage upon stock or indebtedness of any corporation existing at the time such corporation becomes a Domestic Subsidiary, or existing upon stock or indebtedness of a Domestic Subsidiary at the time of acquisition of such stock or indebtedness, and any extension, renewal or replacement (or successive

extensions, renewals or replacements) in whole or in part of any such Mortgage; provided, however, that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and provided further, that such Mortgage shall be limited to all or such part of the stock or indebtedness which secured the Mortgage so extended, renewed or replaced.

(b) The Company will not, nor will it permit any Restricted Subsidiary to, create, assume, incur or suffer to exist any Mortgage upon any Principal Property, whether owned or leased on the date of this Indenture or hereafter acquired, to secure any Debt of the Company or any other Person (other than the Securities), without in any such case making effective provision whereby all of the Securities outstanding shall be directly secured equally and ratably with such Debt, excluding, however, from the operation of the foregoing provisions of this Subsection (b):

(i) any Mortgage upon property owned or leased by any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(ii) any Mortgage upon property existing at the time of acquisition thereof or to secure the payment of all or any part of the purchase price thereof or to secure any Debt incurred prior to, at the time of or within 180 days after the acquisition of such property for the purpose of financing all or any part of the purchase price thereof;

(iii) any Mortgage upon property to secure all or any part of the cost of exploration, drilling, development, construction, alteration, repair or improvement of all or any part of such property, or Debt incurred prior to, at the time of or within 180 days after the completion of such exploration, drilling, development, construction, alteration, repair or improvement for the purpose of financing all or any part of such cost;

(iv) any Mortgage securing Debt of a Restricted Subsidiary owing to the Company or to another Restricted Subsidiary;

(v) any Mortgage existing at the date of this Indenture; and

(vi) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Mortgage referred to in the foregoing clauses (i) to (v), inclusive; provided, however, that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and provided further, that such Mortgage shall be limited to all or such part of the property which secured the Mortgage so extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing provisions of this Subsection (b), the Company may, and may permit any Restricted Subsidiary to, create, assume, incur or suffer to exist any Mortgage upon any Principal Property which is not excepted by clauses (i) through (vi) above without equally and ratably securing the Securities, provided that the aggregate amount of all Debt then outstanding secured by such Mortgage and all similar Mortgages does not exceed 10% of the total consolidated stockholders' equity of the Company as shown on the audited consolidated balance sheet contained in the latest annual report to stockholders of the Company. For the purpose of this Subsection (b), the following types of transactions shall not be deemed to create a Mortgage to secure any Debt:

(i) the sale or other transfer of (A) any oil or gas or minerals in place for a period of time until, or in an amount such that, the purchaser will realize therefrom a specified amount of money (however determined) or a specified amount of such oil or gas or minerals, or (B) any other interest in property of the character commonly referred to as a "production payment"; and

(ii) any Mortgage in favor of the United States of America or any State thereof, or any other country, or any political subdivision of any of the foregoing, to secure partial, progress, advance or other payments pursuant to the provisions of any contract or statute, or any Mortgage upon property of the Company or a Restricted Subsidiary intended to be used primarily for the purpose of or in connection with air or water pollution control, provided that no such Mortgage shall extend to any other property of the Company or any Restricted Subsidiary.

Section 1007. Limitation on Transfers of Principal Properties to Unrestricted Subsidiaries. The Company will not, nor will it permit any Restricted Subsidiary to, sell, transfer or otherwise dispose of any Principal Property to any Unrestricted Subsidiary other than for cash or other consideration which, in the opinion of the Board of Directors, constitutes fair value for such Principal Property.

Section 1008. Waiver of Certain Covenants. The Company may omit in respect of any series of Securities, in any particular instance, to comply with any covenant or condition set forth in Sections 1006 and 1007, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Securities at the time Outstanding of such series shall, by Act of such Securityholders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

## ARTICLE ELEVEN

### Redemption of Securities

Section 1101. Applicability of Article. The Company may reserve the right to redeem and pay before Stated Maturity all or any part of the Securities of any series, either by optional redemption, sinking or purchase fund or analogous obligation or otherwise, by provision therefor in the form of Security for such series established and approved pursuant to Section 202 and on such terms as are specified in such form or in the Board Resolution or indenture supplemental hereto with respect to Securities of such series as provided in Section 301. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article does not conflict with such terms, the succeeding Sections of this Article.

Section 1102. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities redeemable at the election of the Company shall be evidenced by, or made pursuant to authority granted by, a



Board Resolution. In case of any redemption at the election of the Company of any Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 1103. Selection by Trustee of Securities to Be Redeemed. If less than all the Securities of like tenor and terms of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may include provision for the selection for redemption of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. Unless otherwise provided in the terms of a particular series of Securities, the portions of the principal of Securities so selected for partial redemption shall be equal to the minimum authorized denomination of the Securities of such series, or an integral multiple thereof, and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series. If less than all the Securities of unlike tenor and terms of a series are to be redeemed, the particular Securities to be redeemed shall be selected by the Company.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the

portion of the principal of such Security which has been or is to be redeemed.

Section 1104. Notice of Redemption. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed, from the Holder to whom the notice is given;
- (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security, and that interest, if any, thereon shall cease to accrue from and after said date;
- (5) the place where such Securities are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Company in the Place of Payment; and
- (6) that the redemption is on account of a sinking or purchase fund, or other analogous obligation, if that be the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of all the Securities which are to be redeemed on that date.

Section 1106. Securities Payable on Redemption Date. Notice of Redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with the notice, such Securities shall be paid by the Company at the Redemption Price. Installments of interest the Stated Maturity of which is on or prior to the Redemption Date shall be payable to the Holders of such Securities registered as such on the relevant Regular Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security, or as otherwise provided in such Security.

Section 1107. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at the office or agency of the Company in the Place of Payment with respect to that series (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and Stated Maturity and of like tenor and terms, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

Section 1108. Provisions with Respect to any Sinking Funds. Unless the form or terms of any series of Securities shall provide otherwise, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Company may at its option (1) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Company, or (2) receive credit for any Securities of such series (not previously so credited) acquired by the Company and theretofore delivered to the Trustee for cancellation or redeemed by the Company other than through the mandatory sinking fund, and if it does so then (i) Securities so

delivered or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Company will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by delivery or credit of Securities of such series acquired by the Company or so redeemed, and (B) such Securities so acquired, to the extent not previously surrendered. Such Officers' Certificate shall also state the basis for such credit and that the Securities for which the Company elects to receive credit have not been previously so credited and were not redeemed by the Company through operation of the mandatory sinking fund, if any, provided with respect to such Securities and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be cancelled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed \$50,000 (or a lesser sum if the Company shall so request), unless otherwise provided by the terms of such series of Securities, that cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 1106. The Trustee shall select, in the manner provided in Section 1103, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize that cash and shall thereupon cause notice of redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 1104 (and with the effect provided in Section 1106) for the redemption of Securities in part at the option of the Company. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions

of this Section 1108. Any and all sinking fund moneys with respect to Securities of any series held by the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Company shall pay to the Trustee in cash a sum equal to all accrued interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 1108.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

UNION PACIFIC CORPORATION,

by /s/ Gary M. Stuart

-----  
Name: Gary M. Stuart  
Title: Vice President and  
Treasurer

Attest:

/s/ Thomas E. Whitaker

-----  
Assistant Secretary

CHEMICAL BANK,

by /s/ W. B. Dodge

-----  
Name: W. B. Dodge  
Title: Vice President

Attest:

/s/ Wanda Eiland

-----  
Trust Officer

## Accounts' Consent

We consent to the incorporation by reference in the registration statements No. 33-59323 on Form S-3 and No.'s 2-79663, 33-12513, 33-18877, 33-22106, 33-22607, 33-44236, 33-53968, 33-49785, 33-49849, 33-51071, 33-51735, 33-52277 and 33-54811 on Forms S-8 of Union Pacific Corporation of our report dated February 24, 1995 with respect to the consolidated balance sheets of Southern Pacific Rail Corporation and Subsidiary Companies as of December 31, 1994 and 1993, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three year period ended December 31, 1994, which report appears in the Form 8-K of Union Pacific Corporation dated January 22, 1996, to which appearance we also consent.

KPMG Peat Marwick LLP

San Francisco, California  
January 22, 1996

SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 (Unaudited)

	September 30, 1995	December 31, 1994
----- (in millions) -----		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash equivalents .....	\$ 136.5	\$ 145.6
Short-term investments .....	-	95.0
Accounts and notes receivable, net of allowance for doubtful accounts .....	150.8	178.2
Accounts receivable sales proceeds receivable ..	126.4	111.2
Materials and supplies, at cost .....	74.6	71.8
Other notes receivable .....	7.5	7.2
Other current assets .....	67.9	63.6
	-----	-----
Total current assets .....	563.7	672.6
	-----	-----
REAL ESTATE HELD FOR SALE .....	369.1	361.4
	-----	-----
<b>PROPERTY, AT COST</b>		
Roadway and structures .....	2,368.5	2,204.4
Railroad equipment .....	1,470.6	1,013.4
Other property .....	315.0	309.0
	-----	-----
Total property .....	4,154.1	3,526.8
Less accumulated depreciation and amortization ..	636.7	597.8
	-----	-----
Property, net .....	3,517.4	2,929.0
	-----	-----
<b>OTHER ASSETS AND DEFERRED CHARGES</b>		
Notes receivable and other investments .....	82.7	79.2
Other assets and deferred charges .....	119.6	109.9
	-----	-----
Total other assets .....	202.3	189.1
	-----	-----
Total assets .....	\$ 4,652.5	\$ 4,152.1
	=====	=====

(Continued)

See accompanying notes to consolidated condensed financial statements.

SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 (Unaudited)

	September 30, 1995	December 31, 1994
----- (in millions) -----		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and wages payable.....	\$ 151.4	\$ 158.0
Accrued payables.....	160.2	169.1
Current portion of long term debt.....	57.0	59.5
Redeemable preference shares of a subsidiary..	1.9	1.9
Other current liabilities.....	598.6	627.3
	-----	-----
Total current liabilities.....	969.1	1,015.8
	-----	-----
LONG-TERM DEBT.....	1,654.7	1,089.3
	-----	-----
DEFERRED INCOME TAXES.....	224.1	223.4
	-----	-----
OTHER LIABILITIES.....	725.8	744.2
	-----	-----
REDEEMABLE PREFERENCE SHARES OF A SUBSIDIARY.....	20.8	20.7
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Common stock.....	0.2	0.2
Additional paid-in capital.....	1121.8	1,116.2
Accumulated deficit.....	(64.0)	(57.7)
	-----	-----
Total stockholders' equity.....	1,058.0	1,058.7
	-----	-----
Total liabilities and stockholders' equity..	\$ 4,652.5	\$ 4,152.1
	=====	=====

See accompanying notes to consolidated condensed financial statements.



SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	1995	1994	1995	1994
	----- ----- ----- ----- (in millions, except per share amounts)			
<b>OPERATING REVENUES</b>				
Railroad .....	\$ 773.0	\$ 787.6	\$ 2,300.1	\$ 2,298.6
Other .....	23.6	19.7	67.8	63.5
	-----			
Total .....	796.6	807.3	2,367.9	2,362.1
	-----			
<b>OPERATING EXPENSES</b>				
Railroad .....	725.3	691.6	2,137.0	2,034.9
Special charge (Note 5) .....	-	-	64.6	-
Other .....	23.4	18.6	66.6	60.5
	-----			
Total .....	748.7	710.2	2,268.2	2,095.4
	-----			
OPERATING INCOME .....	47.9	97.1	99.7	266.7
	-----			
<b>OTHER INCOME (EXPENSE)</b>				
Gains from sales of property ..	1.3	2.9	16.1	24.4
Real estate rentals, net .....	4.8	5.6	12.6	17.3
Interest .....	2.6	4.7	9.1	10.9
Other income (expense), net ...	(17.9)	(17.2)	(46.8)	(44.9)
	-----			
Total .....	(9.2)	(4.0)	(9.0)	7.7
	-----			
INTEREST EXPENSE .....	35.0	37.7	99.2	115.3
	-----			
INCOME (LOSS) BEFORE INCOME TAXES	3.7	55.4	(8.5)	159.1
	-----			
<b>INCOME TAX (BENEFIT)</b>				
Current .....	0.1	(0.5)	0.1	-
Deferred .....	2.4	22.4	(2.3)	62.1
	-----			
Total .....	2.5	21.9	(2.2)	62.1
	-----			
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING	1.2	33.5	(6.3)	97.0
	-----			
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR POST-EMPLOYMENT BENEFITS IN 1994, net of tax .	-	-	-	(6.0)
	-----			
NET INCOME (LOSS) .....	\$ 1.2	\$ 33.5	\$ (6.3)	\$ 91.0
	=====	=====	=====	=====
<b>EARNINGS (LOSS) PER SHARE</b>				
Net earnings before cumulative effect of change in accounting.....	\$ 0.01	\$ 0.22	\$ (0.04)	\$ (0.65)
Cumulative effect of change in accounting.....	\$ -	-	-	(0.04)
	-----			
Net income (loss) .....	\$ 0.01	\$ 0.22	\$ (0.04)	\$ 0.61
	=====	=====	=====	=====

See accompanying notes to consolidated condensed financial statements.

SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY  
Nine Months Ended September 30, 1995  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Number of Shares	Amount			
			(in millions)		
Balances at December 31, 1994.....	156	\$ 0.2	\$1,116.2	\$ (57.7)	\$1,058.7
Net loss.....	-	-	-	(6.3)	(6.3)
Issuance of Common Stock	-	-	5.6	-	5.6
	-----	-----	-----	-----	-----
Balances at September 30, 1995.....	156	\$ 0.2	\$1,121.8	\$ (64.0)	\$1,058.0
	=====	=====	=====	=====	=====

See accompanying notes to consolidated condensed financial statements.

SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

Nine Months  
Ended September 30,  
-----  
1995            1994  
-----  
(in millions)

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income.(loss).....	\$ (6.3)	\$ 91.0
	-----	-----
Adjustments to net income (loss):		
Gains from sales of property and real estate.....	(16.1)	(24.4)
Depreciation and amortization.....	116.5	104.7
Deferred income taxes.....	(2.3)	58.2
Special charge.....	64.6	-
Cumulative effect of change in accounting for post-employment benefits in 1994.....	-	9.8
Other adjustments.....	(101.5)	(180.6)
	-----	-----
Total adjustments.....	61.2	(32.3)
	-----	-----
Net cash provided by operating activities...	54.9	58.7
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Property sold and retired.....	24.7	30.8
Capital expenditures.....	(270.6)	(203.0)
Decrease in short-term investments.....	95.0	-
Change in notes receivable and other investments, net.....	(8.0)	(11.0)
	-----	-----
Net cash used for investing activities.....	(158.9)	(183.2)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt, net of costs..	225.0	55.6
Debt and revolver repayment.....	(129.2)	(349.7)
Proceeds from issuance of stock, net of costs.	-	503.6
Redeemable preference shares repayment.....	(0.9)	(1.3)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES....	94.9	208.2
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(9.1)	83.7
CASH AND CASH EQUIVALENTS-BEGINNING OF THE PERIOD	145.6	65.4
	-----	-----
CASH AND CASH EQUIVALENTS-END OF THE PERIOD.....	\$ 136.5	\$ 149.1
	=====	=====

See accompanying notes to consolidated condensed financial statements.

SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 30, 1995

(Unaudited)

(1) OWNERSHIP AND PRINCIPLES OF CONSOLIDATION

Southern Pacific Rail Corporation ("SPRC") is the parent company of Southern Pacific Transportation Company ("SPT"). SPRC together with its subsidiaries is referred to as the Company. Railroads owned include SPT and SPT's subsidiaries, St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp. ("SPCSL") and The Denver and Rio Grande Western Railroad Company ("D&RGW"). These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1994. In the opinion of management, all adjustments (consisting of normal, recurring accruals) necessary for a fair presentation of interim period results have been included. However, these results are not necessarily indicative of results for a full year.

(2) RECLASSIFICATIONS

Certain of the prior period amounts have been reclassified to conform to the September 30, 1995 consolidated condensed financial statement presentation.

(3) SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended Sept. 30,	
	----- 1995	1994 -----
	(in millions)	
Cash payments:		
Interest.....	\$ 78.6	\$ 105.3
Income taxes.....	1.2	(2.9)
Non-cash transactions:		
Capital lease obligations for railroad equipment	465.6	146.2
Issuance of common stock.....	5.6	0.8

(4) CAPITAL LEASE FINANCING

As of September 30, 1995, \$465.6 million of equipment has been received and included in the capital lease obligations incurred during the first nine months of 1995. An additional \$48.0 million of equipment to be financed under capital leases (including 28 locomotives and approximately 373 reconditioned freight cars) is expected to be received by year end.

(5) SPECIAL CHARGE

In June 1995, the Board of Directors approved plans aimed at reducing future operating costs and increasing productivity which resulted in a \$64.6 million pretax charge. Approximately \$41 million of the charge is related to severance payments to be made during the next year for approximately 582 employees (both management and labor), approximately \$4 million of the charge is related to costs associated with terminating certain leased facilities, and

approximately \$20 million is for the expected loss associated with the sale, lease or abandonment of 600 miles of light density rail lines. Current liabilities, non-current liabilities and accumulated depreciation at June 30, 1995 were increased by approximately \$28 million, \$17 million and \$20 million, respectively, as a result of this charge. As part of the plans to increase productivity, the Company also approved the relocation and training of up to 300 employees for which future expected costs of approximately \$8 million will be expensed as incurred under current accounting principles. As of September 30, 1995, 25 employees have been terminated and \$0.7 million has been charged to the reserve. The Company continues to evaluate the costs and benefits of the special charge approved by the Board in June, 1995 as it considers the 1996 business plan.

#### (6) OTHER

In November 1994, the Burlington Northern Railroad Company ("BN") and the Atchison, Topeka & Santa Fe Railway Company ("ATSF") filed an application with the Interstate Commerce Commission ("ICC") for approval of a proposed merger of the two companies. On April 13, 1995, the Company entered into an agreement with BN and ATSF to provide trackage and haulage rights over portions of each other's rail lines, effective upon the completion of the proposed BN/ATSF merger. On August 23, 1995 the ICC served a written decision approving the proposed merger. The decision was effective September 22, 1995, and on that date, the BN/ATSF merger was consummated.

On March 31, 1995, the Company and Union Pacific Railroad Company ("UPRR") entered into an agreement to settle the outstanding litigation, which was reported in the Company's Annual Report on Form 10-K for the period ending December 31, 1994, relating to the compensation SSW would pay for trackage rights over UPRR lines between Kansas City and St. Louis. Under the settlement agreement, the Company paid UPRR \$30.76 million on April 3, 1995 and executed a note agreeing to pay UPRR \$30.76 million, plus interest at 7%, on April 3, 1996. As a result of the settlement agreement, both parties dismissed their claims in the ICC and court proceedings.

#### (7) PROPOSED MERGER WITH UNION PACIFIC

On August 3, 1995, the Board of Directors of SPRC approved an agreement providing for the merger of SPRC and UPRR, a wholly-owned subsidiary of Union Pacific Corporation ("UP"). Under the terms of the agreement, a subsidiary of UP acquired 25% of the common stock of SPRC at a price of \$25.00 per share pursuant to a tender offer. The shares purchased in the tender offer are held in a voting trust pending approval of the merger by the ICC. Following receipt of ICC approval and the satisfaction of other conditions (including approval by SPRC stockholders), SPRC (and the UP subsidiary that purchased SPRC stock in the cash tender offer) will be merged into UPRR. In the SPRC/UPRR merger, each share of SPRC stock would be converted, at the holder's election (subject to proration), into the right to receive \$25.00 in cash or 0.4065 shares of UP common stock. Of the shares of SPRC common stock outstanding immediately prior to the merger (other than the shares previously acquired by UP in the tender offer), 20% of such shares will be acquired for cash and 80% of such shares will be acquired in exchange for shares of UP common stock. The two companies expect to file an application with the ICC on or before December 1, 1995.

#### (8) COMMITMENTS AND CONTINGENCIES

The Company is subject to Federal, state and local environmental laws and regulations and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Company has recorded a liability. The Company does not believe that disposition of environmental matters known to the Company will have a material adverse effect on the Company's financial condition or liquidity; however, there can be no assurance that the impact of these matters on its results of operations for any given reporting period will not be material.

## SOUTHERN PACIFIC RAIL CORPORATION AND SUBSIDIARY COMPANIES

## Consolidated Balance Sheets

Assets ----- (in millions)	December 31,	
	1994	1993
CURRENT ASSETS		
Cash and cash equivalents	\$ 145.6	\$ 65.5
Short-term investments	95.0	--
Accounts and notes receivable, net of allowance for doubtful accounts of \$8.1 in 1994 and \$7.2 in 1993 (Note 2)	178.2	122.1
Accounts receivable sales proceeds receivable (Note 2)	111.2	62.7
Materials and supplies at cost	71.8	56.9
Other notes receivable	7.2	2.8
Other current assets	63.6	44.2
TOTAL CURRENT ASSETS	672.6	354.2
REAL ESTATE HELD FOR SALE (Note 3)	361.4	363.4
PROPERTY at cost (Notes 3, 5, 9 and 12)		
Roadway and structures	2,204.4	2,103.0
Railroad equipment	1,013.4	702.2
Other property	309.0	287.1
TOTAL PROPERTY	3,526.8	3,092.3
Less accumulated depreciation and amortization	597.8	560.6
Property, net	2,929.0	2,531.7
OTHER ASSETS AND DEFERRED CHARGES		
Notes receivable and other investments	79.2	51.0
Other (Note 2)	109.9	133.7
TOTAL OTHER ASSETS	189.1	184.7
TOTAL ASSETS	\$4,152.1	\$3,434.0
	=====	=====

See accompanying notes to consolidated financial statements. (continued)

Liabilities and Stockholders' Equity ----- (in millions)	December 31,	
	1994	1993
CURRENT LIABILITIES		
Accounts and wages payable	\$ 158.0	\$ 125.3
Accrued payables		
Taxes	52.8	52.9
Interest	50.0	40.8
Vacation pay	66.3	67.1
Current portion of long-term debt (Note 5)	59.5	66.7
Redeemable preference shares of a subsidiary (Note 7)	1.9	1.8
Other current liabilities (Note 4)	627.3	561.6
TOTAL CURRENT LIABILITIES	1,015.8	916.2
LONG-TERM DEBT (Note 5)	1,089.3	1,408.3
DEFERRED INCOME TAXES (Note 6)	223.4	67.6
OTHER LIABILITIES (Notes 4 and 10)	744.2	708.2
REDEEMABLE PREFERENCE SHARES OF A SUBSIDIARY (Note 7)	20.7	21.2
COMMITMENTS AND CONTINGENCIES (Notes 6, 9, 10 and 12)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.001 per share; 300,000,000 shares authorized; 155,826,120 and 130,783,750 shares issued and outstanding in 1994 and 1993, respectively (Note 8)	0.2	0.1
Additional paid-in capital (Note 8)	1,116.2	611.9
Accumulated deficit	(57.7)	(299.5)
TOTAL STOCKHOLDERS' EQUITY	1,058.7	312.5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$4,152.1	3,434.0
	=====	=====

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

Year Ended December 31,

(in millions, except per share amounts)

	1994	1993	1992
<b>OPERATING REVENUES</b>			
Railroad	\$ 3,056.4	\$ 2,837.7	\$ 2,810.3
Other	86.2	80.9	67.7
<b>TOTAL</b>	<b>3,142.6</b>	<b>2,918.6</b>	<b>2,878.0</b>
<b>OPERATING EXPENSES</b>			
Railroad			
Labor and fringe benefits (Note 10)	1,085.1	1,132.5	1,167.0
Fuel	251.3	252.4	236.9
Materials and supplies	187.3	217.6	244.7
Equipment rental	328.0	331.0	288.0
Depreciation and amortization (Note 3)	139.8	133.2	138.9
Other	723.7	665.4	624.2
<b>TOTAL RAILROAD</b>	<b>2,715.2</b>	<b>2,732.1</b>	<b>2,699.7</b>
Other	81.7	83.3	69.4
<b>TOTAL</b>	<b>2,796.9</b>	<b>2,815.4</b>	<b>2,769.1</b>
<b>OPERATING INCOME</b>	<b>345.7</b>	<b>103.2</b>	<b>108.9</b>
<b>OTHER INCOME</b>			
Gains from sales of property and real estate (Note 3)	262.4	25.1	118.7
Real estate and other rentals, net	25.5	20.3	16.6
Interest Income	15.4	7.4	7.1
Other income (expense), net (Note 2)	(82.3)	(75.2)	(52.2)
<b>TOTAL</b>	<b>221.0</b>	<b>(22.4)</b>	<b>90.2</b>
<b>INTEREST EXPENSE (Note 5)</b>	<b>158.2</b>	<b>156.0</b>	<b>143.3</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>408.5</b>	<b>(75.2)</b>	<b>55.8</b>
<b>INCOME TAX EXPENSE (BENEFIT) (NOTE 6)</b>			
Current	3.7	--	0.1
Deferred	157.0	(30.3)	22.6
<b>TOTAL</b>	<b>160.7</b>	<b>(30.3)</b>	<b>22.7</b>
<b>NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING</b>	<b>247.8</b>	<b>(44.9)</b>	<b>33.1</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR POST-EMPLOYMENT BENEFITS IN 1994 AND POST-RETIREMENT BENEFITS OTHER THAN PENSIONS IN 1993 (Net of income tax benefits of \$3.8 and \$64.3, respectively) (Note 10)</b>			
	(6.0)	(104.2)	--
<b>NET INCOME (LOSS)</b>	<b>\$ 241.8</b>	<b>\$ (149.1)</b>	<b>\$ 33.1</b>
<b>INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 241.8</b>	<b>\$ (154.9)</b>	<b>\$ 24.1</b>
<b>PRIMARY EARNINGS (LOSS) PER SHARE</b>			
Net income (loss) before cumulative effect of change in accounting	\$ 1.63	\$ (0.54)	\$ 0.34
Cumulative effect of change in accounting	\$ (0.04)	\$ (1.11)	\$ --
<b>NET INCOME (LOSS)</b>	<b>\$ 1.59</b>	<b>\$ (1.65)</b>	<b>\$ 0.34</b>
<b>FULLY DILUTED EARNINGS (LOSS) PER SHARE</b>			
Net income (loss) before cumulative effect of change in accounting	\$ 1.63	\$ (0.46)	\$ 0.24
Cumulative effect of change in accounting	\$ (0.04)	\$ (0.93)	\$ --
<b>NET INCOME (LOSS)</b>	<b>\$ 1.59</b>	<b>\$ (1.39)</b>	<b>\$ 0.24</b>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity (Deficit)

Years Ended December 31, 1994, 1993 and 1992

(in millions, except per share amounts)	Common Stock					
	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Common Stock Subject to Repurchase	Total
BALANCES AT DECEMBER 31, 1991	100	\$ 0.1	\$ 221.2	\$ (156.8)	\$ (165.5)	\$ (101.0)
Net income	--	--	--	33.1	--	33.1
Dividends on preferred stock (\$120 per share)	--	--	--	(9.0)	--	(9.0)
BALANCES AT DECEMBER 31, 1992	100	0.1	221.2	(132.7)	(165.5)	(76.9)
Net loss	--	--	--	(149.1)	--	(149.1)
Dividends on preferred stock (\$78 per share)	--	--	--	(5.8)	--	(5.8)
Common stock issued	31	--	390.7	--	165.5	556.2
Cancellation of notes receivable from The Anschutz Corporation	--	--	--	(11.9)	--	(11.9)
BALANCES AT DECEMBER 31, 1993	131	0.1	611.9	(299.5)	--	312.5
Net income	--	--	--	241.8	--	241.8
Common stock issued (Note 8)	25	0.1	503.5	--	--	503.6
Common stock issued to management	--	--	0.8	--	--	0.8
BALANCES AT DECEMBER 31, 1994	156	\$ 0.2	\$1,116.2	\$ (57.7)	\$ --	\$1,058.7

See accompanying notes to consolidated financial statements.



## Consolidated Statement of Cash Flows

(in millions)	Year Ended December 31,		
	1994	1993	1992
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 241.8	\$ (149.1)	\$ 33.1
<b>Adjustments to net income (loss)</b>			
Depreciation and amortization	139.8	133.2	138.9
Deferred income taxes	153.2	(94.6)	22.6
Gains from sales of property and real estate	(262.4)	(25.1)	(118.7)
Cumulative effect of change in accounting for post-employment benefits in 1994 and post-retirement benefits in 1993	9.8	168.5	--
<b>Changes in:</b>			
Receivables	(105.2)	(18.4)	60.5
Materials and supplies	(14.8)	(3.1)	1.2
Income taxes payable/receivable	(0.1)	(13.9)	1.2
Other current and noncurrent assets	5.3	23.5	10.5
Other current and noncurrent liabilities	60.8	(126.4)	(42.0)
<b>TOTAL ADJUSTMENTS</b>	<b>(13.6)</b>	<b>43.7</b>	<b>74.2</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>228.2</b>	<b>(105.4)</b>	<b>107.3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(300.5)	(311.2)	(340.7)
Property sold and retired	343.4	53.8	362.4
Increase in short-term investments (Note 1)	(95.0)	--	--
Change in notes receivable and other investments, net	(11.8)	(2.9)	(23.5)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(63.9)</b>	<b>(260.3)</b>	<b>(1.8)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of debt, net of costs	55.6	796.6	510.7
Debt and revolver drawdown (repayment), net	(641.5)	(734.5)	(596.6)
Proceeds from issuance of common stock, net of costs	503.6	390.7	--
Redemption of preferred stock	--	(75.0)	--
Dividends paid	--	(5.8)	(9.0)
Redeemable preference shares repayment	(1.9)	(2.1)	(2.1)
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>(84.2)</b>	<b>369.9</b>	<b>(97.0)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>80.1</b>	<b>4.2</b>	<b>8.5</b>
<b>CASH AND CASH EQUIVALENTS--BEGINNING OF THE PERIOD</b>	<b>65.5</b>	<b>61.3</b>	<b>52.8</b>
<b>CASH AND CASH EQUIVALENTS--END OF PERIOD (Note 1)</b>	<b>\$ 145.6</b>	<b>\$ 65.5</b>	<b>\$ 61.3</b>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### Ownership, Principles of Consolidation and Basis of Presentation

Southern Pacific Rail Corporation ("SPRC") is the parent company of the Southern Pacific Transportation Company ("SPT") and Rio Grande Holding Company ("RGH"). SPRC together with its subsidiaries is referred to as the Company. Railroads owned include SPT, St. Louis Southwestern Railway Company ("SSW"), SPCSL Corporation ("SPCSL") and The Denver and Rio Grande Western Railroad Company ("D&RGW").

The consolidated financial statements are prepared on the purchase accounting basis and include the accounts of the Company and its subsidiaries on a consolidated basis. All significant intercompany balances and transactions have been eliminated in consolidation. The railroad subsidiaries report their financial position and results of operations on the historical cost basis, including reports to the Interstate Commerce Commission ("ICC").

#### Cash, Cash Equivalents, and Short-Term Investments

For statement of cash flows purposes, the Company considers commercial paper, municipal securities and certificates of deposit with original maturities when purchased of three months or less to be cash equivalents. Short-term investments consist primarily of commercial paper, municipal securities and certificates of deposit with original maturities beyond three months and less than twelve months. Such short-term investments are carried at cost, which approximates fair value due to the short period of time to maturity. Total cash, cash equivalents and short-term investments at December 31, 1994 were \$240.6 million.

#### Investments

Investments in affiliated companies (those in which the Company has a 20% to 50% ownership interest) are accounted for by the equity method. Other investments are stated at cost which does not exceed market.

#### Real Estate Held for Sale

At the time of the acquisitions of D&RGW and SPT, the Company identified for sale certain real estate properties that were not essential to its transportation operations. These properties have been classified as Real Estate Held for Sale. Real estate properties held for sale are stated at the lower of cost or amounts expected to be realized upon sale. No properties have been added to this classification. In order to facilitate disposition of these properties, the Company may participate in joint ventures or other arrangements that do not result in immediate sales.

Property accounting procedures followed by the Company and its railroad subsidiaries are prescribed by the ICC. In accordance with the Company's definition of unit of property, all costs associated with the installation of rail, ties, ballast and other track improvements are capitalized. Other costs are capitalized to the extent they increase asset values or extend useful lives. Retirements are generally recorded using a systemwide first-in, first-out basis. The cost of property and equipment (including removal and restoration costs) is depreciated on the straight line composite group method, generally based on estimated service lives. Pursuant to ICC regulation, periodic depreciation and cost studies are required and changes in service life estimates are subject to the review and approval of the ICC. Gains or losses from disposition of depreciable railroad operating property are credited or charged to accumulated depreciation except for significant disposal of property. Certain railroad properties that are not essential to transportation operations may be sold, some of which are included in real estate held for sale. Gains or losses resulting from sales of real estate no longer required for railroad operations are recognized as other income in the consolidated statement of operations.

#### Revenues

Freight revenues from rail transportation operations are recognized based on the percentage of completed service method. Other railroad revenues and other revenues are recognized as earned.

#### Retiree Welfare Benefits

Prior to January 1, 1993, the Company expensed retiree welfare benefits when paid. Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions" and recorded the estimate of its liability under Statement No. 106 of \$168.5 million, which net of income taxes resulted in a charge to earnings of \$104.2 million (see Note 10). Statement No. 106 requires that all employers sponsoring a retiree welfare plan use a single actuarial cost method as is required for pension plan accounting and that they disclose specific information about their plan in their financial statements.

Post-employment Benefits In November 1992, the Financial Accounting Standards Board ("FAS") issued Statement No. 112 "Employers' Accounting for Post-employment Benefits." FAS 112 requires employers to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement, if certain conditions are met. Effective January 1, 1994, the Company adopted FAS 112 and recorded a \$9.8 million pre-tax charge (\$6.0 million after tax). The Company's policy continues to be to fund the cost of post-employment benefits as the benefits are payable.

#### Income Taxes

The Company records income taxes using the liability method prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

A change in the tax laws or rates results in adjustment to the deferred tax liabilities and assets. The effect of such adjustments are included in income in the period in which the tax laws or rates are changed.

#### Earnings Per Share

Earnings per share are determined by dividing net income, after deduction of preferred stock dividends, by the weighted average number of shares of common stock outstanding. The weighted average number of shares of common stock outstanding in the calculation of primary earnings per share excludes the number of shares of common stock subject to repurchase. These shares are included in the calculation of fully diluted earnings per share. The following summarizes the weighted average number of shares used in these calculations:

	Shares at Year Ended December 31,		
(in thousands)	1994	1993	1992
Primary	151,648	93,575	71,250
Fully diluted	151,648	111,544	100,000

#### Reclassifications

Certain of the amounts previously reported have been reclassified to conform to the current consolidated financial statement presentation.

## 2. Sale of Receivables

Beginning in 1989, the Company began selling certain net receivables (including interline accounts), without recourse, to Rio Grande Receivables, Inc. ("RGR"), a subsidiary of SPRC. Also in 1989, RGR began selling the receivables purchased from the Company, with certain limited recourse provisions, to ABS Commercial Paper, Inc. ("ABS"), an unaffiliated third party, on a continuing basis for a period of up to five years subject to certain terms and conditions. The Company has agreed to service the receivables sold and is paid a fee for such services. The sale price for the receivables sold is based upon the face amount of the receivables and is reduced by discounts for expected defaults, servicing costs and anticipated collection periods. The Company retains a residual interest in the receivables should actual collections exceed the projected collections upon which the default discounts are calculated.

ABS finances its purchases by the sale of its commercial paper, secured by the receivables it purchases, up to a maximum aggregate principal amount of \$300.0 million at any time outstanding. The ability of ABS to sell commercial paper is supported by certain banks which have agreed to provide liquidity to ABS on an as-needed basis. The liquidity banks must maintain a P-1 rating or there would need to be one or more replacement banks or a reduction in the maximum amount of commercial paper which ABS could issue.

As of December 31, 1994, 1993 and 1992, the Company had sold \$454.3 million, \$391.7 million and \$366.5 million of net outstanding receivables to ABS, respectively, and had receivables from ABS for receivables sold of \$111.2 million, \$62.7 million and \$39.7 million, of which \$30.0 million were interest bearing at December 31, 1994, 1993 and 1992 and are included in other assets. Included in other income (expense), net, is approximately \$(52.5) million in 1994, \$(41.8) million in 1993 and \$(31.1) million in 1992 of discounts and other expenses associated with the sales of accounts receivable. The initial term of the agreements expires on October 31, 1995. The Company is currently in the process of replacing the facility with another facility prior to the expiration date.

## 3. Property and Real Estate Held for Sale

The average depreciation rates for the Company's property and equipment for 1994 were approximately 5% for roadway and structures and 3% for equipment, including locomotives and freight cars.

The Company received cash proceeds from sales and retirements of real estate and property of \$343.4 million, \$53.8 million and \$362.4 million in 1994, 1993 and 1992, respectively. Gains on sales of property and real estate on the statements of operations include cash and other consideration and are reduced by the Company's cost basis in the properties sold (which were \$79 million, \$19 million and \$102 million in 1994, 1993 and 1992, respectively), and other costs directly relating to the sales (which totaled an aggregate of \$18 million, \$9 million and \$25 million in 1994, 1993 and 1992, respectively). The net gain in 1994 was also reduced by a \$12 million write-down associated with reduced fair values of properties held for sale. The 1994 amount includes proceeds of \$235.0 million for the sale of a transit corridor to the ports of Los Angeles and Long Beach (the "Alameda Corridor"). The 1992 amount includes \$124.0 million from sales to the Peninsula Corridor Joint Powers Board ("JPB"), \$45.0 million from sales to Metro Transit of Houston, Texas, \$83.0 million from sales to the Los Angeles County Transportation Commission ("LACTC") and \$36.5 million from the sale/ leaseback of locomotives and freight cars in June 1992. Costs incurred attributable to the disposition of environmental matters on properties held for sale are capitalized as additional cost basis in the property if expected sales proceeds equal or exceed the current cost basis plus the estimated costs to be incurred in the future. Otherwise, such costs are charged to expense or reserves established if the total expected costs are in excess of expected sales proceeds. Capitalized environmental expenditures in 1994 were \$10 million.

Amounts charged to expense attributable to environmental matters on properties held for sale were \$3 million, \$12 million and \$18 million in 1994, 1993 and 1992, respectively.

The Company has granted the JPB options to purchase additional rights-of-way and land within five years after the closing of the sale of the Peninsula Main Line for \$110 million of which approximately \$79 million has not lapsed, been exercised or extinguished. The Company will retain exclusive freight rights on the sold properties. The net book value of the rights-of-way and land subject to the JPB options is \$9 million.

#### 4. Other Current Liabilities and Other Liabilities

Other current liabilities include the following amounts:

(in millions)	December 31,	
	1994	1993
Reserves for casualty, freight-related claims and other (current portion)	\$ 225.4	\$ 165.3
Accrued repairs, equipment rentals and other payables	373.2	350.7
Post-retirement and post-employment benefit obligations	17.2	20.6
Reserve for employee separation and relocation (current position)	11.5	25.0
<b>TOTAL</b>	<b>\$ 627.3</b>	<b>\$ 561.6</b>

Included in other non-current liabilities are \$322.0 million and \$329.0 million for casualty and freight-related claims and \$-0-million and \$35.3 million for employee separation and relocation at December 31, 1994 and 1993, respectively, in addition to \$157.5 million and \$148.8 million for post-retirement and post-employment benefits other than pensions at December 31, 1994 and 1993, respectively.

#### 5. Long-Term Debt

Long-term debt is summarized as follows:

(in millions)	December 31,	
	1994	1993
Equipment obligations (9.125-14.25%; due 1995 to 2007)	\$ 324.5	380.4
Mortgage bonds (8.2%; due 1995 to 2001)	34.7	39.6
SPT credit agreement (various; due 1996)	---	125.0
RGH credit facilities (4.688-6.0%; due 1995 to 1997)	---	117.0
SPT senior secured notes (10.5%; due 1999)	---	290.0
SPRC senior notes (9.375%; due 2005)	375.0	375.0
Other debt (4.0-7.613%; due 1995 to 2018)	93.0	88.1
Capitalized lease obligations (Note 9)	332.6	73.5
<b>TOTAL</b>	<b>1,159.8</b>	<b>1,488.6</b>
Less discount recorded in purchase accounting	(11.0)	(13.6)
Less current portion	(59.5)	(66.7)
<b>TOTAL LONG-TERM</b>	<b>\$1,089.3</b>	<b>\$1,408.3</b>

On March 2, 1994, the Company closed an offering of 25,000,000 shares of common stock for net proceeds of \$503.6 million ("the 1994 Offering"). The proceeds were used to repay the \$117 million outstanding under the RGH credit facilities, to repay the \$175 million outstanding under the SPT Credit Agreement and for general corporate purposes.

In November 1994, the Company entered into a new \$300 million three-year revolving credit agreement to replace its existing \$200 million credit agreement. This agreement contains quarterly financial covenants including minimum tangible net worth, a maximum funded debt to net worth ratio and a minimum fixed charge coverage ratio. No borrowings have been made under the new facility.

In December 1994, the Company entered into a bank agreement permitting the Company to borrow up to \$150 million as a term loan maturing in 1999. The agreement contains quarterly financial covenants identical to those contained in the revolving credit agreement. Any borrowing under the facility must be made by December 27, 1995. No borrowings have been made under this facility.

In December 1994, using proceeds from the sale of the Alameda Corridor of \$235 million, together with other funds on hand, the Company retired the \$290 million outstanding under the SPT Senior Secured Notes. The repayment was accomplished by placing approximately \$297 million of government securities in a defeasance trust in December 1994. In connection with the retirement of the Senior Secured Notes, the Company wrote-off in other expenses \$9.4 million of unamortized debt issuance costs and paid a prepayment premium of \$5.8 million and expensed in interest expense \$5.2 million attributable to the Company's interest rate swap agreements.

Contractual maturities of long-term debt (including capital lease obligations) during each of the five years subsequent to 1994 and thereafter are as follows:

(in millions)

1995	\$	59.5
1996		53.0
1997		53.0
1998		45.6
1999		54.4
thereafter		894.3
		-----
TOTAL	\$	1,159.8
		-----

Management estimates the fair value of the Company's debt at December 31, 1994 and 1993 was approximately \$1,128 million and \$1,581 million, respectively, based on interest rates for similar issues and financings.

At December 31, 1994, the Company was a party to interest rate swap agreements for which it pays a variable rate on an aggregate notional amount of \$100 million, which is used to hedge its fixed interest rate exposure on certain debt and is accounted for as an adjustment of interest expense over the life of the debt. The Company receives a fixed rate of interest on the swap of 4.9% and pays a variable rate based on LIBOR, which was 5.9% at December 31, 1994. The approximate expense to terminate the swap at December 31, 1994, was \$4 million.

A significant portion of railroad equipment and certain railroad property is subject to liens securing the mortgage bonds, equipment obligations or other debt.

## 6. Income Taxes

The following summarizes income tax expense (benefit) for the years indicated:

(in millions)	Year Ended December 31,		
	1994	1993	1992
<b>CURRENT</b>			
Federal	\$ 3.6	\$ ---	\$ ---
State	0.1	---	0.1
<b>TOTAL</b>	<b>3.7</b>	<b>---</b>	<b>0.1</b>
<b>DEFERRED</b>			
Federal	133.5	(25.1)	18.9
State	23.5	(5.2)	3.7
<b>TOTAL</b>	<b>157.0</b>	<b>(30.3)</b>	<b>22.6</b>
DEFERRED TAXES on cumulative effect of change in accounting for post-employment benefits in 1994 and post-retirement benefits other than pensions in 1993			
Federal	(3.3)	(54.6)	---
State	(.5)	(9.7)	---
<b>TOTAL DEFERRED TAXES ON CUMULATIVE EFFECT</b>	<b>(3.8)</b>	<b>(64.3)</b>	<b>---</b>
<b>TOTAL INCOME TAX EXPENSE (BENEFIT)</b>	<b>\$156.9</b>	<b>\$(94.6)</b>	<b>\$22.7</b>

Deferred tax expense in 1993 included \$1.2 million related to the change in the Federal tax rate. Total income tax expense (benefit) from continuing operations differed from the amounts computed by applying the statutory Federal income tax rate to income before income taxes as a result of the following:

	Year Ended December 31,		
	1994	1993	1992
Statutory rate	35.0%	(35.0)%	34.0%
State income taxes (net of Federal income tax benefit)	4.4	(4.5)	4.5
Cumulative effect of Federal tax rate change (from 34% to 35%)	---	1.6	---
Other, net	(0.1)	(2.4)	2.2
<b>EFFECTIVE RATE</b>	<b>39.3%</b>	<b>(40.3)%</b>	<b>40.7%</b>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
(in millions)	1994	1993
<b>DEFERRED TAX ASSETS</b>		
Accruals and reserves not deducted for tax purposes until paid	\$ 382.2	\$ 363.1
Net operating loss carryforwards	565.5	609.3
Capital lease obligations	135.5	29.9
Other	68.2	65.8
<b>TOTAL GROSS DEFERRED TAX ASSETS</b>	<b>1,151.4</b>	<b>1,068.1</b>
<b>DEFERRED TAX LIABILITIES</b>		
Differences in depreciation and cost capitalization methods (including deferred gains on property)	(1,373.6)	(1,119.5)
Other	(1.2)	(16.2)
<b>TOTAL GROSS DEFERRED TAX LIABILITIES</b>	<b>(1,374.8)</b>	<b>(1,135.7)</b>
<b>NET DEFERRED TAX LIABILITY</b>	<b>\$ (223.4)</b>	<b>\$ (67.6)</b>

The Company has analyzed the sources and expected reversal periods of its deferred tax assets and liabilities. The Company believes that the tax benefits attributable to deductible temporary differences and operating loss carryforwards will be realized by the recognition of future taxable amounts related to taxable temporary differences for which deferred tax liabilities have been recorded. Accordingly, the Company believes a valuation allowance for its deferred tax assets is not necessary.

The former parent of SPT has agreed to indemnify SPRC, SPT and its subsidiaries against any Federal income tax liability that may be imposed on the Company or its 80%-owned subsidiaries for tax periods ending on or prior to October 13, 1988 (the "Acquisition Date"). Years prior to 1984 are closed. SPRC agreed to pay or cause SPT and its subsidiaries to pay to the former parent any refund of Federal income taxes attributable to the 80%-owned subsidiaries received by SPRC, SPT or its subsidiaries after the Acquisition Date for any tax period ending on or prior to the Acquisition Date. Further, the former parent also agreed to indemnify SPRC, SPT and its subsidiaries, at least in part, for state, local and other taxes in respect of periods to and including the Acquisition Date, but only to the extent that such taxes are due or reportable for periods prior to the Acquisition Date.

The Federal income tax returns for the periods from October 14, 1988 through 1990 have been examined and are currently being considered by the Appeals Office of the Internal Revenue Services ("IRS") regarding various unagreed issues. The Company's consolidated Federal income tax returns are currently being examined for the years 1991 through 1993. Management believes adequate provision has been made for any potential adverse result.

The IRS's audit of RGH's returns for 1983 and the period ended October 31, 1984, led to the issuance of a Notice of Deficiency in October 1992 for 1980, 1983 and the period ended October 31, 1984. The audit of The Anschutz



Corporation ("TAC"), of which RGH was a member from November 1, 1984, through October 13, 1988, also led to the issuance of a Notice of Deficiency for the 1979 and 1982 years as the result of the disallowance of net operating loss carryforward ("NOL") and investment tax credit carrybacks from the July 31, 1985 through July 31, 1987 periods. Both notices have been petitioned to the United States Tax Court. RGH does not expect a resolution of these cases in 1995. RGH's taxable periods from July 1, 1987 through October 13, 1988, included in the consolidated returns of TAC, are currently under IRS audit as part of the TAC audit. However, management believes adequate reserves have been provided to cover any anticipated deficiencies for these tax years.

As of December 31, 1994, the Company had approximately \$1.4 billion of NOLs that expire in 2003 through 2008. The NOLs are subject to review and possible disallowance, in whole or in part, by the IRS upon audit of the Federal income tax returns of the Company.

Section 382 of the Internal Revenue Code of 1986, as amended, limits a corporation's utilization of its NOLs when certain changes in the ownership of the corporation's stock occur within a three-year period. Such a change has occurred with respect to the Company and therefore the Company will be permitted to deduct only a portion of its NOLs in each taxable year, commencing with the year ending December 31, 1994. The Company currently does not expect, however, that the limitation imposed under Section 382 will have a material adverse impact on the Company's ability to utilize its NOLs prior to their expiration. Nevertheless, the limitation could under certain circumstances delay the Company's utilization of its NOLs and thereby increase the current portion of the Company's Federal income taxes. Further, the limitation under certain circumstances could also cause a portion of the Company's NOLs to expire unutilized.

#### 7. Redeemable Preference Shares of a Subsidiary

SSW, a 99.9%-owned subsidiary of SPT, originally issued \$53.5 million (\$48.5 million Series A and \$5.0 million Series B) of SSW's non-voting redeemable preference shares. The current carrying amount on the balance sheets at December 31, 1994 and 1993 reflects the outstanding balances of the redeemable preference shares of \$44.2 million and \$46.0 million, respectively, less purchase accounting discounts of \$21.6 million and \$23.0 million respectively.

The Series A shares are subject to mandatory redemption at face value over a 20-year period commencing in 1991, at which time mandatory dividends shall be declared and paid over the same period. The overall effective interest rate since the date of issue is approximately 2.0%. The Series B shares are subject to mandatory redemption at face value over a 15-year period commencing in 1989. Mandatory dividends shall be declared and paid over a 10-year period commencing in 1994. The overall effective interest rate since the date of issue is approximately 4.9%

Mandatory redemptions and mandatory dividends of Series A and Series B shares scheduled for payment during each of the five years subsequent to 1994 are \$4.2 million per year.

The Series A and Series B shares restrict certain dividend payments by SSW to its common and preferred shareholders. Under these provisions, at December 31, 1994, \$53.2 million of SSW's historical cost basis retained income was not restricted. No estimate of the fair value of the preference shares was made by the Company.

## 8. Capital Transactions

On August 17, 1993, the Company closed the initial public offering and sale of 30,783,750 shares of common stock (the "IPO") and the issuance and sale of \$375.0 million principal amount Senior Notes (the "Debt Offering") for net proceeds of \$757.1 million. The proceeds were used to repay \$481.2 million of debt and debt related costs, to purchase \$99.1 million of equipment operated pursuant to operating leases, to redeem the Company's \$75.0 million 12% preferred stock and for general corporate purposes. On March 2, 1994, the Company closed an offering of an additional 25,000,000 shares of common stock for net proceeds of \$503.6 million. The proceeds were used primarily to repay \$292 million of debt and for general corporate purposes.

The Board of Directors of the Company is authorized without further stockholder action to provide for the issuance from time to time of up to one million shares of preferred stock, in one or more series. Of such number of authorized shares, 75,000 shares of preferred stock designated as 12% cumulative Redeemable Exchangeable preferred stock ("preferred stock") were issued and outstanding as of December 31, 1992. The preferred stock ranked senior to the Company's common stock with respect to dividend rights and rights on liquidation. The preferred stock had a liquidation value of \$1,000 per share and dividends on the preferred stock were cumulative at the annual rate of \$120 per share. On August 17, 1993, as part of the IPO and the Debt Offering, the preferred stock was redeemed.

Prior to the IPO, the Company was obligated, pursuant to agreements entered into on October 13, 1988 and September 29, 1990, to repurchase up to 28,750,000 shares of its common stock from certain investors, at the election of the investors, if one or more nationally recognized independent experts determined that the Company was financially capable of doing so. Those shares were classified as Common Stock Subject to Repurchase in the accompanying financial statements. The Company's commitment to repurchase the shares of common stock terminated upon completion of the IPO.

## 9. Leases

The Company leases certain freight cars, locomotives, data processing equipment and other property. Future minimum lease payments under noncancelable leases as of December 31, 1994, are summarized as follows:

(in millions)	Capital Leases	Operating Leases
1995	\$ 24.3	\$ 152.7
1996	44.5	140.2
1997	40.9	130.3
1998	39.8	121.8
1999	46.7	106.5
Thereafter	503.9	349.4
TOTAL MINIMUM PAYMENTS	700.1	\$1,000.9 =====
Less amount representing interest (at rates ranging from 7.2% to 13.1%)	(367.5)	
Present Value of Minimum Lease Payments	\$332.6	

Rental expense for noncancelable operating leases with terms over one year was \$168.7 million, \$156.5 million and \$117.6 million for the years ended December 31, 1994, 1993 and 1992, respectively. Contingent rentals and sublease rentals were not significant. The net book value of equipment under capital lease is approximately \$310 million at December 31, 1994.

In late 1993 and 1994, as part of a program to upgrade its locomotive fleet, the Company acquired 150 new locomotives, 17 of which were delivered in the last quarter of 1993 with the balance delivered in 1994. Additionally, the Company acquired 133 remanufactured locomotives of which 115 were delivered in 1994 and the balance in early 1995. These locomotives were financed by capital leases (for which the total capitalized lease obligation in 1994 is approximately \$221 million). The Company acquired through capital lease financing approximately 1,400 freight cars of which 700 were newly manufactured and 700 were remanufactured for which the total capitalized lease obligation in 1994 was approximately \$56 million. The Company also received approximately 1,600 additional reconditioned freight cars in 1994 on which it expects to complete capital lease financing in 1995. In addition, the Company acquired 350 used freight cars in 1994 under operating leases.

The Company has ordered an additional 206 AC-powered locomotives to be financed by capitalized lease financing that are scheduled to be delivered during the second and third quarters of 1995. In addition, the Company has ordered 920 new hopper cars and expects to receive approximately 1,500 reconditioned freight cars in 1995. The Company expects to finance these acquisitions through capitalized lease financing. The total expected capitalized lease obligation to be incurred in 1995, including the 1,600 reconditioned freight cars received in 1994 for which financing is to be arranged in 1995, is approximately \$400 million.

In 1984, the Company entered into a long-term lease agreement with the ports of Los Angeles and Long Beach relating to the Company's Intermodal Container Transfer Facility (the "Facility"). Under the terms of the lease, the Company is obligated to make certain future minimum lease payments and is subject to additional contingent rentals which are based on the annual volume of container movement at the Facility. The minimum lease payments, ranging from approximately \$3.9 million to \$4.5 million for 1995 and 1996, respectively, are included in the table above. However, for each five-year period from 1997 through 2036, the amount of the annual minimum lease payments and contingent rentals will be determined by the ports based on independent appraisals of the fair rental value of the property and, therefore, no amounts are included in the above table for such years. The 1994 expense was \$7.6 million.

The Company leases operating rights on track owned by other railroads and shares costs of transportation facilities and operations with other railroads. These include rights on Union Pacific lines between Kansas City and St. Louis and on Burlington Northern Railroad Company lines between Kansas City and Chicago. The Company has the right to terminate its usage with certain notice periods. Net rent expense for trackage rights was \$6.4 million in 1994, \$1.9 million in 1993 and \$13.0 million in 1992. The 1993 amount includes the benefit of the negotiated settlement of a joint facility case of approximately \$10 million.

The Company pays for the use of transportation equipment owned by others and receives income from others for the use of its equipment. It also shares the cost of other transportation facilities with other railroads. Rental expense and income from equipment and the operation of joint facilities are included in operating expenses on a net basis. Total net equipment lease, rent and car hire expense was \$328 million, \$331 million and \$288 million for 1994, 1993 and 1992, respectively.

10. Employee Benefit and Compensation Plans

Pension Plan The Company is a participating employer under the SPRC Pension Plan (the "SPRC Pension Plan"). The SPRC Pension Plan is a defined benefit noncontributory pension plan covering primarily employees not covered by a collective bargaining agreement. The SPRC Pension Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension benefits for normal retirement are calculated under a formula which utilizes average compensation, years of benefit service and Railroad Retirement and Social Security pay levels. The Company's funding policy is to contribute each year an amount not less than the minimum required contribution under ERISA nor greater than the maximum tax deductible contribution. The assets of the SPRC Pension Plan consist of a variety of investments including U.S. Government and agency securities, corporate stocks and bonds and money market funds.

The following summarizes the components of SPRC's net periodic pension cost under the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions":

(in millions)	Year Ended December 31,		
	1994	1993	1992
Service Costs--benefits covered during the year	\$ 5.1	\$ 5.5	\$ 4.9
Interest Cost on projected benefit obligation	29.9	31.2	31.5
Actual (return)/loss on plan assets	0.7	(40.1)	(17.6)
Net amortization and deferral	(32.0)	7.5	(16.1)
<b>Net Periodic Pension Cost</b>	<b>\$ 3.7</b>	<b>\$ 4.1</b>	<b>\$ 2.7</b>

The following summarizes the funded status and amounts recognized in SPRC's consolidated balance sheets for the SPRC Pension Plan:

(in millions)	December 31,	
	1994	1993
Actuarial present value of benefit obligations		
Vested benefits	\$ 335.1	\$ 366.0
Non-vested benefits	6.0	7.8
<b>ACCUMULATED BENEFIT OBLIGATION</b>	<b>\$ 341.1</b>	<b>\$ 373.8</b>
Projected benefit obligation	\$ 376.9	\$ 420.8
Fair value of assets in plan	328.3	363.2
Projected benefit obligation in excess of plan assets	(48.6)	(57.6)
Unrecognized transition amount	(3.9)	(4.6)
Unrecognized gain or loss	7.8	20.7
Unrecognized prior service cost	4.3	4.8
<b>NET PENSION LIABILITY INCLUDED IN SPRC'S BALANCE SHEET</b>	<b>\$ (40.4)</b>	<b>\$ (36.7)</b>

The following summarizes the significant assumptions used in accounting for the SPRC Pension Plan:

	December 31,		
	1994	1993	1992
Weighted average discount rate	8.5%	7.25%	8.0%
Expected rate of increase in future compensation levels	6.0%	6.0%	6.0%
Weighted average expected long-term rate of return on plan assets	9.0%	9.0%	9.0%

#### Thrift Plan

SPRC has established a defined contribution plan (the "SPRC Thrift Plan") as an individual account savings and investment plan primarily for employees of SPRC who are not subject to a collective bargaining agreement. Eligible participants may contribute a percentage of their compensation and the Company also contributes using a formula based on participant contributions.

#### Post-retirement Benefits Other Than Pensions

The Company sponsors several plans which provide health care and life insurance benefits to retirees who have met age and service requirements. The contribution rates that are paid by retirees are adjusted annually to offset increases in health care costs, if any, and fix the amounts payable by the Company. The life insurance plans provide life insurance benefits for certain retirees. The amount of life insurance is dependent upon length of service, employment dates and several other factors and increases in coverage beyond certain minimum levels are borne by the employee. Prior to January 1, 1993, the Company's policy was to expense and fund the cost of all retiree welfare benefits only as the benefits were payable. The Company charged to expense \$24.4 million in 1992 for these benefits.

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions," effective January 1, 1993. The effect of adopting Statement No. 106 on net income and the net periodic benefit cost (expense) for 1993 was a charge to earnings of \$168.5 million (less income taxes of \$64.3 million). The Company's policy continues to be to fund the cost of all retiree welfare benefits only as the benefits are payable. Accordingly, there are no plan assets.

The following table summarizes the plan's accumulated post-retirement benefit obligation:

(in millions)	December 31,					
	Health Care	Life Insurance	Total	Health Care	Life Insurance	Total
	1994			1993		
Retirees	\$ 41.1	\$ 92.0	\$133.1	\$ 47.2	\$107.7	\$154.9
Fully eligible plan participants	8.6	5.4	14.0	10.9	7.7	18.6
ACCUMULATED POST-RETIREMENT BENEFIT OBLIGATION	\$ 49.7	\$ 97.4	\$147.1	\$ 58.1	\$115.4	\$173.5
Unrecognized net gain (loss)			13.7			(8.4)
Plan amendment			4.1			4.3
ACCRUED POST-RETIREMENT BENEFIT COST INCLUDED IN OTHER LIABILITIES			\$164.9			\$169.4

As of December 31, 1994 and 1993, the current portion of accrued post-retirement benefit cost was approximately \$16.3 million and \$20.6 million, respectively, and the long-term portion was approximately \$148.6 million and \$148.8 million, respectively.

The net periodic post-retirement benefit costs for 1994 and 1993 include the following components:

(in millions)	1994	1993
Service cost	\$ 0.8	\$ 0.7
Interest cost	12.0	12.7
Amortization of plan amendment	(0.2)	--
NET PERIODIC POST-RETIREMENT BENEFIT COST	\$ 12.6	\$ 13.4

For measurement purposes, the Company has not assumed an annual rate of increase in the per capita cost of covered benefits for future years since the Company has limited its future contributions to current levels. The weighted average discount rate used in determining the benefit obligation was 8.5%.

#### Post-employment Benefits

In November 1992, the FAS issued Statement No. 112 "Employers' Accounting for Post-employment Benefits." FAS 112 requires employers to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement, if certain conditions are met. Effective January 1, 1994, the Company adopted FAS 112 and recorded a \$9.8 million pre-tax charge (\$6.0 million after tax). The Company's policy continues to be to fund the cost of post-employment benefits as the benefits are payable.

## 1990-1994 Long-Term Earnings Growth Incentive Plan and Annual Incentive Compensation Plans

Certain officers of the Company were covered by the 1990-1994 Long-Term Earnings Growth Incentive Plan of the Company. The 1992 and 1993 Annual Incentive Compensation Plans covered all exempt employees of the Company. Based on the provisions of these plans, no amounts were paid or charged to expense in 1994, 1993 or 1992.

### Equity Incentive Plan

The SPRC Compensation Committee has authorized a grant of stock bonuses under SPRC's Equity Incentive Plan covering up to 1,555,000 shares of SPRC common stock, in the aggregate, to 28 key executive employees of the Company, contingent upon the attainment of certain pre-established corporate financial and individual performance objectives. A portion of each stock bonus grant is subject to the achievement of an operating ratio of 89.5% for 1994, 88.0% for 1995, 85.0% for 1996, or 83.0% for 1997, as well as individual performance objectives during those same years. If the required SPRC operating ratio for any year is not achieved, or if the required individual performance objectives are not achieved, the SPRC Compensation Committee of the Board of Directors may in its discretion award a portion of such shares. In 1994, the Company charged to expense approximately \$7.5 million representing the value of approximately 413,000 shares which were awarded in January 1995, pursuant to the Equity Incentive Plan.

### 11. Related Parties

The Company has maintained separate accountability for the operating activities of its principal railroad subsidiaries as to the sharing of freight revenues and charges for use of railroad equipment and joint facilities. Interline accounts receivable and payable continue to be settled through the traditional clearing process between railroads. The railroads are coordinating and, where appropriate, consolidating the marketing, administration, transportation and maintenance operations of the railroads.

Subsidiaries of Anschutz Company perform specific services for the Company's railroad subsidiaries primarily relating to the purchase and administration of locomotive fuel and fuel futures contracts and fiber optic telecommunications. The amount paid by the Company in 1994 for these transactions was \$7.9 million. The Company believes that the terms of these transactions are comparable to those that could be obtained from unaffiliated parties.

In 1994, the Company purchased an office building in Denver for \$5.5 million from family trusts in which Mr. Anschutz and certain members of his family have an interest. The Company obtained an independent appraisal of the building pursuant to which the fair market value of the building was determined to be in excess of the purchase price.

### 12. Commitments and Contingencies

As a holding company, the Company is dependent upon the business activity and real estate sales of its subsidiaries to meet its consolidated debt obligations and to make payments to buy-out surplus employees and make capital expenditures expected to be required by the Company. The various debt agreements of SPT contain restrictions as to payment of dividends to the Company. SPT is permitted to make advances or dividends to its parent in order for certain specified interest and dividends to be paid by its parent.

On November 4, 1993, the Company and Integrated Systems Solutions Corporation ("ISSC"), a subsidiary of IBM, entered into a ten-year agreement under which ISSC will handle all of the Company's management information services ("MIS") functions. These include systems operations, application development and implementation of a disaster recovery plan. Pursuant to the agreement, the Company is obligated to pay annual base charges of between \$45 million and \$50 million (which covers, among other things, payments for MIS equipment and personnel) over a ten-year period subject to adjustments for cost of living increases and variations in the levels of service provided under the agreement.

Inherent in the operations of the transportation and real estate business is the possibility that there may exist environmental conditions as a result of current and past operations which might be in violation of various Federal and state laws relating to the protection of the environment. In certain instances, the Company has received notices of asserted violation of such laws and regulations and has taken or plans to take steps to address the problems cited or to contest the allegations of violation. The Company has recorded reserves to provide for environmental costs on certain operating and non-operating properties. Environmental costs include site remediation and restoration on a site-by-site basis, as well as costs for initial site surveys and environmental studies of potentially contaminated sites. The Company has made and will continue to make substantial expenditures relating to environmental conditions on its properties, including properties held for sale. In assessing its potential environmental liabilities, the Company typically causes ongoing examinations of newly identified sites and evaluations of existing clean-up efforts to be performed by environmental engineers. These assessments which usually consider a combination of factors such as the engineering reports, site visits, area investigations and other steps, are reviewed periodically by counsel. Due to uncertainties as to various issues such as the required level of remediation and the extent of participation in clean-up efforts by others, the Company's total clean-up costs for environmental matters cannot be predicted with certainty. The Company has accrued reserves for environmental matters with respect to operating and non-operating properties not held for sale, as well as certain properties previously sold, based on the costs estimated to be incurred when such estimated amounts (or at least a minimum amount) can be reasonably determined based on information available. During the years ended December 31, 1994, 1993 and 1992 the Company recognized expenses of \$17.6 million, \$24.2 million and \$27.6 million, respectively, related to environmental matters. At December 31, 1994 and 1993 the Company had accrued reserves for environmental contingencies of \$65.2 million and \$62.3 million, respectively, which includes \$13.4 million and \$17.1 million, respectively, in current liabilities. These reserves relate to estimated liabilities for operating and non-operating properties not held for sale and certain properties previously sold and were exclusive of any significant future recoveries from insurance carriers. It is possible that additional losses will be incurred, but such amounts cannot be reasonably estimated. The Company does not believe that the disposition of environmental matters known to the Company will have a material adverse effect on the Company's financial condition or liquidity; however, there can be no assurance that the impact of such matters on its results of operations for any given reporting period will not be material.



A substantial portion of the Company's railroad employees are covered by collective bargaining agreements with national railway labor organizations that are organized along craft lines. These agreements are generally negotiated on a multi-employer basis with the railroad industry represented by a bargaining committee. The culmination of various Presidential and legislative events in 1992 resulted in the Company negotiating most of its labor agreements separately. Certain of the wage agreements obtained in 1991, 1992 and 1993 have reduced the effects of inflation on operating costs but provide for cost of living increases beginning in 1995. A substantial number of the labor agreements expire and are subject to renegotiation in 1995.

To ensure stability of its fuel costs, the Company has entered into fuel hedging agreements covering approximately 95% of its estimated 1995 fuel needs at an average purchase price of \$.49 per gallon (excluding handling costs). However, in the event that fuel prices decline below the average purchase price under the hedging agreements, the Company will not receive any benefit from these fuel hedging agreements and may in fact pay more for fuel than it would have paid in the absence of such agreements.

As a condition to its approval of the consolidation of Union Pacific, Missouri Pacific Railroad Company ("MP") and Western Pacific Railroad Company in 1982, the ICC awarded SSW trackage rights to operate over the MP lines between Kansas City and St. Louis. The ICC's initial decision did not fix the compensation SSW would pay for the trackage rights, which commenced in January 1983. After a series of hearings, the ICC set forth new principles to govern the computation of charges. Union Pacific has asserted a claim for additional amounts due against the Company of approximately \$63 million (including interest) as of December 31, 1994, and filed a collection action in Federal District Court. In early 1995, the court issued an order finding that the Company owes Union Pacific the amount of \$60.99 million as of January 31, 1995 plus additional accrued amounts occurring since the date, but allowing the Company to pursue a counterclaim for losses due to alleged discrimination against the Company's trains using the joint facility. The Company has not yet decided whether to appeal this order. Whether or not the Company's position is sustained, the amount owed Union Pacific will be substantial. Management has made adequate provision for this matter in current liabilities in its financial statements.

In July 1991, a derailment occurred near Dunsmuir, California. While certain aspects of the matter have not been resolved and the total amount of damages and related costs cannot be determined at this time, SPT is insured against most types of damages and related costs involved with the Dunsmuir derailment to the extent that they exceed \$10 million. As of December 31, 1994, SPT has paid approximately \$46.8 million related to the Dunsmuir derailment, of which \$12.0 million was charged to expense primarily to cover the \$10 million deductible. The balance has been or is in the process of being collected from insurance carriers. As of December 31, 1994, approximately \$31.9 million has been recovered by SPT from insurers. SPT expects to recover substantially all additional damages and costs under its insurance policies. As a result, disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Although the Company has purchased insurance, the Company has retained certain risks with respect to losses for third-party liability and property claims. In addition, various claims, lawsuits and contingent liabilities are pending against the Company. Management has made provisions for these matters which it believes to be adequate. The Company does not believe that the disposition of claims, lawsuits and related matters known to the Company will have a material adverse effect on the Company's financial condition or liquidity; however, there can be no assurance that the impact of such matters on its results of operations for any given reporting period will not be material.

13. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 1994, 1993 and 1992 is as follows:

(in millions)	December 31,		
	1994	1993	1992
<b>CASH PAYMENTS (REFUNDS)</b>			
Interest	\$130.2	\$115.0	\$124.5
Income taxes	1.7	(0.5)	1.0
<b>NON-CASH TRANSACTIONS</b>			
Sales of real estate for notes receivable	27.9	--	--
Capital lease obligations for railroad equipment	265.2	57.0	--

14. QUARTERLY DATA (unaudited)

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>1994</b>				
Operating revenues	\$ 748.2	\$ 806.6	\$ 807.3	\$ 780.5
Operating income	62.3	107.4	97.1	78.9
Other income (expense)	1.2	10.5	(4.0)	213.3
Net income (loss)(a)	9.0	48.5	33.5	150.7
Earnings per share:				
Primary:				
Before effect of change in accounting	\$ 0.11	\$ 0.31	\$ 0.22	\$ 0.97(c)
Cumulative effect of change in accounting	(0.05)	--	--	--
<b>TOTAL</b>	<b>\$ 0.06</b>	<b>\$ 0.31</b>	<b>\$ 0.22</b>	<b>\$ 0.97(c)</b>
Fully diluted:				
Before effect of change in accounting	\$ 0.11	\$ 0.31	\$ 0.22	\$ 0.97(c)
Cumulative effect of change in accounting	(0.05)	--	--	--
<b>TOTAL</b>	<b>\$ 0.06</b>	<b>\$ 0.31</b>	<b>\$ 0.22</b>	<b>\$ 0.97(c)</b>
<b>1993</b>				
Operating revenues	\$ 676.3	\$ 745.7	\$ 753.8	\$ 742.8
Operating income (loss)	20.9	59.8	0.1	22.4
Other income (expense)	3.1	(4.1)	(41.2)	19.8
Net income (loss)(b)	(110.7)	10.4	(52.7)	3.9
Earnings per share:				
Primary:				
Before effect of change in accounting	\$ (0.12)	\$ 0.11	\$ (0.54)	\$ 0.03
Cumulative effect of change in accounting	(1.46)	--	--	--
<b>TOTAL</b>	<b>\$ (1.58)</b>	<b>\$ 0.11</b>	<b>\$ (0.54)</b>	<b>\$ 0.03</b>
Fully diluted:				
Before effect of change in accounting	\$ (0.09)	\$ 0.08	\$ (0.47)	\$ 0.03
Cumulative effect of change in accounting	(1.04)	--	--	--
<b>TOTAL</b>	<b>\$ (1.13)</b>	<b>\$ 0.08</b>	<b>\$ (0.47)</b>	<b>\$ 0.03</b>

- (a) First quarter 1994 data includes an extraordinary charge of \$6.0 million (net of taxes) for the change in accounting for post-employment benefits (FAS 112).
- (b) First quarter 1993 data includes an extraordinary charge of \$104.2 million (net of taxes) for the change in accounting for post-retirement benefits other than pensions (FAS 106).
- (c) Fourth quarter 1994 data includes a gain on the sale of the Alameda Corridor of approximately \$.83 per share.

## Independent Auditors' Report

The Board of Directors  
Southern Pacific Rail Corporation

We have audited the accompanying consolidated balance sheets of Southern Pacific Rail Corporation and Subsidiary Companies as of December 31, 1994 and 1993, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three year period ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 an 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Pacific Rail Corporation and Subsidiary Companies as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective January 1, 1993 the Company changed its methods of accounting for income taxes and post-retirement benefits other than pensions.

KPMG PEAT MARWICK LLP

San Francisco, California  
February 24, 1995

## UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF UP AND SP

The unaudited pro forma financial statements of UP and SP included herein have been prepared by UP to reflect four events: (i) the purchase in the Offer of 25% of the outstanding Shares at \$25.00 per Share, (ii) the purchase in the Merger of an additional 15% of the outstanding Shares at \$25.00 per Share in cash and the exchange of the remaining 60% of the outstanding Shares for UP Common Stock at a conversion ratio of .4065 shares of UP Common Stock per Share in the Merger, (iii) the IPO and planned subsequent Spin-Off of Resources and (iv) the acquisition of CNW. The applicable transactions are reflected in the pro forma combined balance sheet as if they occurred on September 30, 1995 and in the pro forma combined statements of income as if they occurred at the beginning of the period presented.

The Merger will be accounted for under the purchase method. The pro forma combined adjustments do not reflect synergies, and, accordingly, do not account for any potential increases in operating income, any estimated cost savings or adjustments to conform accounting practices or one-time UP costs associated with elimination of duplicate facilities and payments to employees. See "--Notes to Pro Forma Combined Financial Statements" and "THE MERGER--Estimated Synergies."

The unaudited pro forma financial statements are prepared for illustrative purposes only and are based on the assumptions set forth in the notes to such statements. The unaudited pro forma financial statements are not necessarily indicative of the financial position or results of operations that might have occurred had the applicable transactions actually taken place on the dates indicated, or of future results of operations or financial position of the stand-alone or combined entities. Consummation of the Merger is conditioned upon, among other things, approval of the Merger by the ICC. See "OTHER LEGAL MATTERS; REGULATORY APPROVAL--ICC Approval."

The unaudited pro forma financial statements are based on the historical consolidated financial statements of UP, restated for the reclassification of Resources as discontinued operations, SP and CNW and should be read in conjunction with (i) such historical financial statements and the notes thereto, which, in the case of UP and SP, are incorporated by reference in this Joint Proxy Statement/Prospectus, (ii) the unaudited selected pro forma financial data and unaudited comparative per share data, including the notes thereto, appearing elsewhere in this Joint Proxy Statement/Prospectus and (iii) the selected historical financial data appearing elsewhere in this Joint Proxy Statement/Prospectus.

The restated historical UP financial results reflect the operations of Resources as discontinued operations due to the IPO and Spin-Off. See "THE COMPANIES--Resources Spin-Off," and "UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF UP." For a description of the impact on the unaudited pro forma financial statements if the Spin-Off does not occur, see Note D to such financial statements.

## PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 1994  
(In millions)

	Restated Union Pacific Corporation	CNW Acquisition Adjustments(L)	Resources Spin-off Adjustments	Union Pacific Corporation Pro Forma	Historical Southern Pacific Rail Corporation	Southern Pacific Rail Corporation Acquisition Adjustments	Union Pacific Corporation/ Southern Pacific Rail Corporation Pro Forma
Operating Revenues.....	\$6,465	\$1,109	\$	\$7,574	\$3,143	\$	\$10,717
Operating Expenses:							
Salaries, wages and benefits	2,460	417		2,877	1,085		3,962
Depreciation and amortization.....	579	74		696	140	82 (A)	918
Equipment and other rents...	622	148		770	328		1,098
Fuel and utilities.....	480	85		565	251		816
Materials and supplies.....	344	83		427	187		614
Other costs.....	736	82		818	806		1,624
Total.....	5,221	932		6,153	2,797	82	9,032
Operating Income.....	1,244	177		1,421	346	(82)	1,685
Gains from sale of property...	67	---		67	262	(262)(E)	67
Other income, net.....	18	(8)		10	(41)		(31)
Interest expense.....	(332)	(97)				(135)(B)	

Corporate expenses.....	(99)	(85)	94 (I)	(420)	(158)	7 (G)	(706)
		---	12 (H)	(87)	----		(87)
	-----	-----	-----	-----	-----	-----	-----
Income before income taxes....	898	(13)	106	991	409	(472)	928
Income taxes.....	(330)	(52)					
		49	(40)(C)	(373)	(161)	179 (C)	(355)
	-----	-----	-----	-----	-----	-----	-----
Income (loss) from continuing operations.....	\$ 568	\$ (16)	\$ 66	\$618	\$ 248	\$(293)	\$ 573
	=====	=====	=====	=====	=====	=====	=====
Earnings Per Share:							
Income from continuing operations.....	\$ 2.76			\$3.01	1.63		\$2.35
Number of shares used in the computation of earnings per share.....	205.6			205.6	151.6		243.7(F)

See Notes to Pro Forma Combined Financial Statements of UP and SP.

PRO FORMA COMBINED STATEMENT OF INCOME

For the Nine Months Ended September 30, 1995  
(In millions)

	Restated Union Pacific Corporation	CNW Acquisi- tion Adjust- ments(L)	Resources Spin-off Adjustments	Union Pacific Corpora- tion Pro Forma	Historical Southern Pacific Rail Corp- oration	Southern Pacific Rail Corporation Acquisiton Adjustments	Pacific Corpora- tion/ Southern Pacific Rail Corporation Pro Forma
Operating Revenues .....	\$ 5,512	\$ 395	\$	\$ 5,907	\$ 2,368	\$	\$ 8,275
Operating Expenses:							
Salaries, wages and benefits ....	2,112	151		2,263	837		3,100
Depreciation and amortization ...	469	27					
		14		510	116	62(A)	688
Equipment and other rents .....	541	51		592	236		828
Fuel and utilities .....	414	28		442	195		637
Materials and supplies .....	277	28		305	138		443
Special charge .....	--	--		--	65		65
Other costs .....	704	28		732	681		1,413
Total .....	4,517	327		4,844	2,268	62	7,174
Operating Income .....	995	68		1,063	100	(62)	1,101
Gains from sale of property .....	65	--		65	16	(16)(E)	65
Other income, net .....	40	(11)		29	(25)		4
Interest expense .....	(328)	(33)				(101)(B)	
Corporate expenses .....	(80)	(28)	71 (I)	(318)	(99)	5 (G)	(513)
		--	9 (H)	(71)	--	--	(71)
Income before income taxes .....	692	(4)	80	768	(8)	(174)	586
Income taxes .....	(252)	(17)					
		16	(30)(C)	(283)	2	66(C)	(215)
Income (loss) from continuing operations .....	\$ 440	\$ (5)	\$50	\$ 485	\$ (6)	\$ (108)	\$ 371
Earnings Per Share:							
Income (loss) from continuing operations .....	\$ 2.14			\$ 2.36	\$ (0.04)		\$ 1.52
Number of shares used in the computation of earnings per share .....	205.8			205.8	156.1		243.9(F)

See Notes to Pro Forma Combined Financial Statements of UP and SP.



PRO FORMA COMBINED BALANCE SHEET  
As of September 30, 1995  
(In millions)

	Restated Union Pacific Corporation	Historical Southern Pacific Rail Corporation	Adjustments	Union Pacific Corporation/ Southern Pacific Rail Corpora- tion Pro Forma	Resources Spin-off Adjustments	Adjusted Union Pacific Corporation/ Southern Pacific Rail Corporation Pro Forma
	-----	-----	-----	-----	-----	-----
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents ....	\$ 91	\$ 137	\$	\$ 228	\$	228
Accounts receivable, net .....	473	151		624		624
Other current assets .....	531	276		807		807
	-----	-----	-----	-----	-----	-----
Total current assets .....	1,095	564		1,659		1,659
Real estate held for sale .....	--	369	540 (G)	909		909
Investments, net .....	1,405	--	(976) (G)	429		429
Properties, net .....	13,318	3,517	4,577 (G)	21,412		21,412
Net assets of discontinued operations (D) .....	1,983	--		1,983	(1,983) (D)	--
Excess acquisition costs .....	669	--		669		669
Other assets .....	232	203		435		435
	-----	-----	-----	-----	-----	-----
Total assets .....	\$ 18,702	\$ 4,653	\$ 4,141	\$ 27,496	\$ (1,983)	\$ 25,513
	=====	=====	=====	=====	=====	=====
<b>Liabilities and Stockholders' Equity</b>						
<b>Current liabilities:</b>						
Accounts and wages payable .....	\$ 440	\$ 312	\$	\$ 752	\$	\$ 752
Other current liabilities .....	1,493	600		2,093		2,093
Debt due within one year .....	624	57		681		681
	-----	-----	-----	-----	-----	-----
Total current liabilities ...	2,557	969		3,526		3,526
Debt due after one year .....	6,546	1,655	1,592 (B) (976) (G) 75 (G)	8,892	(1,562) (D)	7,330
Deferred income taxes .....	2,818	224	1,845 (G)	4,887	27 (D)	4,914
Other liabilities .....	1,267	726	187 (G)	2,180	(71) (D)	2,109
Redeemable preference shares ...	--	21		21		21
Stockholders' equity .....	5,514	1,058	(1,058) (G) 2,476 (G)	7,990	(377) (D)	7,613
	-----	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity .....	\$ 18,702	\$ 4,653	\$ 4,141	\$ 27,496	\$ (1,983)	\$ 25,513
	=====	=====	=====	=====	=====	=====

See Notes to Pro Forma Combined Financial Statements of UP and SP.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(A) The purchase price will be allocated to the assets and liabilities acquired based on their fair market value. A preliminary estimate of the initial purchase price allocation (see (G) below) would result in an annual increase in depreciation expense of \$82 million (\$51 million after tax). As explained in (G) below, the allocation of the purchase price based on final determination of fair market value could be different from the amounts included in the pro forma financial statements. Nevertheless, management believes the final impact on its results will not be materially different from the amounts included in the pro forma statements because the majority of the purchase price will be allocated to long-lived assets, land used for transportation purposes and goodwill.

The increase in annual depreciation reflects a \$2,867 million increase in the book value of track, grading and other roadway assets depreciated over an average of 50 years and a \$195 million increase in the book value of equipment depreciated over an average of 8 years. The remaining initial purchase price is allocated to the fair value of land used for transportation purposes and real estate held for sale.

(B) The cash portion of the Offer was, and the cash portion of the Merger will be, initially funded by UP's currently available credit facilities of \$3.7 billion or other debt securities. See "THE MERGER--Financing of the Transaction." These borrowings will raise total debt by \$1,592 million and annual interest expense by \$135 million, based upon an assumed borrowing rate of 8.5% which is based on current interest rates. A portion of the actual interest rate may be LIBOR based and, therefore, would be variable rather than fixed. If all of the interest rates were variable, a 0.125% change in the net interest rate would cause total annual interest to change by \$2 million.

Pro forma debt maturities for each of the calendar years in the period from 1996 through 2000 are as follows (\$ in millions:)

1996.....	\$355
1997.....	305
1998.....	623
1999.....	285
2000.....	493

(C) Tax-effected pro forma adjustments recorded in the Pro Forma Combined Statement of Income have been determined using an effective tax rate of 38%.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(Continued)

(D) The unaudited historical UP financial results reflect the operations of Resources as discontinued operations due to the IPO and Spin-Off. See "THE COMPANIES--Resources Spin-Off." The Spin-Off is contingent upon, among other things, IRS approval of the tax-free nature of the Spin-Off. In addition, the Spin-Off will not occur prior to the earlier of the consummation of the Merger or termination of the Merger Agreement. Should IRS approval not be obtained and the Spin-Off not occur, UP's operating revenue, operating income, total assets, and debt due after one year would have been \$6.5 billion, \$1.3 billion, \$21.9 billion and \$6.6 billion, respectively, as of and for the nine months ended September 30, 1995, and would have been \$7.8 billion, \$1.6 billion, \$15.9 billion and \$4.1 billion, respectively, as of and for the year ended December 31, 1994. Historical net income and stockholders' equity will not be affected by the reclassification of Resources' operations to discontinued operations. At the completion of the Spin-Off, UP's equity will decrease \$377 million and debt will decrease \$1,562 million. In addition, UP will transfer pension assets to Resources' newly created pension plan based on the proportionate pension plan liabilities at the time of the Spin-Off, causing Resources to receive pension plan assets that will be less than the amount historically allocated to Resources. This will result in a reduction in UP's pension liability of approximately \$71 million. Both the historical and anticipated pension accounting and disclosure are in accordance with generally accepted accounting principles. Total assets will also decline by \$1,983 million due to the Spin-Off. See discussion under "UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF RESOURCES." Reported discontinued operations data also include the effects of the sale of UP's waste management segment at year-end 1994.

(E) In 1994 and the first nine months of 1995, SP recognized gains on real estate sales of \$262 million and \$16 million, respectively. These gains have been eliminated from the Pro Forma Combined Statements of Income since such gains would not have occurred due to the write-up of real estate held for sale as part of the allocation of the purchase price as discussed in (G) below. Future gains on property sales are also not expected to occur as a result of the write-up of real estate held for sale to market value as part of the purchase price allocation.

(F) The number of shares of UP Common Stock outstanding used in the determination of pro forma earnings per share include the 205.8 million and 205.6 million weighted average shares of UP Common Stock as of September 30, 1995 and December 31, 1994, respectively, outstanding plus 38.1 million additional shares of UP Common Stock to be issued in conjunction with the Merger based upon a conversion ratio of .4065 shares of UP Common Stock for each Share so converted. The number of shares of UP Common Stock outstanding is calculated on a primary basis.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(Continued)

(G) Pursuant to the Merger Agreement, UP acquired the Acquired Shares representing 25% of the outstanding Shares in the Offering at a price of \$25.00 per Share in cash. The First Step Cash Tender Offer was completed on September 15, 1995. After ICC approval, UP will acquire the remaining Shares in the Merger for cash and UP Common Stock so that 40% of the consideration paid for the Shares, including the Acquired Shares, is Cash Consideration and 60% is UP Common Stock. The purchase price is determined as follows and assumes a market value of each share of UP Common Stock of \$65.00, the value at August 3, 1995 (the date the Merger was announced), and that there are 156.2 million Shares outstanding:

	In millions
	-----
First Step Cash Tender (39.0 million Shares at \$25.00 per Share).....	\$ 976
Merger Cash Purchase (23.4 million Shares at \$25.00 per Share).....	586
Merger Exchange of Shares (93.7 million Shares converted into UP Common Stock at a conversion ratio of .4065 UP Common Stock for each Share at an assumed UP market price of \$65.00 per share)..	2,476
Transactions Costs.....	30
	-----
Pro Forma Purchase Price.....	\$ 4,068
	=====

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(Continued)

The Merger will be accounted for as a purchase. The preliminary allocation of the Pro Forma Purchase Price is as follows:

	September 30, 1995
	-----
Purchase price.....	\$ 4,068
Pre-Tax Merger costs.....	187
Equity acquired.....	(1,058)
	-----
Unallocated purchase price.....	\$ 3,197
	=====
Purchase Price Allocation:	
Property and equipment.....	\$ 4,577
Real estate held for sale.....	540
Debt Discount (a).....	(75)
Deferred income taxes (including deferred taxes related to Merger costs).....	(1,845)
	-----
Total.....	\$ 3,197
	=====

(a) Assumed to be amortized over a period of eleven years.

The purchase price allocation includes \$187 million of pre-tax Merger reserves (\$116 million after tax). The following is an analysis of the \$187 million of Merger reserves (\$ in millions):

Termination of employees .....	\$ 94
Relocation of employees .....	38
Costs to terminate IBM contract for computer services .....	15
Other Merger costs .....	40
	-----
Total .....	\$187
	=====

Merger reserves include the costs associated with the termination or relocation of approximately 1,700 and 1,500 employees, respectively.

The preliminary allocation of the purchase price to assets acquired is based on an initial fair market valuation analysis for land and a current replacement cost approach for other assets. Real estate held for sale values reflect estimates of realizable sales proceeds. The purchase price included in these Pro Forma Combined Financial Statements was allocated to assets acquired and liabilities assumed based on a preliminary review of SP's financial records. A formal appraisal cannot be completed until after the Merger is approved, due to, among other things, constraints imposed by the Interstate Commerce Act, and such an appraisal may result in an allocation different from that included in these Pro Forma Combined Financial Statements. Accordingly, the purchase accounting adjustments reflected in these Pro Forma Combined Financial Statements will change as additional information becomes available upon consummation of the Merger.

As a result of the Merger, certain one-time costs will be charged to operations which are not reflected in the Pro Forma Combined Statements of Income. Such non-recurring costs and expenses relate to the elimination of duplicate facilities as well as employee related payments. To the extent such costs relate to UP facilities or employees, operating expense will be charged. The amount of such charges cannot presently be determined.

(H) Represents a reduction in corporate expenses associated with the IPO and Spin-Off of Resources. The expense reductions include the impact of reallocating \$71 million of pension assets from Resources to UP, lower costs associated with UP's restricted stock program for executives and lower personnel costs.

(I) Reflects the repayment of UP's outstanding commercial paper borrowings for the nine months ended September 30, 1995 and outstanding commercial paper and notes for the year ended December 31, 1994 with the proceeds of the \$1,562 million dividend to UP from Resources. The commercial paper and notes to be retired had a historical interest rate of 6% per annum. Since commercial paper rates are LIBOR based, future fluctuations may occur in the assumed annual interest rate. A .125% change in the net interest rate would cause total annual interest savings to change by \$2 million. During 1994, UP had an average of \$1.1 billion in commercial paper outstanding and \$500 million in 6% notes maturing through 2004. During 1995, UP had an

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(Continued)

average outstanding commercial paper balance of \$1.6 billion and on September 30, 1995, UP had an outstanding commercial paper balance of \$1.9 billion. UP has recognized the entire dividend from Resources as cash available to pay debt in the Pro Forma Financial Statements since Resources has informed UP that it intends to fund the entire dividend to UP prior to the Spin-Off. Resources also has the financial capability to make such a payment (see Note (C) to the Unaudited Pro Forma Financial Statements of Resources).

(J) On March 16, 1995, UP executed a definitive merger agreement to acquire the remaining 71.6% of CNW's outstanding common stock not previously owned by UP for \$1,170 million. Under this agreement, UP initiated a cash tender offer on March 23, 1995 for all outstanding CNW shares at \$35 per share, which was completed on April 25, 1995. The acquisition of CNW has been accounted for as a purchase and CNW's results have been consolidated into UP effective May 1, 1995. The Pro Forma Combined Statements of Income have been adjusted to include CNW's historical results as if the CNW acquisition had occurred as of January 1 of the periods presented. The CNW historical information included in the Combined Pro Forma Statements of Income include an adjustment to operating revenues to eliminate UP's recognition of CNW equity earnings. Operating revenues have been reduced \$21 million for the year ended December 31, 1994 and \$12 million for the nine months ended September 30, 1995. Other operating cost for CNW and other income for UP have been reduced to reflect the elimination of intercompany leasing activity between UP and CNW. These accounts were reduced \$15 million for the year ended December 31, 1994 and \$6 million for the nine months ended September 30, 1995. Income before income taxes and income from continuing operations also reflect the effects of these intercompany eliminations. (See Note (L) below.) Restated historical UP information does not include separate financial information related to the CNW acquisition due to immateriality.

(K) As a result of the revaluation of CNW's assets to fair market value as part of the allocation of the purchase of CNW, annual depreciation expense will increase \$43 million. In addition, annual interest will increase by \$85 million, reflecting UP's borrowings of \$1,170 million at an average interest rate of 7.3% per annum (the actual average interest rate of the debt securities used to finance the CNW acquisition).

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS - (Continued)

(L) The following shows adjustments made to CNW's historically reported amounts:

	For the Year Ended December 31, 1994			For the Year Ended September 30, 1995		
	Historical	Adjustments	Adjusted	Historical(1)	Adjustments	Adjusted
Operating Revenues .....	\$1,130	\$ (21)(J)	\$ 1,109	\$ 407	\$ (12)(J)	\$ 395
Operating Expenses .....	904	(15)(J)		319	(6)(J)	
		43 (K)	932		14 (K)	327
Operating Income .....	226	(49)	177	88	(20)	68
Other Income/Expense, Net .....	7	(15)(J)	(8)	(5)	(6)(J)	(11)
Interest Expense .....	(97)	(85)(K)	(182)	(33)	(28)(K)	(61)
Income before Income Taxes .....	136	(149)	(13)	50	(54)	(4)
Income Taxes .....	(52)	49 (C)	(3)	(17)	16 (C)	(1)
Income from Continuing Operations .....	84	(100)	(16)	33	(38)	(5)

(1) Reflects CNW historical results and pro forma adjustments from January 1, 1995 through April 30, 1995.

## UNAUDITED RESTATED FINANCIAL STATEMENTS OF UP

As a result of the decision by UP's Board of Directors to exit its natural resources business, historical financial information of UP has been restated to present Resources as a discontinued operation on the unaudited pro forma financial statements of UP and SP which appear at pages 82 through 88 of this Joint Proxy Statement/Prospectus. The restated statements of income of UP for the years ended December 31, 1994, 1993 and 1992 and the restated balance sheets of UP at December 31, 1994 and 1993 below reflect the effects of adjustments to historical financial statements necessary to present Resources as a discontinued operation.

The unaudited restated financial statements are prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that might have occurred had UP's Board of Directors made the decision to exit its natural resources business on the dates indicated, or of future results of operations or financial position of UP without Resources as one of its business units. Refer to Note D to the aforementioned unaudited pro forma financial statements of UP and SP for a description of the impact of the IPO and Spin-Off on the unaudited pro forma financial statements.

The unaudited restated financial statements of UP are based on the historical consolidated financial statements of UP and should be read in conjunction with (i) such historical financial statements and the notes thereto, which are incorporated by reference in this Joint Proxy Statement/Prospectus, (ii) the unaudited selected pro forma financial data and unaudited comparative per share data, including notes thereto, appearing elsewhere in this Joint Proxy Statement/Prospectus and (iii) the selected historical financial data appearing elsewhere in this Joint Proxy Statement/Prospectus.



RESTATED STATEMENTS OF INCOME OF UP  
For the Years Ended December 31, 1994, 1993 and 1992

	Year Ended December 31, 1994			Year Ended December 31, 1993			Year Ended December 31, 1992		
	Union Pacific Historical Amounts	Resources Adjustments	Restated Union Pacific	Union Pacific Historical Amounts	Resources Adjustments	Restated Union Pacific	Union Pacific Historical Amounts	Resources Adjustments	Re-stated Union Pacific
(In millions, except per share amounts)									
Operating revenues .....	\$ 7,798	\$(1,333)	\$ 6,465	\$ 7,325	\$(1,277)	\$ 6,048	\$7,032	\$(1,222)	\$ 5,810
Operating expenses:									
Salaries, wages and benefits..	2,562	(102)	2,460	2,468	(91)	2,377	2,448	(115)	2,333
Depreciation, depletion and amortization.....	1,005	(426)	579	918	(358)	560	877	(337)	540
Equipment and other rents....	646	(24)	622	576	(23)	553	525	(18)	507
Fuel and utilities.....	488	(8)	480	496	11	485	477	(11)	466
Materials and supplies.....	378	(34)	344	367	(38)	329	358	(29)	329
Other costs.....	1,124	(388)	736	1,006	(373)	633	950	(394)	556
Total .....	6,203	(982)	5,221	5,831	(894)	4,937	5,635	(904)	4,731
Operating income .....	1,595	(351)	1,244	1,494	(383)	1,111	1,397	(318)	1,079
Gains from sale of property ....	216	(149)	67	18	--	18	36	--	36
Other income, net .....	43	(25)	18	71	(60)	11	110	(77)	33
Interest expense .....	(336)	4	(332)	(315)	3	(312)	(355)	11	(344)
Corporate expenses .....	(99)	--	(99)	(99)	--	(99)	(90)	--	(90)
Income before income taxes .....	1,419	(521)	898	1,169	(440)	729	1,098	(384)	714
Income taxes .....	(461)	131	(330)	(455)	137	(318)	(370)	112	(258)
Income from continuing operations .....	\$ 958	\$ (390)	\$ 568	\$ 714	\$ (303)	\$ 411	\$ 728	\$ (272)	\$ 456
Earnings per share:									
Income from continuing operations.....	\$4.66		\$2.76	\$ 3.47		\$ 2.00	\$3.57		\$ 2.24
Number of shares used in the computation of earnings per share.....	205.6		205.6	205.9		205.9	203.9		203.9

The "Resources Adjustments" columns reclassify the results of Resources operations for the periods presented to Discontinued Operations as a result of the July 27, 1995 approval by UP's Board of Directors of a formal plan to exit its natural resources business.

RESTATED BALANCE SHEETS OF UP  
December 31, 1994 and 1993

	December 31, 1994			December 31, 1993		
	Union Pacific Historical Amounts	Resources Adjustments	Restated Union Pacific	Union Pacific Historical Amounts	Resources Adjustments	Restated Union Pacific
	(Millions of dollars)					
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and temporary investments	\$ 121	\$ (6)	\$ 115	\$ 113	\$ (11)	\$ 102
Accounts receivable, net	648	(252)	396	593	(216)	377
Other current assets	1,053	(215)	838	611	(109)	502
<b>Total current assets</b>	<b>1,822</b>	<b>(473)</b>	<b>1,349</b>	<b>1,317</b>	<b>(336)</b>	<b>981</b>
Investments, net	662	(5)	657	623	(14)	609
Properties, net	12,271	(2,601)	9,670	11,078	(1,780)	9,298
Net assets of discontinued operations	--	1,789	1,789	697	1,148	1,845
Excess acquisition costs	939	(69)	870	963	(69)	894
Other assets	248	(40)	208	217	(47)	170
<b>Total assets</b>	<b>\$15,942</b>	<b>\$(1,399)</b>	<b>\$14,543</b>	<b>\$14,895</b>	<b>\$(1,098)</b>	<b>\$13,797</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Current liabilities:</b>						
Accounts and wages payable	\$ 686	\$ (337)	\$ 349	\$ 688	\$ (319)	\$ 369
Other current liabilities	1,349	(125)	1,224	1,227	(88)	1,139
Debt due within one year	470	(43)	427	115	(33)	82
<b>Total current liabilities</b>	<b>2,505</b>	<b>(505)</b>	<b>2,000</b>	<b>2,030</b>	<b>(440)</b>	<b>1,590</b>
Debt due after one year	4,090	(38)	4,052	4,068	(45)	4,023
Deferred income taxes	2,856	(458)	2,398	2,678	(296)	2,382
Other liabilities	1,360	(398)	962	1,234	(317)	917
Common stockholders' equity	5,131	--	5,131	4,885	--	4,885
<b>Total liabilities and stockholders' equity</b>	<b>\$15,942</b>	<b>\$(1,399)</b>	<b>\$14,543</b>	<b>\$14,895</b>	<b>\$(1,098)</b>	<b>\$13,797</b>

The "Resources Adjustments" columns reclassify the results of Resources financial position at December 31, 1994 and 1993 to Discontinued Operations as a result of the July 27, 1995 approval by UP's Board of Directors of a formal plan to exit its natural resources business. Historical net assets of discontinued operations as of December 31, 1993 relates to UP's waste management segment which was sold at year-end 1994.

GLOSSARY OF CERTAIN DEFINED TERMS

The following terms used in the foregoing Joint Proxy Statement/Prospectus are defined below:

"Acquired Shares" shall mean the 39,034,471 Shares UP Acquisition acquired pursuant to the Offer.

"Anschutz/Resources RRA" shall mean the Registration Rights Agreement, dated as of August 3, 1995, by and among Resources, TAC and the Foundation.

"Anschutz/Resources Shareholders Agreement" shall mean the Shareholders Agreement, dated as of August 3, 1995, by and among Resources and the Anschutz Shareholders.\*

"Anschutz Shareholder Designee" shall mean Mr. Anschutz or another individual selected by TAC and reasonably acceptable to the Board of Directors of UP.

"Anschutz Shareholders" shall mean Mr. Anschutz, TAC and the Foundation.

"Anschutz Shareholders Agreement" shall mean the Shareholders Agreement, dated as of August 3, 1995, by and among UP, UP Acquisition and the Anschutz Shareholders.\*

"Anschutz/UP RRA" shall mean the Registration Rights Agreement, dated as of August 3, 1995, by and among UP, TAC and the Foundation.

"Antitrust Division" shall mean the Antitrust Division of the Department of Justice.

"Articles of Merger" shall mean the articles of merger, with respect to the Merger, duly filed with the Division of Corporations and Commercial Code of the State of Utah.

"Average UP Share Price" shall mean the average closing sales price, rounded to four decimal points, of UP Common Stock as reported on the New York Stock Exchange Composite Tape, for the twenty consecutive trading days ending on the trading day which is five trading days prior to the Effective Time.

"Banks" shall mean Bank of America National Trust and Savings Association and Citibank, N.A., collectively.

"BNSF" shall mean Burlington Northern Railroad Company and The Atchison, Topeka and Santa Fe Railroad Company, collectively.

"BNSF Agreement" shall have the meaning ascribed to such term in the Joint Proxy Statement/Prospectus under the heading entitled "OTHER LEGAL MATTERS; REGULATORY APPROVAL--ICC Approval."

"Business Combination" shall mean a merger, consolidation, sale, lease or exchange of all or substantially all of a company's assets.

"Carriers" shall mean carriers subject to the jurisdiction of the ICC.

"Cash Consideration" shall mean \$25.00 in cash, without interest.

"Cash Election" shall mean an election of a holder of Shares to receive the Cash Consideration pursuant to the Merger.

"Certificate of Merger" shall mean the certificate of merger with respect to the Merger, duly filed with the Secretary of State of the State of Delaware.

"CNWR" shall mean Chicago and North Western Railway Company, a Delaware corporation.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Securities and Exchange Commission.

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\*Conformed to reflect certain clarifications set forth in a Clarification of Anschutz Shareholders Agreement and Anschutz/Spinco Shareholders Agreement, dated as of August 3, 1995, by and among Union Pacific Corporation, UP Acquisition Corporation, Union Pacific Resources Group Inc., The Anschutz Corporation, Anschutz Foundation and Mr. Philip F. Anschutz, which has been filed as an exhibit to the Registration Statement.

"Comparable Company Analysis" shall mean the analysis of a company's operating performance relative to a group of publicly traded peers.

"Competing Business" shall mean a company or entity affiliated with any of the Anschutz Shareholders which competes in any way with, or is a potential competitor of, Resources.

"Consideration" shall mean the Offer Consideration and the Merger Consideration, collectively.

"Continuing Director" shall mean any member of the UP Board of Directors who is not an affiliate or representative of an Interested Shareholder and was a member of the UP Board of Directors prior to the time that an Interested Shareholder became an Interested Shareholder.

"Conversion Fraction" shall mean the conversion in the Merger into .4065 of a share of UP Common Stock of each Share to be converted into UP Common Stock.

"CS First Boston" shall mean CS First Boston Corporation, UP's financial advisor.

"Customary Action" shall mean an action taken which occurs in the ordinary course of the relevant person's business and where the taking of such action is generally recognized as being customary and prudent for other major enterprises in such person's line of business.

"Debt Securities" shall mean long or short-term debt securities including commercial paper notes.

"DGCL" shall mean the Delaware General Corporation Law.

"Economic Disposition" of shares of UP Voting Securities shall mean (i) any transaction or arrangement (including an outright sale) that would be treated as a sale, exchange or other taxable disposition for United States federal income tax purposes of shares of UP Voting Securities received in the Merger and (ii) any transaction or arrangement (or combination of transactions or arrangements) entered into by or on behalf of TAC or its Affiliates that reduces the economic benefits and burdens to TAC of owning shares of UP Voting Securities (including any swap transaction, notional principal contract or the acquisition or grant of any calls, puts or other options, whether or not cash settlement is permitted or required) to such an extent that such transaction or arrangement causes TAC not to satisfy the "continuity of proprietary interest" requirement under Section 368 of the Code with respect to such shares.

"Effective Time" shall mean the time and date of the filing of the Certificate of Merger and Articles of Merger with the Secretary of State of the State of Delaware and the Division of Corporations and Commercial Code of the State of Utah, respectively, or such time as is agreed upon by the parties and specified in the Certificate of Merger and Articles of Merger.

"Election Procedures" shall have the meaning ascribed to it in the Joint Proxy Statement/Prospectus and the Form of Election.

"Election" shall mean the right, subject to proration and the limitations of each holder of Shares (other than Shares owned by SP as treasury stock and Shares owned by UP, UP Acquisition, UPRR or any other direct or indirect wholly owned subsidiary of UP, which Shares will be cancelled and retired at the Effective Time) to elect to receive the Stock Consideration, the Cash Consideration or a combination thereof.

"Election Deadline" shall mean the date announced by UP, in a news release delivered to the Dow Jones News Service, as the last day on which Forms of Election will be accepted.

"eligible purchaser" shall mean a person or entity that is not affiliated with UP and which has all necessary regulatory authority, if any, to purchase the Trust Stock.

"Enhanced Severance Program" shall mean an enhanced severance program established by SP and its subsidiaries pursuant to the Merger Agreement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Agent" shall mean Citibank, N.A.

"Exchangeable Preferred Stock" shall mean the 12% Cumulative Redeemable Exchangeable Preferred Stock provided for by the SP Certificate of Incorporation.

"Existing Pledge Agreements" shall mean the pledge agreements, substantially in the form reviewed by UP.

"Facilities" shall mean the \$1.4 Billion Facility and the \$1.1 Billion Facility.

"FASB" shall mean the Financial Accounting Standards Board.

"Fiduciary-out Termination Provisions" shall mean the termination sections of the Merger Agreement.

"Foundation" shall mean the Anschutz Foundation, a Colorado not-for-profit corporation.

"FTC" shall mean the Federal Trade Commission.

"group" shall have the meaning ascribed to it in Section 13(d)(3) of the Exchange Act.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"IBES" shall mean the Institutional Brokers Estimate System.

"IBES Case" shall mean the IBES projected earnings growth rates.

"ICA" shall mean the Interstate Commerce Act.

"ICC" shall mean the Interstate Commerce Commission.

"ICC Application" shall mean the application UP, SP and various of their affiliates filed with the ICC on November 30, 1995.

"Inadvertent Acquisition" shall mean the event that a Shareholder or an Affiliate inadvertently and without knowledge indirectly acquires Beneficial Ownership of not more than one-quarter of one percent of the UP Voting Securities in excess of the amount permitted to be owned by the Anschutz Shareholders.

"Indemnified Liability" shall mean any claim, liability, loss, damage, cost or expense (whenever asserted or claimed).

"Indemnified Party" shall mean each director, officer, employee or agent of SP.

"Initial Surviving Corporation" shall mean the surviving corporation in the UP Acquisition Merger.

"Interested Shareholder" shall mean any person who beneficially owns 10% or more of the votes entitled to be cast by the holders of all the then outstanding shares of voting stock.

"Interested Stockholder" shall include, among others, a person beneficially owning 15% or more of a corporation's voting stock.

"IPO" shall mean the initial public offering of the Resources Common Stock.

"IRS" shall mean the Internal Revenue Service.

"July SP Projections" shall mean the updated financial projections for 1995 and 1996 furnished to UP by SP in late July.

"Laidlaw" shall mean Laidlaw Inc.

"LIBOR" shall mean the London Interbank Offered Rate.

"MCP" shall mean Management Continuity Plan.

"March SP Projections" shall mean certain financial projections for 1995 through 1999 prepared by management of SP as a long range plan.

"MCP Awards" shall mean certain payments described in the Merger Agreement to certain Nonagreement Employees of SP or its subsidiaries.

"Merger" shall mean the proposed merger of SP and UPRR, pursuant to which SP will be merged into UPRR.

"Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of August 3, 1995, by and among UP, UP Acquisition, UPRR and SP.\*

"Merger Consideration" shall mean the Cash Consideration and Stock Consideration, collectively.

"Mergers" shall mean the merger consummated by SP and the Initial Surviving Corporation and the UP Acquisition Merger.

"Morgan Stanley" shall mean Morgan Stanley & Co. Incorporated, financial advisor to SP.

"MPRR" shall mean Missouri Pacific Railroad Company, a Delaware corporation.

"Mr. Anschutz" shall mean Mr. Philip F. Anschutz, Chairman of the Board of SP.



"MSLEF" shall mean the Morgan Stanley Leveraged Equity Fund II, L.P., a Delaware limited partnership.

"MSLEF II" shall mean Morgan Stanley Leveraged Equity Fund II, Inc.

"MSLEF Shareholder Agreement" shall mean the Shareholder Agreement dated as of August 3, 1995, by and among UP, UP Acquisition and MSLEF.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"Nonagreement Employee" shall mean an employee who is not subject to a collective bargaining agreement.

"Non-Electing Share" shall mean each Share as to which an Election is not in effect at the Election Deadline (other than Shares purchased pursuant to the Offer).

"NYSE" shall mean The New York Stock Exchange, Inc.

"Offer" shall mean UP's offer to purchase Shares at a price of \$25.00 per Share, net to the seller in cash, without interest thereon.

"Offer Consideration" shall mean \$25.00 per Share in cash.

"Other Financial Institutions" shall mean one or more financial institutions (other than the Banks) that are not Affiliates of any Anschutz Shareholder.

"Overnite" shall mean Overnite Transportation Company.

"Ownership Limit" shall mean the amount of shares of SP Voting Securities Beneficially Owned by UP, UP Acquisition and their Affiliates immediately following the consummation of the Offer.

"Proposed Transaction" shall mean any proposed transaction or arrangement (combined with any other transactions or arrangements entered into by TAC) relating to or involving any shares of UP Voting Securities in excess of the Threshold Amount.

"Purchase Notice" shall have the meaning ascribed to it in the section of the Joint Proxy Statement/Prospectus entitled "SHAREHOLDERS AGREEMENTS--Anschutz Shareholders Agreement--Limitations on Disposition."

"Railroad" shall mean UPRR and MPRR, collectively. The term "Railroad" also includes the operations of Chicago and North Western Railway Company, which was merged into UPRR on October 1, 1995.

"Record Date" shall mean the close of business on December 11, 1995.

"Registration Statement" shall mean the registration statement on Form S-4 (together with any amendments thereto) filed by UP with the Commission.

"Reorganization Continuity Period" shall mean a period of two years commencing as of the Effective Time.

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\*Conformed to reflect certain clarifications set forth in a Clarification of Agreement and Plan of Merger, dated as of August 3, 1995, by and among Union Pacific Corporation, UP Acquisition Corporation, Union Pacific Railroad Company and Southern Pacific Rail Corporation, which has been filed as an exhibit to the Registration Statement.

"Representatives" shall mean the respective Affiliates and the respective officers, directors, employees, associates, partners, investment bankers, attorneys, accountants and other agents and representatives of the Anschutz Shareholders and their subsidiaries and affiliates.

"Resources" shall mean Union Pacific Resources Group Inc.

"Resources Common Stock" shall mean the shares of common stock of Resources.

"Resources Shareholder Designee" shall mean a designee of TAC who is not an Affiliate of, and does not have any business relationship with, any of the Anschutz Shareholders or their Affiliates, and is reasonably acceptable to the Board of Directors of Resources.

"Santa Fe" shall mean Santa Fe Pacific Corporation.

"Section 203" shall mean Section 203 of the Delaware General Corporation Law.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Shares" shall mean shares of SP common stock, par value \$.001 per share.

"SP" shall mean Southern Pacific Rail Corporation, a Delaware corporation.

"SP Board" shall mean the Board of Directors of SP.

"SP By-Laws" shall mean the by-laws of SP.

"SP Certificate of Incorporation" shall mean SP's Revised Certificate of Incorporation.

"Special Meeting" shall mean the meeting to be held at the Mandarin Oriental Hotel, 222 Sansome Street, San Francisco, California on January 17, 1996.

"Specified SP Transaction" shall mean any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities, dissolution, liquidation, reorganization, restructuring, recapitalization, change in capitalization, change in corporate structure or business or similar transaction involving SP or its subsidiaries.

"Specified UP Transaction" shall mean any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities, dissolution, liquidation, reorganization, restructuring, recapitalization, change in capitalization, change in corporate structure or business or similar transaction involving UP or its subsidiaries (including Resources).

"SP EIP" shall mean the Southern Pacific Rail Corporation Equity Incentive Plan.

"Spin-Off" shall mean the pro rata distribution by UP to its stockholders of shares of Resources Common Stock.

"SP Preferred Stock" shall mean the preferred stock of SP, par value \$0.01 per share.

"SPT" shall mean Southern Pacific Transportation Company, a Subsidiary of SP.

"Standstill Period" shall mean the period commencing on the date of the Anschutz Shareholders Agreement and terminating on the seventh anniversary of the Effective Time, or, if earlier, the termination of the Anschutz Shareholders Agreement in accordance with the terms thereof.

"Stock Consideration" shall mean .4065 of a share of UP Common Stock for each Share exchanged.

"Stock Election" shall mean an election to receive the Stock Consideration.

"Sub Merger Effective Time" shall have the meaning ascribed to it in the Merger Agreement.

"Surviving Corporation" shall mean UPRR.

"TAC" shall mean The Anschutz Corporation, a Kansas corporation.

"Takeover Proposal" shall mean, when used in connection with any person, any tender or exchange offer involving the capital stock of 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 other than pursuant to the transactions to be effected pursuant to the Merger Agreement.

"Threshold Amount" shall be an amount equal to the number of UP Voting Securities received by TAC in the Merger multiplied by the following fraction: the numerator is 20% and the denominator is (A) the percentage of outstanding SP Common Stock held by TAC as of the date of the Anschutz Shareholders Agreement minus (B) the percentage of outstanding SP Common Stock that TAC exchanges for cash in the Offer or the Merger.

"Trust Stock" shall mean the Acquired Shares deposited into the Voting Trust.

"Trustee" shall mean Southwest Bank of St. Louis, a Missouri banking corporation.

"UBCA" shall mean the Revised Utah Business Corporation Act.

"UP" shall mean Union Pacific Corporation, a Utah corporation.

"UP Acquisition" shall mean UP Acquisition Corporation, a direct wholly owned subsidiary of UPRR and an indirect wholly owned subsidiary of UP.

"UP Acquisition Common Stock" shall mean each issued and outstanding share of common stock of UP Acquisition.

"UP Acquisition Merger" shall mean the proposed merger between UPRR and UP Acquisition.

"UP Acquisition/SP RRA" shall mean the Registration Rights Agreement dated as of August 3, 1995, by and among UP Acquisition and SP.

"UP Articles of Incorporation" shall mean the UP Revised Articles of Incorporation.

"UP Board" shall mean the Board of Directors of UP.

"UP By-laws" shall mean the by-laws of UP.

"UP Common Stock" shall mean shares of UP common stock, par value \$2.50 per share.

"UP Preferred Stock" shall mean shares of preferred stock, no par value, of UP.

"UP Shareholders" shall mean the shareholders of UP and the shareholders of UP Acquisition, collectively.

"UP Shareholders Agreement" shall mean the Shareholders Agreement dated as of August 3, 1995, by and among UP, UP Acquisition and SP.\*

"UP Standstill Period" shall mean the period commencing on the date on which the Merger Agreement is terminated in accordance with the terms thereof other than pursuant to the Fiduciary-out Termination Provisions, and continuing until the termination of the UP Shareholders Agreement in accordance with the terms thereof.

"UP Tech" shall mean Union Pacific Technologies, Inc.

"UPRC" shall mean the Union Pacific Resources Company, the principal UP subsidiary responsible for managing UP's natural resources business.

"UPRR" shall mean the Union Pacific Railroad Company, a Utah corporation.

"USPCI" shall mean USPCI, Inc.

"Utah Control Shares Act" shall mean the Utah Control Shares Acquisition Act.

"Voted Non-Shareholder Securities" shall mean the proportion of SP Voting Securities that are not Beneficially Owned by UP Shareholders that vote.

"Voting Period" shall have the meaning ascribed to it in the section of the Joint Proxy Statement/Prospectus entitled "SHAREHOLDERS AGREEMENTS--Anschutz Shareholders Agreement--Voting of Common Stock; Irrevocable Proxy; No Solicitation."

"Voting Trust" shall refer to the voting trust described in the attached Joint Proxy Statement/Prospectus.

"Voting Trust Agreement" shall mean the Voting Trust Agreement, dated as of August 3, 1995, by and among UP, UP Acquisition and the Trustee.

"\$1.1 Billion Facility" shall mean UP's \$1.1 billion credit facility with various commercial banks.

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\*Conformed to reflect certain clarifications set forth in a Clarification of Parent Shareholders Agreement, dated as of August 3, 1995, by and among Union Pacific Corporation, UP Acquisition Corporation and Southern Pacific Rail Corporation, which has been filed as an exhibit to the Registration Statement.

"\$1.4 Billion Facility" shall mean UP's \$1.4 billion credit facility with various commercial banks.

"1995 SP Proxy Statement" shall mean SP's Proxy Statement, for SP's 1995 Annual Meeting of Stockholders.

"2% Sale" shall mean the transfer of any UP Voting Securities pursuant to which the acquiror thereof, together with its Affiliates and any members of a "group", would Beneficially Own in the aggregate 2% or more of the outstanding UP Voting Securities.

"2% Sale Notice" shall mean written notice to be provided to UP by the Anschutz Shareholders of any proposed 2% Sale, which 2% Sale Notice shall contain the identity of the purchaser, the number of shares of UP Voting Securities proposed to be Transferred to such purchaser, the purchase price for such shares and the form of consideration payable for such shares.

## FOR IMMEDIATE RELEASE

Bethlehem, PA, January 18--Union Pacific reported record net income of \$946 million, or \$4.60 a share, in 1995, compared to \$546 million, or \$2.66 a share in the prior year. Income from continuing operations increased 9 percent to \$619 million in 1995. Income from the corporation's discontinued operation -- Union Pacific Resources -- was \$327 million, which included \$65 million from a contract settlement with Columbia Gas. This compares to \$390 million in 1994, which included \$100 million from the sale of the Wilmington, California, properties. The 1994 discontinued operations also included a \$412 million loss from the sale of Union Pacific's waste management subsidiary.

Union Pacific Railroad increased earnings 15 percent in 1995 to \$867 million. This included the impact of the Chicago and North Western (CNW), which was acquired in the second quarter. The Railroad's total carloadings were up 12 percent, including incremental loads from the CNW merger. Grain, coal and automotive were strong performers, while intermodal traffic was soft through most of the year. The Railroad also achieved a 5 percent improvement in average revenue per car. Union Pacific's operating ratio increased from 77.9 in 1994 to 78.1 in 1995, largely as the result of the CNW consolidation. On a pro forma basis, including CNW

in 1994, the operating ratio would have been flat year-over-year.

Overnite Transportation lost \$10 million in 1995, compared with earnings of \$64 million in 1994 (before goodwill of \$20 million and \$23 million, respectively). Total traffic volumes were down 4 percent and prices declined 3 percent in a difficult business environment.

Income from Union Pacific Resources was \$327 million (including the Columbia Gas settlement), compared to \$390 million in 1994 (including the Wilmington sale). Earnings reflected only 83 percent of Resources' income in the fourth quarter as the result of a public offering of 17 percent of Resources in October. Total hydrocarbon sales volumes increased 10 percent - on a barrel of oil equivalent basis - with natural gas and plant liquids up 22 and 15 percent, respectively, and crude oil down 16 percent. Average gas and plant liquids realizations were down 21 and 3 percent while crude prices were up 12 percent.

Union Pacific's fourth quarter income from continuing operations was \$179 million, compared to \$148 million in the fourth quarter of 1994. Income from discontinued operations was \$115 million in the fourth quarter of 1995, compared to \$108 million in 1994. Income from the 83 percent-owned Union Pacific Resources was \$115 million (including \$65



million from the Columbia Gas settlement), compared with \$87 million in 1994. The fourth quarter of 1994 also included a \$21 million gain from the corporation's waste management subsidiary. Net income in the fourth quarter was \$294 million, or \$1.43 per share, in 1995. This compares with \$256 million, or \$1.25 per share, in 1994.

The Railroad earned \$231 million in the fourth quarter, including the CNW, compared to \$211 million last year; and Overnite had a loss of \$4 million compared to earnings of \$12 million, before goodwill of \$5 million in 1995 and \$6 million in 1994.

"With the Resources IPO, the CNW acquisition, our agreement to acquire the Southern Pacific, and a new management succession plan, Union Pacific took major strategic steps in 1995 to enhance the corporation's value to its shareholders," said Drew Lewis, chief executive officer.

A fourth-quarter and full-year income statement is attached.

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENT OF CONSOLIDATED INCOME  
Period ended December 31  
(Dollars in Millions Except Per Share Amounts)

Fourth Quarter				Twelve Months			
1995	1994	Percent +Increase -Decrease		1995	1994	Percent +Increase -Decrease	
\$1,974	\$1,655	+	19	\$ 7,486	\$6,492	+	15
1,628	1,342	+	21	6,145	5,248	+	17
346	313	+	11	1,341	1,244	+	8
36	35	+	3	141	100	+	41
(122)	(92)	+	33	(450)	(347)	+	30
(19)	(31)	-	39	(99)	(99)		-
241	225	+	7	933	898	+	4
(62)	(77)	-	19	(314)	(330)	-	5
179	148	+	21	619	568	+	9
115	87	+	32	327	390	-	16
-	21		U	-	(412)		F
115	108	+	6	327	(22)		F
\$ 294	\$ 256	+	15	\$ 946	\$ 546	+	73
Earnings (Loss) Per Share:							
\$ 0.87	\$ 0.72	+	21	\$ 3.01	\$ 2.76	+	9
0.56	0.42	+	33	1.59	1.90	-	16
-	0.11		U	-	(2.00)		F
0.56	0.53	+	6	1.59	(0.10)		F
\$ 1.43	\$ 1.25	+	14	\$ 4.60	\$ 2.66	+	73
Average Shares Outstand-							
N/A	N/A			205.8	205.6		-

a) In October 1995 the Corporation's natural resources business, Union Pacific Resources Group Inc. (UPRG), completed an initial public offering (IPO) for 17.1% of its common stock. The Corporation intends to distribute to its shareholders the remaining shares of UPRG on a tax-free basis sometime in 1996. Results of operations for UPRG (which include only the Corporation's share of UPRG's income after the IPO) for all periods presented have been reclassified as discontinued operations.

b) At year-end 1994 the Corporation sold USPCI, Inc. its hazardous waste subsidiary. Results of operations for all periods presented have been reclassified as discontinued operations.

January 18, 1996

Statement Regarding Consolidated Income  
from Continuing Operations for the  
Nine Months Ended September 30, 1995

The Company previously reported in Item 2 to its Quarterly Report on Form 10-Q for the nine-month period ended September 30, 1995 that consolidated income from continuing operations for the nine months ended September 30, 1995 improved \$20 million reflecting a \$113 million improvement at Union Pacific Railroad Company, partially offset by certain other items. Such improvement at Union Pacific Railroad Company should have been reported as \$93 million rather than \$113 million; this correction does not affect the reported \$20 million improvement in consolidated income from continuing operations or any other reported result.