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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from ____________ to ____________

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

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

1400 DOUGLAS STREET, OMAHA, NEBRASKA

(Address of principal executive offices)

68179

(Zip Code)

(402) 544-5000

(Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
Common Stock (Par Value $2.50 per share)	**New York Stock Exchange, Inc.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes X No ___

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ___ No X

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

Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

Yes ___ No X

As of June 30, 2005, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was $16,786,219,745.

The number of shares outstanding of the registrant's Common Stock as of January 31, 2005, was 267,584,487.

Documents Incorporated by Reference – Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2006, are incorporated by reference into Part III of this report. The registrant's Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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PART I

Item 1. Business

GENERAL

Union Pacific Corporation operates primarily as a rail transportation provider through Union Pacific Railroad Company, its principal operating company. The largest railroad in North America, Union Pacific Railroad Company, serves 23 states across the western two-thirds of the United States. Union Pacific Corporation was incorporated in Utah in 1969 and maintains its principal executive offices at 1400 Douglas Street, Omaha, NE 68179. The telephone number at that address is (402) 544-5000. The common stock of Union Pacific Corporation is listed on the New York Stock Exchange (NYSE) under the symbol “UNP”.

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

Our operating results include Southern Pacific Rail Corporation, which we acquired in October 1996. During 1997, the Railroad acquired an ownership interest in a consortium that was granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico. The Railroad made an additional investment in the consortium in 1999 and currently holds a 26% ownership interest. In November 2003, we completed the sale of our entire trucking interest through an underwritten initial public offering of all the common stock of Overnite Corporation, leaving the Railroad as our only operating segment and the principal source of our revenues.

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

We have included the CEO and CFO certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and (b) to this report. Additionally, we filed with the NYSE the CEO’s certification regarding our compliance with the NYSE’s Corporate Governance Listing Standards (Listing Standards) pursuant to Section 303A.12(a) of the Listing Standards, which was dated May 23, 2005, and indicated that the CEO was not aware of any violations of the Listing Standards by the Corporation.

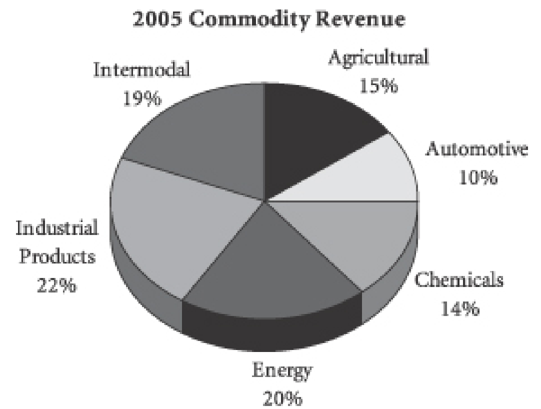
References to our website address in this report, including references in Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained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

OPERATIONS

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

integrated nature of the rail network. The Consolidated Financial Statements for 2003 also include our discontinued trucking operations, consisting of Overnite Transportation Company (OTC) and Motor Cargo Industries, Inc. (Motor Cargo). We reclassified our trucking segment as a discontinued operation in 2003, reflecting the disposition of these assets. Additional information regarding our operations is presented in Selected Financial Data, Item 6; Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7; and the Financial Statements and Supplementary Data, Item 8.

Continuing Operations – UPRR is a Class I railroad operating in the United States. We have 32,426 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways and providing several corridors to key Mexican gateways. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic moves through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. UPRR's freight traffic consists of bulk, manifest, and premium business. Bulk traffic is primarily coal, grain, rock, or soda ash in unit trains - trains transporting a single commodity from one source to one destination. Manifest traffic is individual carload or less than train-load business, including commodities such as lumber, steel, paper, and food. The transportation of finished vehicles and intermodal containers is part of the Railroad's premium business. In 2005, the Railroad generated commodity revenue totaling $13 billion from the following six commodity groups:



Agricultural **–** Transporting agricultural products, including whole grains, commodities produced from these grains, and food and beverage products, provided 15% of the Railroad's 2005 commodity revenue. With access to most major grain markets, the Railroad provides a critical link between the Midwest and western producing areas and export terminals in the Pacific Northwest (PNW) and Gulf ports, as well as Mexico. Unit trains of grain efficiently shuttle between producers and export terminals or domestic markets. UPRR also serves significant domestic markets, including grain processors, animal feeders, and ethanol producers in the Midwest, West, South, and Rocky Mountain states. Primary food commodities consist of a variety of fresh and frozen fruits and vegetables, dairy products, and beverages, which are moved to major U.S. population centers for consumption. Express Lane, our premium perishables service that moves fruits and vegetables from the PNW and California with priority service to destinations in the East, competes with the trucking industry. We transport frozen meat and poultry to the West Coast ports for export, while beverages, primarily beer, enter the U.S. from Mexico.

Automotive **–** UPRR is the largest automotive carrier west of the Mississippi River, serving seven vehicle assembly plants and distributing imported vehicles from six West Coast ports and Houston. The Railroad off-loads finished vehicles at 38 vehicle distribution centers for delivery by truck to all major western U.S. cities. In addition to transporting finished vehicles, UPRR provides expedited handling of automobile parts in both boxcars and intermodal containers to several assembly plants, some of which are in Mexico. The Railroad carries automobile materials bound for assembly plants in Mexico, the U.S., and Canada and transports finished vehicles from manufacturing facilities in Mexico. In 2005, transportation of finished vehicles and automobile materials accounted for 10% of the Railroad's total commodity revenue.

Chemicals – Transporting chemicals provided 14% of UPRR’s 2005 commodity revenue. The Railroad’s franchise enables it to serve the chemical producing areas along the Gulf Coast, as well as the Rocky Mountain region. More than two-thirds of the chemicals business consists of liquid and dry chemicals, plastics, and liquid petroleum products. In addition to transporting plastics, customers also leverage UPRR’s industry-leading storage-in-transit yards for intermediate storage of plastic resins. Soda ash shipments originate in southwestern Wyoming and California and are consumed primarily in glass producing markets in the East, the West, and abroad. Fertilizer movements originate primarily in the Gulf Coast region, as well as the West and Canada, bound for major agricultural users in the Midwest and the western U.S.

Energy – Coal transportation accounted for 20% of UPRR’s 2005 commodity revenue. The Railroad’s geographic network allows it to transport coal destined for utilities and industrial facilities in 27 states, as well as to the Gulf and rail/barge/ship facilities on the Mississippi and Ohio Rivers and the Great Lakes. UPRR serves mines located in the Southern Powder River Basin of Wyoming (SPRB), Colorado, Utah, southern Wyoming, and southern Illinois. SPRB coal represents the largest growth segment of the market, as utilities continue to favor its lower cost and low-sulfur content. The Railroad also carries high-BTU, low-sulfur coal from Colorado and Utah for export to Mexico.

Industrial Products – The Railroad’s extensive network enables the industrial products group to move numerous commodities between thousands of origin and destination points throughout North America. Lumber shipments originate primarily in the PNW and Canada for destinations throughout the United States for new home construction and repair and remodeling markets. Commercial and highway construction drive shipments of steel and construction products, consisting of rock, cement, and roofing. Paper and consumer goods, including furniture and appliances, are shipped to major metropolitan areas for consumers. Nonferrous metals and industrial minerals are moved for industrial manufacturing. In addition, the Railroad provides efficient and safe transportation for government entities and waste companies. In 2005, transporting industrial products provided 22% of the Railroad’s total commodity revenue.

Intermodal – UPRR’s intermodal business, which represents 19% of the Railroad’s 2005 commodity revenue, comprises international, domestic, and premium shipments. International business consists of international container traffic that arrives at West Coast ports via steamship for destinations throughout the United States. Domestic business includes domestic container and trailer traffic for intermodal marketing companies (primarily shipper agents and consolidators) and truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements account for the majority of our premium service.

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

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

Equipment Suppliers – We depend on two key domestic suppliers of locomotives. Due to the capital intensive nature and sophistication of this equipment, high barriers to entry face potential new suppliers. Therefore, if one

of these domestic suppliers discontinues manufacturing locomotives, we could experience a significant cost increase and risk reduced availability of the locomotives that are necessary to our operations.

Employees – Approximately 87% of our 49,747 full-time-equivalent employees are represented by 14 major rail unions. Under the collective bargaining round that began on November 1, 1999, all unions reached new labor agreements with the railroads in 2005. In January 2005, we began the next round of negotiations with the unions. Existing agreements remain in effect and will continue to remain in effect until new agreements are reached or the Railway Labor Act's procedures (which include mediation, cooling-off periods, and the possibility of Presidential intervention) are exhausted. Contract negotiations with the various unions generally take place over an extended period of time, and we rarely experience work stoppages during negotiations. The current agreements provide for periodic cost of living wage increases until new agreements are reached.

Discontinued Operations – In November 2003, we completed the sale of our entire trucking interest, and, as a result, included the operations of OTC and Motor Cargo in discontinued operations (see note 13 to the Financial Statements and Supplementary Data, Item 8).

GOVERNMENTAL AND ENVIRONMENTAL REGULATION

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

The operations of the Railroad are subject to the regulatory jurisdiction of the Surface Transportation Board (STB) of the United States Department of Transportation (DOT) and other federal and state agencies. The operations of the Railroad are also subject to the regulations of the Federal Railroad Administration (FRA) of the DOT. The STB has jurisdiction over rates charged on certain regulated rail traffic; freight car compensation; transfer, extension, or abandonment of rail lines; and acquisition of control of rail common carriers.

DOT and the Occupational Safety and Health Administration, along with other federal agencies, have jurisdiction over certain aspects of safety, movement of hazardous materials, movement and disposal of hazardous waste, emissions requirements, and equipment standards. Various state and local agencies have jurisdiction over disposal of hazardous waste and seek to regulate movement of hazardous materials in areas not otherwise preempted by federal law.

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

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

Item 1A. Risk Factors

We Must Manage Significant Demand for Our Services on Limited Network Capacity – Due to continuing demand for rail service and capacity constraints, we may experience network difficulties, including congestion and reduced velocity, which may compromise the level of service we provide to our customers. This level of demand may compound the impact of weather and weather-related events on our operations and velocity. We recently experienced varying degrees of disruptions, congestion, and reduced velocity due to a variety of factors, including

significant demand and weather events, and the extensive maintenance and restoration program on the SPRB line that is jointly-owned with BNSF (SPRB Joint Line). The weather events affected both our operations and operations of certain of our customers. Although we have recovered from these events, further network improvement will be driven by the ongoing redesign of our transportation plan to better manage traffic on our system and adding more capacity. We cannot be sure that these measures will fully or adequately address any service shortcomings. We also cannot be sure that we will not experience other difficulties related to network capacity, dramatic and unplanned increases of demand for rail service in one or more of our commodity groups, or other events that could have a negative impact on our operational efficiency, any of which could have a material adverse effect on our results of operations, financial condition, and liquidity.

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

We Are Subject to Significant Governmental Regulation – We are subject to governmental regulation by a significant number of federal, state, and local authorities covering a variety of health, safety, labor, environmental (as discussed below), and other matters. Our failure to comply with applicable laws and regulations could have a material adverse effect on us. Governments may change the legislative or regulatory frameworks within which we operate without providing us with any recourse for any adverse effects on our business. Economic re-regulation of the rail industry would negatively impact our ability to determine prices for rail services and reduce capital spending on our rail network, resulting in a material adverse effect on our results of operations, financial condition, and liquidity. Also, some laws and regulations require us to obtain and maintain various licenses, permits, and other authorizations, and we cannot guarantee that we will continue to be able to do so. In addition, one or more consolidations of Class I railroads could lead to future re-regulation of the rail industry.

We Are Required to Transport Hazardous Materials – Federal laws require railroads, including UPRR, to transport hazardous materials. Any rail accident involving the release of hazardous materials could involve significant costs and claims for personal injury, property damage, and environmental penalties and remediation, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

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

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

Rising Fuel Costs Could Materially and Adversely Affect Our Business – Fuel costs constitute a significant portion of our transportation expenses. Diesel fuel prices are subject to dramatic fluctuations. Significant price increases may

have a material adverse effect on our operating results. Additionally, international, political, and economic circumstances affect fuel prices and supplies. Weather can also affect fuel supplies and limit domestic refining capacity. If a fuel supply shortage were to arise from OPEC production curtailments, a disruption of oil imports, or other causes, higher fuel prices could, despite our fuel surcharge programs, have a material adverse effect on our results of operations, financial condition, and liquidity.

The Majority of Our Employees Belong to Labor Unions, and Labor Agreements, Strikes, or Work Stoppages Could Adversely Affect Our Operations – We are a party to collective bargaining agreements with various labor unions. Under the collective bargaining round that began on November 1, 1999, all unions reached new labor agreements with the railroads in 2005. In January 2005, we began the next round of negotiations with the unions. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, or other slowdowns by the affected workers. If unionized workers were to engage in a strike, work stoppage, or other slowdown, or other employees were to become unionized, we could experience a significant disruption of our operations or higher ongoing labor costs, either of which could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could compromise our service reliability and significantly increase our costs for healthcare, wages, and other benefits, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

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

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

We Utilize Capital Markets – We rely on the capital markets to provide some of our capital requirements, including the issuance of commercial paper from time to time and the sale of certain of our receivables. Market instability or deterioration of our financial condition due to internal or external factors could restrict or prohibit our access to commercial paper and reduce our credit ratings below investment grade, which would prohibit us from utilizing our sale of receivables program and significantly increase the cost of issuing debt.

We May Be Affected by General Economic Conditions – Prolonged negative changes in domestic and global economic conditions affecting the producers and consumers of the commodities carried by us may have an adverse effect on our results of operations, financial condition, and liquidity.

We Are Dependent on Two Key Domestic Suppliers of Locomotives – Due to the capital intensive nature and sophistication of locomotive equipment, high barriers to entry face potential new suppliers. Therefore, if one of these domestic suppliers discontinues manufacturing locomotives, we could experience a significant cost increase and risk reduced availability of the locomotives that are necessary to our operations.

We Rely on Technology and Technology Improvements in our Business Operations – We rely on information technology in all aspects of our business. If we do not have sufficient capital to acquire new technology or if we are

unable to implement new technology, we may suffer a competitive disadvantage within the rail industry and with companies providing other modes of transportation service, which could have a material adverse effect on our results of operations, financial position, and liquidity. Additionally, if we experience significant disruption or failure of one or more of our information technology systems, including computer hardware, software, and communications equipment, we could experience a service interruption, safety failure, or security breach, or other operational difficulties, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

With operations in 23 states, we employ a variety of assets in the management and operation of our rail business. These assets include real estate, track and track structure, equipment, and facilities. We own and lease real estate that we use in our operations, and we also own real estate that is not required for our business, which we sell from time to time. Our equipment includes owned and leased locomotives and rail cars; heavy maintenance equipment and machinery; other equipment and tools in our shops, offices and facilities; and vehicles for maintenance, transportation of crews, and other activities. We operate numerous facilities, including terminals for intermodal and other freight; rail yards for train-building, switching, storage-in-transit (the temporary storage of customer goods in rail cars prior to shipment) and other activities; offices to administer and manage our operations; dispatch centers to direct traffic on our rail network; crew quarters to house train crews along our network; and shops and other facilities for fueling, maintenance, and repair of locomotives and repair and maintenance of rail cars and other equipment. We spent approximately $2.2 billion in cash capital during 2005 for, among other things, building and maintaining track, structures and infrastructure, upgrading and augmenting equipment, and implementing new technologies (see the capital expenditures table in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Financial Condition, Item 7).

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

Track – The Railroad operates on 32,426 main line and branch line route miles in 23 states in the western two-thirds of the United States. We own 26,586 route miles, with the remainder of route miles operated pursuant to trackage rights or leases. Route miles as of December 31, 2005, are as follows:

Route Miles	
Main line	27,301
Branch line	5,125
Yards, sidings and other main lines	20,241
Total	52,667

Rail and ties installed and replaced during the year ended December 31, 2005 are as follows:

Rails and Ties	
Track miles of rail:	
New	661
Used	312
Ties (000)	4,690

Equipment – Our primary rail equipment consisted of the following as of December 31, 2005:

Equipment	
Owned or leased at year end:	
Locomotives	8,226
Freight cars:	
Covered hoppers	38,553
Boxcars	16,505
Open-top hoppers	19,950
Gondolas	15,037
Other	16,698
Work equipment and other	5,041

Item 3. Legal Proceedings

Environmental Matters

As we reported in our Annual Report on Form 10-K for 2003, the United States Attorney for the Central District of California notified the Railroad that the office intended to pursue criminal charges against us for alleged violations of federal environmental laws, including the federal Clean Water Act, in connection with releases of oil contaminated wastewater from our Taylor Yard in 2001 and 2003. In April 2004, the Railroad settled the State of California's claims arising from these releases for $45,020.

As we reported in our Annual Report on Form 10-K for 2003, the California Department of Toxic Substances Control (DTSC) threatened civil prosecution against us in November 2003, after a series of protracted negotiations, relating to our failure to register as a hazardous waste transporter under California law from April 2000 to August 2001. We contend that we are exempt from the registration requirements due to federal preemption. The DTSC proposed civil penalties of $125,160 for the alleged violation. We settled this matter on September 14, 2005 for $55,000.

As we reported in our Annual Report on Form 10-K for 2001, on January 30, 2002, the Louisiana Department of Environmental Quality (LDEQ) issued to the Railroad a notice of a proposed penalty assessment in the amount of $195,700. The proposed penalty relates to the derailment of one of our trains carrying hazardous materials near Eunice, Louisiana, on May 27, 2000. We met with the LDEQ regarding this matter to demonstrate that no penalty should be assessed. On December 28, 2005, the LDEQ amended the proposed penalty to $47,113.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, the San Joaquin County District Attorney filed an action against the Railroad on February 3, 2003, in the San Joaquin County Superior Court alleging claims under the California Business and Professions Code section 17200 (unfair business practices), Fish and Game Code section 5650 and 5650.1, California Health and Safety Code section 25189(d), and Public Nuisance, California Civil Code section 3480. The claims arise from a February 16, 2000, derailment in Stockton, California, in which a locomotive struck an object on the tracks, puncturing a fuel tank.

The District Attorney alleged that diesel fuel from this spill entered waters of the State of California. The complaint also asserted claims under the above referenced statutes for any other diesel spill that may have occurred in the State of California between 2000 and 2003, in which diesel may have passed into waters of the State of California. It sought injunctive relief and civil penalties of $25,000 for the alleged February 16, 2000, diesel spill and total penalties of not less than $250,000 for all diesel spills that may have occurred since 2000. The District Attorney filed an amended complaint on April 10, 2003, which narrowed the claims to the incident of February 16, 2000. The amended complaint seeks both injunctive relief and daily penalties for each day that fuel was in the affected waterway, which could exceed $100,000.

As we reported in our Annual Report on Form 10-K for 2003, the District Attorneys of Merced, Madera, and Stanislaus Counties in California filed a criminal case against the Railroad relating to a series of alleged releases of calcium oxide (lime). The criminal case was dismissed in the last quarter of 2003 and was subsequently refiled as a civil action by several counties in the San Joaquin County Superior Court. The refiled suit sought civil penalties against the Railroad in connection with the release of lime from an unidentified rail car between Chowchilla and Sacramento, California, on December 27, 2001, and another incident in which lime leaked from a rail car between Chowchilla and Stockton, California, on February 21, 2002. The suit contended that regulatory violations occurred by virtue of the Railroad's alleged failure to timely report the release of a "hazardous material," its alleged disposal of hazardous waste, and the alleged release of material into the waters of the State of California. On September 20, 2004, the Court dismissed the suit with prejudice. The State appealed this decision and the appeal remains pending.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, the Illinois Attorney General's office filed an Agreed Order and Complaint and a Complaint for Injunctive and Other Relief on October 7, 2004, in the Circuit Court for the Twentieth Judicial Circuit (St. Clair County) against The Alton & Southern Railway Company, a wholly owned subsidiary of the Railroad, as a result of a collision and derailment on September 21, 2004. The state seeks to enjoin The Alton & Southern from further violations, as well as a monetary penalty. The amount of the proposed penalty is uncertain but could exceed $100,000.

In 2001 we received information indicating EPA considered the Railroad a potentially responsible party for the Omaha Lead Site. The Omaha Lead Site consists of approximately 12,800 acres of residential property in the eastern part of Omaha, Nebraska, allegedly impacted by air emissions from two former lead smelters/refineries. One refinery was operated by ASARCO. EPA identified the Railroad as a potentially responsible party, because more than 60 years ago, we owned land that was leased to ASARCO. The Railroad disputes both the legal and technical base for EPA's allegations. It has nonetheless engaged in extensive negotiations with EPA. These negotiations have reached an apparent impasse. EPA issued a Unilateral Administrative Order with an effective date of December 16, 2005, directing the Railroad to implement an interim remedy at the site at an estimated cost of $50 million. Failure to comply with the order without just cause could subject the Railroad to penalties of up to $32,500 per day and triple EPA's costs in performing the work. The Railroad believes it has just cause not to comply with the order, but it offered to perform some of the work specified in the order as a compromise. If EPA rejects the offer, the Railroad will vigorously contest liability and the imposition of any penalties.

On December 12, 2005, the Illinois Attorney General's office filed a complaint in the Circuit Court for the Twenty-First Judicial Circuit (St. Clair County) seeking injunctive relief and civil penalties against the Railroad relating to a collision between UPRR and Norfolk Southern (NS) trains near Momence, Illinois, on November 24, 2005. The collision derailed approximately five locomotives and 30 railcars. Two of the UPRR locomotives and two of the NS locomotives caught fire and four of the locomotives released approximately 16,000 gallons of diesel fuel. Other cars carrying food products derailed and released an unknown amount of product. The Railroad promptly responded and remediation is ongoing. The State seeks a permanent injunction against the Railroad ordering UPRR to continue remediation. The State seeks to enjoin UPRR from further violations and a monetary penalty. The amount of the proposed penalty is uncertain.

The Illinois Attorney General's office filed a complaint in the Circuit Court for the Twentieth Judicial Circuit (St. Clair County) for injunctive and other relief on November 28, 2005, against the Railroad, alleging a diesel fuel

spill from an above-ground storage tank for storm water with a secondary containment area in a railyard in Dupo, St. Clair County, Illinois. The State seeks to enjoin UPRR from further violations and a monetary penalty. The amount of the proposed penalty is uncertain.

On October 25, 2005, the State of Washington Department of Ecology notified us that it had assessed a $106,000 penalty against the Railroad as a result of a November 15, 2003, incident near Kelso, Washington. In that incident, one of our trains collided with a BNSF train, derailing three of our locomotives. The Department of Ecology contends that diesel fuel and lube oil from the derailed locomotives entered waters of the State of Washington. We have asked the state to reconsider the penalty amount.

The South Coast Air Quality Management District (the District) issued a Notice of Violation (NOV) to UPRR on or about August 20, 2003, and November 2, 2003, asserting that we violated our air permit relating to locomotive diesel fueling at our Dolores Yard in Carson, California, by dispensing fuel in excess of permit limits over the course of 21 months. The District proposed that we pay $105,000 to settle this NOV. We settled this matter and others in July 2005 for $78,000 as part of a group of alleged violations.

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

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

Other Matters

As we reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, we were notified that a *qui tam*, or private citizen, complaint was filed in the United States District Court for the Central District of California against, among other parties, the City of Long Beach, City of Long Beach Harbor Department, Port of Long Beach (the Port), Union Pacific Corporation, Union Pacific Railroad Company, and Union Pacific Resources Company, also known as Union Pacific Resources Group Inc. (Resources), a former subsidiary of UPC. A private citizen filed the action because the federal government and the State of California elected not to pursue the claims. The complaint alleges that the defendants violated the Federal Civil False Claims Act and the California False Claims Act by conspiring to use public funds to (1) shift environmental cleanup liability to the Port when Resources sold its Terminal Island oil field property to the Port in 1994 and (2) effect the acquisition by the Port of the Terminal Island property in which the Port (or the State of California) allegedly already held certain incidents of title. The complaint, which has not been served on us, seeks damages of $2.405 billion, unspecified costs for remediating groundwater contamination, and triple damages and civil penalties of $10,000 per day. The plaintiff’s extended time to serve the complaint expired on April 4, 2005, and the Corporation filed a motion to dismiss for plaintiff’s failure to make timely service. However, the Court extended the plaintiff’s time to provide service. On December 7, 2005, we learned that a summons for service of the Complaint had been issued, but we have not been sued. We dispute the factual and legal bases of the complaint. We notified Anadarko Petroleum Corporation (Anadarko), as successor to Resources after its acquisition in 2000, that an indemnification agreement between Resources and the Corporation obligates Anadarko to indemnify us for all damages, costs, and expenses related to the complaint.

As we reported in a report on Form 8-K filed on April 12, 2005, we received a complaint in a purported shareholder derivative lawsuit, which names as defendants all the current directors and one former director of the Corporation. The complaint, filed in state court in Salt Lake County, Utah, on April 4, 2005, alleges that the director defendants breached their fiduciary duty to the Corporation and its shareholders by, among other things,

disregarding problems relating to railroad safety; compliance with governmental regulations, including reporting requirements with respect to rail accidents; and the handling of evidence in rail accident cases. The complaint contends that, as a consequence of such alleged breach of duty, the Corporation suffered substantial monetary losses and other injuries and seeks, among other things, an award of compensatory damages, other non-monetary remedies and relief, and the plaintiff's reasonable expenses and attorneys' fees.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries

Our executive officers generally are elected and designated annually by the Board of Directors at our first meeting held after the Annual Meeting of Shareholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year, as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, as of February 17, 2006 relating to the executive officers.

Name	Position	Age	Business Experience During Past Five Years
Richard K. Davidson	Chairman of UPC and the Railroad	64	(1)
James R. Young	President and Chief Executive Officer of UPC and the Railroad	53	(2)
Robert M. Knight, Jr.	Executive Vice President – Finance and Chief Financial Officer of UPC and the Railroad	48	(3)
Charles R. Eisele	Senior Vice President – Strategic Planning of UPC and the Railroad	56	(4)
J. Michael Hemmer	Senior Vice President – Law and General Counsel of UPC and the Railroad	56	(5)
Barbara W. Schaefer	Senior Vice President – Human Resources and Secretary of UPC and the Railroad	52	(6)
Lynden L. Tennison	Senior Vice President and Chief Information Officer of UPC and the Railroad	46	(7)
Robert W. Turner	Senior Vice President – Corporate Relations of UPC and the Railroad	56	Current Position
Bernard R. Gutschewski	Vice President – Taxes of UPC and Vice President and General Tax Counsel of the Railroad	55	Current Position
Mary E. McAuliffe	Vice President – External Relations of UPC	59	Current Position
Richard J. Putz	Vice President and Controller of UPC and Chief Accounting Officer and Controller of the Railroad	58	Current Position
Mary Sanders Jones	Vice President and Treasurer of UPC and Treasurer of the Railroad	53	Current Position
Dennis J. Duffy	Executive Vice President – Operations of the Railroad	55	Current Position
John J. Koraleski	Executive Vice President – Marketing and Sales of the Railroad	55	Current Position

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Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries

(Continued)

(1) Prior to January 1, 2006, Mr. Davidson was Chairman, President, and Chief Executive Officer of UPC and Chairman and Chief Executive Officer of the Railroad.

(2) Mr. Young was elected to his current position effective January 1, 2006. He was elected President and Chief Operating Officer of the Railroad, effective February 1, 2004, and he previously was Executive Vice President – Finance of UPC and Chief Financial Officer of the Railroad.

(3) Mr. Knight was elected to his current position effective February 1, 2004. He was elected Senior Vice President – Finance for UPC and the Railroad effective February 1, 2002, and he previously was Vice President and General Manager Automotive for the Railroad.

(4) Mr. Eisele was elected to his current position effective October 1, 2001. He previously was Vice President – Strategic Planning and Administration.

(5) Mr. Hemmer was elected to his current position effective June 1, 2004. Mr. Hemmer was elected Vice President – Law of the Railroad effective September 1, 2002, and previously was a partner at the law firm of Covington & Burling in Washington, D.C.

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

(7) Mr. Tennison was elected to his current position effective March 1, 2005. He previously was Vice President and Chief Technology Officer.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

Our common stock is traded on the NYSE under the symbol "UNP". The following table presents the dividends declared and the high and low closing prices of our common stock for each of the indicated quarters.

2005 - Dollars Per Share	*Q1*	*Q2*	*Q3*	*Q4*
Dividends	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Common stock price:				
High	70.10	70.19	72.20	81.26
Low	58.18	60.85	63.52	66.89
2004 - Dollars Per Share				
Dividends	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Common stock price:				
High	69.56	60.47	59.58	67.68
Low	59.38	55.66	54.80	58.68

At January 31, 2006, there were 267,584,487 shares of outstanding common stock and 29,173 common shareholders of record. At that date, the closing price of the common stock on the NYSE was $88.46. We have paid dividends to our common shareholders during each of the past 106 years. We declared dividends totaling $316 million in 2005 and $312 million in 2004, and we expect to continue paying comparable dividends in 2006. We are subject to certain restrictions regarding retained earnings with respect to the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends increased to $6.2 billion at December 31, 2005, from $5.2 billion at December 31, 2004.

Purchases of Equity Securities – We do not currently have a formal publicly announced plan or program to repurchase shares of our common stock. The purchased shares presented below relate solely to our equity compensation plans described in note 7 to the Financial Statements and Supplementary Data, Item 8. During the first nine months of 2005, 2,283,918 shares of our common stock were repurchased at an average price per share of $68.24. The following table presents common stock repurchases during each month for the fourth quarter:

Period	*Total Number of Shares Purchased*	*Average Price Paid per Share*	*Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program*	*Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program*
Oct. 1 through Oct. 31 Employee transactions [a]	14,515	$ 71.66	N/A	N/A
Nov. 1 through Nov. 30 Employee transactions [a]	856,724	75.90	N/A	N/A
Dec. 1 through Dec. 31 Employee transactions [a]	166,625	80.08	N/A	N/A
Total	1,037,864	$ 76.51	N/A	N/A

[a] *Includes shares delivered or attested to UPC to pay stock option exercise prices or to satisfy tax withholding obligations for stock option exercises or vesting of restricted or retention shares.*

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Item 6. Selected Financial Data

The following table presents as of, and for the years ended, December 31, our selected financial data for each of the last five years. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and with the Financial Statements and Supplementary Data, Item 8. The information below is not necessarily indicative of the results of future operations. Certain prior year amounts have been reclassified to conform to the 2005 presentation. These reclassifications were not material, individually or in aggregate, with the exception of reclassifications made to appropriately reflect the discontinued operations as discussed in note 13 of Item 8.

Millions of Dollars, Except per Share Amounts, Ratios, and Employee Statistics	*2005[a]*	*2004[b]*	*2003[c]*	*2002[d]*	*2001*
For the Year Ended December 31					
Operating revenues	$13,578	$12,215	$11,551	$11,159	$10,830
Operating income	1,795	1,295	2,133	2,253	2,018
Income [e]	1,026	604	1,056	1,265	934
Net income	1,026	604	1,585	1,341	966
Per share – basic:					
Income [e]	3.89	2.33	4.15	5.02	3.77
Net income	3.89	2.33	6.23	5.32	3.90
Per share – diluted:					
Income [e]	3.85	2.30	4.07	4.78	3.65
Net income	3.85	2.30	6.04	5.05	3.77
Dividends declared per share	1.20	1.20	0.99	0.83	0.80
Operating cash flow	2,595	2,257	2,443	2,237	1,886
At December 31					
Total assets	$35,620	$34,596	$33,496	$32,772	$31,552
Total debt	7,416	8,131	7,989	7,703	8,078
Convertible preferred securities	-	-	-	1,500	1,500
Common shareholders' equity	13,707	12,655	12,354	10,651	9,575
Equity per common share [f]	51.41	48.58	47.85	41.99	38.26
Additional Data					
Commodity revenue	$12,957	$11,692	$11,041	$10,663	$10,391
Carloads (000)	9,544	9,458	9,239	9,131	8,916
Operating margin (%) [g]	13.2	10.6	18.5	20.2	18.6
Operating ratio (%) [g]	86.8	89.4	81.5	79.8	81.4
Average employees (000)	49.7	48.3	46.4	47.3	48.7
Operating revenue per employee (000)	$ 273.2	$ 252.9	$ 248.9	$ 235.9	$ 222.4
Financial Ratios (%)					
Debt to capital [h]	35.1	39.1	39.3	46.4	50.0
Return on equity [i]	7.8	4.8	13.8	13.3	10.6

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

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

[c] Net income and total assets include the effects of the acquisitions of Motor Cargo as of November 30, 2002, and reflect the disposition of all of our trucking interests in 2003. See Item 8, note 13 regarding the reclassification of our trucking segment as a discontinued operation.

[d] 2002 net income includes $214 million pre-tax ($133 million after-tax) gains on asset dispositions. In addition, net income includes a reduction of income tax expense of $67 million related to tax adjustments for prior years' income tax examinations.

[e] Based on results from continuing operations.

[f] Equity per common share is calculated as follows: common shareholders' equity divided by common shares issued less treasury shares outstanding.
[g] Operating margin is defined as operating income divided by operating revenues. Operating ratio is defined as operating expenses divided by operating revenues.
[h] Debt to capital is determined as follows: total debt plus convertible preferred securities divided by total debt plus equity plus convertible preferred securities.
[i] Based on average common shareholders' equity.

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

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

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although revenue is analyzed by commodity, we analyze the net financial results of the Railroad as one segment due to the integrated nature of the rail network. The Consolidated Financial Statements in 2003 also include discontinued trucking operations, consisting of OTC and Motor Cargo, which were subsidiaries of Overnite, Inc., formerly an indirect wholly owned subsidiary of UPC. In 2003, we reclassified our trucking operations as discontinued operations.

EXECUTIVE SUMMARY

2005 Results

- **Safety** – We experienced mixed safety results during 2005. While the overall employee injury incident rate per 200,000 man-hours decreased, the lost workday case rate increased by 1%. The number of derailments declined 8%, and associated costs declined 12%. These improvements reflect our use of technology such as train simulators and improved training and testing programs. In the area of public safety, we closed 400 grade crossings to reduce exposure and installed 750 video cameras in locomotives to better analyze grade crossing incidents. The number of grade crossing incidents, however, increased 9% during the year, driven in part by the combination of increasing highway and rail traffic.

- **Commodity Revenue Growth** – Our commodity revenues grew 11% year-over-year to $13 billion, the highest level in our history, as continued economic growth led to unprecedented demand for our services. We achieved record revenue levels in all of our six commodity groups, primarily driven by fuel surcharges and better pricing. By year-end, we repriced approximately 55% of our business in the current market of significant transportation demand. Although volume increased 1% to record levels in 2005, weather-related disruptions limited volume growth.

- **Network Improvement** – We continued to address the resource shortages that led to operational challenges throughout 2004 by aggressive hiring and training of train crews, along with the acquisition of locomotives and freight cars through both long- and short-term leasing programs. In 2005, network operations improved in spite of significant weather-related challenges. We handled record volumes and maintained velocity by strengthening our operational recoverability. We began implementing the Unified Plan in 2005, streamlining the automotive, manifest, and intermodal transportation plans by eliminating switching and work events. Through the year we reduced our rate of train stops by 16% and achieved a 12% reduction of our car switching rate. Productivity improved, as demonstrated by a 6% lower average terminal dwell time, a 2.5% improvement in car utilization, and a 2.4% decrease in the fuel consumption rate. Additionally, we piloted an operational productivity initiative called CIMS (Customer Inventory Management System). CIMS complements the Unified Plan by reducing the number of cars in our terminals. We also expanded capacity and continued to use industrial engineering techniques to further improve network fluidity, ease capacity constraints, and improve asset utilization.

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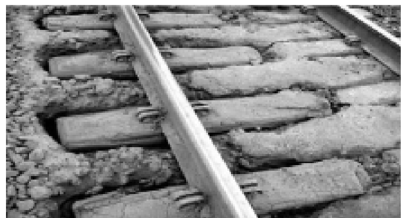
· **Significant Weather Events** – In 2005, we faced a year filled with significant weather-related challenges:

In early January, a massive storm hit California and Nevada. Our rail system suffered significant damage, temporarily closing five of our six routes in and out of Los Angeles. We embargoed traffic to and from Southern California and the Las Vegas area until service could be restored, and we rerouted a number of trains.



In May, unprecedented rainfall and snow, combined with accumulated coal dust in the roadbed, created track instability on the SPRB Joint Line. The extensive and ongoing maintenance and restoration program disrupted and reduced shipments beginning mid-May and continuing throughout most of the year.

In August and September, Hurricanes Katrina and Rita hit the New Orleans and Houston areas. Hurricane Katrina caused minimal damage to our rail system. However, Hurricane Rita impacted 17 operating subdivisions, five classification yards, and the Houston terminal complex. More than 150 of our customers temporarily ceased operations resulting in lost revenue and higher operating expenses.

On October 1, a severe storm hit northeastern Kansas. The storm dropped 10 to 12 inches of rain in one day, causing track and bridge washouts as well as erosion damage to four main lines in this region. These major corridors serve as the primary connection to the East and South from the western part of our system. Average train speed and average terminal dwell time for October deteriorated 1 mph and 4%, respectively, from September levels.

· **Fuel Prices** – Fuel prices increased dramatically in 2005, raising our average system fuel price by 45% and adding $740 million of operating expenses compared to 2004. Fuel prices soared in the latter part of the year, as crude oil prices topped out over $70 per barrel in September, compounded by high diesel conversion spreads and large, regional spreads resulting from refinery shutdowns following Hurricanes Katrina and Rita. Prices decreased slightly in November and December, but to levels considerably higher than 2004. Although we had no fuel hedges in place in 2005, our fuel surcharge programs helped mitigate the impact of these higher fuel prices. Our fuel surcharge programs allow us to recover from customers a portion of the increase in fuel expense in the form of higher revenue. In addition, our fuel conservation efforts allowed us to handle a 1% increase in gross ton miles while burning 2% less fuel.

· **Free Cash Flow** – Cash generated by operating activities totaled a record $2.6 billion, yielding free cash flow of $234 million in 2005. Free cash flow is defined as cash provided by operating activities, less cash used in investing activities and dividends paid.

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

Millions of Dollars	*2005*	*2004*	*2003*	*2002*	*2001*
Cash provided by operating activities	$ 2,595	$ 2,257	$2,443	$ 2,237	$ 1,886
Cash used in investing activities	(2,047)	(1,732)	(877)	(1,374)	(1,403)
Dividends paid	(314)	(310)	(234)	(201)	(198)
Free cash flow	234	215	1,332	662	285
Proceeds from sale of discontinued operations.	-	-	(620)	-	-
Net free cash flow	$ 234	$ 215	$ 712	$ 662	$ 285

2006 Outlook

- **Safety** – Operating a safe railroad benefits our employees, our customers, and the public. Our 2006 employee safety program addresses the key drivers of 2005 performance. The large number of new employees and managers will be trained, tested, and participate in quality assurance activities. We continue to apply technology to enhance safety. From a public safety standpoint, we will continue our efforts to upgrade and close crossings, install video cameras on locomotives, and educate the public on crossing safety, along with other activities. We will continue our derailment prevention efforts, emphasizing the use of key factor analysis.

- **Commodity Revenue Growth** – We expect record revenue levels to continue in 2006 based on current economic indicators, forecasted demand, and the opportunity to reprice 13% of our business. We have established a target for year-over-year commodity revenue growth over 10% percent. We are projecting yield increases in all of our major commodity groups and we intend to manage total volume growth to 3% in an effort to improve returns. Volume growth is expected to occur in the energy, intermodal, and industrial products commodity groups.

- **Transportation Plan** – In 2005, we continued to implement the Unified Plan, which streamlined segments of our transportation plan. In 2006, we will continue to evaluate traffic flows and network logistic patterns to identify additional opportunities to simplify operations and improve network efficiency. We plan to maintain adequate manpower and locomotives, improve productivity using industrial engineering techniques, and improve our operating margins.

- **Fuel Prices** – We expect that fuel prices will remain high, with crude oil prices hovering in the range of $60 to $65 per barrel throughout the year. To reduce the impact of fuel price on earnings, we will continue to increase the amount of traffic subject to fuel surcharge programs.

- **Capital Plan** – In 2006, we expect our cash capital expenditures to be approximately $2.2 billion and the net present value of additional long-term operating leases to be approximately $500 million. These expenditures will be used to maintain track and structures, continue capacity expansions on our main lines in constrained corridors, remove bottlenecks, upgrade and augment equipment to better meet customer needs, build and improve facilities and terminals, and develop and implement new technologies. Major capital projects in 2006 include expanding double track on the Sunset Corridor; continuing enhancements on the SPRB Joint Line; improving the freight car terminal infrastructure in San Antonio, Dallas/Fort Worth, and Houston; and continuing installation of centralized track control across Iowa. We expect to fund our 2006 cash capital expenditures through cash generated from operations, the sale or lease of various operating and

non-operating properties, and cash on hand at December 31, 2005. This focused capital plan will help us improve network velocity and facilitate revenue growth.

- **Financial Expectations** – We anticipate revenue growth and continued network improvement in 2006, and financial results should exceed 2005 levels. Our expectations include generating diluted earnings per share in the range of $4.60 to $4.80 and improving our operating ratio by 2.5 to 3.0 percentage points compared to 2005. Free cash flow for the year should exceed $300 million. Our free cash flow target reflects approximately $450 to $500 million of higher cash tax payments resulting from the impact of higher cash tax rates and higher expected earnings.

RESULTS OF OPERATIONS

Operating Revenue

Millions of Dollars	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Commodity revenue	$12,957	$11,692	$11,041	11%	6%
Other revenue	621	523	510	19	3
Total	$13,578	$12,215	$11,551	11%	6%

Operating revenue includes commodity revenue and other revenue. Other revenue consists primarily of revenue earned by our subsidiaries, revenue from our commuter rail operations, and accessorial revenue, which we earn when customers retain equipment owned or controlled by the Railroad. We recognize commodity revenue on a percentage-of-completion basis as freight moves from origin to destination. We allocate commodity revenue between reporting periods based on the relative transit time in each reporting period with expenses recognized as incurred. We recognize other revenue as service is performed or contractual obligations are met.

Commodity revenue improved in all six business groups during 2005, with double-digit growth in the agricultural, industrial products, and intermodal commodity groups. Fuel surcharges, price increases, and index-based contract escalators, which are formulas in our shipping contracts that correlate price adjustments to certain economic indexes, all contributed to higher average revenue per car (ARC). In 2005, our fuel surcharge programs generated $1 billion in commodity revenue, which represents approximately 74% of the additional expense incurred above the base fuel price for our fuel surcharge programs (currently, $0.75 per gallon). Although volume grew 1% for the year, the severe weather and maintenance and restoration on the SPRB Joint Line constrained volume growth.

The commodity revenue increase in 2004 was driven by growth in the industrial products, intermodal and chemical groups. Fuel surcharges, price increases, and index-based contract escalators contributed to the increase in ARC. In 2004, our fuel surcharge programs generated $330 million in commodity revenue, which represented 52% of the additional expense incurred above the base fuel price of $0.75 per gallon. ARC improved 3% to $1,236, while revenue carloads increased 2%.

Subsidiary and accessorial revenue increased other revenue in 2005, mainly driven by higher volumes. In addition, we generated higher subsidiary revenue due to the acquisition of our joint venture partner’s interest in Bay Pacific Financial L.L.C. (Bay Pacific), an intermodal equipment leasing entity. Passenger and subsidiary revenue increased other revenue in 2004, although accessorial revenue declined.

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The following tables summarize the year-over-year changes in commodity revenue, revenue carloads, and average revenue per car by commodity type.

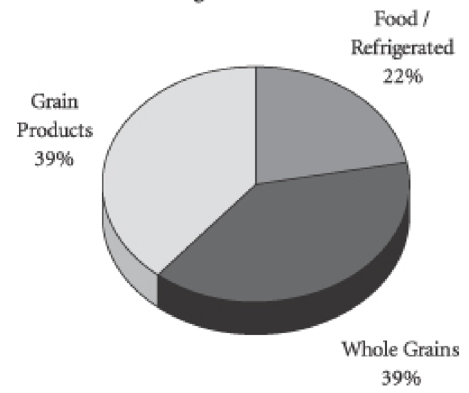
Commodity Revenue in Millions of Dollars	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Agricultural	$ 1,971	$ 1,675	$ 1,578	18%	6%
Automotive	1,273	1,235	1,216	3	2
Chemicals	1,850	1,719	1,589	8	8
Energy	2,578	2,404	2,412	7	-
Industrial Products	2,819	2,419	2,180	17	11
Intermodal	2,466	2,240	2,066	10	8
Total	$12,957	$11,692	$11,041	11%	6%

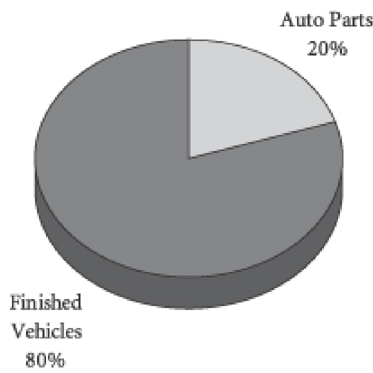
Revenue Carloads in Thousands	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Agricultural	883	883	883	-%	-%
Automotive	797	826	820	(4)	1
Chemicals	913	935	888	(2)	5
Energy	2,178	2,172	2,187	-	(1)
Industrial Products	1,509	1,515	1,478	-	2
Intermodal	3,264	3,127	2,983	4	5
Total	9,544	9,458	9,239	1%	2%

Average Revenue per Car	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Agricultural	$2,233	$1,895	$1,786	18%	6%
Automotive	1,598	1,496	1,484	7	1
Chemicals	2,026	1,839	1,788	10	3
Energy	1,184	1,107	1,103	7	-
Industrial Products	1,868	1,597	1,476	17	8
Intermodal	755	716	693	5	3
Total	$1,358	$1,236	$1,195	10%	3%

Agricultural – Price increases and fuel surcharges increased agricultural commodity revenue in 2005. Total carloads did not increase from 2004. Carloads of grain products increased during 2005 as we shipped more dry feed ingredients to Mexico and more corn to ethanol producers. Higher demand for ethanol reflects the impact of energy demand, rising crude oil prices, and limited capacity of domestic refineries. Reduced carloadings of sugar beets partially offset the gains. Declining carloads of feed grain and reduced shipments of wheat both contributed to lower whole grain shipments. ARC improvement in 2005 resulted from price increases, fuel surcharges, and the positive impact of a larger percentage of carloads with longer average lengths of haul.

Increased demand for dry feed ingredients and domestic feed grains drove the improvement in 2004. Export corn and soybean shipments also posted revenue gains from rising demand for shipments to the PNW. Revenue also increased through additional shipments of export wheat to Mexico and Gulf ports. ARC grew due to a higher percentage of shipments with longer average lengths of haul, as well as price increases and fuel surcharges.



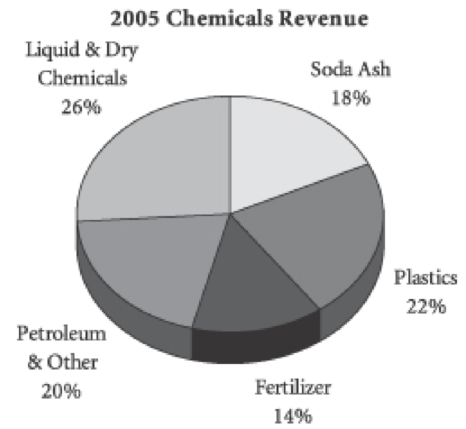


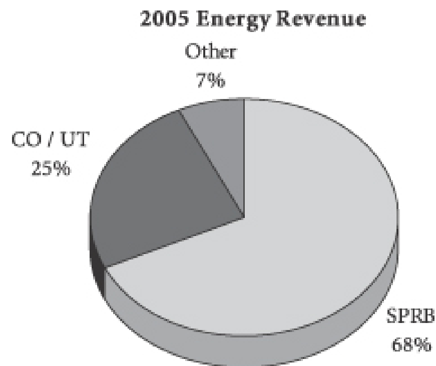
Automotive – Revenue increased in 2005 primarily due to fuel surcharges and price increases, which also drove ARC improvement. Carloads decreased due to lower shipments of domestically manufactured finished vehicles and automobile parts and materials, reflecting continued weakness in this sector.

Increased volume of both finished vehicles, primarily from international shippers, and automotive materials shipments drove revenue growth in 2004. This growth was partially offset by a decline in shipments for domestic manufacturers due to lower production levels and weaker sales. ARC improved slightly in 2004 due to fuel surcharges and the favorable impact of more shipments with longer average lengths of haul.

Chemicals – Price increases, fuel surcharges, and higher shipments of potash from Canada to Portland via the Eastport, Idaho, gateway for overseas export drove revenue growth in 2005. Declines in liquid and dry chemicals, plastics, and petroleum shipments, in part due to the business interruptions caused by Hurricane Rita, reduced volume. In addition, liquid and dry chemical shipments and plastic shipments were lower due to a weak export market, plant closures for maintenance, and the impact of an agreement with the BNSF for access to certain facilities in the Bayport, Texas area. ARC improved for the year due to price increases and fuel surcharges.

In 2004, liquid and dry chemical shipments, led by intermediate chemicals and caustic soda, rose due to overall economic activity. Shipments of soda ash, or sodium carbonate, which is an important raw material for manufacturing, increased due to strong demand in domestic and export markets. An improved economy and a stronger export market led to volume and revenue growth for plastics. Overall, ARC improved due to longer average lengths of haul, increased shipments of high-ARC soda ash, and the positive effects of price increases and fuel surcharges.



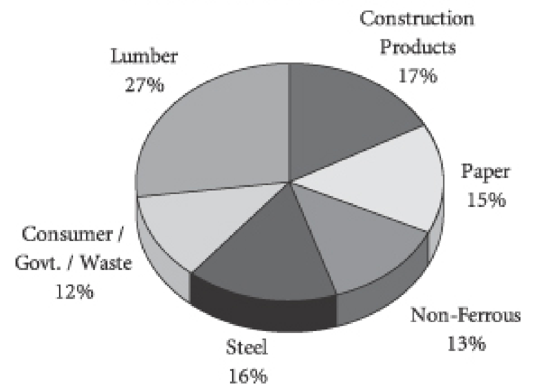


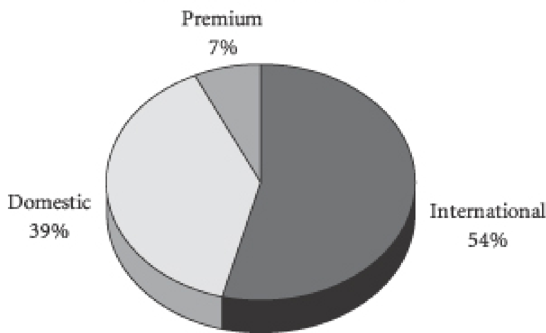
Energy – Revenue growth in 2005 reflects higher prices, fuel surcharges, and index-based contract escalators. Although volume grew in the first quarter, carloads for the year were flat as a result of the maintenance and restoration work on the SPRB Joint Line during the second, third, and fourth quarters, the impact of Hurricane Rita, the Kansas washouts, and temporary outages at mines in Colorado and Utah during the fourth quarter. ARC was higher due to price increases, higher fuel surcharges, and index-based contract escalators.

In 2004, overall volume dropped slightly compared to record levels set in 2003; however, coal originating in Colorado increased 9% due to strong demand for this high-BTU coal. Price increases and fuel surcharges drove ARC improvements, which were offset by the impact of additional shorter lengths of haul shipments.

Industrial Products – Price increases and fuel surcharges generated revenue growth in 2005. In particular, lumber shipments contributed to this growth due to solid pricing gains and fuel surcharges. Revenue from stone shipments increased revenue from construction products due to strong construction demand, larger train sizes, and improved car cycle times. Car cycle time is defined as the amount of time that a car spends on our system measured from the origin of the loaded or empty move until arrival at final destination. Overall carloads were flat compared to 2004. Partially offsetting substantial volume growth of stone shipments were reduced paper moves, primarily newsprint and fiber, and fewer shipments of government materials, steel, and cement, resulting from softening markets, cement shortages in certain markets, and higher inventories. Price increases and fuel surcharges drove ARC increases.

Growth in lumber, steel, and non-metallic minerals led to higher revenue in 2004. Demand for lumber was driven by higher housing starts and low interest rates. Steel shipments increased as strong global demand limited imports and spurred demand for domestic steel. ARC improved due to price increases, fuel surcharges, and more high-ARC lumber moves.





Intermodal – Revenue in 2005 improved due to strong imports, primarily from China and the rest of Asia. However, business interruptions during the first quarter of 2005 due to the West Coast storm limited full year revenue growth. ARC improved due to price increases, fuel surcharges, and index-based contract escalators.

Overall economic conditions and an increase in imports from the Far East improved revenue in 2004. Fuel surcharges and price increases contributed to ARC growth.

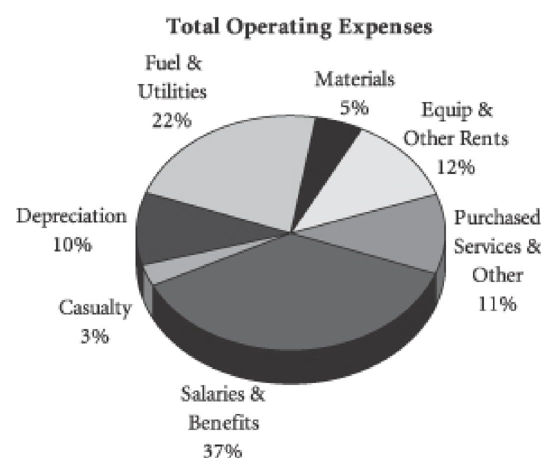
Mexico Business – Each commodity group discussed above includes revenue from shipments to and from Mexico, which increased 15% to $1.1 billion in 2005 compared to 2004. Revenue growth resulted primarily from price increases and fuel surcharges. Carloads were flat versus 2004, as fewer auto parts, energy, and intermodal shipments offset higher agricultural and industrial shipments.

In 2004, revenue grew 9% to $970 million, resulting from increased volume in the industrial products, intermodal, chemical, and automotive business groups, particularly cement, newsprint and wood fiber, liquid and dry chemicals, soda ash, and automotive materials. Revenue generated from agricultural shipments also improved due to higher wheat exports and beer imports. Lower export shipments of corn and feed grains, as well as reduced energy carloads, partially offset the increases.

Operating Expenses

Millions of Dollars	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Salaries, wages, and employee benefits	$ 4,375	$ 4,167	$3,892	5%	7%
Fuel and utilities	2,562	1,816	1,341	41	35
Equipment and other rents	1,402	1,374	1,221	2	13
Depreciation	1,175	1,111	1,067	6	4
Materials and supplies	546	488	414	12	18
Casualty costs	411	694	416	(41)	67
Purchased services and other costs	1,312	1,270	1,067	3	19
Total	$11,783	$10,920	$9,418	8%	16%

Operating expenses increased $863 million in 2005 versus 2004. Excluding the asbestos charge of $247 million (pre-tax) in 2004, operating expenses increased $1.1 billion, or 10%. Significantly higher locomotive fuel prices accounted for $740 million of this increase (our fuel surcharge programs helped offset these expenses in the form of higher revenue). Inflation in wages, benefits, materials, and services, as well as a larger workforce, resulted in most of the additional increase. Also driving higher operating expenses were increased contract services and clean-up and restoration costs associated with the West Coast storm in January.



Higher fuel prices, the asbestos charge of $247 million (pre-tax), higher crew and asset utilization costs resulting from slower network velocity, and volume-related costs all contributed to higher operating expenses in 2004. Expenses were also negatively impacted by wage and benefit inflation, training expenses associated with hiring additional trainmen, increased depreciation expense, and higher casualty costs. A jury verdict upheld against the Railroad in 2004 for a 1998 crossing accident and a derailment in San Antonio, Texas, increased casualty costs. Slower network velocity and service difficulties, and increased hiring and training efforts added approximately $300 million in operating expenses during 2004.

Salaries, Wages, and Employee Benefits – Several factors drove higher employment expenses in 2005. General wage and benefit inflation continued to increase expenses, reflecting higher salaries and wages and the year-over-year impact of higher healthcare and other benefits costs. We also incurred higher expenses for management bonuses in 2005, as executive bonuses were not awarded for 2004 and bonuses for the professional workforce were significantly reduced. A 3% increase in our workforce and higher demand during the year also contributed to the increases. Additionally, labor expenses, in the form of higher train crew costs and labor incurred for repair and clean-up activities, increased due to the hurricanes in the third quarter and the West Coast storm in the first quarter. Reduced severance and relocation costs, increased network efficiency, and reduced training expenses

partially offset these increases. Transferring various support personnel to Omaha, Nebraska, resulted in higher severance and relocation costs in 2004.

The increase in 2004 also resulted from a number of factors, including higher wages and training expenses associated with hiring additional trainmen, increased crew costs due to slower network velocity, inflation, volume-related expenses, and severance and relocation costs. Because we did not award executive bonuses for 2004, lower performance-based compensation expense for management partially offset these increases. Lower protection costs also offset these increased expenses. Protection cost represents the differential payment when the wage earned for active employment is lower than an employee's "protected" rate of pay. The STB mandates protected rates for employees adversely affected by a merger, and collective bargaining agreements with our labor unions also establish these rates. Finally, a smaller non-transportation workforce yielded cost savings during the year.

Fuel and Utilities

Millions of Dollars	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Locomotive fuel expense	$2,393	$1,684	$1,221	42%	38%
Fuel surcharge revenue	1,017	330	112	208	195

Fuel and utilities include locomotive fuel, utilities other than telephone, and gasoline and other fuels. Higher diesel fuel prices, which averaged $1.77 per gallon (including taxes and transportation costs) in 2005 compared to $1.22 per gallon in 2004, increased expenses by $740 million. A 1% increase in gross ton-miles resulted in $8 million of additional expenses. We offset $39 million of these increases with a 2% improvement in our consumption rate in 2005 versus 2004. The Railroad had no fuel hedges in place during 2005, and has none in place for 2006. Gasoline, utilities, and propane expenses increased $37 million in 2005 versus 2004 due to higher prices.

The increase in 2004 compared to 2003 was driven by higher diesel fuel prices, which averaged $1.22 per gallon and $0.92 per gallon in 2004 and 2003, respectively (including taxes and transportation costs), and higher gallons consumed. Higher fuel prices contributed $416 million to the increase; however, we recovered approximately 52% of these costs through our fuel surcharge programs, which were included in operating revenues. The increase in gross ton-miles in 2004 drove consumption higher, resulting in an additional $24 million in fuel expense for the year. The Railroad hedged approximately 9% of its fuel usage in 2004, which decreased fuel costs by $14 million. Gasoline, utilities, and propane expenses increased $13 million in 2004 due to higher prices.

Equipment and Other Rents – Equipment and other rents includes primarily rental expense the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other specialty equipment leases; and office and other rentals. In 2005, the number of leased locomotives and freight cars increased, resulting in additional lease expenses. Higher carloads also increased 2005 expenses. Improved car-cycle times partially offset these increases reflecting increased network efficiency, which lowered our short-term freight car rental expense.

Expenses increased in 2004 due to carload volume growth and longer car cycle times, resulting in higher expenses for locomotive and car rentals. Higher locomotive expense included additional costs associated with leasing short-term, or surge, locomotive power, which is more costly than long-term locomotive leases, and the increased leasing of new locomotives.

Depreciation – The majority of depreciation relates to track structure, including rail, ties, and other track material. A higher depreciable asset base, reflecting higher capital spending in recent years, increased our depreciation expense in 2005 and 2004.

Materials and Supplies – Materials used to maintain the Railroad's lines, structures, and equipment are the principal components of materials and supplies expense. This expense item also includes small tools, office supplies, other materials, and the costs of freight services to ship Railroad supplies and materials. During 2005, materials and supplies expense increased, primarily due to locomotive and freight car maintenance. We used more repair materials to maintain a larger fleet of locomotives, including a growing number of units not covered by warranties. Additionally, we incurred higher costs for car wheel sets, traction motors, and lube oil. Conversely, we incurred lower freight charges for shipping Railroad materials and stationary and office supplies.

We incurred higher expenses in 2004 due to increased use of locomotive repair materials required to maintain a larger fleet that includes older units not covered by warranties. We also performed more freight car repairs, incurred higher materials costs, and experienced increased freight charges for shipment of Railroad material.

Casualty Costs – Personal injury expense, freight and property damage, insurance, and environmental costs are the primary components of casualty costs. Casualty costs in 2005 were lower than the previous year primarily due to higher expenses incurred in 2004 for an asbestos charge, a costly derailment near San Antonio, and a large jury verdict – affirmed in 2004 – for a 1998 crossing accident. Lower freight and property damage expense and lower costs for destruction of foreign or leased equipment also reduced casualty costs. Conversely, we incurred higher insurance costs and increased costs for third-party personal injuries related to long-term environmental exposures.

In 2004, costs rose due to the asbestos charge of $247 million (pre-tax), a costly derailment near San Antonio, and a large jury verdict – affirmed in 2004 – for a 1998 crossing accident. Partially offsetting these increases were lower insurance expenses and reduced personal injury expense, which resulted from lower than anticipated settlement costs and fewer employee injuries in 2004 than previously assumed.

Purchased Services and Other Costs – Purchased services and other costs include the costs of services purchased from outside contractors, state and local taxes, net costs of operating facilities jointly used by UPRR and other railroads, transportation and lodging for train crew employees, trucking and contracting costs for intermodal containers, leased automobile maintenance expenses, telephone and cellular phone expense, employee travel expense, and computer and other general expenses. Expenses decreased in 2005 versus 2004 because we incurred higher relocation costs associated with moving support personnel to Omaha, Nebraska during 2004. In 2005, we experienced higher volume-related costs for freight car and locomotive contract maintenance and crew transportation and lodging. Although our intermodal carloadings increased over 4% in 2005, costs for trucking services provided by intermodal carriers remained flat as we substantially reduced expenses associated with network inefficiencies. Higher diesel fuel prices increased sales and use taxes in 2005, which resulted in higher state and local taxes. Other contract services increased in 2005. The 2005 January West Coast storm and Hurricanes Katrina and Rita also contributed to higher expenses in 2005 (net of insurance reimbursements received).

In 2004, higher locomotive contract maintenance services, state and local taxes, and relocation costs drove expenses higher. In addition, we incurred increased trucking expenses for intermodal carriers and crew transportation costs due to slower network velocity and additional volume.

Non-Operating Items

Millions of Dollars	*2005*	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Other income	$ 145	$ 88	$ 78	65%	13%
Interest expense	(504)	(527)	(574)	(4)	(8)
Income taxes	(410)	(252)	(581)	63	(57)

Other Income – Other income increased in 2005 largely as a result of higher gains from real estate sales partially offset by higher expenses due to rising interest rates associated with our sale of receivables program. In addition, other income in 2004 included income recognized from the sale of a technology subsidiary's assets.

Other income improved in 2004 due to higher costs in 2003 associated with premium payments for early retirement of $1.5 billion of Convertible Preferred Securities (CPS) and income recognized in 2004 from the sale of assets of a technology subsidiary. These were partially offset by lower gains from real estate sales in 2004 compared to 2003.

Interest Expense – Lower interest expense in 2005 and 2004 was primarily due to declining weighted-average debt levels of $7.8 billion, $8.1 billion, and $8.9 billion in 2005, 2004, and 2003, respectively. Our effective interest rate was 6.5% in both 2005 and 2004, compared to 6.4% in 2003.

Income Taxes – Income taxes were greater in 2005 due to higher 2005 pre-tax income, which was partially offset by a previously reported reduction in income tax expense. In our quarterly report on Form 10-Q for the quarter ended June 30, 2005, we reported that the Corporation had undertaken an analysis of the impact that final settlements of tax liabilities for pre-1995 tax years with the Internal Revenue Service (IRS) had on previously recorded estimates of deferred tax assets and liabilities. The completed analysis of the final settlements for pre-1995 tax years, along with IRS Examination Reports for tax years 1995 through 2002 were considered, among other things, in a review and re-evaluation of the Corporation's estimated deferred tax assets and liabilities as of September 30, 2005, resulting in an income tax expense reduction of $118 million in 2005.

Income tax expense decreased in 2004, driven by lower pre-tax income, a reduction in the deferred state income tax liability primarily attributable to relocating support operations to Omaha, Nebraska, state income tax credits earned in connection with the new headquarters building in Omaha, and an increase in foreign tax credits resulting from the passage of the American Jobs Creation Act of 2004.

DISCONTINUED OPERATIONS

On November 5, 2003, we completed the sale of our entire trucking interest. In 2003, revenue and income from discontinued operations were $1.2 billion and $255 million, respectively. Income from discontinued operations in 2003 included the net gain from the sale of our trucking interest of $211 million, including an income tax benefit of $126 million.

OPERATING AND FINANCIAL STATISTICS

Railroad Performance Measures

We report key Railroad performance measures weekly to the American Association of Railroads, including carloads, average daily inventory of rail cars on our system, average train speed, and average terminal dwell time. This operating data is available on our website at www.up.com/investors/reports/index.shtml.

Operating Statistics

	2005	*2004*	*2003*	*% Change 2005 v 2004*	*% Change 2004 v 2003*
Average train speed (miles per hour)	21.1	21.4	23.6	(1)%	(9)%
Average terminal dwell time (hours)	28.7	30.5	26.8	(6)	14
Gross ton-miles (billions)	1,043.9	1,037.5	1,018.9	1	2
Revenue ton-miles (billions)	548.8	546.3	532.9	-	3
Average full-time equivalent employees	49,747	48,329	46,371	3	4

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. In 2005, the West Coast storm, disruptions on the SPRB Joint Line, business interruptions caused by Hurricane Rita, and the Kansas washouts in October hampered efforts to improve our average train speed. In 2004, unprecedented demand for our services and crew and locomotive shortages negatively impacted operational efficiency and average train speed.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time is favorable. The 6% improvement in dwell time in 2005 resulted from strategic network management initiatives and efforts to more timely deliver rail cars to our interchange partners and customers. Record demand levels and operational challenges experienced in 2004 affected network performance including average terminal dwell time.

Gross and Revenue Ton-Miles – Gross ton-miles are calculated by multiplying the weight of loaded or empty freight cars by the number of miles hauled. Revenue ton-miles are based on tariff miles and do not include the weight of freight cars. In 2005, gross and revenue ton-miles grew 1% and 0.5%, in relation to a 1% increase of carloadings. Gross and revenue ton-miles increased 2% and 3% respectively in 2004, with 2% growth of carloadings during the same period. The increase in gross and revenue ton-miles was also positively impacted by volume growth experienced in the higher density commodity groups of industrial products and chemicals, combined with a minimal increase in automotive carloads, which is a lower density commodity.

Average Full-Time Equivalent Employees – The 2005 increase includes the addition of employees needed to complete increased track repair and replacement programs, more train crew personnel both to handle the increased demand and to improve service, and the hiring of operations management personnel, including an expanded management training program. The 2004 average number of full-time equivalent employees increased as we added train crew personnel, who were hired to handle increased customer demand and improve service. These additions were partially offset by increased productivity in the non-transportation functions, employee attrition, and fewer employees at our technology subsidiaries.

Other Financial Statistics

	2005	*2004*	*Change*
Debt to capital	35.1%	39.1%	(4.0) pt
Lease adjusted debt to capital	43.6%	45.1%	(1.5) pt

Debt to Capital/Lease Adjusted Debt to Capital – Debt to capital is computed by dividing total debt by total debt plus equity. Lease adjusted debt to capital is derived by dividing total debt plus the net present value of operating leases by total debt plus equity plus the net present value of operating leases. We believe these measures are important in managing our capital structure to allow efficient access to the debt market while minimizing our cost of capital. In 2005, our debt to capital ratio improved due to a $715 million reduction in our debt level and an increase in equity resulting from earnings. Our lease adjusted debt to capital improved to a lesser extent due to an increase in the present value of operating leases, which were approximately $3.2 billion and $2.3 billion at December 31, 2005 and 2004, respectively, using a discount rate of 8%.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2005, our principal sources of liquidity included cash, cash equivalents, the sale of receivables, and our revolving credit facilities, as well as the availability of commercial paper and other sources of financing through the capital markets. We had $2 billion of credit facilities available, of which there were no borrowings outstanding as of December 31, 2005. The sale of receivables program is subject to certain requirements, including the maintenance of an investment grade bond rating. If our bond rating were to deteriorate, it could have an adverse impact on our liquidity. The value of the outstanding undivided interest held by investors under the

program was $600 million as of December 31, 2005. Access to commercial paper is dependent on market conditions. Deterioration of our operating results or financial condition due to internal or external factors could negatively impact our ability to utilize commercial paper as a source of liquidity. Liquidity through the capital markets is also dependent on our financial stability.

At December 31, 2005 and 2004, we had a working capital deficit of $1,059 million and $226 million, respectively. A working capital deficit is common in our industry and does not indicate a lack of liquidity. We maintain adequate resources to meet our daily cash requirements, and we have sufficient financial capacity to satisfy our current liabilities.

Financial Condition

Cash Flows *Millions of Dollars*	*2005*	*2004*	*2003*
Cash provided by operating activities	$ 2,595	$ 2,257	$ 2,443
Cash used in investing activities	(2,047)	(1,732)	(877)
Cash used in financing activities	(752)	(75)	(1,406)
Net change in cash and cash equivalents	$ (204)	$ 450	$ 160

Cash Provided by Operating Activities – Higher income, lower management incentive payments in 2005 (executive bonuses, which would have been paid to individuals in 2005, were not awarded based on company performance in 2004 and bonuses for the professional workforce were significantly reduced), and working capital performance generated higher cash from operating activities in 2005. A voluntary pension contribution of $100 million in 2004 also augmented the positive year-over-year variance. This improvement was partially offset by cash received in 2004 for income tax refunds. Cash provided by operating activities decreased in 2004 driven by lower income from continuing operations, the pension contribution, and cash from discontinued operations recognized in 2003, which were partially offset by working capital performance.

Cash Used in Investing Activities – Increased capital spending, partially offset by higher proceeds from asset sales, increased the amount of cash used in investing activities in 2005. The comparative increase in 2004 primarily resulted from the beneficial impact of the $620 million received in 2003 for the sale of our trucking interest, which reduced cash used in investing activities in 2003. The permanent financing of locomotives and freight cars under long-term operating leases (as referenced in the Operating Lease Activities section in this Item 7) had no impact on investing cash flows during the period as all financings were completed in 2005.

Cash Used in Financing Activities – The increase in cash used in financing activities results from no cash inflows from the issuance of debt in 2005 (compared to $745 million in 2004) and higher debt repayments ($699 million in 2005 compared to $588 million in 2004), partially offset by higher net proceeds from equity compensation plans ($262 million in 2005 compared to $80 million in 2004). The decrease in 2004 resulted from lower debt repayments of $588 million in 2004 compared to $2.1 billion in 2003 (including $1.5 billion of CPS), partially offset by a decrease in net proceeds from equity compensation plans ($80 million in 2004 compared to $216 million in 2003) and higher dividend payments ($310 million in 2004 compared to $234 million in 2003) due to the increase of our dividend rate from $0.99 per share in 2003 to $1.20 per share in 2004.

The table below details cash capital expenditures for the years ended December 31, 2005, 2004, and 2003, including non-cash capital lease financings of $188 million in 2003. There were no non-cash capital lease financings in 2005 or 2004.

Capital Expenditures Millions of Dollars	*2005*	*2004*	*2003*
Track	$1,472	$1,328	$1,224
Locomotives	89	114	373
Freight cars	9	11	13
Facilities and other	599	423	330
Total	$2,169	$1,876	$1,940

In 2006, we expect our cash capital expenditures to be approximately $2.2 billion. Additionally, we expect to enter into long-term operating leases for equipment with a net present value of approximately $500 million. These expenditures will be used to maintain track and structures, continue capacity expansions on our main lines in constrained corridors, remove bottlenecks, upgrade and augment equipment to better meet customer needs, build and improve facilities and terminals, and develop and implement new technologies. We expect to fund our 2006 cash capital expenditures through cash generated from operations, the sale or lease of various operating and non-operating properties, and cash on hand at December 31, 2005. We expect that these sources will continue to provide sufficient funds to meet our expected capital requirements for 2006.

For the years ended December 31, 2005, 2004, and 2003, our ratio of earnings to fixed charges was 2.9, 2.1, and 3.2, respectively. The ratio of earnings to fixed charges was computed on a consolidated basis. Earnings represent income from continuing operations, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and the estimated amount representing the interest portion of rental charges.

Financing Activities

Credit Facilities – On December 31, 2005, we had $2 billion in revolving credit facilities available, including $1 billion under a five-year facility expiring in March 2010 and $1 billion under a five-year facility expiring in March 2009 (collectively, the “facilities”). The facilities are designated for general corporate purposes and support the issuance of commercial paper. Neither of the facilities were drawn as of December 31, 2005. The five-year facility expiring in March 2010 replaced a $1 billion 364-day revolving credit facility that expired in March 2005, while the five-year facility expiring in March 2009 was put in place in 2004 to replace a five-year revolving credit facility that was due to expire in March 2005. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers. These facilities allow for borrowings at floating London Interbank Offered Rates (LIBOR)-based rates, plus a spread, depending upon our senior unsecured debt ratings. The facilities require the maintenance of a minimum net worth and a debt to net worth coverage ratio. At December 31, 2005, we were in compliance with these covenants. The facilities do not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require the posting of collateral. In addition to our revolving credit facilities, we also had $150 million in uncommitted lines of credit that were unused at December 31, 2005. We established two $75 million uncommitted lines of credit in May and July 2005, which will expire in May and July 2006, respectively.

At December 31, 2004, approximately $440 million of short-term borrowings that we intended to refinance were reclassified as long-term debt. This reclassification reflected our ability and intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis. At December 31, 2005, we did not reclassify any short-term debt to a long-term basis.

Dividend Restrictions – We are subject to certain restrictions related to the payment of cash dividends to our shareholders due to minimum net worth requirements under our credit facilities. Retained earnings available for

dividends increased to $6.2 billion at December 31, 2005, from $5.2 billion at December 31, 2004. We do not expect that these restrictions will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Shelf Registration Statement – Under a current shelf registration statement, we may issue any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings. At December 31, 2005, we had $500 million remaining for issuance under the current shelf registration statement. We have no immediate plans to issue any securities; however, we routinely consider and evaluate opportunities to replace existing debt or access capital through issuances of debt securities under this shelf registration, and, therefore, we may issue debt securities at any time.

Operating Lease Activities

As of December 31, 2005, our contractual obligations for operating leases totaled approximately $4.9 billion. Discounted at 8%, the present value of this obligation was approximately $3.2 billion. The Railroad entered into lease arrangements during 2005 to finance its new equipment acquisition program. In 2005, the Railroad, as lessee, entered into long-term operating lease arrangements covering 317 locomotives and approximately 2,900 freight cars. The lessors under these lease arrangements purchased the locomotives and freight cars from the Corporation through various financing transactions that totaled approximately $838 million, with a present value of $690 million. These new lease arrangements provide for minimum total rental payments of approximately $1.2 billion, which are reflected in the contractual obligations table as of December 31, 2005.

The lessors financed the purchase of the locomotives and freight cars, in part, by the issuance of equipment notes that are non-recourse to the Railroad and are secured by an assignment of the underlying leases and a security interest in the equipment. Neither the Railroad nor UPC guarantees payment of the equipment notes. The Railroad’s obligations to make operating lease payments under the leases are recourse obligations and are not recorded in the Consolidated Statements of Financial Position.

The Railroad has certain renewal and purchase options with respect to the locomotives and freight cars. If the Railroad elects not to exercise any such options, the equipment will be returned to the lessors at the end of the lease term.

On July 8, 2005, the Railroad completed the acquisition of its partner’s interest in Bay Pacific Financial L.L.C., a joint venture established to assist in the acquisition of containers and chassis for use by the Railroad in intermodal service, for a purchase price of $51 million. As a result of the acquisition, the Railroad owns 100% of the joint venture. Total minimum rental payments for operating leases acquired in the acquisition were $202 million at the time of acquisition.

Off-Balance Sheet Arrangements, Contractual Obligations, and Commitments

As described in the notes to the Financial Statements and Supplementary Data, Item 8, and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. However, based on our assessment of the underlying provisions and circumstances of our material contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity. In addition, the commercial obligations, financings, and commitments made by us are customary transactions that are similar to those of other comparable corporations, particularly within the transportation industry.

The following tables identify material obligations and commitments as of December 31, 2005:

Contractual Obligations Millions of Dollars	*Total*	*Payments Due by Period* 2006	2007	2008	2009	2010	*After 2010*
Debt [a]	$ 10,082	$ 931	$ 1,034	$ 892	$ 694	$ 608	$ 5,923
Operating leases	4,934	615	517	450	405	359	2,588
Capital lease obligations [b]	2,100	199	179	172	167	147	1,236
Purchase obligations [c]	3,861	706	508	402	394	189	1,662
Other post retirement benefits [d]	479	42	45	46	48	49	249
Total contractual obligations	$ 21,456	$ 2,493	$ 2,283	$ 1,962	$ 1,708	$ 1,352	$ 11,658

[a] Excludes capital lease obligations of $1,318 million, unamortized discount of $142 million, and market value adjustments of $(16) million for debt with qualifying hedges that are recorded as assets on the Consolidated Statements of Financial Position. Includes an interest component of $3,826 million.
[b] Represents total obligations, including interest component of $782 million.
[c] Purchase obligations include locomotive maintenance contracts; purchase commitments for locomotives, ties, ballast, and track; and agreements to purchase other goods and services.
[d] Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years. No amounts are included for funded pension as no contributions are currently required.

Other Commercial Commitments Millions of Dollars	*Total*	*Amount of Commitment Expiration per Period* 2006	2007	2008	2009	2010	*After 2010*
Credit facilities [a]	$ 2,000	$ -	$ -	$ -	$ 1,000	$ 1,000	$ -
Sale of receivables [b]	600	600	-	-	-	-	-
Guarantees [c]	486	5	5	9	18	44	405
Standby letters of credit [d]	55	42	13	-	-	-	-
Total commercial commitments	$ 3,141	$ 647	$ 18	$ 9	$ 1,018	$ 1,044	$ 405

[a] None of the credit facilities were used as of December 31, 2005.
[b] $600 million of the facility was utilized at December 31, 2005.
[c] Includes guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations.
[d] None of the letters of credit were drawn upon as of December 31, 2005.

Sale of Receivables – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was $600 million at December 31, 2005. The value of the outstanding undivided interest held by investors under the facility was $600 million and $590 million at December 31, 2005 and 2004, respectively. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by $1,226 million and $1,089 million of accounts receivable held by UPRI at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the value of the interest retained by UPRI was $626 million and $499 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and

dilution. If default or dilution percentages were to increase one percentage point, the amount of eligible receivables would decrease by $6 million. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately $13.4 billion and $12.2 billion during the years ended December 31, 2005 and 2004, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were $23 million, $11 million, and $10 million for 2005, 2004, and 2003, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI. On August 11, 2005, the sale of receivables program was renewed for an additional 364-day period without any significant changes in terms.

Guarantees – At December 31, 2005, we were contingently liable for $486 million in guarantees. We recorded a liability of $7 million for the fair value of these obligations as of December 31, 2005. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

OTHER MATTERS

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

Derivative Financial Instruments – We use derivative financial instruments in limited instances for other than trading purposes to manage risk related to changes in fuel prices and to achieve our interest rate objectives. We are not a party to leveraged derivatives and, by policy, do not use derivative financial instruments for speculative purposes. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature and relationships between the hedging instruments and hedged items, as well as our risk-management objectives, strategies for undertaking the various hedge transactions, and method of assessing hedge effectiveness. We may use swaps, collars, futures, and/or forward contracts to mitigate the downside risk of adverse price movements and to hedge the exposure to variable cash flows. The use of these instruments also limits future benefits from favorable movements. The purpose of these programs is to protect our operating margins and overall profitability from adverse fuel price changes or interest rate fluctuations.

Market and Credit Risk – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. At December 31, 2005 and 2004, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

In addition, we enter into secured financings in which the debtor pledges collateral. The nature of the financing and the credit risk of the debtor determine the collateral. These arrangements generally prohibit us from selling or repledging the collateral unless the debtor defaults.

Determination of Fair Value – We determined the fair values of our derivative financial instrument positions at December 31, 2005 and 2004 based upon current fair values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate, LIBOR, or swap spread.

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

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

At December 31, 2005 and 2004, we had variable-rate debt representing approximately 10% and 9%, respectively, of our total debt. If variable interest rates average one percentage point higher in 2006 than our December 31, 2005 variable rate, which was approximately 7%, our interest expense would increase by approximately $7 million. If variable interest rates averaged one percentage point higher in 2005 than our December 31, 2004 variable rate, which was approximately 5%, our interest expense would have increased by approximately $8 million. These amounts were determined by considering the impact of the hypothetical interest rates on the balances of our variable-rate debt at December 31, 2005 and 2004, respectively.

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt’s fair value attributable to the changes in the benchmark interest rate (LIBOR). We accounted for the swaps as fair value hedges using the short-cut method pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities;* therefore, we did not record any ineffectiveness within our Consolidated Financial Statements. As of December 31, 2005 and 2004, we had interest rate swaps hedging debt of $750 million.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical one percentage point decrease in interest rates as of December 31, 2005, and amounts to approximately $535 million at December 31, 2005. Market risk resulting from a hypothetical one percentage point decrease in interest rates as of December 31, 2004, amounted to approximately $599 million at December 31, 2004. We estimated the fair values of our fixed-rate debt by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

Interest Rate Cash Flow Hedges – We report changes in the fair value of cash flow hedges in accumulated other comprehensive income until the hedged item affects earnings.

In 2004, we entered into treasury lock transactions, which are accounted for as cash flow hedges. These treasury lock transactions resulted in a payment of $11 million that is being amortized on a straight-line basis over 10 years, ending September 30, 2014. The unamortized portion of the payment is recorded as a $6 million after-tax reduction to common shareholders’ equity as part of accumulated other comprehensive loss at December 31, 2005. As of December 31, 2005 and 2004, we had no interest rate cash flow hedges outstanding.

Fuel Cash Flow Hedges – Fuel costs are a significant portion of our total operating expenses. In 2005 and 2004, our primary means of mitigating the impact of adverse fuel price changes was our fuel surcharge programs. However, we may use swaps, collars, futures and/or forward contracts to further mitigate the impact of adverse fuel price changes. We hedged 120 million gallons of fuel during 2004 using collars with average cap, floor, and ceiling prices of $0.74, $0.64, and $0.86 per gallon, respectively. At December 31, 2004, there were no fuel hedges outstanding, and we did not have any fuel hedges in place during 2005.

Accounting Pronouncements – In December 2004, the FASB issued Statement No. 123(R), *Share-Based Payment.* The statement requires that we recognize compensation expense equal to the fair value of stock options or other share-based payments starting January 1, 2006. We adopted the statement on a modified prospective basis, using the Black-Scholes option-pricing model to calculate the fair value of stock options. We expect that the incremental, full-year compensation expense in 2006 related to the adoption of the statement will be approximately $13 million for new awards granted after January 1, 2006 and an additional $2 million for the unvested portion of awards granted in prior years. The expense for awards granted after implementation of the statement will be based upon their grant-date fair value. The expense for those awards will be based on the estimated number of awards that are expected to vest. That estimate will be revised if subsequent information indicates that the actual number of awards to vest will differ from the estimate. The estimate does not materially impact our calculation of compensation expense.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143* (FIN 47). This interpretation clarifies that the term conditional asset retirement obligations, as used in FASB Statement No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement, or both, are conditional on a future event that may or may not be within the control of the entity. An entity must recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. We assessed the impact of the interpretation on our financial statements, determined that we have a legal obligation to properly dispose of asbestos-containing materials, and recorded a $5 million liability at December 31, 2005, for the fair value of this obligation.

In May 2005, the FASB issued FAS 154, *Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3.* This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. It carries forward without change the previous guidance for reporting the correction of an error and a change in accounting estimate. FAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions, an Interpretation of FASB Statement No. 109*. As drafted, the interpretation would require companies to recognize the best estimate of the impact of a tax position only if that position is probable of being sustained during a tax audit. However, in November 2005 the FASB voted to replace the probable threshold with a more-likely-than-not criterion when determining if the impact of a tax position should be recorded. The FASB expects to issue a final interpretation in the first quarter of 2006. When it is available, we will review the final interpretation to determine the impact it may have on our Consolidated Financial Statements.

In September 2005, the FASB issued an exposure draft, *Earnings per Share, an Amendment of FASB Statement No. 128*. The draft clarifies guidance for the treasury stock method, contracts that may be settled in cash or shares, and contingently issuable shares. The FASB expects to issue a final statement in the first quarter of 2006. We are currently reviewing this proposed exposure draft to determine the impact it may have on our calculation of earnings per share.

In December 2005, the FASB deliberated issues relating to the limited-scope, first phase of its project to reconsider the accounting for postretirement benefits, including pensions. The FASB decided that the objectives and scope of this phase include, among other items, recognizing the overfunded or underfunded status of defined benefit postretirement plans as an asset or a liability in the statement of financial position. The FASB expects to issue an exposure draft for the initial phase in the first quarter of 2006. In the second multi-year phase of the project, the FASB expects to comprehensively consider a variety of issues related to the accounting for postretirement benefits, including expense recognition, obligation measurement, and whether postretirement benefit trusts should be consolidated by the plan sponsor. We will review the proposed standards when they are available to determine the impact they may have on our Consolidated Financial Statements.

Commitments and Contingencies – Various claims and lawsuits are pending against us and certain of our subsidiaries. We are also subject to various federal, state and local environmental laws and regulations, pursuant to which we are currently participating in the investigation and remediation of various sites. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity after taking into account liabilities previously recorded for these matters.

CRITICAL ACCOUNTING POLICIES

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

Asbestos – We are a defendant in a number of lawsuits in which current and former employees allege exposure to asbestos. Additionally, we have received claims for asbestos exposure that have not been litigated. A liability for resolving both asserted and unasserted asbestos-related claims through 2034 has been estimated and recorded. During 2004, we engaged a third-party with extensive experience in estimating resolution costs for asbestos-related claims to assist us in assessing our potential liability. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The number of claims received in 2005 will be consistent with average claims received between 2000 and 2003.
- The number of claims to be filed against us will decline each year after 2005.
- The average settlement values for asserted and unasserted claims will be equivalent to those experienced between 2002 and 2004.
- The percentage of claims dismissed between 2002 and 2004 will continue through 2034.

At December 31, 2005 and 2004, $311 million and $324 million, respectively, was classified as liabilities on the Consolidated Statement of Financial Position, of which $16 million and $17 million, respectively, was classified as current accrued casualty costs. Approximately 16% of the recorded liability related to asserted claims and approximately 84% related to unasserted claims. These claims are expected to be paid out over the next 29 years. We have insurance coverage for a portion of the costs incurred to resolve asbestos-related claims, and we have recognized an asset for estimated insurance recoveries.

Our asbestos-related claims activity was as follows:

Claims Activity	*2005*	*2004*	*2003*
Open claims, beginning balance	2,316	2,560	1,541
New claims	741	474	1,612
Settled or dismissed claims	(622)	(718)	(593)
Open claims, ending balance at December 31	2,435	2,316	2,560

We believe that our liability for asbestos-related claims and the estimated insurance recoveries reflect reasonable and probable estimates. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates may also vary due to changes in the litigation environment, federal and state law governing compensation of asbestos claimants, and the level of payments made to claimants by other defendants.

Additionally, we have a legal obligation to properly dispose of asbestos-containing materials. The estimated fair value of this obligation is $5 million at December 31, 2005, which is recorded as a liability on the Consolidated Statements of Financial Position pursuant to FIN 47.

Environmental – We are subject to federal, state, and local environmental laws and regulations. We identified 370 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 43 sites that are the subject of actions taken by the U.S. government, 23 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and we can reasonably estimate such costs. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable.

Environmental expenses for the years ended December 31, 2005, 2004, and 2003 were $45 million, $46 million, and $26 million, respectively. As of December 31, 2005 and 2004, we had a liability of $213 million and $201 million, respectively, accrued for future environmental costs, of which $46 million and $50 million, respectively, were recorded in current liabilities as accrued casualty costs. The liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Current obligations are not expected to have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us with measuring the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work. Annual expenses for personal injury-related events were $247 million in 2005, $288 million in 2004, and $250 million in 2003. As of December 31, 2005 and 2004, we had accrued liabilities of $619 million and $639 million for future personal injury costs, respectively, of which $274 million was recorded in current liabilities as accrued casualty costs in both years. Estimates can vary over time due to evolving trends in litigation.

Our personal injury claims activity was as follows:

Claims Activity	*2005*	*2004*	*2003*
Open claims, beginning balance	4,028	4,085	4,116
New claims	4,584	4,366	4,494
Settled or dismissed claims	(4,415)	(4,423)	(4,525)
Open claims, ending balance at December 31	4,197	4,028	4,085

Depreciation – The railroad industry is capital intensive. Properties are carried at cost. Provisions for depreciation are computed principally on the straight-line method based on estimated service lives of depreciable property. The lives are calculated using a separate composite annual percentage rate for each depreciable property group, based on the results of a depreciation study. We are required to submit a report on depreciation studies and proposed depreciation rates every three years for equipment property and every six years for road property to the STB for review and approval. The cost (net of salvage) of depreciable railroad property retired or replaced in the ordinary course of business is charged to accumulated depreciation, and no gain or loss is recognized. A gain or loss is recognized in other income for all other property upon disposition because the gain or loss is not part of rail operations. The cost of internally developed software is capitalized and amortized over a five-year period. An obsolescence review of capitalized software is performed on a periodic basis.

Capital spending in recent years has increased the total value of our depreciable assets. Cash capital spending totaled $2.2 billion for the year ended December 31, 2005. In 2003, we implemented depreciation studies, approved by the STB, resulting in lower depreciation expense of $50 million for the year ended December 31, 2003, due to a reduction in depreciation rates for certain track assets (effective January 1, 2003), partially offset by increased rates for locomotives and other assets (effective July 1, 2003). For the year ended December 31, 2005, depreciation expense was $1.2 billion. Various methods are used to estimate useful lives for each group of depreciable property. Due to the capital intensive nature of the business and the large base of depreciable assets, variances to those estimates could have a material effect on our Consolidated Financial Statements. If the estimated useful lives of all depreciable assets were increased by one year, annual depreciation expense would decrease by approximately $40 million. If the estimated useful lives of all assets to be depreciated were decreased by one year, annual depreciation expense would increase by approximately $43 million.

Income Taxes – As required under Financial Accounting Standards Board (FASB) Statement No. 109, *Accounting for Income Taxes*, we account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on provisions of tax law as currently enacted; the effects of future changes in tax laws are not anticipated. Future tax law changes, such as a change in the corporate tax rate, could have a material impact on our financial condition or results of operations. For example, a 1% increase in the federal income tax rate would increase our deferred tax liability by approximately $240 million.

When appropriate, we record a valuation allowance against deferred tax assets to offset future tax benefits that may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based in part on management's judgments regarding the best available evidence about future events. Based on that analysis, we have recorded a valuation allowance of $5 million and $11 million against certain deferred tax assets as of December 31, 2005 and 2004, respectively.

Insurance Subsidiaries – We have two consolidated, wholly-owned subsidiaries that provide insurance coverage for certain risks, including physical loss or property damage and certain other claims that are subject to reinsurance. At December 31, 2005, current accounts receivable and current accrued casualty costs included $65 million for reinsurance receivables and reinsured liability, respectively, held by one of our insurance subsidiaries

related to losses sustained during the West Coast storm in January 2005. This amount may change in the future as facts and circumstances surrounding the claim and the reinsurance are finalized and settled. We collected a partial recovery of our claim from reinsurance of $25 million during the fourth quarter of 2005.

Pension and Other Postretirement Benefits – We use third-party actuaries to assist us in properly measuring the liabilities and expenses associated with providing pension and defined contribution medical and life insurance benefits (OPEB) to eligible employees. In order to use actuarial methods to value the liabilities and expenses we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rate and expected rate of return on pension assets. For other postretirement benefits, the critical assumptions are the discount rate and healthcare cost trend rate.

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

- Discount rate is based on a hypothetical portfolio of high quality bonds with cash flows matching our plans' expected benefit payments.
- Expected return on plan assets is based on our asset allocation mix and our historical return, taking into consideration current and expected market conditions.
- Healthcare cost trend rate is based on our historical rates of inflation and expected market conditions.

The following tables present the key assumptions used to measure pension and OPEB expense for 2005 and the estimated impact on 2005 pension and OPEB expense relative to a change in those assumptions:

Assumptions	*Pension*	*OPEB*
Discount rate	6.00%	6.00%
Expected return on plan assets	8.00%	N/A
Healthcare cost trend rate:		
Current	N/A	11.00%
Level in 2010	N/A	5.00%

Sensitivities	*Increase in Expense*	
Millions of Dollars	*Pension*	*OPEB*
0.25% decrease in discount rate	$ 5	$ 1
0.25% decrease in expected return on plan assets	$ 4	N/A
1% increase in healthcare cost trend rate	N/A	$ 13

CAUTIONARY INFORMATION

Certain statements in this report, and statements in other material filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational or service improvements; statements concerning expectations of the effectiveness of steps taken or to be taken to improve operations, service, or to stabilize the rail system, infrastructure improvements, transportation plan modifications, and management of customer traffic on the system to meet demand; expectations as to cost savings, revenue growth, and earnings; the time by which certain objectives will be achieved; statements or information concerning projections, predictions, expectations,

estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; statements of management's goals and objectives; proposed new products and services; estimates of costs relating to environmental remediation and restoration; expectations that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated financial condition, results of operations, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved, including expectations as to improvement of operational, service, and network fluidity improvements. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

The following important factors, in addition to those discussed in Risk Factors in Item 1A, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

- whether we are successful in implementing our financial and operational initiatives, including gaining new customers, retaining existing ones, increasing prices for our services, and containing operating costs;
- whether we are successful in improving network operations and service by improving infrastructure; reviewing, assessing, and, as necessary, redesigning our transportation plan; managing network volume, and undertaking other efficiency and productivity initiatives;
- claims and litigation, including those related to environmental contamination, personal injuries, and occupational illnesses arising from hearing loss, repetitive motion, and exposure to asbestos and diesel fumes;
- legislative and regulatory developments, including possible legislation to re-regulate the rail industry;
- any adverse economic or operational repercussions related to the transportation of hazardous materials, which we are required to transport under federal law;
- natural events such as severe weather, fire, hurricanes, floods, earthquakes, or other disruptions of our operating systems, structures, and equipment;
- the impact of ongoing track maintenance and restoration in the SPRB;
- changes in fuel prices, including price increases caused by the effects of severe weather, other events, or disruptions of domestic refining capacity;
- material adverse changes in economic and industry conditions, both within the United States and globally;
- adverse economic conditions affecting customer demand and the industries and geographic areas that produce and consume commodities we carry;
- transportation industry competition, conditions, performance, and consolidation;
- changes in labor costs, including healthcare cost increases, and labor difficulties, including stoppages affecting either our operations or our customers' abilities to deliver goods to us for shipment;

- legislative, regulatory, or legal developments involving taxation, including new federal or state income tax rates, revisions of controlling authority, and tax claims and litigation;
- changes in securities and capital markets; and
- terrorist activities, or other similar events, and any governmental response thereto; war or risk of war.

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

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Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Union Pacific Corporation, its Directors, and Shareholders:

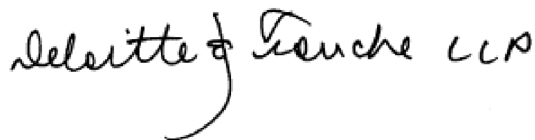
We have audited the accompanying consolidated statements of financial position of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the consolidated financial statement schedule listed in the Table of Contents at Part IV, Item 15. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the consolidated financial statements and consolidated financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Union Pacific Corporation and Subsidiary Companies at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 12 to the consolidated financial statements, the Corporation changed its method of accounting for asset retirement obligations in 2003.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.



Omaha, Nebraska
February 17, 2006

CONSOLIDATED STATEMENTS OF INCOME

Union Pacific Corporation and Subsidiary Companies

Millions, Except Per Share Amounts, for the Years Ended December 31,	*2005*	*2004*	*2003*
Operating revenues	$13,578	$12,215	$11,551
Operating expenses:			
Salaries, wages, and employee benefits	4,375	4,167	3,892
Fuel and utilities	2,562	1,816	1,341
Equipment and other rents	1,402	1,374	1,221
Depreciation	1,175	1,111	1,067
Materials and supplies	546	488	414
Casualty costs	411	694	416
Purchased services and other costs	1,312	1,270	1,067
Total operating expenses	11,783	10,920	9,418
Operating income	1,795	1,295	2,133
Other income	145	88	78
Interest expense	(504)	(527)	(574)
Income before income taxes	1,436	856	1,637
Income taxes	(410)	(252)	(581)
Income from continuing operations	1,026	604	1,056
Income from discontinued operations, (including gain on sale of $211 in 2003) net of tax benefit of $96 in 2003	-	-	255
Cumulative effect of accounting change, net of income tax expense of $167	-	-	274
Net income	$ 1,026	$ 604	$ 1,585
Share and Per Share			
Basic:			
Income from continuing operations	$ 3.89	$ 2.33	$ 4.15
Income from discontinued operations	-	-	1.00
Cumulative effect of accounting change	-	-	1.08
Net income	$ 3.89	$ 2.33	$ 6.23
Diluted:			
Income from continuing operations	$ 3.85	$ 2.30	$ 4.07
Income from discontinued operations	-	-	0.95
Cumulative effect of accounting change	-	-	1.02
Net income	$ 3.85	$ 2.30	$ 6.04
Weighted average number of shares (Basic)	263.4	259.1	254.4
Weighted average number of shares (Diluted)	266.5	262.2	268.0
Dividends declared	$ 1.20	$ 1.20	$ 0.99

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, as of December 31,	*2005*	*2004*
Assets		
Current assets:		
Cash and cash equivalents	$ 773	$ 977
Accounts receivable, net	747	545
Materials and supplies	331	309
Current deferred income taxes	304	288
Other current assets	170	178
Total current assets	2,325	2,297
Investments:		
Investments in and advances to affiliated companies	789	742
Other investments	17	25
Total investments	806	767
Properties:		
Road	33,812	31,948
Equipment	7,675	7,733
Other	210	226
Total cost	41,697	39,907
Accumulated depreciation	(9,722)	(8,893)
Net properties	31,975	31,014
Other assets	514	518
Total assets	$35,620	$34,596
Liabilities and Common Shareholders’ Equity		
Current liabilities:		
Accounts payable	$ 783	$ 590
Accrued wages and vacation	415	384
Accrued casualty costs	478	419
Income and other taxes	212	208
Dividends and interest	252	256
Debt due within one year	656	150
Equipment rents payable	130	130
Other current liabilities	458	394
Total current liabilities	3,384	2,531
Debt due after one year	6,760	7,981
Deferred income taxes	9,482	9,180
Accrued casualty costs	876	884
Retiree benefits obligation	855	885
Other long-term liabilities	556	480
Commitments and contingencies (note 9)		
Total liabilities	21,913	21,941
Common shareholders’ equity:		
Common shares, par value $2.50 per share, 500,000,000 shares authorized; 275,798,611 and 275,694,761 shares issued, respectively	689	689
Paid-in-surplus	3,915	3,917
Retained earnings	9,932	9,222
Treasury stock	(599)	(936)
Accumulated other comprehensive loss	(230)	(237)
Total common shareholders’ equity	13,707	12,655
Total liabilities and common shareholders’ equity	$35,620	$34,596

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, for the Years Ended December 31,	*2005*	*2004*	*2003*
Operating Activities			
Net income	$ 1,026	$ 604	$ 1,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	-	-	(255)
Cumulative effect of accounting change	-	-	(274)
Depreciation	1,175	1,111	1,067
Deferred income taxes	320	359	494
Net gain from asset sales	(135)	(69)	(84)
Other, net	58	156	(120)
Changes in current assets and liabilities, net	151	96	30
Cash provided by operating activities	2,595	2,257	2,443
Investing Activities			
Capital investments	(2,169)	(1,876)	(1,752)
Proceeds from asset sales	185	145	150
Proceeds from sale of discontinued operations	-	-	620
Other investing activities, net	(63)	(1)	105
Cash used in investing activities	(2,047)	(1,732)	(877)
Financing Activities			
Dividends paid	(314)	(310)	(234)
Debt repaid	(699)	(588)	(2,117)
Debt issued	-	745	746
Net proceeds from equity compensation plans	262	80	216
Other financing activities, net	(1)	(2)	(17)
Cash used in financing activities	(752)	(75)	(1,406)
Net change in cash and cash equivalents	(204)	450	160
Cash and cash equivalents at beginning of year	977	527	367
Cash and cash equivalents at end of year	$ 773	$ 977	$ 527
Changes in Current Assets and Liabilities, Net of Acquisitions			
Accounts receivable, net	$ (201)	$ (40)	$ 59
Materials and supplies	(22)	(42)	10
Other current assets	12	101	(80)
Accounts, wages, and vacation payable	224	100	79
Other current liabilities	138	(23)	(38)
Total	$ 151	$ 96	$ 30
Supplemental cash flow information:			
Non-cash investing activity, capital lease financings	$ -	$ -	$ 188
Non-cash financing activity, cash dividends declared but not yet paid	78	76	75
Cash (paid) received during the year for:			
Interest	$ (510)	$ (517)	$ (587)
Income taxes, net	(29)	187	(51)

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

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CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars Thousands of Shares	Common Shares	Treasury Shares	Common Shares	Paid-in-Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss): Minimum Pension Liability Adj.	Foreign Currency Trans. Adj.	Derivative Adj.	Total
Balance at Jan. 1, 2003	275,579	(21,920)	$ 689	$ 3,946	$ 7,597	$ (1,347)	$ (232)	$ (9)	$ 7	$10,651
Comprehensive income/(loss):										
Net income			-	-	1,585	-	-	-	-	1,585
Other comp. income/(loss) from continuing operations [a]			-	-	-	-	39	(9)	(4)	26
Other comp. income/(loss) from discontinued operations [b]			-	-	-	-	84	-	-	84
Total comprehensive income/(loss)			-	-	1,585	-	123	(9)	(4)	1,695
Conversion, exercises of stock options, forfeitures, and other	114	4,388	-	(10)	-	270	-	-	-	260
Dividends declared ($0.99 per share)	-	-	-	-	(252)	-	-	-	-	(252)
Balance at Dec. 31, 2003	275,693	(17,532)	$ 689	$ 3,936	$ 8,930	$ (1,077)	$ (109)	$ (18)	$ 3	$12,354
Comprehensive income/(loss):										
Net income			-	-	604	-	-	-	-	604
Other comp. income/(loss) [a]			-	-	-	-	(103)	-	(10)	(113)
Total comprehensive income/(loss)			-	-	604	-	(103)	-	(10)	491
Conversion, exercises of stock options, forfeitures, and other	2	2,357	-	(19)	-	141	-	-	-	122
Dividends declared ($1.20 per share)	-	-	-	-	(312)	-	-	-	-	(312)
Balance at Dec. 31, 2004	275,695	(15,175)	$ 689	$ 3,917	$ 9,222	$ (936)	$ (212)	$ (18)	$ (7)	$12,655
Comprehensive income/(loss):										
Net income			-	-	1,026	-	-	-	-	1,026
Other comp. income/(loss) [a]			-	-	-	-	1	5	1	7
Total comprehensive income/(loss)			-	-	1,026	-	1	5	1	1,033
Conversion, exercises of stock options, forfeitures, and other	104	6,011	-	(2)	-	337	-	-	-	335
Dividends declared ($1.20 per share)	-	-	-	-	(316)	-	-	-	-	(316)
Balance at Dec. 31, 2005	275,799	(9,164)	$ 689	$ 3,915	$ 9,932	$ (599)	$ (211)	$ (13)	$ (6)	$13,707

[a] Net of tax of $5, $(69), and $16 in 2005, 2004, and 2003, respectively.
[b] Net of tax of $48 in 2003.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Union Pacific Corporation and Subsidiary Companies

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

Significant Accounting Policies

Principles of Consolidation – The Consolidated Financial Statements include the accounts of Union Pacific Corporation and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned) are accounted for using the equity method of accounting. All significant intercompany transactions are eliminated. The Corporation evaluates its less than majority-owned investments for consolidation pursuant to Financial Accounting Standards Board (FASB) Interpretation No. 46 (Revised 2003), *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46(R)). The Corporation adopted the provisions of FIN 46(R) in June of 2003. We currently have no less than majority owned investments that require consolidation under FIN 46(R).

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

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

Property and Depreciation – Properties are carried at cost. Provisions for depreciation are computed principally on the straight-line method based on estimated service lives of depreciable property. The cost (net of salvage) of depreciable rail property retired or replaced in the ordinary course of business is charged to accumulated depreciation, and no gain or loss is recognized. A gain or loss is recognized in other income for all other property upon disposition because the gain or loss is not part of rail operations. The cost of internally developed software is capitalized and amortized over a five-year period. An obsolescence review of capitalized software is performed on a periodic basis.

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

Revenue Recognition – We recognize commodity revenues on a percentage-of-completion basis as freight moves from origin to destination. The allocation of revenue between reporting periods is based on the relative transit time in each reporting period with expenses recognized as incurred. Other revenue is recognized as service is performed or contractual obligations are met.

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

Financial Instruments – The carrying value of our non-derivative financial instruments approximates fair value. The fair value of financial instruments is generally determined by reference to market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate, London Interbank Offered Rates (LIBOR), or swap spread.

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

Stock-Based Compensation – We have several stock-based employee compensation plans, which are described more fully in note 7 of the Consolidated Financial Statements. We have accounted for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation expense related to stock option grants is reflected in net income, as all options granted under those plans had a grant price equal to the market value of our common stock on the date of grant. Stock-based compensation expense related to retention shares, stock units, and other incentive plans is reflected in net income. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation* (FAS 123), to stock-based employee compensation. See note 11 to the Consolidated Financial Statements for discussion of FASB Statement No. 123 (R), *Share-Based Payment* (FAS 123(R)), related to the treatment of stock options. See note 8 of the Consolidated Financial Statements for reconciliation between basic earnings per share and diluted earnings per share.

	Year Ended December 31,		
Millions of Dollars, Except Per Share Amounts	*2005*	*2004*	*2003*
Net income, as reported	$ 1,026	$ 604	$ 1,585
Stock-based employee compensation expense included in reported net income, net of tax	13	13	28
Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax [a]	(50)	(35)	(50)
Pro forma net income	$ 989	$ 582	$ 1,563
EPS – basic, as reported	$ 3.89	$ 2.33	$ 6.23
EPS – basic, pro forma	$ 3.75	$ 2.25	$ 6.14
EPS – diluted, as reported	$ 3.85	$ 2.30	$ 6.04
EPS – diluted, pro forma	$ 3.71	$ 2.22	$ 5.96

[a] *Stock options for executives granted in 2003 and 2002 included a reload feature. This reload feature allowed executives to exercise their options using shares of Union Pacific Corporation common stock that they already owned and obtain a new grant of options in the amount of the shares used for exercise plus any shares withheld for tax purposes. The reload feature of these option grants could only be exercised if the price of our common stock increased at least 20% from the price at the time of the reload grant. During the year ended December 31, 2005, reload option grants represented $19 million of the pro forma expense noted above. There were no reload options exercised during 2004 or 2003 and no pro forma expense for reload option grants in 2004 or 2003. Stock options exercised after the January 1, 2006 effective date of FAS 123(R) will not be eligible for the reload feature.*

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

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

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

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

Pension and Postretirement Benefits – We incur certain employment-related expenses associated with pensions and postretirement health benefits. In order to measure the expense associated with these benefits, we must make various assumptions including discount rates used to value certain liabilities, expected return on plan assets used to fund these expenses, salary increases, employee turnover rates, anticipated mortality rates, and expected future healthcare costs. The assumptions used by us are based on our historical experience as well as current facts and circumstances. We use third-party actuaries to assist us in properly measuring the expense and liability associated with these benefits.

Personal Injury – The cost of injuries to employees and others on our property is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in properly measuring the expense and liability. Legal fees are expensed as incurred.

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

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

Differences in Securities and Exchange Commission (SEC) and Surface Transportation Board (STB) Accounting – STB accounting rules require that railroads accrue the cost of removing track structure over the expected useful life of these assets. Railroads historically used this prescribed accounting for reports filed with both the STB and SEC. In August 2001, the FASB issued Statement No. 143, *Accounting for Asset Retirement Obligations* (FAS 143). This statement was effective for us beginning January 1, 2003, and prohibits the accrual of removal costs unless there is a legal obligation to remove the track structure at the end of its life. We concluded that we did not have a legal obligation to remove the track structure, and under generally accepted accounting principles we could not accrue the cost of removal in advance. As a result, reports filed with the SEC reflect the expense of removing these assets in the period in which they are removed.

Change in Presentation – Certain prior year amounts have been reclassified to conform to the 2005 Consolidated Financial Statement presentation. These reclassifications were not material, individually or in aggregate, with the exception of reclassifications made to appropriately reflect the discontinued operations as discussed in note 13.

1. Operations and Segmentation

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although revenue is analyzed by commodity, we analyze the net financial results of the Railroad as one segment due to the integrated nature of the rail network. The Consolidated Financial Statements for 2003 also include discontinued trucking operations, consisting of Overnite Transportation Company (OTC) and Motor Cargo Industries, Inc. (Motor Cargo) (see note 13 of the Consolidated Financial Statements regarding the reclassification of our trucking segment as a discontinued operation).

Continuing Operations – UPRR is a Class I railroad that operates in the United States. We have 32,426 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways and

providing several corridors to key Mexican gateways. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. Railroad freight is comprised of six commodity groups (percent of total commodity revenues for the year ended December 31, 2005: agricultural (15%), automotive (10%), chemicals (14%), energy (20%), industrial products (22%), and intermodal (19%)).

Discontinued Operations – The discontinued operations represent the operations of OTC and Motor Cargo, which were sold through an initial public offering in 2003.

2. Financial Instruments

Strategy and Risk – We may use derivative financial instruments in limited instances for other than trading purposes to assist in managing risk related to changes in fuel prices and to achieve our interest rate objectives. We are not a party to leveraged derivatives and, by policy, do not use derivative financial instruments for speculative purposes. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature and relationships between the hedging instruments and hedged items, as well as our risk-management objectives, strategies for undertaking the various hedge transactions, and method of assessing hedge effectiveness. We may use swaps, collars, futures, and/or forward contracts to mitigate the downside risk of adverse price movements and to hedge the exposure to variable cash flows. The use of these instruments also limits future benefits from favorable movements.

The purpose of these programs is to assist in protecting our operating margins and overall profitability from adverse fuel price changes or interest rate fluctuations.

Market and Credit Risk – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. At December 31, 2005 and 2004, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

Determination of Fair Value – We determined the fair values of our derivative financial instrument positions at December 31, 2005 and 2004 based upon current fair values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate, LIBOR, or swap spread.

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

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

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

Millions of Dollars, Except Percentages	*2005*	*2004*
Interest rate fair value hedging:		
Amount of debt hedged	$750	$750
Percentage of total debt portfolio	10%	9%
Gross fair value asset position	$ -	$ 8
Gross fair value liability position	$ (17)	$ (4)

Interest Rate Cash Flow Hedges – We report changes in the fair value of cash flow hedges in accumulated other comprehensive income until the hedged item affects earnings.

In 2004, we entered into treasury lock transactions, which are accounted for as cash flow hedges. These treasury lock transactions resulted in a payment of $11 million that is being amortized on a straight-line basis over 10 years, ending September 30, 2014. The unamortized portion of the payment is recorded as a $6 million after-tax reduction to common shareholders' equity as part of accumulated other comprehensive loss at December 31, 2005. As of December 31, 2005 and 2004, we had no interest rate cash flow hedges outstanding.

Fuel Cash Flow Hedges – Fuel costs are a significant portion of our total operating expenses. In 2005 and 2004, our primary means of mitigating the impact of adverse fuel price changes was our fuel surcharge programs. However, we may use swaps, collars, futures and/or forward contracts to further mitigate the impact of adverse fuel price changes. We hedged 120 million gallons of fuel during 2004 using collars with average cap, floor, and ceiling prices of $0.74, $0.64, and $0.86 per gallon, respectively. At December 31, 2004, there were no fuel hedges outstanding, and we did not have any fuel hedges in place during 2005.

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

Millions of Dollars	*2005*	*2004*	*2003*
Decrease in interest expense from interest rate hedging	$ 5	$ 24	$ 30
Decrease in fuel expense from fuel hedging	-	14	28
Increase in other income from interest rate swap cancellation	-	-	5
Increase in pre-tax income	$ 5	$ 38	$ 63

Fair Value of Debt Instruments – The fair value of our short- and long-term debt was estimated using quoted market prices, where available, or current borrowing rates. At December 31, 2005 and 2004, the fair value of total debt exceeded the carrying value by approximately $460 million and $673 million, respectively. At December 31, 2005 and 2004, approximately $169 million and $282 million, respectively, of fixed-rate debt securities contained call provisions that allowed us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par.

Sale of Receivables – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was $600 million at December 31, 2005. The value of the outstanding undivided interest held by investors under the facility was $600 million and $590 million at December 31, 2005 and 2004, respectively. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by $1,226 million and $1,089 million of accounts receivable held by UPRI at December 31, 2005 and 2004, respectively. At December 31,

2005 and 2004, the value of the interest retained by UPRI was $626 million and $499 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad has been designated to service the sold receivables; however, no servicing asset or liability has been recognized as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately $13.4 billion and $12.2 billion during the years ended December 31, 2005 and 2004, respectively. UPRI used such proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were $23 million, $11 million, and $10 million for 2005, 2004, and 2003, respectively. The costs include interest, program fees paid to banks, commercial paper issuance costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI. In August 2005, the sale of receivables program was renewed for an additional 364-day period without any significant changes in terms.

3. Income Taxes

Components of income tax expense for continuing operations were as follows for the years ended December 31:

Millions of Dollars	*2005*	*2004*	*2003*
Current income tax expense (benefit):			
Federal	$ 57	$ (99)	$ 55
State	33	(8)	32
Total current income tax expense (benefit)	90	(107)	87
Deferred income tax expense (benefit):			
Federal	293	407	508
State	27	(48)	(14)
Total deferred income tax expense (benefit)	320	359	494
Total	$410	$ 252	$581

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

Percentages	*2005*	*2004*	*2003*
Federal statutory tax rate	35.0%	35.0%	35.0%
State statutory rates, net of federal benefits	2.9	2.9	2.9
Deferred tax adjustments	(8.2)	(2.9)	(0.8)
Tax credits	(1.2)	(5.6)	(1.7)
Other	0.1	-	-
Effective tax rate	28.6%	29.4%	35.5%

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

Millions of Dollars	*2005*	*2004*
Net current deferred income tax asset	$ (304)	$ (288)
Property	9,216	9,060
State taxes, net	592	581
Other	(326)	(461)
Net long-term deferred income tax liability	9,482	9,180
Net deferred income tax liability	$9,178	$8,892

All federal income tax years prior to 1995 are closed. Federal income tax liabilities for tax years 1986 through 1994 have been resolved. Interest calculations for these years are in process and may take several years to resolve with the Internal Revenue Service (IRS). The IRS has begun its examination of the Corporation's federal income tax returns for tax years 2003 and 2004, and has completed its examinations and issued notices of deficiency for tax years 1995 through 2002. As previously reported, among their proposed adjustments is the disallowance of tax deductions claimed in connection with certain donations of property. In the fourth quarter of 2005, the IRS National Office issued a Technical Advice Memorandum that left unresolved whether the deductions were proper, pending further factual development by the IRS Examination Team. We continue to dispute the donation issue, as well as many of the other proposed adjustments, and will contest the associated tax deficiencies through the IRS Appeals process, and, if necessary, litigation.

As reported in the Corporation's Forms 10-Q for quarters ended June 30, 2005, and September 30, 2005, the final settlements for pre-1995 tax years, along with the IRS Examination Reports for tax years 1995 through 2002, among other things, were considered in a review and re-evaluation of the Corporation's estimated deferred tax assets and liabilities. This review resulted in a reduction of deferred income tax liabilities and income tax expense of $118 million in the third quarter of 2005.

The Corporation believes it has adequately reserved for federal and state income taxes, and does not expect that resolution of these examinations will have a material adverse effect on its operating results, financial condition, or liquidity.

4. Debt

Total debt as of December 31, 2005 and 2004, including interest rate swaps designated as hedges, is summarized below:

Millions of Dollars	*2005*	*2004*
Short-term borrowings, reclassified as long-term debt	$ -	$ 440
Notes and debentures, 2.0% to 7.4% due through 2054 [a]	5,303	5,435
Capitalized leases, 4.7% to 9.3% due through 2026	1,318	1,416
Medium-term notes, 6.8% to 10.0% due through 2020	372	372
Equipment obligations, 6.5% to 10.2% due through 2019	270	313
Mortgage bonds, 4.8% due through 2030	60	60
Tax-exempt financings, 4.7% to 5.7% due through 2026	197	200
Unamortized discount	(104)	(105)
Total debt	7,416	8,131
Less current portion	(656)	(150)
Total long-term debt	$6,760	$7,981

[a] 2005 and 2004 include a collective write-down of $16 million and write-up of $2 million, respectively, due to market value adjustments for debt with qualifying hedges that are recorded as liabilities and assets, respectively, on the Consolidated Statements of Financial Position.

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Debt Maturities – The following table presents aggregate debt maturities as of December 31, 2005, excluding market value adjustments.

Millions of Dollars	
2006	$ 656
2007	783
2008	681
2009	531
2010	452
Thereafter	4,329
Total debt	$7,432

Debt Redemption – In May 2005, we redeemed approximately $113 million of 8.35% debentures with a maturity date of May 1, 2025.

Mortgaged Properties – Equipment with a carrying value of approximately $3.0 billion and $3.3 billion at December 31, 2005 and 2004, respectively, serves as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire such railroad equipment.

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

Credit Facilities – On December 31, 2005, we had $2 billion in revolving credit facilities available, including $1 billion under a five-year facility expiring in March 2010 and $1 billion under a five-year facility expiring in March 2009 (collectively, the “facilities”). The facilities are designated for general corporate purposes and support the issuance of commercial paper. Neither of the facilities were drawn as of December 31, 2005. The five-year facility expiring in March 2010 replaced a $1 billion 364-day revolving credit facility that expired in March 2005, while the five-year facility expiring in March 2009 was put in place in 2004 to replace a five-year revolving credit facility that was due to expire in March 2005. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade borrowers. These facilities allow for borrowings at floating (LIBOR-based) rates, plus a spread, depending upon our senior unsecured debt ratings. The facilities require the maintenance of a minimum net worth and a debt to net worth coverage ratio. At December 31, 2005, we were in compliance with these covenants. The facilities do not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require the posting of collateral.

In addition to our revolving credit facilities, we also had $150 million in uncommitted lines of credit that were unused at December 31, 2005. We established two $75 million uncommitted lines of credit in May and July 2005, which will expire in May and July 2006, respectively.

At December 31, 2004, approximately $440 million of short-term borrowings that we intended to refinance were reclassified as long-term debt. This reclassification reflected our ability and intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis. At December 31, 2005, we did not reclassify any short-term debt to a long-term basis.

Dividend Restrictions – We are subject to certain restrictions related to the payment of cash dividends to our shareholders due to minimum net worth requirements under the credit facilities referred to above. The amount of

retained earnings available for dividends was $6.2 billion and $5.2 billion at December 31, 2005 and 2004, respectively. We do not expect that these restrictions will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity. We declared dividends of $316 million in 2005 and $312 million in 2004.

Shelf Registration Statement – Under a current shelf registration statement, we may issue any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings. At December 31, 2005, we had $500 million remaining for issuance under the current shelf registration statement. We have no immediate plans to issue any securities; however, we routinely consider and evaluate opportunities to replace existing debt or access capital through issuances of debt securities under this shelf registration, and, therefore, we may issue debt securities at any time.

5. Leases

We lease certain locomotives, freight cars, and other property. Future minimum lease payments for operating and capital leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2005 were as follows:

Millions of Dollars	*Operating Leases*	*Capital Leases*
2006	$ 615	$ 199
2007	517	179
2008	450	172
2009	405	167
2010	359	147
Later Years	2,588	1,236
Total minimum lease payments	$ 4,934	$ 2,100
Amount representing interest	N/A	(782)
Present value of minimum lease payments	N/A	$ 1,318

Rent expense for operating leases with terms exceeding one month was $728 million in 2005, $651 million in 2004, and $586 million in 2003. When rental payments are not made on a straight-line basis, we recognize rental expense on a straight-line basis over the lease term. Contingent rentals and sub-rentals are not significant.

6. Retirement Plans

Pension and Other Postretirement Benefits

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

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

See note 11 to the Consolidated Financial Statements for discussion of the FASB's project to reconsider the accounting for postretirement benefits, including pensions.

Funded Status

Projected Benefit Obligation (PBO) – The PBO of our pension plans is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases. The PBO of the OPEB plan is equal to

the accumulated benefit obligation, as the present value of OPEB liabilities is not affected by salary increases. Changes in our projected benefit obligation are as follows for the years ended December 31:

	Pension		*OPEB*	
Millions of Dollars	*2005*	*2004*	*2005*	*2004*
Projected benefit obligation at beginning of year	$2,058	$1,804	$453	$543
Service cost	28	30	4	5
Interest cost	115	120	25	31
Plan amendments	-	-	(42)	(52)
Actuarial loss (gain)	(18)	219	70	(34)
Gross benefits paid	(118)	(115)	(34)	(40)
Projected benefit obligation at end of year	$2,065	$2,058	$476	$453

Assets – Plan assets are measured at fair value. Changes in the fair value of our plan assets are as follows for the years ended December 31:

	Pension		*OPEB*	
Millions of Dollars	*2005*	*2004*	*2005*	*2004*
Fair value of plan assets at beginning of year	$1,693	$1,520	$ -	$ -
Actual return on plan assets	123	180	-	-
Voluntary funded pension plan contributions	-	100	-	-
Unfunded plan benefit payments	9	8	34	40
Gross benefits paid	(118)	(115)	(34)	(40)
Fair value of plan assets at end of year	$1,707	$1,693	$ -	$ -

Funded Status – The funded status represents the difference between the PBO and the fair value of the plan assets. Below is a reconciliation of the funded status of the benefit plans to the net amounts recognized for the years ended December 31:

	Pension		*OPEB*	
Millions of Dollars	*2005*	*2004*	*2005*	*2004*
Funded status at end of year	$(358)	$(365)	$(476)	$(453)
Unrecognized net actuarial loss	362	373	194	133
Unrecognized prior service cost (credit)	31	39	(156)	(144)
Net amounts recognized at end of year	$ 35	$ 47	$(438)	$(464)

Amounts Recorded in Consolidated Statement of Financial Position – The net amounts represent the amount previously accrued by us for pension and OPEB costs. The following table presents the amounts recognized in the Consolidated Statements of Financial Position at December 31:

	Pension		OPEB	
Millions of Dollars	*2005*	*2004*	*2005*	*2004*
Prepaid benefit cost	$ 122	$ 127	$ -	$ -
Accrued benefit cost	(86)	(80)	(438)	(464)
Additional minimum liability	(369)	(380)	-	-
Intangible assets	31	38	-	-
Accumulated other comprehensive income	337	342	-	-
Net amounts recognized at end of year	$ 35	$ 47	$(438)	$(464)

At December 31, 2005 and 2004, $42 million and $43 million, respectively, of the total pension and other postretirement liabilities were classified as current.

Underfunded Accumulated Benefit Obligation – The accumulated benefit obligation is the present value of benefits earned to date, assuming no future salary growth. The underfunded accumulated benefit obligation represents the difference between the accumulated benefit obligation and the fair value of plan assets. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of the fair value of the plan assets were as follows for the years ended December 31:

Millions of Dollars	*2005*	*2004*
Projected benefit obligation	$(2,044)	$(2,042)
Accumulated benefit obligation	$(2,026)	$(2,014)
Fair value of plan assets	1,685	1,674
Underfunded accumulated benefit obligation	$ (341)	$ (340)

The accumulated benefit obligation for all defined benefit pension plans was $2 billion at both December 31, 2005 and 2004.

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

	Pension			OPEB		
Percentages	*2005*	*2004*	*2003*	*2005*	*2004*	*2003*
Discount rate	5.75%	6.0%	6.5%	5.75%	6.0%	6.5%
Salary increase	2.75	3.0	3.5	N/A	N/A	N/A
Healthcare cost trend rate:						
Current	N/A	N/A	N/A	10.0	11.0	9.0
Level in 2010	N/A	N/A	N/A	5.0	5.0	5.0

Expense

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes

changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. The expected rate of return on assets was 8% for both 2005 and 2004. Differences in actual experience in relation to assumptions are not recognized immediately, but are deferred and, if necessary, amortized as pension or OPEB expense.

The components of our net periodic pension and other postretirement costs were as follows for the years ended December 31:

	Pension			*OPEB*		
Millions of Dollars	*2005*	*2004*	*2003*	*2005*	*2004*	*2003*
Service cost	$ 28	$ 30	$ 27	$ 4	$ 5	$ 7
Interest cost	115	120	113	25	31	35
Expected return on plan assets	(134)	(137)	(133)	-	-	-
Amortization of:						
Transition obligation	-	(2)	(2)	-	-	-
Prior service cost (credit)	7	8	9	(30)	(24)	(15)
Actuarial loss	5	3	1	14	18	16
Total net periodic benefit cost	$ 21	$ 22	$ 15	$ 13	$ 30	$ 43

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

	Pension			*OPEB*		
Percentages	*2005*	*2004*	*2003*	*2005*	*2004*	*2003*
Discount rate	6.00%	6.50%	6.75%	6.00%	6.50%	6.75%
Expected return on plan assets	8.00	8.00	8.00	N/A	N/A	N/A
Salary increase	3.00	3.50	3.75	N/A	N/A	N/A
Healthcare cost trend rate:						
Current	N/A	N/A	N/A	11.00	9.00	10.00
Level in 2010	N/A	N/A	N/A	5.00	5.00	5.00

The discount rate is based on a hypothetical portfolio of high quality bonds with cash flows matching our plans' expected benefit payments. The expected return on plan assets is based on our asset allocation mix and our historical return, taking into account current and expected market conditions. The actual return on pension plan assets, net of fees, was approximately 7% in 2005, compared to 12% in 2004. Our historical annualized ten-year rate of return on plan assets is approximately 9%.

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

Millions of Dollars	*One % pt. Increase*	*One % pt. Decrease*
Effect on total service and interest cost components.	$ 6	$ (5)
Effect on accumulated benefit obligation	90	(74)

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Equity Adjustment

An additional minimum pension liability adjustment is required when our accumulated benefit obligation exceeds the fair value of our plan assets, and that difference exceeds the net pension liability recognized in the Consolidated Statements of Financial Position. The liability was recorded as a $211 million and $212 million after-tax reduction to common shareholders' equity as part of accumulated other comprehensive loss in 2005 and 2004, respectively.

The equity reduction may be restored to the balance sheet in future periods if the fair value of plan assets exceeds the accumulated benefit obligations. This reduction to equity does not affect net income or cash flow and has no impact on compliance with debt covenants.

Cash Contributions

The following table details our cash contributions for the years ended December 31, 2005 and 2004, and the expected contributions for 2006:

	Pension		
Millions of Dollars	*Funded*	*Unfunded*	*OPEB*
2004	$100	$ 8	$40
2005	-	9	34
2006	50	10	32

Our policy with respect to funding the qualified plans is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, and not more than the maximum amount deductible for tax purposes. We do not currently have minimum funding requirements under applicable employee benefit and tax laws. All contributions made to the funded pension plans for 2004 were voluntary and were made with cash generated from operations. In January 2006, we made a $50 million voluntary contribution to the funded pension plan. No further contributions are expected during 2006.

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical and life insurance, and we anticipate our 2006 OPEB payments will be made from cash generated from operations.

Benefit Payments

The following table details expected benefit payments for the years 2006 though 2015:

Millions of Dollars	*Pension*	*OPEB*
2006	$ 117	$ 32
2007	119	34
2008	121	35
2009	125	37
2010	129	38
Years 2011 – 2015	724	192

Asset Allocation Strategy

Our pension plan asset allocation at December 31, 2005 and 2004, and target allocation for 2006, are as follows:

	Target Allocation	*Percentage of Plan Assets December 31,*	
Asset Category	*2006*	*2005*	*2004*
Equity securities	65% to 75%	75%	73%
Debt securities	20% to 30%	24	27
Real estate	2% to 8%	1	-
Total	100%	100%	100%

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

The majority of the plan's assets are invested in equity securities, because equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons, and are expected to do so in the future. Correspondingly, equity investments also entail greater risks than other investments. The risk of loss in the plan's equity portfolio is mitigated by investing in a broad range of equity types. Equity diversification includes large-capitalization and small-capitalization companies, growth-oriented and value-oriented investments, and U.S. and non-U.S. securities.

Equity risks are further balanced by investing a significant portion of the plan's assets in high quality debt securities. The average quality rating of the debt portfolio exceeded AA as of December 31, 2005 and 2004. The debt portfolio is also broadly diversified and invested primarily in U.S. Treasury, mortgage, and corporate securities with an intermediate average maturity. The weighted-average maturity of the debt portfolio was 6.5 years and 6.3 years at December 31, 2005 and 2004, respectively.

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

Other Retirement Programs

Thrift Plan – We provide a defined contribution plan (thrift plan) to eligible non-union employees and make matching contributions to the thrift plan. We match 50 cents for each dollar contributed by employees up to the first six percent of compensation contributed. Our thrift plan contributions were $12 million per year in 2005, 2004, and 2003.

Railroad Retirement System – All Railroad employees are covered by the Railroad Retirement System (the System). Contributions made to the System are expensed as incurred and amounted to approximately $595 million in 2005, $569 million in 2004, and $562 million in 2003.

Collective Bargaining Agreements – Under collective bargaining agreements, we provide certain postretirement healthcare and life insurance benefits for eligible union employees. Premiums under the plans are expensed as incurred and amounted to $41 million in 2005, $30 million in 2004, and $27 million in 2003.

7. Stock Options and Other Stock Plans

We have 2,938,450 options outstanding under the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation (1993 Plan). There are 7,140 restricted shares outstanding under the 1992 Restricted Stock Plan for Non-Employee Directors of Union Pacific Corporation. We no longer grant options or awards of restricted stock or retention shares and units under these plans.

The UP Shares Stock Option Plan of Union Pacific Corporation (UP Shares Plan*)* was approved by our Board of Directors on April 30, 1998. The UP Shares Plan reserved 12,000,000 shares of our common stock for issuance. The UP Shares Plan was a broad-based option program that granted options to purchase 200 shares of our common stock at $55.00 per share to eligible active employees on April 30, 1998. All options granted were non-qualified options that became exercisable on May 1, 2001, and remain exercisable until April 30, 2008. If an optionee's employment terminates for any reason, the option remains exercisable for a period of one year after the date of termination, but no option is exercisable after April 30, 2008. No further options may be granted under the UP Shares Plan. As of December 31, 2005, there were 2,096,681 options outstanding under the UP Shares Plan.

We adopted the Executive Stock Purchase Incentive Plan (ESPIP), effective October 1, 1999, in order to encourage and facilitate ownership of our common stock by our officers and other key executives. Under the ESPIP, participants purchased a total of 1,008,000 shares of our common stock with the proceeds of 6.02% interest-bearing, full recourse loans from the Corporation. Loans totaled $47 million and had a final maturity date of January 31, 2006. Deferred cash payments were to be awarded to the participants to repay interest and the loan principal if certain performance and retention criteria were met within a 40-month period ending January 31, 2003. Following satisfaction of the various performance criteria during the term of the ESPIP and continued employment with the Corporation through January 31, 2003, participants received a deferred cash payment equal to two-thirds of the outstanding principal balance of their loan plus the net accrued interest on January 31, 2003. Such payments were applied against the participants' outstanding loan balance pursuant to the terms of the ESPIP. The remaining loan balances were repaid in three equal installments on January 31, 2004, January 31, 2005, and January 31, 2006. At December 31, 2005 and 2004, the total outstanding balance of the remaining loans was $0.4 million and $1 million, respectively. All remaining loan balances were repaid as of January 31, 2006.

In April 2000, the shareholders approved the Union Pacific Corporation 2000 Directors Plan (Directors Plan) whereby 550,000 shares of our common stock were reserved for issuance to our non-employee directors. Under the Directors Plan, each non-employee director, upon his or her initial election to the Board of Directors, receives a grant of 1,000 shares of restricted shares or restricted stock units. Additionally, each non-employee director receives annually an option to purchase at fair value a number of shares of our common stock, not to exceed 5,000 shares during any calendar year, determined by dividing 60,000 by 1/3 of the fair market value of one share of our common stock on the date of such Board of Directors meeting, with the resulting quotient rounded up or down to the nearest 50 shares. As of December 31, 2005, 5,000 restricted shares were outstanding under the Directors Plan and 155,800 options were outstanding under the Directors Plan.

The Union Pacific Corporation 2001 Stock Incentive Plan (2001 Plan) was approved by the shareholders in April 2001. The 2001 Plan reserved 12,000,000 shares of our common stock for issuance to eligible employees of the Corporation and its subsidiaries in the form of non-qualified options, incentive stock options, retention shares, stock units, and incentive bonus awards. Non-employee directors are not eligible for awards under the 2001 Plan. As of December 31, 2005, 5,007,628 options and 880,526 retention shares and stock units were outstanding under the 2001 Plan.

The Union Pacific Corporation 2004 Stock Incentive Plan (2004 Plan) was approved by shareholders in April 2004. The 2004 Plan reserved 21,000,000 shares of our common stock for issuance, plus any shares subject to awards made under the 2001 Plan and the 1993 Plan that were outstanding on April 16, 2004, and became available for regrant pursuant to the terms of the 2004 Plan. Under the 2004 Plan, non-qualified options, stock

appreciation rights, retention shares, stock units, and incentive bonus awards may be granted to eligible employees of the Corporation and its subsidiaries. Non-employee directors are not eligible for awards under the 2004 Plan. As of December 31, 2005, 2,237,650 options and 124,750 retention shares and stock units were outstanding under the 2004 Plan.

In January 2006, our Board of Directors approved a new Long Term Plan (LTP). Participants were awarded stock units subject to the attainment of certain performance targets and continued employment through January 31, 2009. The LTP performance criteria used to determine the number of stock units that will be earned during the 37-month performance period is annual return on invested capital (ROIC), calculated by the Compensation and Benefits Committee of the Board of Directors, which may be adjusted to reflect the effect of special transactions or events such as significant gains on the sale of real estate, tax adjustments, accounting changes or reclassifications. At the end of year one of the performance period, a participant may earn up to one-third of the target number of stock units granted to him or her based on the first year of ROIC performance achieved. At the end of year two, the participant may earn additional stock units up to a total of two-thirds of the target number of stock units granted to him or her based on the average of the first two years of ROIC performance achieved. During year three of the performance period, the participant may earn up to 200% of the target number of stock units granted to him or her based on the average of all three years of ROIC performance achieved. Stock units that are earned under the LTP will be paid out in shares of our common stock.

Pursuant to the above plans, 19,303,495; 21,571,309; and 6,899,211 shares of our common stock were available for grant at December 31, 2005, 2004, and 2003, respectively.

Options – Stock options are granted with an exercise price equal to the fair market value of our common stock as of the date of the grant. Options are granted with a 10-year term and are generally exercisable one to two years after the date of the grant. A summary of the stock options issued under the 1993 Plan, the UP Shares Plan, the Directors Plan, the 2001 Plan, and the 2004 Plan, and changes during the years ending December 31 are as follows:

	Year Ended December 31,					
	2005		*2004*		*2003*	
	Shares	*Weighted-Average Exercise Price*	*Shares*	*Weighted-Average Exercise Price*	*Shares*	*Weighted-Average Exercise Price*
Outstanding, beginning of year	17,522,133	$ 56.17	18,515,231	$ 53.75	21,352,105	$ 53.00
Granted	4,462,260	64.71	2,220,450	65.04	2,398,300	55.98
Exercised	(9,408,918)	55.91	(2,942,406)	47.52	(4,955,725)	51.58
Forfeited	(139,266)	57.88	(271,142)	57.23	(279,449)	54.69
Outstanding, end of year	12,436,209	$ 59.41	17,522,133	$ 56.17	18,515,231	$ 53.75
Options exercisable at year end	10,087,771	$ 59.42	14,878,933	$ 54.92	15,514,331	$ 53.27
Weighted-average fair value of options granted during the year	N/A	$ 12.92	N/A	$ 16.38	N/A	$ 14.30

The following table summarizes information about our outstanding stock options as of December 31, 2005:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Prices	*Number Outstanding*	*Weighted-Average Remaining Contractual Life*	*Weighted-Average Exercise Price*	*Number Exercisable*	*Weighted-Average Exercise Price*
$37.94 – $55.98	4,352,139	3.45 yrs.	$ 52.27	4,350,039	$ 52.27
$56.19 – $61.14	4,341,773	6.39	59.05	2,097,623	58.97
$61.44 – $80.55	3,742,297	7.43	68.14	3,640,109	68.22
$37.94 – $80.55	12,436,209	5.67 yrs.	$ 59.41	10,087,771	$ 59.42

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions for options granted in 2005, 2004, and 2003.

	2005	*2004*	*2003*
Risk-free interest rates	3.8%	3.3%	2.9%
Dividend yield	1.9%	1.7%	1.5%
Expected lives (years)	4.8	5.6	5.0
Volatility	20.6%	25.9%	28.4%

Restricted Stock and Other Stock Incentive Plans – Our plans provide for awarding retention shares of common stock or stock units to eligible employees. These awards are subject to forfeiture if employment terminates during the prescribed retention period, generally three or four years. Restricted stock awards are issued to non-employee directors and are subject to forfeiture if certain service requirements are not met. During the year ended December 31, 2005, 115,600 retention shares, stock units, and restricted shares were issued at a weighted-average fair value of $59.35. During the year ended December 31, 2004, 276,575 retention shares, stock units, and restricted shares were issued at a weighted-average fair value of $64.75. During the year ended December 31, 2003, 380,786 retention shares, stock units, and restricted shares were issued at a weighted-average fair value of $55.99. The cost of retention and restricted awards is amortized to expense over the retention period.

During the years ended December 31, 2005, 2004, and 2003, we expensed $21 million, $21 million, and $46 million, respectively, related to the restricted stock and other incentive plans described above.

8. Earnings Per Share

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

Millions, Except Per Share Amounts	*2005*	*2004*	*2003*
Income statement data:			
Income from continuing operations	$1,026	$ 604	$1,056
Income from discontinued operations	-	-	255
Cumulative effect of accounting change	-	-	274
Net income available to common shareholders – basic	$1,026	$ 604	$1,585
Dilutive effect of interest associated with the Convertible Preferred Securities	-	-	34
Net income available to common shareholders – diluted	$1,026	$ 604	$1,619
Weighted-average number of shares outstanding:			
Basic	263.4	259.1	254.4
Dilutive effect of stock options	1.5	1.2	1.5
Dilutive effect of retention shares, stock units and restricted shares	1.6	1.9	1.8
Dilutive effect of Convertible Preferred Securities	-	-	10.3
Diluted	266.5	262.2	268.0
Earnings per share – basic:			
Income from continuing operations	$ 3.89	$ 2.33	$ 4.15
Income from discontinued operations	-	-	1.00
Cumulative effect of accounting change	-	-	1.08
Net income	$ 3.89	$ 2.33	$ 6.23
Earnings per share – diluted:			
Income from continuing operations	$ 3.85	$ 2.30	$ 4.07
Income from discontinued operations	-	-	0.95
Cumulative effect of accounting change	-	-	1.02
Net income	$ 3.85	$ 2.30	$ 6.04

Common stock options totaling 1.4 million and 3.3 million for 2005 and 2004, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options exceeded the average market price of our common stock for the respective periods, and the effect of their inclusion would be anti-dilutive. All stock options were dilutive for 2003.

9. Commitments and Contingencies

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

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries

to assist us in measuring the expense and liability, including unasserted claims. Compensation for work-related accidents is governed by the Federal Employers' Liability Act (FELA). Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements.

Our personal injury liability activity was as follows:

Millions of Dollars	*2005*	*2004*	*2003*
Beginning balance	$ 639	$ 619	$ 674
Accruals	247	288	250
Payments	(267)	(268)	(305)
Ending balance at December 31	$ 619	$ 639	$ 619
Current portion, ending balance at December 31	$ 274	$ 274	$ 276

Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. Personal injury accruals were higher in 2004 due to a 1998 crossing accident verdict upheld in 2004 and a 2004 derailment near San Antonio.

Asbestos – We are a defendant in a number of lawsuits in which current and former employees allege exposure to asbestos. Additionally, we have received claims for asbestos exposure that have not been litigated. The claims and lawsuits (collectively referred to as "claims") allege occupational illness resulting from exposure to asbestos-containing products. In most cases, the claimants do not have credible medical evidence of physical impairment resulting from the alleged exposures. Additionally, most claims filed against us do not specify an amount of alleged damages.

The greatest potential for asbestos exposure in the railroad industry existed while steam locomotives were used. The railroad industry, including UPRR and its predecessors, phased out steam locomotives between 1955 and 1960. The use of asbestos-containing products in the railroad industry was substantially reduced after steam locomotives were discontinued, although it was not completely eliminated. Some asbestos-containing products were still manufactured in the building trade industry and were used in isolated component parts on locomotives and railroad cars during the 1960s and 1970s. By the early 1980s, manufacturers of building materials and locomotive component parts developed non-asbestos alternatives for their products and ceased manufacturing asbestos-containing materials.

Prior to 2004, we concluded it was not possible to reasonably estimate the cost of disposing of asbestos-related claims that might be filed against us in the future, due to a lack of sufficient comparable history from which to reasonably estimate unasserted asbestos-related claims. As a result, we recorded a liability for asbestos-related claims only when the claims were asserted.

During 2004, we determined we could reasonably estimate our liability for unasserted asbestos-related claims because we had sufficient comparable loss data and there was no immediate legislative solution to asbestos litigation. During 2004, we engaged a third-party with extensive experience in estimating resolution costs for asbestos-related claims to assist us in assessing the number and value of these unasserted claims through 2034, based on our average claims experience over a multi-year period. As a result, we increased our liability for asbestos-related claims in the fourth quarter of 2004. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

Ÿ The number of claims received in 2005 will be consistent with average claims received between 2000 and 2003.

Ÿ The number of claims to be filed against us will decline each year after 2005.

- The average settlement values for asserted and unasserted claims will be equivalent to those experienced between 2002 and 2004.
- The percentage of claims dismissed between 2002 and 2004 will continue through 2034.

Our asbestos-related liability activity was as follows:

Millions of Dollars	*2005*	*2004*	*2003*
Beginning balance	$324	$ 51	$ 58
Accruals	-	287	7
Payments	(13)	(14)	(14)
Ending balance at December 31	$311	$324	$ 51
Current portion, ending balance at December 31	$ 16	$ 17	$ 9

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 16% of the recorded liability related to asserted claims, and approximately 84% related to unasserted claims. These claims are expected to be paid out over the next 29 years. During the third quarter of 2005, our third-party consultants assisted us in reviewing our actual asbestos claim experience through the first half of 2005 compared to the assumptions used in the 2004 estimate, and we determined that no adjustment to our estimate was necessary at this time. We will continue to review actual experience and adjust our estimate as warranted.

Insurance coverage reimburses us for a portion of the costs incurred to resolve asbestos-related claims, and we have recognized an asset for estimated insurance recoveries.

We believe that our liability estimates for asbestos-related claims and the estimated insurance recoveries reflect reasonable and probable estimates. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates may also vary due to changes in the litigation environment, federal and state law governing compensation of asbestos claimants, and the level of payments made to claimants by other defendants.

Additionally, we have a legal obligation to properly dispose of asbestos-containing materials. The estimated fair value of this obligation is $5 million at December 31, 2005, which is recorded as a liability on the Consolidated Statements of Financial Position pursuant to FIN 47.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified approximately 370 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 43 sites that are the subject of actions taken by the U.S. government, 23 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When an environmental issue has been identified with respect to the property owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable.

Our environmental liability activity was as follows:

Millions of Dollars	*2005*	*2004*	*2003*
Beginning balance	$201	$187	$188
Accruals	45	46	26
Payments	(33)	(32)	(27)
Ending balance at December 31	$213	$201	$187
Current portion, ending balance at December 31	$ 46	$ 50	$ 57

The environmental liability includes costs for remediation and restoration of sites, as well as for ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. We believe that we have adequately accrued for our ultimate share of costs at sites subject to joint and several liability. However, the ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates may also vary due to changes in federal, state, and local laws governing environmental remediation. We do not expect current obligations to have a material adverse effect on our results of operations or financial condition.

Guarantees – At December 31, 2005, we were contingently liable for $486 million in guarantees. We have recorded a liability of $7 million for the fair value of these obligations as of December 31, 2005. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Income Taxes – As previously reported in our Form 10-Q for the quarter ended September 30, 2005, the IRS has completed its examinations and issued notices of deficiency for tax years 1995 through 2002. Among their proposed adjustments is the disallowance of tax deductions claimed in connection with certain donations of property. In the fourth quarter of 2005, the IRS National Office issued a Technical Advice Memorandum which left unresolved whether the deductions were proper, pending further factual development by the IRS Examination Team. We continue to dispute the donation issue, as well as many of the other proposed adjustments, and will contest the associated tax deficiencies through the IRS Appeals process, and, if necessary, litigation. We do not expect that the ultimate resolution of these examinations will have a material adverse effect on our operating results, financial condition, or liquidity. In addition, the IRS has begun its examination of tax years 2003 and 2004.

Insurance Subsidiaries – We have two consolidated, wholly-owned subsidiaries that provide insurance coverage for certain risks including physical loss or property damage and certain other claims that are subject to reinsurance. At December 31, 2005, current accounts receivable and current accrued casualty costs included $65 million for reinsurance receivables and reinsured liability, respectively, held by one of our insurance subsidiaries related to losses sustained during the West Coast storm in January 2005. This amount may change in the future as facts and circumstances surrounding the claim and the reinsurance are finalized and settled. We collected a partial recovery of our claim from reinsurance of $25 million during the fourth quarter of 2005.

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10. Other Income

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

Millions of Dollars	*2005*	*2004*	*2003*
Net gain on non-operating asset dispositions	$135	$ 69	$ 84
Rental income	59	55	57
Interest income	17	10	8
Sale of receivable fees	(23)	(11)	(10)
Non-operating environmental costs and other	(43)	(35)	(61)
Total	$145	$ 88	$ 78

11. Accounting Pronouncements

In December 2004, the FASB issued Statement No. 123(R). The statement requires that we recognize compensation expense equal to the fair value of stock options or other share-based payments starting January 1, 2006. We adopted the statement on a modified prospective basis, using the Black-Scholes option-pricing model to calculate the fair value of stock options. We expect that the incremental, full-year compensation expense in 2006 related to the adoption of the statement will be approximately $13 million for new awards granted after January 1, 2006 and an additional $2 million for the unvested portion of awards granted in prior years. The expense for awards granted after implementation of Statement No. 123(R) will be based upon their grant-date fair value. The expense for those awards will be based on the estimated number of awards that are expected to vest. That estimate will be revised if subsequent information indicates that the actual number of awards to vest will differ from the estimate. The estimate does not materially impact our calculation of compensation expense.

In March 2005, the FASB issued FIN 47. This interpretation clarifies that the term conditional asset retirement obligations, as used in FASB Statement No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement, or both, are conditional on a future event that may or may not be within the control of the entity. An entity must recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. We assessed the impact of the interpretation on our financial statements, determined that we have a legal obligation to properly dispose of asbestos-containing materials, and recorded a $5 million liability at December 31, 2005, for the fair value of this obligation.

In May 2005, the FASB issued FAS 154, *Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3*. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. It carries forward without change the previous guidance for reporting the correction of an error and a change in accounting estimate. FAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions, an Interpretation of FASB Statement No. 109*. As drafted, the interpretation would require companies to recognize the best estimate of the impact of a tax position only if that position is probable of being sustained during a tax audit. However, in November 2005 the FASB voted to replace the probable threshold with a more-likely-than-not criterion when determining if the impact of a tax position should be recorded. The FASB expects to issue a final interpretation in the first quarter of 2006. When it is available, we will review the final interpretation to determine the impact it may have on our Consolidated Financial Statements.

In September 2005, the FASB issued an exposure draft, *Earnings per Share, an Amendment of FASB Statement No. 128*. The draft clarifies guidance for the treasury stock method, contracts that may be settled in cash or shares,

and contingently issuable shares. The FASB expects to issue a final statement in the first quarter of 2006. We are currently reviewing this proposed exposure draft to determine the impact it may have on our calculation of earnings per share.

In December 2005, the FASB deliberated issues relating to the limited-scope, first phase of its project to reconsider the accounting for postretirement benefits, including pensions. The FASB decided that the objectives and scope of this phase include, among other items, recognizing the overfunded or underfunded status of defined benefit postretirement plans as an asset or a liability in the statement of financial position. The FASB expects to issue an Exposure Draft for the initial phase in the first quarter of 2006. In the second multi-year phase of the project, the FASB expects to comprehensively consider a variety of issues related to the accounting for postretirement benefits, including expense recognition, obligation measurement, and whether postretirement benefit trusts should be consolidated by the plan sponsor. We will review the proposed standards when they are available to determine the impact they may have on our Consolidated Financial Statements.

12. Cumulative Effect of Accounting Change

STB accounting rules require that railroads accrue the cost of removing track structure over the expected useful life of these assets. Railroads historically used this prescribed accounting for reports filed with both the STB and SEC. In August 2001, the FASB issued FAS 143. This statement was effective for us beginning January 1, 2003, and prohibits the accrual of removal costs unless there is a legal obligation to remove the track structure at the end of its life. We concluded that we did not have a legal obligation to remove the track structure, and, therefore, under generally accepted accounting principles, we could not accrue the cost of removal in advance. As a result, reports filed with the SEC will reflect the expense of removing these assets in the period in which they are removed. For STB reporting requirements only, we will continue to follow the historical method of accruing in advance, as prescribed by the STB. FAS 143 also requires us to record a liability for legally obligated asset retirement costs associated with tangible long-lived assets. In the first quarter of 2003, we recorded income from a cumulative effect of accounting change, related to the adoption of FAS 143, of $274 million, net of income tax expense of $167 million. The accounting change had no effect on our liquidity. Had the change been retroactively applied, the change would not have had a material impact on net income and earnings per share.

13. Discontinued Operations

On November 5, 2003, we completed the sale of our entire trucking interest through an initial public offering. As part of the offering, we received cash proceeds of $620 million, including a dividend from OTC of $128 million. As part of the transaction, OTC forgave our intercompany payable to them of $227 million, and we received a $1 million promissory note. We recorded a gain on the sale of $211 million, including an income tax benefit of $126 million in the fourth quarter of 2003. The tax benefit recognized in 2003 is associated with OTC goodwill written off in the fourth quarter of 1998. Revenue from discontinued operations was $1,241 million for the year ended December 31, 2003. Income before income taxes from discontinued operations was $74 million for the year ended December 31, 2003.

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14. Selected Quarterly Data (Unaudited)

Selected unaudited quarterly data are as follows:

Millions of Dollars, Except Per Share Amounts				
2005	*Mar. 31*	*June 30*	*Sep. 30[a]*	*Dec. 31*
Operating revenues	$ 3,152	$ 3,344	$ 3,461	$ 3,621
Operating income	313	468	481	533
Net income	128	233	369	296
Net income per share				
Basic	0.49	0.89	1.40	1.11
Diluted	0.48	0.88	1.38	1.10
2004	*Mar. 31*	*June 30*	*Sep. 30*	*Dec. 31[b]*
Operating revenues	$ 2,893	$ 3,029	$ 3,076	$ 3,217
Operating income	314	359	418	204
Net income	165	158	202	79
Net income per share				
Basic	0.64	0.61	0.78	0.30
Diluted	0.63	0.60	0.77	0.30

[a] *In the third quarter of 2005, we recorded an income tax expense reduction of $118 million.*
[b] *In the fourth quarter of 2004, we recognized a $154 million after-tax charge for unasserted asbestos-related claims.*

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

None.

Item 9A. Controls and Procedures

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

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment management believes that, as of December 31, 2005, the Corporation's internal control over financial reporting is effective based on those criteria.

The Corporation's independent registered public accounting firm has issued an audit report on our assessment of the Corporation's internal control over financial reporting. This report appears on page 75.

February 8, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Union Pacific Corporation, its Directors, and Shareholders:

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Union Pacific Corporation and Subsidiary Companies (the Corporation) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

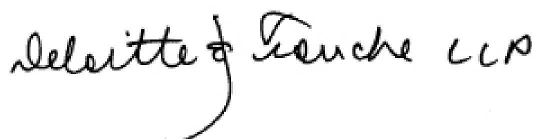
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

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

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and consolidated financial statement schedule as of and for the year ended December 31, 2005 of the Corporation and our report dated February 17, 2006 expressed an unqualified opinion on those consolidated financial statements and consolidated financial statement schedule.



Omaha, Nebraska
February 17, 2006

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Directors of Registrant.

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

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

(b) Executive Officers of Registrant.

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

(c) Section 16(a) Compliance.

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

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

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

Item 11. Executive Compensation

Information concerning compensation received by our directors and certain executive officers is presented in the Compensation of Directors, Report on Executive Compensation, Summary Compensation Table, Security Ownership of Management, Option/SAR Grants Table, Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values Table, Defined Benefit Plans and Change in Control Arrangements segments of the Proxy Statement and is incorporated herein by reference. Additional information regarding compensation of directors, including Board committee members, is set forth in the By-Laws of UPC and the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, both of which are included as exhibits to this report.

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

Information as to the number of shares of our equity securities beneficially owned by each of our directors and nominees for director, our five most highly compensated executive officers, our directors and executive officers as a group, and certain beneficial owners is set forth in the Election of Directors and Security Ownership of Management segments of the Proxy Statement and is incorporated herein by reference.

The following table summarizes the equity compensation plans under which Union Pacific Corporation common stock may be issued as of December 31, 2005.

Plan Category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)*	*Weighted-average exercise price of outstanding options, warrants and rights (b)*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)*
Equity compensation plans approved by security holders	11,069,004[1]	$ 60.27[2]	19,692,695
Equity compensation plans not approved by security holders [3]	2,096,681	$ 55.00	-
Total	13,165,685	$ 59.41	19,692,695

[1] *Includes 729,476 retention units that do not have an exercise price. Does not include 287,940 retention shares that are actually issued and outstanding.*

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

[3] *The UP Shares Stock Option Plan (UP Shares Plan) is the only equity compensation plan not approved by shareholders. The UP Shares Plan was approved by the Company's Board of Directors on April 30, 1998 and reserved 12,000,000 shares of Common Stock for issuance. The UP Shares Plan was a broad-based option program that granted each active employee on April 30, 1998 non-qualified options to purchase 200 shares of Common Stock at $55.00 per share. Options became exercisable on May 1, 2001 and expire on April 30, 2008. If an optionee's employment terminates for any reason, the option remains exercisable for a period of one year after the date of termination, but no option is exercisable after April 30, 2008. No further options may be granted under the UP Shares Plan.*

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accounting Fees and Services

Information concerning the fees billed by our independent registered public accounting firm and the nature of services comprising the fees for each of the two most recent fiscal years in each of the following categories: (i) audit fees, (ii) audit – related fees, (iii) tax fees, and (iv) all other fees, is set forth in the Audit Committee Report segment of the Proxy Statement and is incorporated herein by reference.

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

(1) Financial Statements

The financial statements filed as part of this filing are listed on the index to the Financial Statements and Supplementary Data, Item 8, on page 43.

(2) Financial Statement Schedules
Schedule II – Valuation and Qualifying Accounts

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

(3) Exhibits

Exhibits are listed in the exhibit index on page 82. The exhibits include management contracts, compensatory plans and arrangements required to be filed as exhibits to the Form 10-K by Item 601 (10) (iii) of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 24th day of February, 2006.

UNION PACIFIC CORPORATION

By /s/ James R. Young

James R. Young
President, Chief Executive
Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 24th day of February, 2006, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER
AND DIRECTOR:

/s/ James R. Young

James R. Young
President, Chief Executive
Officer and Director

PRINCIPAL FINANCIAL OFFICER:

/s/ Robert M. Knight, Jr.

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

PRINCIPAL ACCOUNTING OFFICER:

/s/ Richard J. Putz

Richard J. Putz,
Vice President and Controller

DIRECTORS:

Philip F. Anschutz*
Richard K. Davidson*
Erroll B. Davis, Jr.*
Thomas J. Donohue*
Archie W. Dunham*

Spencer F. Eccles*
Judith Richards Hope*
Michael W. McConnell*
Steven R. Rogel*
Ernesto Zedillo Ponce de Leon*

* By /s/ Thomas E. Whitaker

Thomas E. Whitaker, Attorney-in-fact

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SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, for the Years Ended December 31,	*2005*	*2004*	*2003*
Allowance for doubtful accounts:			
Balance, beginning of period	$ 107	$ 101	$ 108
Charged to expense	2	11	13
Net recoveries / (write-offs)	17	(5)	(20)
Balance, end of period	$ 126	$ 107	$ 101
Allowance for doubtful accounts are presented in the Consolidated Statements of Financial Position as follows:			
Current	$ 16	$ 19	$ 17
Long-term	110	88	84
Balance, end of period	$ 126	$ 107	$ 101
Accrued casualty costs:			
Balance, beginning of period	$1,303	$ 989	$1,077
Charged to expense	409	683	403
Cash payments and other reductions	(358)	(369)	(491)
Balance, end of period	$1,354	$1,303	$ 989
Accrued casualty costs are presented in the Consolidated Statements of Financial Position as follows:			
Current	$ 478	$ 419	$ 394
Long-term	876	884	595
Balance, end of period	$1,354	$1,303	$ 989

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Union Pacific Corporation
Exhibit Index

Exhibit No.	Description
	Filed with this Statement
10(a)	Form of 2006 Long Term Plan Stock Unit Agreement.
10(b)	Form of Stock Unit Agreement for Executives.
10(c)	Form of Non-Qualified Stock Option Agreement for Executives.
10(d)	UPC Executive Incentive Plan, effective May 5, 2005.
10(e)	Supplemental Thrift Plan of UPC, as amended December 21, 2005.
10(f)	The Supplemental Pension Plan for Officers and Managers of UPC and Affiliates, as amended December 21, 2005.
10(g)	Executive Incentive Plan (2005) – Deferred Compensation Program, as amended December 21, 2005.
12	Ratio of Earnings to Fixed Charges.
21	List of the Corporation's significant subsidiaries and their respective states of incorporation.
23	Independent Registered Public Accounting Firm's Consent.
24	Powers of attorney executed by the directors of UPC.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – James R. Young.
31(b)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – James R. Young and Robert M. Knight, Jr.
	Incorporated by Reference
3(a)	Revised Articles of Incorporation of UPC, as amended through April 25, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
3(b)	By-Laws of UPC, as amended, effective July 1, 2005, are incorporated herein by reference to Exhibit 3(b) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

4(a)	Indenture, dated as of December 20, 1996, between UPC and Citibank, N.A., as Trustee, is incorporated herein by reference to Exhibit 4.1 to UPC's Registration Statement on Form S-3 (No. 333-18345).
4(b)	Indenture, dated as of April 1, 1999, between UPC and JP Morgan Chase Bank, formerly The Chase Manhattan Bank, as Trustee, is incorporated herein by reference to Exhibit 4.2 to UPC's Registration Statement on Form S-3 (No. 333-75989).
4(c)	Form of Debt Security is incorporated herein by reference to Exhibit 4.3 to UPC's Registration Statement on Form S-3 (No. 33-59323).
	Certain instruments evidencing long-term indebtedness of UPC are not filed as exhibits because the total amount of securities authorized under any single such instrument does not exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such instrument upon request by the Commission.
10(h)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding Company, Inc., Union Pacific Merger Co. and Southern Pacific Rail Corporation (SP) is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(i)	Agreement, dated September 25, 1995, among UPC, UPRR, Missouri Pacific Railroad Company (MPRR), SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(j)	Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR, SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(k)	UPC 2001 Stock Incentive Plan, dated April 20, 2001, is incorporated herein by reference to Exhibit 99 to UPC's Current Report on Form 8-K dated March 8, 2001.
10(l)	UPC 2004 Stock Incentive Plan, effective as of April 16, 2004, is incorporated herein by reference to Exhibit 10 to UPC's Current Report on Form 8-K dated March 10, 2004.
10(m)	UP Shares Stock Option Plan of UPC, effective April 30, 1998, is incorporated herein by reference to Exhibit 4.3 to UPC's Registration Statement on Form S-8 (No. 333-57958).
10(n)	The Executive Incentive Plan of UPC, as amended May 31, 2001, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
10(o)	Written Description of Premium Exchange Program Pursuant to 1993 Stock Option and Retention Stock Plan of UPC is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
10(p)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended May 30, 2002, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

10(q)	UPC 2000 Directors Stock Plan is incorporated herein by reference to Exhibit 99 to UPC's Current Report on Form 8-K filed March 9, 2000.
10(r)	UPC Key Employee Continuity Plan dated November 16, 2000, is incorporated herein by reference to Exhibit 10(o) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.
10(s)	The Pension Plan for Non-Employee Directors of UPC, as amended January 25, 1996, is incorporated herein by reference to Exhibit 10(w) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
10(t)	The Executive Life Insurance Plan of UPC, as amended October 1997, is incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
10(u)	The UPC Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended January 1, 2003, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
10(v)	Charitable Contribution Plan for Non-Employee Directors of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(z) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
10(w)	Written Description of Other Executive Compensation Arrangements of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(q) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998.
10(x)	Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(y)	Form of Stock Unit Agreement for Executives is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(z)	Form of Stock Unit Agreement for Executive Incentive Premium Exchange Program is incorporated herein by reference to Exhibit 10(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(aa)	Form of Non-Qualified Stock Option Agreement for Directors is incorporated herein by reference to Exhibit 10(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Exhibit 10(a)

<u>2006 LONG TERM PLAN</u>
<u>STOCK UNIT AGREEMENT</u>

Dated: January 26, 2006

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

<u>STOCK UNITS</u>

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

2. **<u>RESTRICTION PERIOD</u>.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire on January 31, 2009 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 hereof.

3. **<u>PERFORMANCE CRITERIA</u>.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria are of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2006, 2007 or 2008. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

For the fiscal year ending December 31, 2006, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A for those Stock Units which have met the applicable ROIC Performance Criteria. For the fiscal year ending December 31, 2007, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A based on the average of the first two fiscal years of ROIC performance achieved less any Stock Units

earned in the first fiscal year. For the fiscal year ending December 31, 2008, you may earn up to two hundred percent of your Stock Unit Target Award as shown on Exhibit A based on the average of all three fiscal years (2006, 2007, and 2008) of ROIC performance achieved less any Stock Units earned in the first two fiscal years.

4. **DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, for those Stock Units which have met the applicable Performance Criteria, unless otherwise determined by the Committee, you shall be entitled to receive Dividend Equivalent Payments.

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

6. **PAYMENT OF STOCK UNITS.** (i) At the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008.

(ii) If your employment with the Company or a Subsidiary ends prior to the end of the Restriction Period and prior to a Change in Control, because you die or become Disabled, unless otherwise determined by the Committee, you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or Disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008 and further provided that such fiscal year precedes the date of your death or Disability. Section 8(c)(i) of the Plan pertaining to the vesting of Stock Units upon retirement at or after actual age 65 shall not be applicable. However, if you remain continuously employed and retire at or after actual age 60

under the provisions of the Company's or a Subsidiary's pension plan, you shall be entitled to receive the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your retirement, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008 and further provided that such fiscal year precedes the date of your retirement.

(iii) If a Change In Control occurs prior to the end of the Restriction Period and prior to your death, Disability or retirement on or after actual age 60 (as defined in section 8(c) of the Plan, as modified by Section 6(ii) hereof), shares of Common Stock equal to the number of Stock Units that would have been deliverable if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been delivered based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2006, 2007 or 2008 and further provided that such calendar year precedes the date of the Change in Control. In either event following the Change in Control no greater Performance Criteria may be earned under this Agreement.

(iv) If your employment with the Company or a Subsidiary ends for any other reason, with or without cause, prior to the earlier of the end of the Restriction Period or a Change in Control, you will forfeit all Stock Units and all of your rights to such Stock Units shall terminate without further obligation on the part of the Company.

(v) Any payment of Common Stock pursuant to this Section 6 shall occur on or before the 15th day of the third month of the calendar year following the calendar year in which you become entitled to such payment, except as provided in Section 18.

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

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

PROTECTION OF CONFIDENTIALITY

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically signing Exhibit A to this Agreement, you acknowledge that the Company regards certain

information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company (“Confidential Information”). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of (“Trade Secrets”).

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically signing Exhibit A, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically signing Exhibit A, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

12. **PRIOR NOTICE OF EMPLOYMENT, ETC.** By electronically signing Exhibit A, you acknowledge that if you become an employee, contractor, or consultant for any other railroad, this would create a substantial risk that you would, intentionally or unintentionally, disclose or rely upon the Company’s Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. You further acknowledge that such disclosures would be particularly damaging if made shortly after you leave the Company. Therefore, by electronically signing Exhibit A, you agree that for a period of one-

year after you leave the Company, before accepting any employment or affiliation with another railroad you will give written notice to the Sr. VP-HR & S of your intention to accept such employment or affiliation. You also agree to confer in good faith with the Sr. VP-HR & S concerning whether your proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets. If the Sr. VP-HR & S and you are unable to reach agreement on this issue, you agree to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. You also agree that you will not begin to work for another railroad until the Sr. VP-HR & S or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

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

NO DIRECT COMPETITION

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

apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

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

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

GENERAL

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

18. **DEFERRAL.** You may be provided with an opportunity to elect to defer receipt under a deferred compensation program established by the Committee that complies with Section 409A of the Internal Revenue Code of 1986, as amended (“Code”) of any payment of Common Stock under Section 6 hereof.

19. **SEVERABILITY.** If any provision of this Agreement is, becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the

Company, it shall be stricken and the remainder of the Agreement shall remain in force and effect.

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

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

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

To confirm acceptance of the foregoing, kindly click on Button 2 “Long Term Plan Award (Exhibit A)” and select “I accept the above award and the related Agreement”.

Sincerely,
UNION PACIFIC CORPORATION

By: /s/ Richard K. Davidson
Richard K. Davidson
Chairman

By: /s/ James R. Young
James R. Young
President and Chief Executive Officer

Long Term Plan Award (Exhibit A)
January 26, 2006

Please verify the following information:

First name:
Middle initial/name:
Last name:
ID:
Company:

If any of the above information is not correct, please check the box below:

☐ Incorrect Personal Information

Type of grant: **LTP Retention Units**

TARGET Number of retention units granted:

The amount of shares shown is the “target” number of shares that you are eligible to receive in accordance with the program design shown in the Long Term Plan Summary. This number is for 100% of target performance. The actual number of shares paid out at vesting, if any, depends on applicable performance criteria being met.

MAXIMUM Number of retention units granted:

The amount of shares shown is the “maximum” number of shares that you are eligible to receive in accordance with the program design shown in the Long Term Plan Summary. This number is for 200% of target performance. The actual number of shares paid out at vesting, if any, depends on applicable performance criteria being met.

Restriction period:

Restriction commencement date:

Restriction termination date:

By executing this Exhibit A, I acknowledge that I am bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

Please make a choice below:

☐ **I accept the above award and the related Agreement**

☐ **I do not accept this award and/or the related Agreement**

After making a choice please click the SEND button above.

For general tax purposes, Stock Units are valued at the time of vesting. When preparing tax calculations at the time of vesting, the Fair Market Value (FMV), the average of the high and low trading prices of the stock on the day after the restrictions lapse as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange issues, is used.

Exhibit 10(b)

STOCK UNIT AGREEMENT

Dated: January 26, 2006

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

STOCK UNITS

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

2. **RESTRICTION PERIOD.** The restriction period shall be 48 months, commencing on the date hereof and terminating on January 26, 2010 unless sooner terminated under provisions of the Plan (the "Restriction Period").

3. **DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, unless otherwise determined by Compensation and Benefits Committee of the Company's Board of Directors (the "Committee"), you shall be entitled to receive Dividend Equivalent Payments.

4. **RESTRICTIONS.** (i) Subject to Section 8(c) of the Plan, you shall not be entitled to delivery of the stock until the expiration of the Restriction Period; (ii) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of; (iii) your right to receive Dividend Equivalent Payments shall terminate without further obligation on the part of the Company at the earlier of your termination of employment with the Company or a Subsidiary (as defined in the Plan), or at the end of the Restriction Period; and (iv) all of the Stock Units shall be forfeited and all of your rights to such Stock Units and the right to receive Common Stock shall terminate without further obligation on the part of the Company unless you remain in the continuous employment of the Company or a Subsidiary, as defined in the Plan, for the entire Restriction Period, except as provided by Section 8(c) of the Plan modified as follows: Section 8(c)(i) of the Plan pertaining to the vesting of Stock Units upon retirement at or after actual age 65 shall not be applicable. However, if you remain continuously employed and retire at or after actual age 60 under the provisions of the Company's or a

Subsidiary's pension plan, on the date or dates identified below, the Stock Units shown on Exhibit A of this Agreement shall vest according to the following schedule: One-fourth of the total number of Stock Units shown on Exhibit A of this Agreement shall vest on January 26, 2007; one-fourth of the total number of Stock Units shown on Exhibit A of this Agreement shall vest on January 26, 2008; one-fourth of the total number of Stock Units shown on Exhibit A of this Agreement shall vest on January 26, 2009; and one-fourth of the Stock Units shown on Exhibit A of this Agreement shall vest on January 26, 2010.

5. **PAYMENT OF STOCK UNITS.** At the end of the Restriction Period or at such earlier time as provided for in Section 8(c) of the Plan (as modified by Section 4 hereof), and subject to Section 6 hereof, shares of Common Stock equal to the number of Stock Units shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) or your beneficiary or estate, as the case may be, free of all restrictions. Any payment of Common Stock shall occur on or before the 15th day of the third month of the calendar year following the calendar year in which you become entitled to such payment, except as provided in Section 6 hereof.

6. **DEFERRAL.** You may be provided with an opportunity to elect to defer receipt under a deferred compensation program established by the Committee that complies with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") of any payment of Common Stock under Section 5 hereof. Regardless of whether you elect to defer receipt of payment of any such Common Stock, if the Company reasonably anticipates that its deduction with respect to such payment would be limited or eliminated by Section 162(m) of the Code, receipt of any payment of such Common Stock shall be deferred until after you have separated from service as determined in accordance with Section 409A of the Code.

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

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

PROTECTION OF CONFIDENTIALITY

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically signing Exhibit A to this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to

third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically signing Exhibit A, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically signing Exhibit A, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

12. **PRIOR NOTICE OF EMPLOYMENT, ETC.** By electronically signing Exhibit A, you acknowledge that if you become an employee, contractor, or consultant for any other railroad, this would create a substantial risk that you would, intentionally or unintentionally, disclose or rely upon the Company's Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. You further acknowledge that such disclosures would be particularly damaging if made shortly after you leave the Company. Therefore, by electronically signing Exhibit A, you agree that for a period of one-year after you leave the Company, before accepting any employment or affiliation with another railroad you will give written notice to the Sr. VP-HR & S of your intention to accept such

employment or affiliation. You also agree to confer in good faith with the Sr. VP-HR & S concerning whether your proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets. If the Sr. VP-HR & S and you are unable to reach agreement on this issue, you agree to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. You also agree that you will not begin to work for another railroad until the Sr. VP-HR & S or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

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

NO DIRECT COMPETITION

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

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

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

GENERAL

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

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

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

To confirm acceptance of the foregoing, kindly click on Button 2 “Retention Unit Award (Exhibit A)” and select “I accept the above award and the related Agreement”.

Sincerely,
UNION PACIFIC CORPORATION

By: /s/ Richard K. Davidson	By: /s/ James R. Young
Richard K. Davidson	James R. Young
Chairman	President and Chief Executive Officer

Retention Unit Award (Exhibit A)
January 26, 2006

Please verify the following information:

First name:
Middle initial/name:
Last name:
ID:
Company:

If any of the above information is not correct, please check the box below:

☐ Incorrect Personal Information

Type of grant: **Retention Units**

Number of retention units granted:

Restriction period:

Restriction commencement date:

Restriction termination date:

By executing this Exhibit A, I acknowledge that I am bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

Please make a choice below:

☐ **I accept the above award and the related Agreement**

☐ **I do not accept this award and/or the related Agreement**

After making a choice please click the SEND button above.

For general tax purposes, Stock Units are valued at the time of vesting. When preparing tax calculations at the time of vesting, the Fair Market Value (FMV), the average of the high and low trading prices of the stock on the day after the restrictions lapse as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange issues, is used.

Exhibit 10(c)

EXECUTIVE NON-QUALIFIED STOCK OPTION AGREEMENT

Dated: January 26, 2006

This Letter Agreement (the "Agreement") will confirm a grant to you of a non-qualified stock option ("NQ") as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company (the "Plan"), a copy of which is included in this database and made a part hereof.

OPTION

1. **GRANT OF OPTION.** The Company hereby grants to you an NQ to purchase all or any part of the number of shares of Common Stock of the Company, par value $2.50 per share ("Common Stock"), as shown on Exhibit A of this Agreement, on the terms and conditions as set forth herein and in the Plan.

2. **OPTION PRICE.** The price at which the option shares may be purchased under the NQ (the "Option Price") is shown on Exhibit A of this Agreement, said price having been determined in accordance with the procedures established by a committee of the Board of Directors pursuant to the provisions of Section 3(b)(iii) of the Plan.

3. **DURATION AND EXERCISE OF THE OPTION.** The NQ shall be exercisable upon the terms and conditions of the Plan, as supplemented by this Agreement and not otherwise.

Except as otherwise provided in the Plan, the NQ may be exercised, at any time and from time to time, but only during the period beginning on January 26, 2007, for one third of the total number of shares as shown on Exhibit A of this Agreement, on January 26, 2008 for an additional one third of the total number of shares as shown on Exhibit A of this Agreement, and on January 26, 2009 for the total number of shares as shown on Exhibit A of this Agreement and ending on January 26, 2016. The NQ must be exercised in portions of 100 shares, or any integral multiple thereof, except to complete the exercise of the NQ.

The NQ is also subject to forfeiture or certain time limits for exercise in the event of your termination of employment or death, as contemplated in paragraph (g) of Section 6 of the Plan. Notwithstanding any other provision of this Agreement, no NQ may be exercised subsequent to January 26, 2016.

4. **METHOD OF EXERCISE.** The NQ may be exercised, during your lifetime, only by you. Exercise of the NQ shall be by appropriate notice accompanied by valid payment

in the form of (a) a check; (b) an attestation form confirming your current ownership of whole shares of Company Common Stock; and/or (c) an authorization to sell shares equal in value to the Option Price. Notices and authorizations shall be delivered and all checks shall be payable to the Company's third party stock plan administrator for the Company, or as otherwise directed by the Company.

5. **APPLICABILITY OF THE PLAN.** This Agreement and the NQ granted hereunder are subject to all of the terms and conditions of the Plan, as the same may be amended in accordance with Section 19 thereof, and may not be assigned or transferred, except by will or the laws of descent and distribution in the case of your death, as provided in paragraph (f) of Section 6 of the Plan.

6. **WITHHOLDING TAXES.** Upon exercise of the NQ, you must arrange for the payment to the Company (through the Company's third party stock plan administrator, if applicable) of all applicable withholding taxes resulting from such exercise promptly after notification of the amount thereof. You may elect to have shares withheld to pay withholding taxes, but only at the statutory minimum rate, if a proper election is made to pay withholding taxes in this manner.

PROTECTION OF CONFIDENTIALITY

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

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

external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically signing Exhibit A, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

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

NO DIRECT COMPETITION

11. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically signing Exhibit A, you agree that for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the

Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 11 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

12. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically signing Exhibit A, you acknowledge that Section 11 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 11. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 11, the Company would be entitled to an injunction from a Court to enforce those promises.

GENERAL

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

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

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

To confirm acceptance of the foregoing, kindly click on Button 2 "Non-Qualified Stock Option Award (Exhibit A)" and select "I accept the above award and the related Agreement".

Sincerely,
UNION PACIFIC CORPORATION

By: /s/ Richard K. Davidson	By: /s/ James R. Young
Richard K. Davidson	James R. Young
Chairman	President and Chief Executive Officer

Executive Non-Qualified Stock Option Award (Exhibit A)
January 26, 2006

Please verify the following information:

First name:
Middle initial/name:
Last name:
ID:
Company:

If any of the above information is not correct, please check the box below:

☐ Incorrect Personal Information

Type of grant: **Executive Non-Qualified Stock Option**

Number of option shares granted:

Option Price*:

Earliest exercisable date:

Please note, the earliest exercisable date refers to the entire number of option shares granted. With this award one third of the number of option shares granted will be exercisable one year after the grant date, another one third of the number of options shares granted will be exercisable two years after the grant date and the remaining number of option shares granted will be exercisable three years after the grant date. Please refer to the "Executive Non-Qualified Stock Option Agreement" for details.

By executing this Exhibit A, I acknowledge that I am bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

Please make a choice below:

☐ **I accept the above award and the related Agreement**

☐ **I do not accept this award and/or the related Agreement**

After making a choice please click the SEND button above.

* Option Price is the Fair Market Value (FMV), the average of the high and the low trading prices of the stock as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange issues, for the date of grant.

Exhibit 10(d)

UNION PACIFIC CORPORATION
EXECUTIVE INCENTIVE PLAN

Effective May 5, 2005

UNION PACIFIC CORPORATION

EXECUTIVE INCENTIVE PLAN

Union Pacific Corporation, a corporation existing under the laws of the State of Utah (the “Company”), hereby establishes and adopts the following Executive Incentive Plan (the “Plan”).

1. PURPOSE

The purposes of the Plan are to provide personal incentive and financial rewards to executives who, because of the extent of their responsibilities, can and do make significant contributions to the success of the Company and its Subsidiaries by their ability, industry, loyalty and exceptional services. Making such executives participants in that success will advance the interests of the Company and its shareholders and will assist the Company in attracting and retaining such executives.

2. DEFINITIONS

The following terms shall have the following meanings:

“Award” means an opportunity granted to a Participant under Section 5 to receive an amount under the Plan.

“Board” means the Board of Directors of the Company.

“Certification” shall have the meaning set forth in Section 5(c).

“Chief Executive Officer” means the chief executive officer of the Company, or the person performing the function of the principal executive officer of the Company, as of the end of the year.

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

“Committee” means the Compensation and Benefits Committee of the Board, or such other committee of the Board as may from time to time be designated by the Board to administer the Plan pursuant to Section 4.

“Covered Employee” means, with respect to any year, the Chief Executive Officer, any other executive of the Company or of any Subsidiary who is a “covered employee” within the meaning of Section 162(m) of the Code, or any successor provision thereto, and any other executive of the Company.

“Maximum Payment” shall have the meaning set forth in Section 5(b).

“Operating Income,” with respect to any Year, means the Company’s annual operating income (operating revenues less operating expenses) for the Year as prepared pursuant to generally accepted accounting principles applicable in the United States (“GAAP”), but excluding the effect of any (a) accruals for amounts payable in respect of the Plan, (b) gains or losses arising from or related to the extinguishment of debt, the disposal of real estate, restructurings and extraordinary items as disclosed in the Company’s consolidated statement of operations, notes to the consolidated financial statements or management’s discussion and analysis with respect to the consolidated financial statements for the applicable Year or in another Company filing with the Securities and Exchange Commission, and (c) the cumulative effect of changes in accounting principles. Operating Income excludes the effect of any discontinued operations reported in the Company’s consolidated statement of operations. For purposes solely of this definition of “Operating Income,” a “restructuring” shall be deemed to mean any event described in or reported pursuant to Item 2.05 of Securities and Exchange Commission Form 8-K.

“Participant” means any executive of the Company or of a Subsidiary of the Company selected by the Committee pursuant to Section 5(a) to receive an Award under this Plan with respect to any given Year. A Participant may be a person who becomes an executive during the Year.

“Shares” means the shares of the Company’s common stock, par value $2.50 per share, or a stock-based award, issued pursuant to and subject to the limitations of the Union Pacific Corporation 2004 Stock Incentive Plan or another stockholder-approved plan of the Company.

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

“Year” means a fiscal year.

3. ELIGIBILITY

The individuals entitled to participate in the Plan shall be the Company’s Chief Executive Officer and such other Participants as shall be selected from time to time by the Committee.

4. ADMINISTRATION

a. **Composition of the Committee**. The Plan shall be administered by the Committee, as appointed from time to time. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Committee shall consist of two or more directors, each of whom is an “outside director” as such term is defined under Section 162(m) of the Code.

b. **Powers of the Committee**. The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent

with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Participants to whom Awards may from time to time be granted hereunder; (ii) determine the terms of an Award and whether an Award shall be paid in cash or Shares, not inconsistent with the provisions of the Plan; (iii) determine the time when Awards will be made; (iv) establish the incentive pool in respect of a Year; (v) determine the total amount of incentives to be awarded in respect of a Year; (vi) certify the Maximum Payment for each Covered Employee in respect of a Year; (vii) interpret and administer the Plan; (viii) correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (ix) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

c. **Decisions of the Committee**. Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company and any Participant.

d. **Delegation of Authority**. To the extent not inconsistent with the applicable provisions of Section 162(m) of the Code, the Committee may delegate to a subcommittee or to one or more officers of the Company or any of its Subsidiaries the authority to take actions on its behalf pursuant to the Plan.

5. AWARDS

a. **Establishment of Incentive Program**. Not later than 90 days after the commencement of each Year, the Committee may establish the incentive program under this Plan for the Year by determining (i) the performance criteria to be used to determine the amount payable under the Plan, which may be applicable for purposes of determining the aggregate amount payable to all Participants (an "incentive pool") or may be applicable on an individual Participant basis, and (ii) any other conditions or criteria applicable to Awards. Notwithstanding the foregoing, the amount payable under any Award may be adjusted by the Committee (including to zero) as it determines in its discretion. Furthermore, the amount payable under the Plan may be increased by the Committee based upon amounts payable but not paid under the annual incentive program from the previous Year. Determinations of the Committee under this Section 5(a) shall be reviewed and approved by the Board.

b. **Maximum Payment for Covered Employees.** Notwithstanding any other provision of the Plan to the contrary, the maximum amount payable under an Award to any Covered Employee for any Year (such amount, the "Maximum Payment") shall not exceed 0.25% of Operating Income for that Year in the case of the Chief Executive Officer or 0.15% of Operating Income for that Year in the case of each other Covered Employee.

c. **Certification**. As soon as reasonably practicable following the conclusion of each Year, the Committee shall certify, in writing, Operating Income for purposes of the Plan, the size of the Maximum Payments for each Covered Employee for such Year and, to the extent required by Section 162(m) of the Code, that any other material terms were satisfied (the "Certification").

d. **Payment of Awards**. Following the Certification, the Committee shall determine in its discretion the amount, if any, actually to be paid under an Award to a Participant. The amount payable to a Covered Employee shall not exceed the Maximum Payment applicable to such Covered Employee. The actual amount of the Award determined by the Committee for a Year shall be paid to each Participant at such time as determined by the Committee in its discretion. Awards shall be paid in cash or, in the Committee's discretion, in Shares, or any combination thereof. Under a program approved by the Committee, a Participant may be entitled to elect to defer the payment of any Award payable to such Participant under the Plan, which such deferral may be paid in cash or Shares.

6. GENERALLY APPLICABLE PROVISIONS

a. **Amendment and Termination of the Plan**. The Board may, from time to time, alter, amend, suspend or terminate the Plan in whole or in part and, if suspended or terminated, may reinstate any or all of its provisions, except that without the consent of the Participant, no amendment, suspension or termination of the Plan shall be made which materially adversely affects Awards previously made to the Participant. Notwithstanding the foregoing, no amendment which is material for purposes of shareholder approval imposed by applicable law, including the requirement of Section 162(m) of the Code, shall be effective in the absence of action by the shareholders of the Company.

b. **Section 162(m) of the Code**. Unless otherwise determined by the Committee, the provisions of this Plan shall be administered and interpreted in accordance with Section 162(m) of the Code to ensure the deductibility by the Company or its Subsidiaries of the payment of Awards to Covered Employees.

c. **Tax Withholding**. The Company or any Subsidiary shall have the right to make all payments or distributions pursuant to the Plan to a Participant, net of any applicable Federal, State and local taxes required to be paid or withheld. The Company or any Subsidiary shall have the right to withhold from wages, Awards or other amounts otherwise payable to such Participant such withholding taxes as may be required by law, or to otherwise require the Participant to pay such withholding taxes. If the Participant shall fail to make such tax payments as are required, the Company or any Subsidiary shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant or to take such other action as may be necessary to satisfy such withholding obligations.

d. **Right of Discharge Reserved; Claims to Awards**. Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Participant the right to continue in the employment of the Company or any Subsidiary or affect any right that the Company or any Subsidiary may have to terminate the employment of (or to demote or to exclude from future Awards under the Plan) any such Participant at any time for any reason. No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants under the Plan.

e. **Other Plans**. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

f. **Severability**. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

g. **Construction**. All references in the Plan to "*Section" or* "*Section*," are intended to refer to the Section or Sections, as the case may be, of the Plan. As used in the Plan, the words "*include*" and "*including*," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "*without limitation*."

h. **Unfunded Status of the Plan.** The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

i. **Governing Law**. The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Utah and construed accordingly.

j. **Effective Date of Plan**. The Plan shall be effective on the date of the approval of the Plan by the holders of a majority of the shares voting at a duly constituted meeting of the shareholders of the Company. The Plan shall be null and void and of no effect if the foregoing condition is not fulfilled.

k. **Captions**. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

Exhibit 10(e)

SUPPLEMENTAL THRIFT PLAN

of

UNION PACIFIC CORPORATION

(As amended and restated in its entirety,
effective as of January 1, 1989)

ARTICLE ONE

Scope of Plan and Definitions

1.1 **Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, the Company intends to maintain the Plan as an "excess benefit plan" as that term is defined in Section 3(36) of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time and as it is in effect at the time that such Participant has a Separation from Service.

1.2 **Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:

(a) "Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan. The term "Account" shall refer, as the context indicates, to either or both of the following:

(1) "A Account" shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Section 4.1.

(2) "B Account" shall mean the Account which shows amounts credited to a participant pursuant to Section 2.2, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Section 4.1.

(b) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Thrift Plan in the event of his death, unless the Participant designates a different person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. If a Participant has made no such designation under the Thrift Plan, the Participant shall designate the person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. Absent such designation, the Participant's Beneficiary shall be his estate.

(c) "Compensation" shall mean the fixed and basic salary or wage paid by the Company or any Affiliated Company to an Employee during a Plan Year, exclusive of (1) overtime, (2) bonuses, (3) fees, (4) retainers, (5) incentive payments, lump-sum merit awards or any other form of extra remuneration, and (6) any amounts that the Employee receives with respect to periods when he is not an Eligible Employee. Notwithstanding the above, Compensation shall be determined prior to giving effect

to any salary reduction election made pursuant to the Thrift Plan or pursuant to the Union Pacific Flexible Benefits Program and prior to giving effect to any Compensation reduction agreement hereunder.

(d) "Eligible Employee" shall mean an Eligible Employee as defined in the Thrift Plan (1) for whom the Named Fiduciary-Plan Administration determines that the contributions that would be made and allocated under the Thrift Plan for a month if the limitations set forth in Sections 401(a)(17) and 415 of the Code did not apply might exceed his After-Tax Employee Contribution, Before-Tax Contribution and Matching Contribution made and allocated for the month, and (2) whom the Named Fiduciary-Plan Administration has designated as eligible to participate in this Plan.

(e) "Participant" shall mean (1) any Eligible Employee for whom credits have been or are being made hereunder, or (2) any former Eligible Employee for whom credits have been made hereunder and who either (A) continues to be employed by the Company or an Affiliated Company, or (B) has a vested interest in all or a portion of his Account which has not been distributed pursuant to Section 4.1.

(f) "Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan, as amended and restated in its entirety effective as of January 1, 1989 as set forth herein, and as it may hereafter be amended from time to time.

(g) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect as of January 1, 1989, and as it may thereafter be amended from time to time.

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

1.4 **Other Definitional Provisions** - The terms defined in Sections 1.2 and 1.3 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and ***vice versa***. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

ARTICLE TWO

Deferrals and Credits

2.1 Deferrals and Credits

(a) An Eligible Employee may elect to make monthly deferrals to be credited under the Plan by filing a Compensation reduction agreement with the Named Fiduciary-Plan Administration on such form and at such time in advance as may be prescribed by the Named Fiduciary-Plan Administration for such purpose. Such agreement shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Compensation for a month by the amount elected by the Eligible Employee under paragraph (b) below. The Company shall credit such amount to the Eligible Employee's A Account under the Plan. Any election to defer made pursuant to this paragraph (a) must be made prior to the performance of the services that give rise to the Compensation to be deferred and shall remain in effect until revoked by the Eligible Employee in writing or until his status as an Eligible Employee ends. Any such revocation shall be prospective in effect only.

(b) At an Eligible Employee's election, his monthly deferrals under paragraph (a) above to be credited under the Plan each month shall be an amount of his Compensation for the month equal to:

(1) (A) The After-Tax Employee Contribution and Before-Tax Contribution that would have been made for the month in accordance with the Eligible Employee's elections under the Thrift Plan (i) determined as if the limitations set forth in Sections 401(a)(17) and 415 of the Code did not apply, but (ii) reduced to take into account the limitations of Sections 401(k) and (m) of the Code, minus (B) the After-Tax Employee Contribution and Before-Tax Contribution actually made for the month, or

(2) Such lesser amount as the Eligible Employee may specify in the Compensation reduction agreement that he files with the Named Fiduciary-Plan Administration pursuant to paragraph (a) above.

Within the limits set forth above, an Eligible Employee may change the amount of his Compensation to be deferred for any subsequent month by filing a new Compensation reduction agreement with the Named Fiduciary-Plan Administration at such time before the beginning of such month as the Named Fiduciary-Plan Administration may prescribe.

(c) Notwithstanding anything to the contrary above, no deferrals shall be made from, and no amounts shall be credited hereunder with respect to, an Eligible Employee's

Compensation for the period necessary to comply with any limitations imposed as a result of a hardship withdrawal under the Thrift Plan or under any other qualified plan maintained by the Company or any Affiliated Company.

2.2 **Matching Credits** - The Company shall credit an Eligible Employee's B Account each month with an amount equal to:

(a) The monthly Matching Contribution that would have been allocated to the Eligible Employee under the Thrift Plan for the month determined as if the Eligible Employee's After-Tax Employee Contribution and Before-Tax Contribution for the month had included the deferrals credited under Section 2.1 above for the month and the limitations set forth in Section 415 of the Code did not apply, minus

(b) The monthly Matching Contribution that was actually allocated under the Thrift Plan on behalf of the Eligible Employee for the month.

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

2.4 **Valuation of Accounts** - Pending distribution pursuant to Section 4.1, the value of amounts credited to a Participant's A and B Accounts as of any subsequent date shall be determined by the Named Fiduciary-Plan Administration as follows:

(a) Except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI thereof, provided that investment elections for purposes of the Plan may differ from those made by such Participant under the Thrift Plan; or

(b) Except as provided in (c) below, after a Participant's accounts under the Thrift plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan, provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or

(c) Effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

ARTICLE THREE

Vesting

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

3.2 **B Accounts** - Each Participant shall be vested in the value of his B Account in accordance with the vesting provisions in Section 7.02 of the Thrift Plan. Each Participant who incurs a Bread in Service and who is not 100% vested in the value of his B Account when he incurs such Break in Service shall forfeit the value of such Account to the extent that it is not then vested.

ARTICLE FOUR

Payments

4.1 **Payments on Separation from Service** - As soon as administratively practicable following the completion of the first valuation of a Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, the value of the Participant's Account to the extent vested at the time of such Separation from Service shall be paid to the Participant or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries in a single lump-sum payment in cash. All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by which such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

ARTICLE FIVE

Administration

5.1 **Responsibilities and Powers of the Named Fiduciary-Plan Administration** - The Named Fiduciary-Plan Administration shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Named Fiduciary-Plan Administration shall have

the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Named Fiduciary-Plan Administration, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries.

5.2 **Outside Services** - The Named Fiduciary-Plan Administration may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Named Fiduciary-Plan Administration shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

5.3 **Indemnification** - The Company shall indemnify the Named Fiduciary-Plan Administration against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.

5.4 **Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Named Fiduciary-Plan Administration deems necessary or appropriate.

ARTICLE SIX

Amendment and Termination

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

6.2 **Termination** - The Plan is purely voluntary and the Board of Directors reserves the right to terminate the Plan at any time, provided, however, that the termination shall not operate to reduce the accrued benefit of any individual who is a Participant at the time the Plan is terminated.

ARTICLE SEVEN

General Provisions

7.1 **Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

7.2 **No Warranties** - Neither the Named Fiduciary-Plan Administration nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.

7.3 **Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Named Fiduciary-Plan Administration shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Named Fiduciary-Plan Administration shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.

7.4 **Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Named Fiduciary-Plan Administration.

7.5 **No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.

7.6 **Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Named Fiduciary-Plan Administration shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.

7.7 **Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.

7.8 **Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.

7.9 **Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the Commonwealth of Pennsylvania, without regard to the choice of law principles thereof.

7.10 **Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Named Fiduciary-Plan Administration, the Company, all Affiliated Companies and all other parties with respect thereto.

ARTICLE EIGHT

Participation of Certain Former Southern Pacific Rail Corporation Employees

8.1 **Participation** - The Company, acting through its Senior Vice President-Human Resources, may designate at its discretion any person participating in the Southern Pacific Rail Corporation Thrift Plan (the "SP Thrift Plan") during 1997 an Eligible Employee. Such person shall be referred to as an "SP Eligible Employee." The Senior Vice President-Human Resources is not required to treat similarly-situated persons the same way.

8.2 **Terms of Participation** - An SP Eligible Employee who elects to participate in the Plan shall be subject to its terms for amounts credited to such SP Eligible Employee's A Account or B Account that are attributable to 1997, except to the extent provided below.

(a) Amounts credited to an SP Eligible Employee's A Account shall be determined with reference to such Employee's elections under the SP Thrift Plan;

(b) Amounts credited to an SP Eligible Employee's B Account shall be determined by assuming such Employee participated in the Thrift Plan;

(c) Amounts credited to an SP Eligible Employee's B Account shall be fully vested; and

(d) For purposes of applying Section 1.2(d)(1) of the Plan, the SP Thrift Plan shall be substituted for Thrift Plan.

UNION PACIFIC CORPORATION
SUPPLEMENTAL THRIFT PLAN

WHEREAS, Union Pacific Corporation ("Company") desires to amend the Union Pacific Corporation Supplemental Thrift Plan ("UP Thrift Plan") to provide further flexibility regarding payments from the UP Thrift Plan upon a Separation from Service and to add an in-service withdrawal opportunity; and

WHEREAS, the Board of Directors of the Company by resolution adopted on May 31, 2001 authorized the Senior Vice President—Human Resources of the Company to amend the UP Thrift Plan as described above;

NOW, THEREFORE, I, Barbara W. Schaefer, Senior Vice President—Human Resources of the Company, do hereby amend the UP Thrift Plan, effective October 1, 2001, to amend and restate Article IV as follows:

ARTICLE FOUR

Payments

4.1 **Payments on Separation from Service**—

(a) Except as provided in subparagraph (b), as soon as administratively practicable following the completion of the first valuation of a Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, the value of the Participant's Account to the extent vested at the time of such Separation from Service shall be paid to the Participant or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries in a single lump-sum payment in cash.

(b) A Participant may elect in writing at least six (6) months prior to his Separation from Service and in the tax year prior to his Separation from Service to have his vested Account paid to him or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries, in accordance with one of the following forms:

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

(2) Annual installments over a period not to exceed fifteen (15) years, beginning as soon as administratively practicable following the Participant's Separation from Service with subsequent installments paid in January of each subsequent year, or January of the next year following such Separation from Service, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's vested Account by the number of installments remaining to be made; or

(3) A single lump sum distribution at a specified future date not to exceed fifteen (15) years from the Participant's Separation from Service, with investment income to be paid quarterly.

(c) On the death of a Participant whose Account is payable under (b)(2) or (3), the Named Fiduciary – Plan Administration, in his sole discretion, may accelerate one or more installments or payments, and change the form of payment or distribution in accordance with this Section 4.1, of any balance of a Participant's Account.

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

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

IN WITNESS WHEREOF, I have hereunto set my hand and caused these presents to be executed this 19th day of December, 2001.

/s/ Barbara W. Schaefer

Barbara W. Schaefer
Senior Vice President-Human Resources
Union Pacific Corporation

**AMENDMENT TO THE
UNION PACIFIC CORPORATION
SUPPLEMENTAL THRIFT PLAN**

WHEREAS, Union Pacific Corporation (the “Company”) sponsors the Union Pacific Corporation Supplemental Thrift Plan (“Plan”); and

WHEREAS, Section 6.1 of the Plan gives the Senior Vice President-Human Resources of the Union Pacific Corporation (the “Senior Vice President”) the authority to make a) all technical, administrative, regulatory and compliance amendments to the Plan; b) any amendment to the Plan necessary or appropriate to conform the Plan to changes in the Union Pacific Corporation Thrift Plan; and c) and any other amendment that will not significantly increase the cost of the Plan to the Company as she deems necessary or appropriate; and

WHEREAS, the Board of Directors of the Company, in a Resolution dated November 18, 2004, authorized the Senior Vice President to make any amendments to any nonqualified compensation or retirement plan as may be necessary or appropriate in response to the American Jobs Creation Act of 2004 (the “Act”); and

WHEREAS, it is desired to make certain amendments to the Plan to comply with the Act.

NOW, THEREFORE, I, Barbara W. Schaefer, Senior Vice President-Human Resources, do hereby amend the Plan as set forth below:

I. Section 2.1(a) is amended in its entirety effective January 1, 2005, to provide as follows:

“(a) An Eligible Employee may elect to make monthly deferrals to be credited under the Plan by filing a Compensation reduction agreement with the Named Fiduciary-Plan Administration on such form and at such time in advance as may be prescribed by the Named Fiduciary-Plan Administration for such purpose. Such agreement shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee’s Compensation for a month by the amount elected by the Eligible Employee under paragraph (b) below. The Company shall credit such amount to the Eligible Employee’s A Account under the Plan.

(1) Effective Prior to January 1, 2005. Any election to defer made pursuant to this paragraph (a) must be made prior to the performance of the services that give rise to the Compensation to be deferred and shall remain in effect until revoked by the Eligible Employee in writing or until his status as an Eligible Employee ends. Any such revocation shall be prospective in effect only.

(2) Effective for Plan Year Beginning January 1, 2005. For the Plan Year beginning January 1, 2005, any election made by an Eligible Employee to defer Compensation made pursuant to this paragraph (a) must be made prior to the date the Compensation to be deferred is paid or becomes payable and no later than March 15, 2005. Except as provided in Section 2.1(d), an Eligible Employee's election shall remain in effect until the earlier of: 1) when his status as an Eligible Employee ends; or 2) December 31, 2005."

II. A new Section 2.1(d) is added to the Plan effective January 1, 2005, to provide as follows:

"(d) Revocation of Deferral Election-Plan Year Beginning January 1, 2005. For the Plan Year beginning January 1, 2005, an Eligible Employee who elects to defer Compensation for such Plan Year pursuant to Section 2.1(a) may revoke such election by filing a revocation with the Named Fiduciary-Plan Administration on such form and at such time as may be prescribed by the Named Fiduciary-Plan Administration, but in any event, no later than December 31, 2005. Such revocation shall be effective as of January 1, 2005, and upon making such revocation, the Compensation previously elected to be deferred by the Eligible Employee for the 2005 Plan Year, plus earnings thereon, shall be paid to the Eligible Employee no later than December 31, 2005."

IN WITNESS WHEREOF, I, Barbara W. Schaefer, Senior Vice President-Human Resources, have hereunto set my hand and caused these presents to be executed this 21st day December, 2005.

/s/ Barbara W. Schaefer

Barbara W. Schaefer
Senior Vice President-Human Resources
Union Pacific Corporation

Exhibit 10(f)

SUPPLEMENTAL PENSION PLAN

For Officers and Managers

of

Union Pacific Corporation

and

Affiliates

(As amended and restated in its entirety

effective as of January 1, 1989, including all amendments

adopted through July 25, 2002)

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ARTICLE ONE

Scope of Supplemental Plan and Definitions

1.1 Introduction. This "Supplemental Plan," amended and restated effective as of January 1, 1989, and as it may hereafter be amended from time to time, establishes the rights to specified benefits for certain officers and managers or highly compensated employees who retire or otherwise terminate their Employment on or after January 1, 1989. The rights of any such individual who retired or otherwise terminated Employment prior to January 1, 1989 shall be subject to the terms of the Supplemental Plan as in effect at the date of retirement or termination, except to the extent otherwise provided herein. This Supplemental Plan is intended to be a non-qualified supplemental retirement plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA.

1.2 Definitions. As used in this Supplemental Plan, the following terms have the meanings set forth below, unless a different meaning is plainly required by the context:

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

(b) "Change in Control":

(i) prior to November 16, 2000, means:

(A) any person (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 (the "Act")), other than Union Pacific or a subsidiary or any employee benefit plan sponsored by Union Pacific or a subsidiary, becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) directly or indirectly of 30% or more of the outstanding stock of Union Pacific (calculated as provided in Rule 13d-3(d) under the Act in the case of rights to acquire common stock);

(B) the shareholders of Union Pacific approve (I) any consolidation or merger of Union Pacific in which Union Pacific is not the continuing or surviving corporation or pursuant to which shares of common stock of Union Pacific would be converted into cash, securities or other property, other than a merger of Union Pacific in which holders of common stock of Union Pacific immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before or (II) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Union Pacific; or

(C) there shall have been a change in the composition of the Board of Directors of Union Pacific such that within any period of two consecutive years or less

individuals who at the beginning of such period constituted such Board, together with any new directors whose election, or nomination for election by Union Pacific's shareholders, was approved by a vote of at least two-thirds of the directors then in office who were directors at the beginning of such period, shall for any reason no longer constitute a majority of the directors of Union Pacific.

(ii) on or after November 16, 2000, means a "Change in Control" as defined in the Union Pacific Corporation Key Employee Continuity Plan adopted November 16, 2000, as may be amended from time to time.

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

(d) "Early Supplemental Pension Retirement Date" means, subject to Sections 2.10(a)(ii)(B) and (b)(ii)(B), Section 2.11(b)(ii) and Section 2.13(b)(ii), the date of a Participant's termination of Employment after he becomes vested in his Supplemental Plan benefit under Section 4.2, before his Normal Retirement Date, and after either attainment of age 55 and completion of 10 years of Vesting Service or attainment of age 65, determined after taking into account (i) additional service credited under Section 1.2(p) and/or (ii) additional years of age, not exceeding five (5), as may be approved by the Chief Executive Officer of Union Pacific prior to the Participant's termination of Employment or as may be credited to the Participant pursuant to Section 2.5, 2.8, 2.10. 2.11, 2.12 or 2.13; provided, however that such date does not qualify as an Early Retirement Date under the terms of the Pension Plan.

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

(f) "Effective Date" means January 1, 1989, the effective date of this amendment and restatement; provided, however, that when a provision of this Supplemental Plan states an effective date other than January 1, 1989, such stated special effective date shall apply as to that provision.

(g) "Incentive Compensation" means:

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

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

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

(iv) the amount of retention stock (or retention units) awarded a Participant by the Compensation and Benefits Committee of the Company's Board of Directors (or any successor thereto) in lieu of a cash award under the Executive Incentive Plan,

but only to the extent that such incentive compensation or retention stock (or retention units) is not taken into account in computing the Participant's Final Average Compensation under the Pension Plan for reasons other than the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan. Awards of Incentive Compensation shall be taken into account at the time such awards would have been paid but for the Participant's election to forego or defer payment under a plan of the Company or an Affiliated Company; provided, however, that for purposes of calculating a Participant's benefit under this Supplemental Plan no more than the three highest awards of Incentive Compensation shall be counted in the Participant's highest 36 consecutive months of Compensation determined taking all Incentive Compensation into account.

(h) "Involuntary Termination Supplemental Pension" means the pension provided for in Section 2.5.

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

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

(i) whose Total Credited Service under Section 1.2(p) includes years that are not taken into account as Credited Service under the Pension Plan (including years not taken into account due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan);

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

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

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

(v) who is credited with additional years of age as described in Section 1.2(d)(ii), and

who has been designated by the Administrator as eligible to participate in the Supplemental Plan. In the event of the death or incompetency of a Participant, the term shall mean the Participant's personal representative or guardian for whatever amounts remain payable to the Participant under the terms of the Supplemental Plan.

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

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

(m) "Special 1990-1992 Window Participant" means a Pension Plan participant who retired under an early retirement window program described in Section 6.07 or 6.09 of the Pension Plan and who was prohibited under Section 6.12 (prior to 1999, Section 6.11) of the Pension Plan from receiving the benefits of the window program in any payment from the Pension Plan made for a month prior to November 1, 1994.

(n) "Surviving Spouse" means:

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

(ii) where payments to the Participant have begun under the Supplemental Plan prior to January 1, 1995 and prior to the Participant's death, the spouse who was legally married to the Participant continuously during the 12 months ending on the date that such payments began or who was legally married to the Participant on the date such payments began and for a period of at least 12 months ending on or before the date of the Participant's death;

(iii) where payments to the Participant have begun under the Supplemental Plan on or after January 1, 1995 but prior to the Participant's death:

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

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

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

provided, however, that, for benefits starting before July 25, 2002, the Surviving Spouse shall be determined as described in this paragraph (iii) unless the Administrator advised the Participant to the contrary.

(o) “Surviving Spouse’s Pension” means the pension provided for in Section 2.4.

(p) “Total Credited Service” means:

(i) all years of Credited Service (and portions thereof) as set forth in the Article IV of the Pension Plan, including Credited Service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan;

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

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

(iv) such additional years of service as may be credited to the Participant pursuant to Section 2.5, 2.8, 2.10, 2.11, 2.12 or 2.13.

(q) “Total Offset Service” means (i) all years of “offset service” (including portions thereof) as set forth in Article V of the Pension Plan, including years of offset service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.2(p)(ii), (iii) or (iv).

(r) “Union Pacific” means Union Pacific Corporation, or any successor to that corporation.

(s) “Vesting Service” means (i) all years of Vesting Service (including portions thereof) as set forth in Article IV of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.2(p)(ii), (iii) or (iv).

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

ARTICLE TWO

Amount and Payment of Pension

2.1 Normal Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on a Normal Retirement Date under the Pension Plan (including a Participant who has become a Disabled Participant under the Pension Plan and who ceases to be such on the Normal Retirement Date) shall be entitled to receive a Normal Supplemental Pension, in the form of a single life annuity commencing on the Participant's Normal Retirement Date, equal to the excess, if any, of:

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

(b) the annual nonforfeitable Accrued Benefit payable at Normal Retirement Date actually determined to be due under the Pension Plan.

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

2.2 Early Supplemental Pension.

(a) Participant Retires on Early Retirement Date. The following provisions apply to a Participant retiring on an Early Retirement Date under the Pension Plan:

(i) Benefit Payable on Normal Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on an Early Retirement Date under the Pension Plan shall be entitled to receive a Normal Supplemental Pension in the form of a single life annuity commencing at Normal Retirement Date, computed in accordance with Section 2.1 based on Total Credited Service, Total Offset Service, etc. as of the Participant's Early Retirement Date. A Participant retiring on an Early Retirement Date shall include a Participant who has become a Disabled Participant under the Pension Plan and who ceases to be a Disabled Participant on an Early Retirement Date.

(ii) Benefit Payable on Early Retirement Date. In lieu of the benefit described in (i), above, subject to the provisions of Articles Three, Five and Eleven, such Participant may receive an Early Supplemental Pension, in the form of a single life annuity commencing at the date prior to his Normal Retirement Date on which he elects to start his

pension under the Pension Plan. The Early Supplemental Pension shall be computed in the same manner as the Normal Supplemental Pension, but with the amounts described in Sections 2.1(a) and (b) adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan, taking into account any additional years of age described in Section 1.2(d)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.12 or 2.13).

(b) Participant Retires on Early Supplemental Pension Retirement Date. The following provisions apply to a Participant retiring on an Early Supplemental Pension Retirement Date:

(i) Participant Is Eligible to Start Pension Plan Benefit. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on an Early Supplemental Pension Retirement Date who is eligible to start a benefit under the Pension Plan upon his retirement may receive a Normal or Early Supplemental Pension as described in subsection (a); provided, however, that, for purposes of determining the Early Supplemental Pension as described in (a)(ii), above:

(A) the amount described in Section 2.1(a) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan, taking into account any additional years of age described in Section 1.2(d)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.12 or 2.13); and

(B) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan.

(ii) Participant Is Not Eligible to Start Pension Plan Benefit. Subject to the provisions of Article Three, Five and Eleven, a Participant retiring on an Early Supplemental Pension Retirement Date who either is not vested in or is not eligible to start a benefit under the Pension Plan upon his retirement shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following his Early Supplemental Pension Retirement Date, the amount of which shall be determined as follows:

(A) Prior to the earliest date, if any, that the Participant is eligible to start benefits under the Pension Plan, the Early Supplemental Pension payable under this provision shall be computed in the same manner as the Normal Supplemental Pension, except that:

(I) the amount described in Section 2.1(a) shall be adjusted for payment as of the early benefit start date as described in Section 6.03 of the Pension Plan for Pension Plan payments starting on an Early Retirement Date, taking into account any additional years of age described in Section 1.2(d)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.12 or 2.13); and

(II) the amount described in Section 2.1(b) shall be zero for purposes of determining the Early Supplemental Pension payable prior to the earliest date, if any, on which the Participant is eligible to start benefits under the Pension Plan.

(B) On and after the earliest date, if any, that the Participant is eligible to start benefits under the Pension Plan, the Early Supplemental Pension shall equal the excess of:

(I) the amount described in Section 2.2(b)(ii)(A)(I), above, calculated as of the early benefit start date on which payments under the Supplemental Plan began, over

(II) the amount described in Section 2.1(b) reduced for early payment in accordance with Section 6.04 of the Pension Plan as of such "earliest date" whether or not the Participant's Pension Plan benefit starts on that date.

Effective for benefits starting before July 25, 2002, payments under this subparagraph (b)(ii) were made as described above unless the Administrator advised the Participant to the contrary.

2.3 Postponed Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who retires on a Postponed Retirement Date shall be entitled to a Postponed Supplemental Pension, in the form of a single life annuity commencing at the Postponed Retirement Date, which is equal to the Normal Supplemental Pension, computed in accordance with Section 2.1 based on his Total Credited Service, Total Offset Service, etc. as of the Participant's Postponed Retirement Date (instead of his Normal Retirement Date) or, if earlier, as of his Required Beginning Date. If a Participant's benefits begin on his Required Beginning Date and prior to his termination of Employment, the Participant's benefits shall be adjusted thereafter as described in Section 8.06 of the Pension Plan.

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

(a) The Surviving Spouse of a Participant who dies while receiving a Normal or Postponed Supplemental Pension or an Early Supplemental Pension determined under Section 2.2(a), relating to retirement on a date that qualifies as an Early Retirement Date under the terms of the Pension Plan, shall be entitled to a Surviving Spouse's Pension equal to one-half of the single life annuity amount of the Normal, Early, or Postponed Supplemental Pension payable to such deceased Participant under the Supplemental Plan. Such Surviving Spouse's Pension shall be payable to such Spouse in equal monthly payments for life, commencing on the first day of the month immediately following the death of such Participant.

(b) The Surviving Spouse of a Participant who dies while receiving an Early Supplemental Pension determined under Section 2.2(b), relating to retirement on an Early Supplemental Pension Retirement Date (i.e., a date that does not qualify as an Early Retirement Date under the terms of the Pension Plan), shall be entitled to a Surviving Spouse's Pension. The Surviving Spouse's Pension shall be payable in equal monthly payments for the Surviving Spouse's life, commencing on the first day of the month immediately following the Participant's death, which shall equal one-half of the single life annuity amount calculated for the Participant

under Section 2.2(b)(i)(A) or 2.2(b)(ii)(A)(I), as appropriate, as of the Participant's early benefit start date; provided, however, that monthly payments to the Surviving Spouse shall be reduced by any pre-retirement survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan from the earliest date following the Participant's death that such survivor benefit is payable from the Pension Plan, even if benefits to the Surviving Spouse have not started on that earliest date. Effective for benefits starting before July 25, 2002, payments under this subsection (b) were made as described above unless the Administrator advised the Participant and/or Surviving Spouse to the contrary.

(c) The Surviving Spouse's Pension described in this Section 2.4 is payable in addition to any other death benefit that may be payable to the Surviving Spouse or other beneficiary of the Participant under the form of payment in which the Participant's Supplemental Pension is paid pursuant to Article Three. However, except with respect to Participants who qualify for the enhancements described in Sections 2.8, 2.10, 2.11, 2.12 or 2.13, in no event shall the Surviving Spouse who is entitled to the Surviving Spouse's Pension, if also designated as the Participant's beneficiary under a joint and survivor annuity payable under the Supplemental Plan, receive a total benefit from the Supplemental Plan that is more than 100% of the retirement income otherwise payable to the Participant under the Supplemental Plan.

2.5 Involuntary Termination Supplemental Pension.

(a) The following provisions apply with respect to Change in Control occurring on or before November 15, 2000:

(i) In lieu of the benefit described in Section 2.1 or 2.2, if the Employment of any Participant (A) who is an elected officer, and (B) whose highest annual Compensation (including Incentive Compensation) is not less than $200,000, is involuntarily terminated prior to the 5th anniversary of a Change in Control and prior to Normal Retirement Date, and if, at the time of such involuntary termination, such Participant has completed 10 or more years of Vesting Service and is within the 10-year period immediately preceding Normal Retirement Date, such Participant shall be entitled to an Involuntary Termination Supplemental Pension commencing at Normal Retirement Date, equal to the Normal Supplemental Pension computed in accordance with Section 2.1 as of his termination date, with the amount in Section 2.1(a) based on Total Credited Service and Total Offset Service credited and as projected to be credited to the 5th anniversary of such Change in Control (or, if earlier, the Participant's Normal Retirement Date). In lieu thereof, such Participant may elect an Early Retirement Date and receive an Involuntary Termination Supplemental Pension commencing on such Early Retirement Date equal to the Early Supplemental Pension computed in accordance with Section 2.2 as of the Early Retirement Date, with the amount in Section 2.1(a) based on Total Credited Service and Total Offset Service credited and as projected to be credited to the 5th anniversary of such Change in Control (or, if earlier, the Participant's Normal Retirement Date) adjusted in accordance with Section 6.03 of the Pension Plan, but based on the Participant's projected age on the 5th anniversary date of such Change in Control (or, if earlier, Normal Retirement Date).

(ii) In lieu of the benefit described in Section 4.2, if the Employment of any Participant (other than a Participant described in (i) above), is involuntarily terminated prior to the 5th anniversary of a Change in Control and prior to Normal Retirement Date, and if

such Participant would have attained age 55 and been credited with at least 15 years of Vesting Service had the Participant continued to be employed to such 5th anniversary, such Participant shall be entitled to an Involuntary Termination Supplemental Pension commencing on the date provided for a benefit described under Section 4.2, equal to the benefit amount computed under Section 4.2, with the amount in Section 2.1(a) based on Total Credited Service and Total Offset Service credited and as projected to be credited to the 5th anniversary of such Change in Control (or, if earlier, the Participant's Normal Retirement Date) provided that, in the event such Participant elects to receive the supplemental pension commencing on a date prior to his Normal Retirement Date, the Actuarial Equivalent referred to in Section 4.2 shall be based on the Participant's projected age on the 5th anniversary date of such Change in Control (or, if earlier, his Normal Retirement Date).

(iii) For purposes of this subsection (a), the term "involuntary termination" means any action taken subsequent to a Change in Control by Union Pacific or the Company or any successor to, or assignee of, its obligations under this Supplemental Plan, either (A) terminating Employment for other than an unlawful act or, (B) without the consent of a Participant, adversely affecting employment status by reducing earnings or demoting in title, or lessening of authority or responsibilities, or changing the situs of employment which requires a change of residence, of such Participant and, as a result, such Participant terminates Employment.

(iv) In the event any amount paid or benefit otherwise received by a Participant under the Supplemental Plan shall be determined by the Internal Revenue Service to constitute an "excess parachute payment" as such term is defined in section 280G of the Code, together with all other payments and benefits outside of the Supplemental Plan that are taken into account in making such determination, and to be subject to an excise tax under section 4999 of the Code, or any successor provision thereto (collectively, "Excise Tax"), the Company shall pay to the Participant an additional amount such that after taking into account all income and employment taxes, including the Excise Tax, interest and penalties with respect thereto, incurred by the Participant on the receipt of such additional amount, the Participant is left with the same after-tax amount the Participant would have been left with had no Excise Tax been imposed.

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

2.6 Suspension of Benefits.

(a) Date of Benefit Suspension. Notwithstanding any provisions of Article Two or Article Four to the contrary, the payment of the pension to which a Participant is otherwise entitled under the Supplemental Plan shall be suspended during any period for which payment of a pension to which such Participant may otherwise be entitled under the Pension Plan is (or would be) suspended under the terms of the Pension Plan due to such Participant's return to Employment. The pension payable to the Participant under the Supplemental Plan which has been suspended shall resume on the same date as payments to the Participant under the Pension Plan resume (or would resume if the Participant had been entitled to such a pension).

(b) Resumption of Payments. Upon the resumption of payment of such pension hereunder to such Participant, the resumed benefits shall be recalculated taking into account any increases in the Participant's Total Credited Service, Total Offset Service, Incentive Compensation, age and so forth. However, no actuarial or other adjustment shall be made to reflect such suspension. The resumed benefit shall be offset, in a manner prescribed by the Administrator, by (i) any benefit paid during a month in which benefits should have been suspended but were not, which has not previously been repaid to the Company by the Participant, and (ii) the Actuarial Equivalent of any benefits paid prior to Normal Retirement Date.

(c) Form of Resumed Payments. The resumed payments (including any additional benefits earned during the period of suspension) under the Supplemental Plan shall be paid to the Participant in the same form of payment as the Participant elects for his resumed payments under the Pension Plan. If the Participant is not entitled to any benefits under the Pension Plan, the resumed payments under the Supplemental Plan shall resume in the same form of payment in effect for the Participant before payments were suspended.

2.7 Benefits for Special 1990-1992 Window Participants. Each Special 1990-1992 Window Participant (or the Surviving Spouse or other beneficiary of a Special 1990-1992 Window Participant) shall receive from the Supplemental Plan in each month the individual receives a payment from the Pension Plan prior to November 1, 1994, an amount equal to the excess of:

(a) the amount that would have been payable to the individual from the Pension Plan for that month, had the provisions of Section 6.12 (prior to 1999, Section 6.11) of the Pension Plan not applied; over

(b) the amount actually paid to the individual from the Pension Plan for that month.

2.8 Window Benefits for Highly Compensated Employees. Each Participant who was a Covered Employee under the Pension Plan, who retired under an early retirement window program described in Section 6.06, 6.07 or 6.09 of the Pension Plan but on the relevant date was excluded from participation in the Pension Plan pursuant to Section 3.01(c) of the Pension Plan or was excluded from participation in the window program due to his status as an officer, shall be deemed for all purposes under the Supplemental Plan to have the additional years of service and the additional years of age that would have been credited to the Participant under the Pension Plan pursuant to such program if Section 3.01(c) of the Pension Plan had not applied to the Participant; provided, however, that service credited pursuant to this Section shall not cause the Participant's Total Credited Service or Total Offset Service to exceed 40 years, and no Participant's deemed age shall exceed 65 years.

2.9 1991 Cost-of-Living Increase. Effective December 1, 1991, the monthly benefit payment to any person who is (a) a former employee of the Company then receiving retirement benefits under this Supplemental Plan (regardless of the employee's termination date), or (b) a beneficiary or surviving spouse then receiving death benefits under this Supplemental Plan shall be increased by the percentage shown in the following table.

Participant's Benefit Start Date or Surviving Spouse's Benefit Start Date for Pre-Retirement Death Benefits	Increase in Supplemental Pension
1978 or earlier	19%
1979	16%
1980	13%
1981	10%
1982	7%
1983	6%
1984	5%
1985	4%
1986	3%
1987	2%
1988 or later	0%

However, such increase shall only be applied to the portion, if any, of the amount being received due to participation in this Supplemental Plan that does not exceed the difference between $108,963 per year and the amount being received by such person under the Pension Plan as increased by resolutions of the Board of Directors of Union Pacific unanimously adopted on June 27, 1974 and May 31, 1979 (before adjustment to reflect the increases effective December 1, 1991).

2.10 1999 Window Program.

(a) 1999 5x5 Program.

(i) Effective July 1, 1999, the benefit enhancements described in subsection (ii) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (i)(A) and (B).

(A) The requirements of this subparagraph are satisfied by a Covered Employee:

(I) whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least $110,000 and whose annual salary rate as of July 1, 1999 is less than $140,000;

(II) who is at least age 55 by July 1, 2000;

(III) whose most recent date of hire as an Employee is before June 30, 1994;

(IV) who, as of July 1, 1999, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(V) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after July 15, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(VI) who elects to receive the benefit enhancements described in subsection (ii) during the period beginning July 1, 1999, and ending July 31, 1999, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan or the Pension Plan) that the Employee may have against Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company and does not revoke such waiver within the time prescribed by the Company.

(B) The requirements of this paragraph are satisfied by a Covered Employee who, as of May 18, 1999, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Company Covered Employees, unless indicated to the contrary.

Departments	**Departmental Limit**
Corporate Relations (excluding Government Affairs)	4
Engineering (excluding employees who report directly to a Regional office)	80
Finance (excluding Accounting, Real Estate and Tax)	3
Human Resources – Development & Training	5
Human Resources - Other	8
Information Technologies/Union Pacific Technologies (excluding UPT employees working exclusively on commercial business)	100

Departments	Departmental Limit
Labor Relations	24
Law (excluding Little Rock)	10
Marketing & Sales - Damage Prevention	3
Marketing & Sales - Marketing Services (including NDMC)	20
Marketing & Sales - NCSC (excluding ICSC)	13
Marketing & Sales - Agricultural Products	7
Mechanical - Car (excluding employees who report directly to a Regional office)	15
Mechanical - Locomotive (excluding employees who report to directly to a Regional office)	18
Network Design and Integration	20
Risk Management - Police	10
Risk Management - Other	21
Supply	21
Operating Support Services/Quality	6

In the event the number of Covered Employees satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan), as of July 1, 1999, and the benefit enhancements described in subsection (ii) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(ii) Each Covered Employee described in subsection (i) shall:

(A) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(B) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan, and

(C) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan.

(b) 1999 5x5 Program II.

(i) Effective December 1, 1999, the benefit enhancements described in subsection (ii) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (i)(A) and (B).

(A) The requirements of this subparagraph are satisfied by a Covered Employee:

(I) whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least $110,000 and whose annual salary rate as of December 1, 1999 is less than $140,000 (but excluding any Covered Employee in the Marketing and Sales Department whose annualized 1999 base salary is more than $85,000);

(II) who is at least age 55 by July 1, 2000;

(III) whose most recent date of hire as an Employee is before June 30, 1994;

(IV) who, as of December 1, 1999, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(V) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after July 15, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(VI) who elects to receive the benefit enhancements described in subsection (ii) during the period beginning December 1, 1999, and ending December 31, 1999, by submission of a written election and execution of other documents,

including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan or the Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(B) The requirements of this subparagraph are satisfied by a Covered Employee who, as of December 1, 1999, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Company Covered Employees, unless indicated to the contrary.

Departments	Departmental Limit
Western Regional Staff (excluding Service Unit staff)	5
Northern Regional Staff (excluding Service Unit staff)	19
Southern Regional Staff (excluding Service Unit staff)	5
Commissary Services	3
Information Technologies/Union Pacific Technologies (excluding UPT employees working exclusively on commercial business)	51
Marketing & Sales - Commodity Groups	11
Marketing & Sales - Marketing Services (including NDMC)	10
Supply	8

In the event the number of Covered Employees satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan), as of December 1, 1999, and the benefit enhancements described in subsection (ii) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(ii) Each Covered Employee described in subsection (a) shall:

(A) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(B) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan,

(C) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan, and

(D) for purposes of calculating benefits payable under this Supplemental Plan, have the Railroad Retirement Annuity used for his governmental offset described in Section 5.01(b) of the Pension Plan determined as if his termination of Employment occurred on December 31, 1999.

2.11 <u>2000 VERP</u>

(a) Effective April 1, 2000, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (a)(i) and (ii).

(i) The requirements of this subparagraph are satisfied by a Covered Employee:

(A) whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least $110,000 and whose annual salary rate as of April 1, 2000 is less than $140,000;

(B) who is at least age 55 by December 31, 2000;

(C) whose most recent date of hire as an Employee is on or before March 31, 1995;

(D) who, as of April 1, 2000, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(E) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after December 31, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(F) who elects to receive the benefit enhancements described in subsection (b) during the period beginning April 1, 2000, and ending April 30, 2000, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan or the Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(ii) The requirements of this subparagraph are satisfied by a Covered Employee who, as of April 1, 2000, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Covered Employees, unless indicated to the contrary.

Department	Total Eligible Employees	Departmental Limit
Network Design & Integration - Business Planning (Bulk), Service Scheduling	2	2
Network Design & Integration - Car Management	8	4
Harriman Dispatching Center - Administrative Support in Locomotive Management, Bulk Operations & Operations Support - Administration	2	1
Harriman Dispatching Center - Directors in Locomotive Management, Bulk Operations and Operations Support - Administration	2	1
Harriman Dispatching Center - Managers in Locomotive Management, Bulk Operations and Operations Support - Administration	21	8
Mechanical Department- Car - Perishables - UPFE	4	4
Risk Management - UPRR - Police	51	4

In the event the number of Covered Employees satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 exceeds a Departmental

Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan) as of April 1, 2000, and the benefit enhancements described in subsection (b) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(ii) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan, and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan.

2.12 <u>2001 VERP</u>

(a) Effective March 1, 2001, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (a)(i) and (ii).

(i) The requirements of this subparagraph are satisfied by a Covered Employee:

(A) whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least $110,000 and whose annual salary rate as of December 31, 2000 is less than $140,000;

(B) who is at least age 52 on or before May 1, 2001;

(C) who is an active non-agreement employee on a Band D or lower position working in one of the departments listed in subparagraph (a)(ii) as of December 31, 2000;

(D) who, as of March 1, 2001, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(E) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after September 30, 2001, and continues to provide satisfactory service as determined by the Company until that date; and

(F) who elects to receive the benefit enhancements described in subsection (b) during the period beginning February 2, 2001, and ending March 5, 2001, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan or Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(ii) The requirements of this subparagraph are satisfied by a Covered Employee who, as of December 31, 2000, is employed in one of the following departments, and is a Covered Employee on March 1, 2001, provided that the number of Covered Employees of such department satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Covered Employees, unless indicated to the contrary.

Department	Sub Group	Departmental Limit
Corporate Relations	Communications	8
	Government Affairs - Omaha	2
Executive	Comissary	6
Finance	Accounting -Omaha (excluding VP and Contr. Staff)	6
	Accounting - St. Louis	3
	Banking & Credit	2
	Financial Analysis	1
	Planning & Analysis (excluding Bus. Dev. Planning)	3
	Real Estate - Admin.	2
	Real Estate - Contracts	3
	Real Estate - Facility Man	2
	Real Estate - Field Ops	12
	Real Estate - Ops Supp	3
	Tax	4
Human Resources	Planning & Development	8
	Administrative Staff	1
	All Other Groups	6
IT/UPT	All	211
Labor Relations	Administration	3
	Benefits	1
	Operations & Non-Ops	1
	Peer Support	1

Department	Sub Group	Departmental Limit
Law	All	10
Marketing & Sales	Ag Products	3
	Autos	6
	Chemicals	6
	Customer Relations	2
	Energy - Acct. Mgt.	1
	Energy - Logistics	1
	Industrial Products	12
	Interline	2
	Intermodal	6
	NCSC	10
	Revenue Information Mgt.	1
	UPDS	2
Operating	Car	15
	CMS & Timekeeping	6
	Engineering	135
	HDC (excluding Train Dispatchers)	23
	Locomotive -North Little Rock	4
	Locomotive - Oper. Regions	5
	Locomotive - All Other	9
	Operating Practices & Safety	7
	Operating Region - Northern (excluding Train Dispatchers & Metra)	—
	Telecommunications	1
	Signal	1
	All Other	46
	Operating Region - Southern (excluding Train Dispatchers)	55
	Operating Region - Western (excluding Train Dispatchers):	—
	Admin. & Train Mgt.	2
	Car	6
	Engineering - Bridge	1
	Engineering - Environmental	2
	Engineering - Signal	2
	Engineering - Track	5
	Locomotive	2
	Region Staff	5
	Transportation	19
	Risk Mgt. - Claims & Health Services	18
	Risk Mgt. - Police (excluding Internal Placement)	1

Department	Sub Group	Departmental Limit
	Support Serv. -Jt. Fac. & NRPC Op.	1
	Support Serv. - All Other	1
NDI	All	15
Supply	All	17
UPC	Corporate Audit	1

In the event the number of Covered Employees satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than $110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan) as of March 31, 2001, and the benefit enhancements described in subsection (b) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 10 years in the aggregate (other than for purposes of determining any actuarial reduction for payment before Normal Retirement Date for any governmental or other offset described in Section 5.01(a)(1)(C) or in Table I, Section XII, Part1 C or D of the Pension Plan), which shall first be applied to the Covered Employee’s age (up to a maximum of age 65) then to service (up to a maximum of 40 years of service),

(ii) be treated as having completed 5 years of actual Vesting Service for purposes of Sections 4.1 and 4.2, and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan.

(c) Effective April 1, 2001:

(i) notwithstanding anything to the contrary in Section 2.12(a)(i)(E), but only with the consent of the Covered Employee, the termination date selected by the Company for a Covered Employee in Real Estate - Contracts, Real Estate - Field Ops, and Real Estate - Ops Supp may be any date on or before December 31, 2001.

(ii) The Departmental Limit is increased for the subgroups listed in Section 2.12(a)(ii) as set forth below:

Department	Sub Group	Revised Departmental Limit
Finance	Accounting - Omaha (excluding VP and Contr. Staff)	7
	Real Estate - Ops Supp	5
Human Resources	All Other Groups	8
Labor Relations	Operations & Non-Ops	2
Marketing & Sales	Ag Products	4
	Energy - Logistics	2
	Industrial Products	14
	NCSC	17
Operating	Operating Practices & Safety	11
	Signal	3
	All Other	47
	Engineering - Signal	3
	Engineering - Track	7
	Region Staff	8
	Transportation	27

To be eligible for the benefit enhancement described in Section 2.12(b), a Covered Employee must be described in Section 2.12(a)(i) and (ii) who, but for the increase in the Departmental Limit, would not have received the benefit enhancement described in 2.12(b) and who elects to receive the benefit enhancement described in Section 2.12(b) by submitting a written election during the period beginning April 2, 2001 and ending April 9, 2001.

2.13 Railroad 1996 Voluntary Early Retirement Program.

(a) Effective March 20, 1996, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who:

(i) is actively employed on March 20, 1996 by: (A) Union Pacific Railroad Company (“Railroad”); (B) Union Pacific Motor Freight Company (“Motor Freight”); (C) Union Pacific Technologies Transportation System, Inc. (“UPTTS”) or Union Pacific Distribution Services Company (“UPDS”) (collectively, the “VERP Companies”);

(ii) is not a Grade 28 or above on March 20, 1996;

(iii) is not on terminal vacation or on a leave of absence (other than one required by the Family and Medical Leave Act of 1993) on March 20, 1996;

(iv) is not a loaned executive, in a temporary position or in the internal placement program on March 20, 1996;

(v) has not previously been accepted to participate in a voluntary force reduction program;

(vi) does not have an existing termination agreement in effect with the VERP Companies;

(vii) is employed on March 20, 1996: (A) in Omaha, Nebraska by the Railroad's Information Technologies Department or Marketing and Sales Department; (B) in Omaha, Nebraska by UPTTS; (C) in Omaha, Nebraska by UPDS, or (D) by Union Pacific Motor Freight Company;

(viii) had at least 10 years of Vesting Service under the Pension Plan as of March 20, 1996 and will attain the age of at least 52 by July 1, 1996;

(ix) had total pay in 1995 as reported on Form W-2, plus amounts not included in taxable income due to a salary deferral election made pursuant to the terms of a qualified cash or deferred arrangement (within the meaning of section 401(k) of the Code) or a cafeteria plan (within the meaning of section 125 of the Code) maintained by the Employer of $125,000 or more;

(x) elects not earlier than March 20, 1996 and not later than April 20, 1996 by submission of a written election in the form and manner prescribed by the Administrator to retire and terminate Employment with the benefit enhancements described in this Section; and

(xi) remains actively employed by the VERP Companies through the date communicated to the Covered Employee in writing on or before March 20, 1996, which date shall not thereafter be changed for any reason and shall not be earlier than May 1, 1996 nor later than April 30, 1997, except that the dates for the Railroad's Information Technologies Department are July 1, 1996 and June 30, 1997, respectively.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 10 years in the aggregate (other than for purposes of determining any actuarial reduction for payment before Normal Retirement Date for any governmental or other offset described in Section 5.01(a)(1)(C) or in Table I, Section XII, Part 1 C or D of the Pension Plan), which shall first be applied to the Covered Employee's age (up to a maximum of age 65) then to service (up to a maximum of 40 years of service);

(ii) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan; and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan.

ARTICLE THREE

Manner of Payment

3.1 Payments For Retirements Under Section 2.1, 2.2(a), 2.2(b)(i) and 2.3. Except as provided in Section 3.3, if (a) a Participant retires on a Normal Retirement Date, an Early Retirement Date, an Early Supplemental Pension Retirement Date, or a Postponed Retirement Date under Section 2.1, 2.2(a), 2.2(b)(i) or 2.3, and (b) at retirement is eligible to start both a Supplemental Pension under Article Two of this Supplemental Plan and a pension under the Pension Plan, payment of the Supplemental Pension shall begin on the date the Participant’s Pension Plan benefits begin pursuant to his election under the Pension Plan (and not earlier or later). In addition, the Supplemental Pension shall be paid in the same form, and shall be subject to the same adjustment for form of payment and the same Beneficiary designation, as apply to the Participant’s Pension Plan benefit; provided, however, that in the event the Participant is eligible for and elects a level income option under the Pension Plan, the Supplemental Pension shall be paid as a single life annuity.

3.2 Payments For Retirements Under Section 2.2(b)(ii). Except as provided in Section 3.3, if a Participant retires on an Early Supplemental Pension Retirement Date, and at retirement either is not vested in or is not eligible to start a pension under the Pension Plan, payment of his Supplemental Pension shall begin on the first day of the month next following the Participant’s Early Supplemental Pension Retirement Date. The Participant’s Supplemental Pension will be paid in the form of a single life annuity. The Participant is not eligible to elect payment of his Supplemental Pension in any other form.

3.3 Payments Starting Before July 25, 2002. Effective for benefits starting before July 25, 2002, the Administrator may have permitted a Participant described in Section 3.1 or 3.2 who was retiring on an Early Supplemental Pension Retirement Date that did not qualify as an Early Retirement Date under the Pension Plan to elect, in the manner prescribed by the Administrator, to receive payment of his Supplemental Pension in any form of payment described in Article VIII of the Pension Plan that would have been available to the Participant had he retired on an Early Retirement Date under the Pension Plan. If the Participant was permitted to and elected a form of payment other than a single life annuity, the Supplemental Pension payments are actuarially adjusted for the form of payment elected by the Participant, as determined by the Administrator, using factors for that purpose set forth in the Pension Plan.

ARTICLE FOUR

Vesting

4.1 Termination Prior to Vesting.

(a) A Participant whose Employment terminates before April 27, 1989, before Early or Normal Retirement Date, and before the completion of 10 years of Vesting Service (including within such Vesting Service not less than 5 years of actual Vesting Service under the Pension Plan) shall not be entitled to any benefit under this Supplemental Plan.

(b) Except as provided in Section 2.5 or 2.12(b)(ii), a Participant who terminates Employment on or after April 27, 1989, before Early or Normal Retirement Date, and before completion of 5 years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.2(p)(ii) or credited under Section 2.5) shall not be entitled to any benefit under this Supplemental Plan; provided, however, that the Chief Executive Officer of Union Pacific may reduce the required years of actual Vesting Service to 3 if the Chief Executive Officer of Union Pacific determines that such change would not be disadvantageous to the Company in the case of any Participant. The Chief Executive Officer of Union Pacific shall make such determination by the date the Participant terminates Employment.

4.2 Termination After Vesting. Except as provided in Section 2.5, 2.12(b)(ii) or 4.4 or Articles Five and Eleven, a Participant who:

(a) terminates Employment before Normal or Early Retirement Date and before Early Supplemental Pension Retirement Date but after (i) completing 5 (or 3, if applicable) years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.2(p)(ii) or credited under Section 2.5) in the case of Employment termination on or after April 27, 1989, or (ii) completing 10 years of Vesting Service (including at least 5 years of actual Vesting Service under the Pension Plan) in the case of Employment termination prior to April 27, 1989; or

(b) becomes a Disabled Participant under the Pension Plan and ceases to be a Disabled Participant prior to Normal or Early Retirement Date,

shall be entitled to receive, commencing on the Participant’s Normal Retirement Date, the Normal Supplemental Pension computed under Section 2.1 as of the date the Participant terminated Employment or ceased to be a Disabled Participant. In lieu thereof, such Participant shall receive a Supplemental Pension commencing on the earliest of:

(i) any date prior to the Participant’s Normal Retirement Date on which the Participant starts his benefit payments from the Pension Plan;

(ii) in the case of a Participant who is credited with additional years of age described in Section 1.2(d)(ii) and, as a result, would be deemed to reach age 55 and become eligible to start his Supplemental Plan benefits earlier than his Pension Plan benefits, the first day

of the month following the later of (A) the Participant's termination of Employment, or (B) the Participant's 55th birthday (determined taking into account additional years of age described in Section 1.2(d)(ii)); or

(iii) in the case of a Participant who is not vested under the Pension Plan, the first day of the month following the later of (A) the Participant's termination of Employment, or (B) the Participant's 55th birthday (determined taking into account additional years of age described in Section 1.2(d)(ii)), or the first day of any month thereafter that is prior to the Participant's Normal Retirement Date on which the Participant elects to start payment of his Supplemental Pension.

The election described in (iii) must be made in writing, in a form prescribed by the Administrator, at least six (6) months before, and in the tax year of the Participant immediately preceding, the elected benefit start date. Any Supplemental Pension paid to the Participant commencing prior to Normal Retirement Date shall equal (I) the amount described in Section 2.1(a) adjusted for early payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (taking into account any additional years of age described in Section 1.2(d)(ii) for purposes of adjusting both the gross and offset portions of the benefit except as provided otherwise in Section 2.12), reduced by (II) the amount described in Section 2.1(b), if any, adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan. Notwithstanding the preceding sentence, if the Participant's Supplemental Pension begins prior to his Pension Plan benefit, the reduction described in (II) shall be calculated and apply beginning on the earliest date benefits are payable to the Participant under the Pension Plan, even if the Participant's Pension Plan benefits do not actually start on that earliest date.

4.3 Form of Vested Benefit.

(a) Benefits Payable Under Supplemental Plan and Pension Plan. Except as provided in Section 4.4, if a Participant is entitled to benefits under both the Supplemental Plan and the Pension Plan and benefits under both Plans start on the same date, the Supplemental Pension determined under Section 4.2 shall be paid in the same form, and shall be subject to the same adjustment for form of payment and the same Beneficiary designation, as apply to the Participant's Pension Plan benefit. If, however, such Participant's Supplemental Plan benefit starts before his Pension Plan benefit, the Participant's Supplemental Pension will be paid in the form of a single life annuity.

(b) No Benefits Payable Under Pension Plan. Except as provided in Section 4.4, in the event a Participant is entitled to a benefit from the Supplemental Plan but is not vested in a benefit under the Pension Plan, the Participant shall receive payment of his Supplemental Pension determined under Section 4.2 in the automatic form of payment described in Section 8.02 of the Pension Plan that would have applied to the Participant had he been eligible for and started payment under the Pension Plan on the same day. The Participant's Supplemental Pension determined under Section 4.2 shall be adjusted for form of payment, as appropriate, pursuant to Article VIII of the Pension Plan.

4.4 Payments Starting Before July 25, 2002. The rules set forth in Sections 4.2 and 4.3, above, applied to Supplemental Plan benefits starting before July 25, 2002, unless the Administrator advised the Participant to the contrary.

ARTICLE FIVE

Certain Employee Transfers

5.1 Transfers into Supplemental Plan from Resources Supplemental Plan. If any employee who is a participant in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates is transferred on or before October 15, 1996 to the Company and becomes a Participant after such transfer, such employee shall retain no rights in the other supplemental pension plan and shall receive all benefits to which entitled under this Supplemental Plan, based upon Total Credited Service and Total Offset Service which shall include, as to such employee, any service which would have been used in determining the Participant's benefits under such other supplemental pension plan.

5.2 Transfers to Resources Supplemental Plan. If a Participant is transferred on or before October 15, 1996 to an Affiliated Company participating in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates and becomes a participant in the supplemental pension plan of the Affiliated Company after such transfer, such former Participant shall retain no rights in this Supplemental Plan if such other supplemental pension plan has provisions that substantially conform to the transfer provisions for the protection of transferees that are contained in Section 5.1.

5.3 No Duplication of Benefits. There shall under no circumstances be any duplication of benefits under this Supplemental Plan or any supplemental pension plan of an Affiliated Company or former Affiliated Company by reason of the same period of employment.

ARTICLE SIX

Pre-Retirement Survivor's Benefit

6.1 Eligibility. The Surviving Spouse of a Participant who either (a) terminates Employment or ceases to be a Disabled Participant due to death, or (b) (i) terminates Employment other than due to death after becoming entitled to a Supplemental Pension under Article Two or Article Four, and (ii) dies prior to the commencement of payment of the Supplemental Pension shall receive the benefit determined pursuant to Section 6.2.

6.2 Surviving Spouse's Benefit

(a) Subsidized Death Benefits.

(i) Except as provided in subsection (ii) or Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies:

(A) on or after January 1, 1994 while a Disabled Participant, but before Early or Normal Retirement Date under the terms of the Pension Plan;

(B) on or after the Effective Date during Employment, but before Early or Normal Retirement Date under the terms of the Pension Plan;

(C) on or after the Effective Date during Employment, but after Early or Normal Retirement Date under the terms of the Pension Plan; or

(D) on or after the Effective Date after terminating Employment or ceasing to be a Disabled Participant, providing such termination or cessation occurred after Early or Normal Retirement Date under the terms of the Pension Plan,

shall be a monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension such Participant would have received (assuming, for a Participant described in Section 6.1(a), the Participant had vested) in the form of a single life annuity (in the form of a Qualified Joint and Survivor Annuity for a Participant described in (B) whose death occurs prior to 1994), if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan benefits begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan to the contrary, the Surviving Spouse's benefit with respect to a Participant described in (A) or (B), above, shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(ii) Except as provided in Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1, who dies other than under circumstances described in Section 6.2(a)(i) but after becoming eligible for an Early Supplemental Pension under Section 2.2 based on an Early Supplemental Pension Retirement

Date or who dies under circumstances described in Section 6.2(a)(i) but is described in Section 6.3(b), shall be an annuity payable for the Surviving Spouse's life calculated as follows:

(A) In the case of a Participant who is entitled to both a pension under the Supplemental Plan and a pension under the Pension Plan, monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b)(i)(A) as if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan benefits begin to the Surviving Spouse under Section 6.3, reduced by any survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan from the earliest date on or following the date payments begin to the Surviving Spouse that such survivor benefit is payable from the Pension Plan (whether or not such survivor benefit begins on the earliest date under the Pension Plan).

(B) In the case of a Participant who is entitled to a pension under the Supplemental Plan but is not vested in a pension under the Pension Plan, monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b)(ii)(A)(I) as if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan benefits begin to the Surviving Spouse under Section 6.3.

(b) Non-Subsidized Death Benefits. Except as provided in Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies under circumstances other than those described in Section 6.2(a) shall be an annuity payable for the Surviving Spouse's life with monthly payments equal to:

(i) Prior to the earliest date, if any, on which the Surviving Spouse is eligible to start any survivor benefit payable under the Pension Plan, 50% of the monthly Supplemental Pension the Participant would have received in the form of a Qualified Joint and Survivor Annuity determined as if the Participant is not entitled to a pension under the Pension Plan if the Participant had survived (and accrued no additional benefits after his death) and started his Supplemental Pension on the date Supplemental Plan benefits begin to the Surviving Spouse under Section 6.3; and

(ii) On or after the earliest date, if any, on which the Surviving Spouse is eligible to start any survivor benefit payable under the Pension Plan, the amount described in (i), above, reduced by any survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan beginning on such earliest date (whether or not such survivor benefit begins on the earliest date under the Pension Plan).

6.3 Timing of Surviving Spouse's Benefit. Except as provided in Section 6.4, the benefit to which a Surviving Spouse of a Participant shall be entitled pursuant to Section 6.2(a) or (b) shall be paid monthly to such Surviving Spouse, commencing as of the date such Surviving Spouse elects, or is required to, start payment of any benefit to which the Surviving Spouse is entitled under the Pension Plan. Notwithstanding the preceding sentence:

(a) if the Surviving Spouse is not entitled to any payment from the Pension Plan, the Surviving Spouse shall receive payment of any Supplemental Pension to which the Surviving Spouse is entitled under Section 6.2 beginning as of the later of (i) the first of the month following the Participant's 55th birthday (determined taking into account any additional years of age described in Section 1.2(d)(ii)), or (ii) the first of the month following the date of the Participant's death.

(b) if the deceased Participant would have been entitled or required to start his Supplemental Plan benefit on an earlier date than the Participant would have been entitled to start his Pension Plan benefit had he survived, the Surviving Spouse shall receive payment of any Supplemental Pension to which the Surviving Spouse is entitled under Section 6.2 beginning as of the later of (i) the earliest date as of which the Participant would have been eligible or required to start payments pursuant to Article Two, Three or Four, as appropriate, or (ii) the first of the month following the date of the Participant's death.

Payments to the Surviving Spouse shall end with the payment made for the month in which the Surviving Spouse dies.

6.4 Payments Starting Before July 25, 2002. The rules for pre-retirement death benefits set forth in Sections 6.2 and 6.3, above, applied to Supplemental Plan pre-retirement death benefits starting before July 25, 2002, unless the Administrator advised the Participant and/or Surviving Spouse to the contrary.

ARTICLE SEVEN

Funding

7.1 Funding. The Company's obligations hereunder shall constitute a general, unsecured obligation of the Company payable solely out of its general assets, and no Participant or former Participant shall have any right to any specific assets of the Company. To the extent that any Participant or former Participant acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. The Board of Directors of Union Pacific may, but shall not be required to, authorize Union Pacific to establish a trust to hold assets to be used to discharge the Company's obligations hereunder, provided that such trust shall not confer upon Participants or former Participants any rights other than the rights of unsecured general creditors of the Company.

7.2 Payment to James Otto. On or about December 1, 2000, James Otto was paid in a single sum the actuarial equivalent value of the portion of his Supplemental Pension, payable in the form of a 50% joint and survivor annuity with his spouse as beneficiary, that was not funded through annuity purchases. Such single sum payment of $501.40 was in full settlement of the Supplemental Plan's obligation to pay such remaining benefit to James Otto or his Surviving Spouse or other beneficiary.

ARTICLE EIGHT

Administration

8.1 Responsibilities and Powers of Administrator. Except for the responsibilities and powers elsewhere herein given specifically to the Board of Directors of Union Pacific, the Administrator shall have all responsibilities for the operation and administration of the Supplemental Plan and shall have all powers and discretionary authority necessary to carry out those responsibilities hereunder. Without limiting the generality of the foregoing, the Administrator shall have full power and discretionary authority to:

(a) keep and maintain such accounts and records with respect to Participants, former Participants and Special 1990-1992 Window Participants as are deemed necessary or proper;

(b) determine all questions of the eligibility for participation and benefits and of the status and rights of Participants, former Participants, Special 1990-1992 Window Participants and any other person hereunder, make all required factual determinations, interpret and construe the Supplemental Plan in connection therewith and correct defects, resolve ambiguities therein and supply omissions thereto;

(c) adopt from time to time mortality and other tables and interest rates upon which all actuarial calculations shall be based, including the determination of the appropriate factors for the adjustment of pension payments; and

(d) adopt from time to time rules and regulations governing this Supplemental Plan.

The Administrator shall carry out all responsibilities and exercise all powers in accordance with the terms of the Supplemental Plan. The determination of the Administrator as to any questions involving the responsibilities hereunder shall be final, conclusive and binding on all persons.

8.2 Certification and Payment of Benefits. The Administrator shall compute the amount and manner of payment of benefits to which the Participants, Special 1990-1992 Window Participants, former or retired Participants, Surviving Spouses and beneficiaries become entitled. All payments of benefits shall be made directly by the Company upon the instructions of the Administrator.

8.3 Reports to Board of Directors. As the Administrator deems necessary or proper or as the Board of Directors of Union Pacific may require, but in any event at least once during each calendar year, the Administrator shall report to such Board on the operation and administration of the Supplemental Plan and on any other matter concerning the Supplemental Plan deemed advisable or required by such Board.

8.4 Designation and Delegation. The Administrator may designate other persons to carry out such of the responsibilities hereunder for the operating and administration of the Supplemental Plan as the Administrator deems advisable and delegate to the persons so

designated such of the powers as the Administrator deems necessary to carry out such responsibilities. Such designation and delegation shall be subject to such terms and conditions as the Administrator deems necessary or proper. Any action or determination made or taken in carrying out responsibilities hereunder by the persons so designated by the Administrator shall have the same force and effect for all purposes as if such action or determinations had been made or taken by the Administrator.

8.5 Outside Services. The Administrator may engage counsel and such clerical, medical, financial, actuarial, accounting and other specialized services as is deemed necessary or desirable for the operation and administration of the Supplemental Plan. The Administrator and persons so designated shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

8.6 Expenses. All expenses, including any fees for outside services under Section 8.5, incurred by the Administrator and by persons designated by the Administrator under Section 8.4 in the operation and administration of the Supplemental Plan shall be paid by the Company. Neither the Administrator nor any other person who is an employee of the Company or an Affiliated Company shall receive any compensation solely for services in carrying out any responsibility hereunder.

8.7 Bonding. No bond or other security shall be required of the Administrator or of any person designated under Section 8.4.

8.8 Liability. The Administrator and persons designated by him under Section 8.4 shall use ordinary care and diligence in the performance of their duties. The Company shall indemnify and defend the Administrator and each other person so designated under Section 8.4 against any and all claims, loss, damages, expense (including reasonable counsel fees), and liability arising from any action or failure to act or other conduct in their official capacity, except when the same is due to the gross negligence or willful misconduct of the Administrator or other persons.

8.9 Finality of Actions. Any action required of Union Pacific, the Company, the Board of Directors of Union Pacific, or the Chief Executive Officer of Union Pacific (the "CEO") under this Supplemental Plan, or made by the Administrator acting on their behalf, shall be made in the Company's, the Board's or the CEO's sole discretion, not in a fiduciary capacity and need not be uniformly applied to similarly situated persons. Any such action shall be final, conclusive and binding on all persons interested in the Supplemental Plan.

ARTICLE NINE

Amendment or Termination

9.1 Amendment or Termination. The Board of Directors of Union Pacific, acting by written resolution, reserves the right to modify, alter, amend or terminate the Supplemental Plan from time to time and to modify, withdraw or terminate the Supplemental Plan, to any extent that it may deem advisable; provided, that no such modification, alteration, amendment or termination shall impair any rights which have accrued to Participants hereunder to the date of such modification, alteration, amendment or termination. Notwithstanding the foregoing, the Senior Vice President - Human Resources of Union Pacific may make all technical, administrative, regulatory and compliance amendments to the Supplemental Plan, and any other amendment that will not significantly increase the cost of the Supplemental Plan to the Company, as he or she shall deem necessary or appropriate.

ARTICLE TEN

General Provisions

10.1 Certain Rights Reserved. Nothing herein contained shall confer upon any Employee or other person the right (a) to continue in Employment or service of the Company or affect any right that the Company may have to terminate the Employment or service of (or to demote or to exclude from future participation in the Supplemental Plan) any such Employee or other person at any time for any reason, (b) to participate in the Supplemental Plan, or (c) to receive an annual base salary of any particular amount.

10.2 Alienability of Benefits. Payments under the Supplemental Plan may not be assigned, transferred, pledged or hypothecated, and to the extent permitted by law, no such payments shall be subject to legal process or attachment for the payment of any claims against any person entitled to receive the same. Effective on and after July 25, 2002, compliance with the provisions and conditions of any domestic relations order relating to an individual's Supplemental Plan benefits, which the Administrator has determined must be complied with under the terms of applicable law, shall not be considered a violation of this provision.

10.3 Payment Due an Incompetent. If it shall be found that any person to whom a payment is due hereunder is unable to care for that person's affairs because of physical or mental disability, as determined by a licensed physician, the Administrator shall have the authority to cause the payments becoming due such person to be made to the legally appointed guardian of any such person or to the spouse, brother, sister, or other person as it shall determine. Payments made pursuant to such power shall operate as a complete discharge of the Company's obligations.

10.4 Governing Law. The Supplemental Plan shall be construed and enforced in accordance with the laws of the State of Nebraska (without regard to the legislative or judicial conflict of laws rules of any state), except to the extent superseded by any federal law.

10.5 Successors. This Supplemental Plan shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidated or otherwise) to all or substantially all of the business and/or assets of the Company in the same manner and to the same extent that the Company would be bound to perform if no such succession had taken place.

10.6 Titles and Headings Not To Control. The titles and Articles of the Supplemental Plan and the headings of Sections and subsections of the Supplemental Plan are placed herein for convenience of reference only and, as such, shall have no force and effect in the interpretation of the Supplemental Plan.

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.

10.8 Determination and Withholding of Taxes. The Administrator shall have full authority to satisfy the responsibility of Union Pacific or any Affiliated Company to withhold taxes with respect to a Participant or former Participant, including FICA taxes, by withholding such taxes from any distributions under the Plan to the Participant or former Participant or his beneficiary or estate. The Administrator shall also have full authority, with or without the consent of the Participant of former Participant, to withhold from the individual's compensation from any and all sources, any FICA or other taxes applicable to benefits accrued under the Supplemental Plan.

ARTICLE ELEVEN

Transfers to Non-Covered Employment

11.1 Notwithstanding any other provision of this Supplemental Plan to the contrary, if a Participant is transferred to the employment of an Affiliated Company that has not adopted the Supplemental Plan ("non-covered employment"), upon the approval of the Chief Executive Officer of Union Pacific, any benefits to which such Participant (or his Surviving Spouse or other beneficiary) would be entitled under the Pension Plan, the Supplemental Plan, or both, by treating such Participant's non-covered employment as if it were service covered by such Plans and by aggregating such service with the Participant's other service covered by the Plans shall be provided to the Participant under this Section 11.1 to the extent that such benefits exceed the aggregate of (a) the Participant's benefits under the Pension Plan, (b) the Participant's benefits under the Supplemental Plan determined without regard to this Section 11.1, and (c) the Participant's benefits under any pension plan of the Affiliated Company that are based on the Participant's non-covered employment and/or employment otherwise covered by the Pension and Supplemental Plans.

ARTICLE TWELVE

Claims Procedure

12.1 Application for Benefits. Each Participant, former Participant, Special 1990-1992 Window Participant, Surviving Spouse or other beneficiary, or alternate payee under a domestic relations order believing himself or herself eligible for a benefit under this Supplemental Plan shall apply for such benefit by completing and filing with the Administrator an application for benefits on a form supplied by the Administrator.

12.2 Claims Before January 1, 2002. The following provisions are effective prior to January 1, 2002: In the event that any claim for benefits is denied in whole or in part, the person whose claim has been so denied shall be notified of such denial in writing by the Administrator. The notice advising of the denial shall specify the reason or reasons for denial, make specific reference to pertinent provisions of the Supplemental Plan, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the claimant of the procedure for the appeal of such denial. All appeals shall be made by the following procedure:

(a) The person whose claim has been denied shall file with the Administrator a notice of desire to appeal the denial. Such notice shall be filed within 60 days of notification by the Administrator of claim denial, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) The Administrator shall consider the merits of the claimant's written presentations, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Administrator shall deem relevant.

(c) The Administrator shall ordinarily render a determination upon the appealed claim within 60 days after receipt which determination shall be accompanied by a written statement as to the reasons therefor. However, in special circumstances the Administrator may extend the response period for up to an additional 60 days, in which event it shall notify the claimant in writing prior to commencement of the extension. The determination so rendered shall be binding upon all parties.

12.3 Claims On or After January 1, 2002. The following provisions are effective on and after January 1, 2002:

(a) Claim for Benefits. A claim for Supplemental Plan benefits may be filed by:

(i) any person (or his duly authorized representative) who has applied for and/or received benefits from the Supplemental Plan pursuant to Section 12.1 and who believes that the amount and/or form of benefits provided (including no benefits) or any change in or termination or reduction of benefits previously provided results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law); or

(ii) any Employee or other individual (or his duly authorized representative) who believes himself to be entitled to benefits from the Supplemental Plan.

A claim for benefits must be filed with the Administrator, in writing and in accordance with such other requirements as may be prescribed by the Administrator. Any claim shall be processed as follows:

(A) When a claim for benefits has been filed by the claimant (or his duly authorized representative), such claim for benefits shall be evaluated and the claimant shall be notified by the Administrator of the approval or denial within a reasonable period of time, but not later than 90 days after the receipt of such claim unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period and shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the claim was received).

(B) A claimant shall be given written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the claimant shall be given written notice which shall contain (I) the specific reasons for the denial, (II) references to the specific Supplemental Plan provisions upon which the denial is based, (III) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, (IV) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, (V) the claimant's rights to seek review of the denial and time limits and other aspects of the Supplemental Plan's claim review procedures, and (VI) a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination upon review.

(b) Review of Claim Denial. If a claim for benefits is denied, in whole or in part, the claimant (or his duly authorized representative) shall have the right to request that the Administrator review the denial, provided that the claimant files in accordance with such requirements as may be prescribed by the Administrator a written request for review with the Administrator within 60 days after the date on which the claimant received written notification of the denial. A claimant (or his duly authorized representative) may review relevant documents, records and other information relevant to the claim (or receive copies free of charge) and may submit to the Administrator with the written request for review documents, records, written comments and other information relevant to the claim for benefits, which shall be considered upon review whether or not such information and other items were available when the claim was originally determined. Requests for review not timely filed shall be barred. A timely request for claim review shall be processed as follows:

(i) Within a reasonable period of time, but not later than 60 days after a request for review is received, the review shall be made and the claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review. If an extension is needed, the claimant shall be given a written

notification within such initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). However, if the period for deciding the claim has been extended under this paragraph (i) due to a claimant's failure to provide information necessary to decide a claim, the period for making a decision on review shall be tolled from the date the claimant is sent written notice of the extension until the date on which the claimant responds to the request for information (or such earlier date as may be prescribed by the Administrator in accordance with applicable law and regulations).

(ii) The decision on review shall be forwarded to the claimant in writing and shall include (A) specific reasons for the decision, (B) references to the specific Plan provisions upon which the decision is based, (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, and (D) a statement of the claimant's right to bring an action under ERISA section 502(a). A decision on review shall be final and binding on all persons for all purposes.

(c) Exhaustion of Claims Review Process. A claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to his filing a claim for benefits and exhausting his rights to review under this Section 12.3.

12.4 Claims Related to Corrections Under Pension Plan Compliance Statement. Notwithstanding any provision of the Supplemental Plan to the contrary, any individual whose Supplemental Plan benefit is recalculated or adjusted in connections with corrections made under the Compliance Statement dated October 25, 2001 (that was issued for the Pension Plan under the Internal Revenue Service Voluntary Compliance Resolution Program) and who believes that such recalculation and/or adjustment results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law) may file a claim with the Administrator, in writing, stating the reasons he disagrees with such recalculation and/or adjustment and providing proof of any service, compensation or other facts that he believes should be taken into account. In order to be considered by the Supplemental Plan, such written claim and proof must be received by the Administrator by the date specified in the written notice of such recalculation and/or adjustment that is sent by the Administrator (or his delegate), by first class mail, to the person's address reflected in Supplemental Plan records on the date of the mailing. The deadline for filing a claim under this Section 12.4 that is specified in the written notice from the Administrator shall be a date not earlier than 90 days after the date such notice is mailed to the person. Any claim described in this Section 12.4 that is not received by the date specified in the written notice of recalculation and/or adjustment shall be denied on the grounds that it is untimely.

AMENDMENT TO THE
SUPPLEMENTAL PENSION PLAN FOR OFFICERS AND MANAGERS
OF UNION PACIFIC CORPORATION AND AFFILIATES

WHEREAS, Union Pacific Corporation (the “Company”) sponsors the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates (“Plan”); and

WHEREAS, Section 9.1 of the Plan gives the Senior Vice President-Human Resources of the Union Pacific Corporation (the “Senior Vice President”) the authority to make all technical, administrative, regulatory and compliance amendments to the Plan and any other amendment that will not significantly increase the cost of the Plan to the Company as she deems necessary or appropriate; and

WHEREAS, the Board of Directors of the Company, in a Resolution dated November 18, 2004, authorized the Senior Vice President to make any amendments to any nonqualified compensation or retirement plan as may be necessary or appropriate in response to the American Jobs Creation Act of 2004 (the “Act”); and

WHEREAS, it is desired to amend the Plan to comply with the Act.

NOW, THEREFORE, I, Barbara W. Schaefer, Senior Vice President-Human Resources, do hereby amend the Plan as set forth below:

I. A new Section 2.14 is added to the Plan effective February 1, 2005, to provide as follows:

2.14 <u>Additional Age and Service for Certain Participants</u>.

(a) Participant Ike Evans shall be deemed to have attained an age two (2) years, six (6) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years, six (6) months service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant’s Total Credited Service in the way described in Section 1.2(p)(iii);

(b) Participant Stan McLaughlin shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant’s Total Credited Service in the way described in Section 1.2(p)(iii);

(c) Participant John Holm, shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.2(p)(iii);

(d) Participant Jerry Everett shall be deemed to have attained an age two (2) years, three (3) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.2(p)(iii); and

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

(f) The age and service credited as provided in Section 2.14(a)-(e) results in an additional deferral of compensation for purposes of the American Jobs Creation Act of 2004 ("AJCA"), and such additional deferral of compensation is subject to the terms of the AJCA.

IN WITNESS WHEREOF, I, Barbara W. Schaefer, Senior Vice President-Human Resources, have hereunto set my hand and caused these presents to be executed this 21st day December, 2005.

/s/ Barbara W. Schaefer

Barbara W. Schaefer
Senior Vice President-Human Resources
Union Pacific Corporation

AMENDMENT TO PENSION PLAN
FOR SALARIED EMPLOYEES OF
UNION PACIFIC CORPORATION AND AFFILIATES

WHEREAS, Section 16.01 of the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the "Plan") gives the Senior Vice President-Human Resources of Union Pacific Corporation (the "Senior Vice President") the authority to make such technical administrative, regulatory and compliance amendments to the Plan, and any other amendment that will not significantly increase the cost of the Plan;

WHEREAS, it is desired that the Plan be amended to revise the definition of Final Average Compensation for certain highly compensated employees previously subject to the compensation limit of Section 401(a)(17) of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, I, Barbara W. Schaefer, Senior Vice President, do hereby amend Section 2.35 in its entirety, effective January 1, 2001, to provide as follows:

Sec. 2.35 "Final Average Compensation" shall mean the average of the Participant's monthly Compensation for the 36 consecutive calendar months of highest Compensation within the 120-calendar month period immediately preceding the earlier of:

(a) his Normal Retirement Date, or

(b) the last date on which he is a Covered Employee; provided, however, that:

(1) Clause (a) shall not apply to any Participant who completes an Hour of Service on or after January 1, 1988;

(2) Effective January 1, 1989, no more than the highest 3 executive incentive or management incentive payments paid under the Executive Incentive and Management Incentive Plans of Union Pacific Corporation, the Union Pacific Realty Real Estate Incentive Plan, the PS Technology Performance Bonus Plan, or The Alton & Southern Railway Company Management Incentive Compensation Program during the Participant's 36 consecutive months of highest Compensation (determined taking all such payments into account) shall be included in the calculation of Final Average Compensation.

(3) If a Participant does not have 36 consecutive calendar months of Compensation within such period, Final Average Compensation shall

be the average of such lesser number of consecutive calendar months of highest Compensation within such period.

(4) Effective for a Participant (other than a Disabled Participant) whose Separation from Service occurs on or after October 1, 1986, or for a Disabled Participant who ceases to be such on or after October 1, 1986, calendar months in which the Participant is credited with no Compensation shall be disregarded and months before and after such months of no Compensation shall be treated as consecutive for purposes of determining the Participant's Final Average Compensation.

(5) For a Participant (other than a Disabled Participant) whose Separation from Service occurs prior to January 1, 1999, and for a Disabled Participant who ceases to be such prior to January 1, 1999, partial calendar months of Compensation shall be disregarded for purposes of calculating the Participant's Final Average Compensation to the extent that dropping such months results in a higher average.

Notwithstanding the above, annual Compensation taken into account in determining Final Average Compensation shall not exceed $200,000 ($150,000, effective January 1, 1994), or such other amount as may be applicable under Code Section 401(a)(17) (the "Section 401(a)(17) Compensation Limit"). Except as provided below, the Section 401(a)(17) Compensation Limit in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined ("determination period") and which begins in such calendar year. Compensation for any determination period beginning prior to 1989 that is taken into account in determining a Participant's Final Average Compensation as of a date on or after January 1, 1989, but prior to January 1, 1994, is subject to the Section 401(a)(17) Compensation Limit in effect for 1989. Compensation for any determination period beginning prior to January 1, 1994, that is taken into account in determining a Participant's Final Average Compensation as of a date on or after January 1, 1994, is subject to the Section 401(a)(17) Compensation Limit in effect for 1994. Further, effective January 1, 2003, the Compensation of a Participant, who is an Active Participant on January 1, 2003, shall not be less than $200,000 for determination periods beginning before January 1, 2002; provided, however, that this shall not result in a change in the monthly pension of any such Active Participant whose Benefit Payment Date occurs prior to November 1, 2003 until November 1, 2003.

If a determination period consists of fewer than 12 months, the Section 401(a)(17) Compensation Limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. For Plan Years beginning prior to January 1, 1997, in determining Compensation for purposes of applying the Section 401(a)(17) Compensation Limit, the rules of Section 414(q)(6) of the Code shall apply, except that "family members" shall include only the spouse of the Employee and any lineal

descendants who have not attained age 19 before the end of the determination period. If, as a result of the application of the rules of Code Section 414(q)(6), the limitation is exceeded, then the limitation shall be prorated among the family members in proportion to each such family member's Compensation as determined prior to the application of this limitation.

IN WITNESS WHEREOF, I, Barbara W. Schaefer, Senior Vice President, have hereunto set my hand and caused these presents to be executed as of 26th day of September, 2003.

/s/ Barbara W. Schaefer

Barbara W. Schaefer
Senior Vice President - Human Resources
Union Pacific Corporation

Exhibit 10(g)

**AMENDMENT TO THE
EXECUTIVE INCENTIVE PLAN (2005)
DEFERRED COMPENSATION PROGRAM**

WHEREAS, the Union Pacific Corporation (the "Company') sponsors the Executive Incentive Compensation Plan (2005) Deferred Compensation Program (the "Plan"); and

WHEREAS, the Plan provides that it may be amended by the Senior Vice President-Human Resources of the Union Pacific Corporation (the "Senior Vice President") to any extent she deems advisable; and

WHEREAS, the Board of Directors of the Company, in a Resolution dated November 18, 2004, authorized the Senior Vice President to make any amendments to any nonqualified compensation or retirement plan as may be necessary or appropriate in response to the American Jobs Creation Act of 2004 (the "Act"); and

WHEREAS, it is desired to make certain amendments to the Plan to comply with the Act.

NOW, THEREFORE, I, Barbara W. Schaefer, Senior Vice President-Human Resources, do hereby amend the Plan effective January 1, 2005, to provide as follows with respect to deferral elections and the revocation thereof for bonus awards for services performed in 2005:

"An eligible employee under the Plan may elect to defer all or a portion of his bonus award under the Plan, if any, for services performed in 2005 ("2005 Award") by filing a deferral election in accordance with such procedures as are established by the Assistant Vice President Compensation and Diversity of Union Pacific Corporation, provided that such election shall be made no later than June 30, 2005. An eligible employee may revoke a deferral election of a 2005 Award by filing a revocation in accordance with such procedures as are established by the Assistant Vice President Compensation and Diversity of Union Pacific Corporation, provided that such revocation shall be made no later than December 31, 2005. Such revocation shall be effective as of January 1, 2005, and if the eligible employee otherwise satisfies the Plan requirements to receive the 2005 Award, the 2005 Award shall be paid to him in a single sum at the time prescribed under the terms of the Plan."

IN WITNESS WHEREOF, I, Barbara W. Schaefer, Senior Vice President-Human Resources, have hereunto set my hand and caused these presents to be executed this 21st day December, 2005.

/s/ Barbara W. Schaefer

Barbara W. Schaefer
Senior Vice President-Human Resources
Union Pacific Corporation

Exhibit 12

RATIO OF EARNINGS TO FIXED CHARGES

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, Except for Ratios	*2005*	*2004*	*2003*	*2002*	*2001*
Earnings:					
Income from continuing operations	$1,026	$ 604	$1,056	$1,265	$ 934
Equity earnings net of distributions	(48)	(47)	15	(34)	(48)
Total earnings	978	557	1,071	1,231	886
Income taxes	410	252	581	680	545
Fixed charges:					
Interest expense including amortization of debt discount	504	527	574	632	700
Portion of rentals representing an interest factor	220	206	169	172	177
Total fixed charges	724	733	743	804	877
Earnings available for fixed charges	$2,112	$1,542	$2,395	$2,715	$2,308
Ratio of earnings to fixed charges	2.9	2.1	3.2	3.4	2.6

Exhibit 21

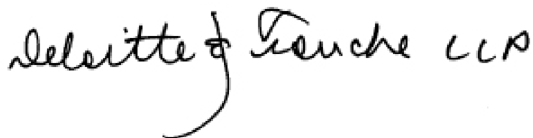
SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

Name of Corporation	State of Incorporation
Union Pacific Railroad Company	Delaware
Southern Pacific Rail Corporation	Utah

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 333-10797, Registration Statement No. 333-13115, Registration Statement No. 333-16563, Registration Statement No. 333-88225, Registration Statement No. 333-88709, Registration Statement No. 333-57958, Registration Statement No. 333-61856, Registration Statement No. 333-42768, Registration Statement No. 333-106707, Registration Statement No. 333-106708, Registration Statement No. 333-105714, Registration Statement No. 333-105715, and Registration Statement No. 333-116003 on Forms S-8 and Registration No. 333-88666, Amendment No. 1 to Registration Statement No. 333-88666, and Registration Statement No. 333-111185 on Forms S-3 of our reports dated February 17, 2006, relating to the consolidated financial statements and consolidated financial statement schedule of Union Pacific Corporation and Subsidiary Companies (which report expressed an unqualified opinion and included an explanatory paragraph relating to the change in method of accounting for asset retirement obligations in 2003) and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Union Pacific Corporation and Subsidiary Companies for the year ended December 31, 2005.



Omaha, Nebraska
February 22, 2006

Exhibit 24

UNION PACIFIC CORPORATION
Powers of Attorney

Each of the undersigned directors of Union Pacific Corporation, a Utah corporation (the "Company"), do hereby appoint each of James R. Young, Barbara W. Schaefer, and Thomas E. Whitaker his or her true and lawful attorney-in-fact and agent, to sign on his or her behalf the Company's Annual Report on Form 10-K, for the year ended December 31, 2005, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney as of February 23, 2006.

/s/ Phillip F. Anschutz	/s/ Spencer F. Eccles
Phillip F. Anschutz	Spencer F. Eccles
/s/ Richard K. Davidson	/s/ Judith Richards Hope
Richard K. Davidson	Judith Richards Hope
/s/ Erroll B. Davis, Jr.	/s/ Michael W. McConnell
Erroll B. Davis, Jr.	Michael W. McConnell
/s/ Thomas J. Donohue	/s/ Steven R. Rogel
Thomas J. Donohue	Steven R. Rogel
/s/ Archie W. Dunham	/s/ Ernesto Zedillo
Archie W. Dunham	Ernesto Zedillo

Exhibit 31(a)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James R. Young, certify that:

1. I have reviewed this annual report on Form 10-K of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2006

/s/ James R. Young

James R. Young
President and
Chief Executive Officer

Exhibit 31(b)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

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

Date: February 24, 2006

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

Exhibit 32

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

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

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

February 24, 2006

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

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

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President – Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

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

February 24, 2006

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