

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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2000

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-6075

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

UTAH

(State or other jurisdiction of
incorporation or organization)

13-2626465
(I.R.S. Employer
Identification No.)

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

68179
(Zip Code)

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

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

Title of each Class -----	Name of each exchange on which registered -----
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Common Stock (Par Value \$2.50 per share)	New York Stock Exchange, Inc.
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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
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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. []
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As of February 28, 2001, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was approximately \$12,992,831,033.

The number of shares outstanding of the registrant's Common Stock as of February 28, 2001 was 247,393,227.

Portions of the following documents are incorporated by reference into this Report: (1) registrant's Annual Report to Shareholders for the year ended December 31, 2000 (Annual Report) (Parts I, II and IV); and (2) registrant's definitive Proxy Statement for the annual meeting of shareholders to be held on April 20, 2001 (Part III).

PART I

ITEM 1. BUSINESS AND ITEM 2. PROPERTIES

CORPORATE STRUCTURE

Union Pacific Corporation (UPC or the Corporation) was incorporated in Utah in 1969. The Corporation operates primarily in the areas of rail transportation, through its subsidiary Union Pacific Railroad Company (the Railroad); and trucking, through its subsidiary Overnite Transportation Company.

In 2000, the Corporation continued to focus on its core rail transportation business by investing approximately \$1.7 billion in capital-related assets at the Railroad. The capital assets are used to sustain current operations and introduce innovative rail services across every commodity line. The Corporation's rail investments in the last five years included the 1996 acquisition of Southern Pacific Rail Corporation (Southern Pacific), and the 1997 and 1999 investments in the Pacific-North and Chihuahua Pacific lines in Mexico. The details of the Corporation's key strategic transactions in recent years are as follows:

FENIX - During 2000, the Corporation announced the formation of a new subsidiary, Fenix, to develop and expand the Corporation's technology and telecommunication assets beyond the Corporation's core transportation businesses.

MEXICAN RAILWAY CONCESSION - During 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico and a 25% stake in the Mexico City Terminal Company at a price of \$525 million. The consortium assumed operational control of both lines in 1998. In March 1999, the Railroad purchased an additional 13% ownership interest for \$87 million from one of its partners. The Railroad currently holds a 26% ownership share in the consortium. This investment is accounted for using the equity method of accounting.

OVERNITE - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC did not consummate the offering (see note 1 to the consolidated financial statements in the Annual Report).

SKYWAY - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million (see note 3 to the consolidated financial statements in the Annual Report).

SOUTHERN PACIFIC - During 2000, UPC continued its integration of Southern Pacific's rail operations. This process is expected to be completed in 2001 (see notes 1 and 2 to the consolidated financial statements in the Annual Report). UPC consummated the acquisition of Southern Pacific in September 1996 for \$4.1 billion. Sixty percent of the outstanding Southern Pacific common shares were converted into UPC common stock and the remaining 40% of the outstanding shares were acquired for cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method of accounting.

OPERATIONS

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

RAIL

OPERATIONS - The Railroad is a Class I railroad that operates in the United States. It has over 34,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern United States gateways and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and maintains coordinated schedules with other 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 (primarily through interline connections) Canadian borders. The Railroad is subject to price and service competition from other railroads, motor carriers and barge operators. The Corporation expects to complete the integration of the operations of SP in 2001.

EMPLOYEES - Approximately 87% of the Railroad's nearly 50,000 employees are represented by rail unions. Under the conditions imposed by the Surface Transportation Board (STB) in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions had to be negotiated before the UPRR and Southern Pacific rail systems could be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical, and maintenance-of-way unions, and also implemented "hub-and-spoke" agreements with the train operating crafts. Under the hub-and-spoke concept, all operating employees in a central "hub" are placed under a common set of collective bargaining agreements with the ability to work on the "spokes" running into and out of the hub. Negotiations under the Railway Labor Act to revise the national labor agreements for all crafts began in late 1999 and are still in progress.

A separate Annual Report on Form 10-K for the year ended December 31, 2000, will be filed by UPRR and will contain additional information concerning that company.

OTHER OPERATIONS

TRUCKING PRODUCT LINE

OPERATIONS - Overnite Transportation Company, a wholly owned subsidiary of the Corporation, is a major interstate trucking company specializing in less-than-truckload shipments. Overnite serves all 50 states and portions of Canada and Mexico through 167 service centers located throughout the United States. Overnite transports a variety of products including machinery, tobacco, textiles, plastics, electronics and paper products. Overnite experiences intense service and price competition from both regional and national motor carriers.

EMPLOYEES - Overnite continues to oppose the efforts of the International Brotherhood of Teamsters (Teamsters) to unionize Overnite service centers. Since the Teamsters began their efforts at Overnite in 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers, although there have been only nine elections since August 1997, and Teamsters representation was rejected in seven of those nine elections. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 nationwide employee work force, have voted for union representation, and the Teamsters have been certified and recognized as the bargaining representative for such

employees. Fifteen of these 22 locations filed decertification petitions in 1999 and 2000. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters, who began a job action on October 24, 1999 that has continued into 2001. As of January 31, 2001, 30 Overnite service centers had approximately 495 employees, less than 5% of Overnite's work force, who did not report to work. Despite the work stoppage, Overnite has managed to improve its service, revenue and profitability on a year-over-year basis.

OPERATIONAL INITIATIVES - During 2000, 1999 and 1998, Overnite benefited from several initiatives aimed at better matching its operations to the trucking industry environment. These actions included work force reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. Overnite has also benefited from growth in its customer base generated by continuing improvements in its service levels.

OTHER PRODUCT LINES

OTHER - Included in the "other" product lines are the results of the corporate holding company, Fenix, self-insurance activities, and all appropriate consolidating entries.

OTHER INFORMATION

Additional information regarding UPC's operations is presented on pages 6 through 17 of the Annual Report, note 1 to the consolidated financial statements on pages 38 through 41 of the Annual Report and on pages 52, 53 and 54 of the Annual Report, and such information (excluding photographs on pages 6 through 17, none of which supplements the text and which are not otherwise required to be disclosed herein) is incorporated herein by reference.

GOVERNMENTAL REGULATION - UPC's operations are currently subject to a variety of federal, state and local regulations. The most significant areas of regulation are described below. See also the discussion of certain regulatory proceedings in "Item 3. Legal Proceedings," which is incorporated herein by reference.

The operations of the Railroad and Overnite are subject to the regulatory jurisdiction of the STB and other federal and state agencies. 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 and motor carriers by rail common carriers. In March 2000, the STB imposed a 15-month moratorium on railroad merger applications between Class I railroads. The moratorium directs large railroads to avoid merger activities for 15 months until the STB adopts new rules governing merger proceedings. The rulemaking proceeding is scheduled to be completed by June 11, 2001.

Other federal agencies have jurisdiction over safety, movement of hazardous materials, movement and disposal of hazardous waste and equipment standards. Various state and local agencies have jurisdiction over disposal of hazardous wastes and seek to regulate movement of hazardous materials.

ENVIRONMENTAL REGULATION - UPC and its subsidiaries are subject to various environmental statutes and regulations, including the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), and the Clean Air Act (CAA).

RCRA applies to hazardous waste generators and transporters, as well as to persons engaged in treatment and disposal of hazardous waste, and specifies standards for storage areas, treatment units and land disposal units. All generators of hazardous waste are required to label shipments in accordance with detailed regulations and to prepare a

detailed manifest identifying the material and stating its destination before waste can be released for offsite transport. The transporter must deliver the hazardous waste in accordance with the manifest and only to a treatment, storage or disposal facility qualified for RCRA interim status or having a final RCRA permit.

The Environmental Protection Agency (EPA) regulations under RCRA have established a comprehensive system for the management of hazardous waste. These regulations identify a wide range of industrial by-products and residues as hazardous waste, and specify requirements for "cradle-to-grave" management of such waste from the time of generation through the time of disposal and beyond. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA may be authorized by the EPA to administer all or part of RCRA on behalf of the EPA.

CERCLA was designed to establish a strategy for cleaning up facilities at which hazardous waste or other hazardous substances have created actual or potential environmental hazards. The EPA has designated certain facilities as requiring cleanup or further assessment. Among other things, CERCLA authorizes the federal government either to clean up such facilities itself or to order persons responsible for the situation to do so. The act created a multi-billion dollar fund to be used by the federal government to pay for such cleanup efforts. In the event the federal government pays for such cleanup, it will seek reimbursement from private parties upon which CERCLA imposes liability.

CERCLA imposes strict liability on the owners and operators of facilities in which hazardous waste and other hazardous substances are deposited or from which they are released or are likely to be released into the environment. It also imposes strict liability on the generators of such waste and the transporters of the waste who select the disposal or treatment sites. Liability may include cleanup costs incurred by third persons and damage to publicly owned natural resources. The Company is subject to potential liability under CERCLA as an owner or operator of facilities at which hazardous substances have been disposed of, or as a generator or a transporter of hazardous substances disposed of at other locations. Some states have enacted, and other states are considering enacting, legislation similar to CERCLA. Certain provisions of these acts are more stringent than CERCLA. States that have passed such legislation are currently active in designating more facilities as requiring cleanup and further assessment.

The operations of the Corporation are subject to the requirements of the CAA. The 1990 amendments to the CAA include a provision under Title V requiring that certain facilities obtain operating permits. EPA regulations require all states to develop federally-approvable permit programs. Affected facilities must submit air operating permit applications to the respective states within one year of the EPA's approval of the state programs. Certain of the Corporation's facilities may be required to obtain such permits. In addition, in December 1997 the EPA issued final regulations which require that certain purchased and remanufactured locomotives meet stringent emissions criteria. While the cost of meeting these requirements may be significant, expenditures are not expected to affect materially the Corporation's financial condition or results of operations.

The operations of the Corporation are also subject to other laws protecting the environment, including permit requirements for wastewater discharges pursuant to the National Pollutant Discharge Elimination System and storm-water runoff regulations under the Federal Water Pollution Control Act.

Information concerning environmental claims and contingencies and estimated attendant remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations - Other Matters - Environmental Costs on pages 28 and 29 of the Annual Report. Such information is incorporated herein by reference.

CAUTIONARY INFORMATION

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

SOUTHERN PACIFIC ACQUISITION

On August 12, 1996, the STB served a decision (the Decision) approving the acquisition of control of Southern Pacific by UPC, subject to various conditions. The acquisition was consummated on September 11, 1996. Various appeals were filed with respect to the Decision, and all such appeals were ultimately consolidated in the U.S. Court of Appeals for the District of Columbia Circuit, and all of the appeals have since been withdrawn or denied.

Among the conditions to the STB's approval of the Southern Pacific acquisition was the requirement that the STB retain oversight jurisdiction for five years to examine whether the conditions imposed under the Decision remain effective to address the competitive harms caused by the merger. On December 15, 2000, the STB served a decision in the fourth annual general oversight proceeding to review the implementation of the merger and the effectiveness of the conditions imposed under the Decision. The Board concluded that merger implementation continued to be positive, the conditions ensured effective competition and no new conditions were warranted. The STB established July 2, 2001 as the date for

the fifth comprehensive summary to be filed by the Railroad. The STB order also requires interested parties to file comments concerning the fifth annual oversight proceeding on August 17, 2001, with replies being due September 4, 2001.

SHAREHOLDER LITIGATION

As previously reported, UPC and certain of its directors and officers (who are also directors of the Railroad) were named as defendants in two purported class actions filed in 1997 that have been consolidated into one proceeding in the United States District Court for the Northern District of Texas (the Class Action). In addition to the Class Action, a purported derivative action was filed on behalf of UPC and the Railroad in September 1998 in the District Court for Tarrant County, Texas, naming as defendants the then-current and certain former directors of UPC and the Railroad and, as nominal defendants, UPC and the Railroad (the Derivative Action and together with the Class Action, the Actions).

Prior to any rulings on the defendants' motions to dismiss the Class Action and the Derivative Action, counsel for UPC, the Railroad and the individual defendants in those Actions entered into a Memorandum of Understanding (the MOU), dated June 28, 2000, with counsel for the plaintiffs in the Class Action and Derivative Action, providing for the settlement of both Actions. The MOU provided, among other things, that the Class Action would be settled for \$34,025,000 in cash (the Settlement Payment), the full amount of which has been covered by UPC's insurance carriers. The MOU also provided that, in settlement of the Derivative Action, UPC would adopt certain additional procedures which are intended to reinforce its continuing effort to ensure both the effective implementation of its merger with Southern Pacific and its ongoing commitment to rail safety. In addition, in the event of any proposed merger or other transaction involving consolidation of UPC and a rail system of greater than 1,000 miles in length of road, UPC agreed to commission a study, to be completed in advance of any formal application to a U.S., Canadian or Mexican federal regulatory board, to analyze prospective safety and congestion-related issues.

On October 12, 2000, counsel for the respective parties in the Class Action and the Derivative Action entered into definitive Stipulations of Compromise and Settlement (the Stipulations), providing for the settlement of the Actions on the terms described above, subject to court approval. At separate hearings on December 13, 2000, the court in the Class Action and the court in the Derivative Action approved the proposed settlement of the respective Actions as fair, adequate and reasonable and dismissed the respective Actions with prejudice in favor of the defendants. In its order, the court in the Class Action also granted in part plaintiffs' counsels' application for attorneys' fees and expenses, to be paid from the Settlement Payment. In its order, the court in the Derivative Action also granted plaintiff's counsels' application for attorneys fees and expenses in the amount of \$975,000, which amount has been paid by the Corporation but has been fully covered by UPC's insurance carriers.

UPC, the Railroad and the individual defendants named in the Actions entered into the MOU and Stipulations solely for the purpose of avoiding the further expense, inconvenience, burden and uncertainty of the Actions, and their decision to do so does not constitute, and under the terms of the Stipulations may not be taken as, an admission or concession or evidence of any liability or wrongdoing whatsoever on the part of any party to either Action, which liability and wrongdoing have consistently been, and continue to be, denied.

SURFACE TRANSPORTATION BOARD MATTERS

As previously reported, in May 2000 the STB dismissed a complaint filed by the Western Coal Traffic League (WCTL) alleging that the Railroad improperly accounted for certain costs associated with the acquisition of Southern Pacific and service difficulties in its 1997 annual report filed with the STB. On June 1, 2000, the WCTL petitioned the STB for a rehearing. On November 30, 2000, the STB rejected WCTL's petition for reconsideration and affirmed its earlier decision issued in May of 2000 that the Railroad properly accounted for the service difficulties experienced in 1997.

Also as previously reported, in May 2000 the STB served a decision in a complaint filed by FMC challenging the Railroad's tariff rates on 16 different movements. The decision found rates on 15 of the movements were excessive. On June 1, 2000, the Railroad petitioned the STB for reconsideration, alleging that multiple errors caused the decision to understate costs and therefore prescribe rates where not jurisdictionally permitted or prescribe lower rates than warranted. The Railroad and FMC each also filed a petition for review of the STB decision in the United States Circuit Court of Appeals for the D.C. Circuit. Although both FMC and the Railroad originally challenged the STB decision, both parties agreed that neither party would pursue future appeals or regulatory action as part of a wider commercial understanding reached on December 8, 2000. When the Railroad notified the STB that it was withdrawing its motion for reconsideration, the STB dismissed the motion and discontinued the proceeding in a decision served December 13, 2000. The parties agreed upon an amount to be paid in final reparations and interest and the Railroad paid the final installment on December 15, 2000.

OTHER MATTERS

Western Resources v. Union Pacific Railroad Company and The Burlington Northern Santa Fe Railway Company. Western Resources (Western) filed its original complaint on January 24, 2000 in the U.S. District Court for the District of Kansas. Western alleged the railroads materially breached their service obligations under the transportation contract to deliver coal in a timely manner to Western's Jeffrey Energy Center. The original complaint sought recovery of consequential damages and termination of the contract, excusing Western from further performance. In an amended complaint filed September 1, 2000, Western claimed the right to retroactive termination and added a claim for restitution. In its December 1, 2000 supplemental disclosure of damages, Western continued to assert both its damages and restitution claims.

The railroads are vigorously defending this lawsuit and discovery is underway. The railroads have filed two motions seeking dismissal of the termination and restitution claims. Western has responded, and the railroads have replied. The trial is currently scheduled to begin in May 2002.

LABOR MATTERS

The General Counsel of the National Labor Relations Board (NLRB) is seeking a bargaining order remedy in 11 cases involving Overnite where a Teamsters local union lost a representation election. A bargaining order remedy would require Overnite to recognize and bargain with the union as if the union had won instead of lost the election and would be warranted only if the following findings are made: (1) the petitioning Teamsters local had obtained valid authorization cards from a majority of the employees in an appropriate unit; (2) Overnite committed serious unfair labor practices; and (3) those unfair labor practices would preclude the holding of a fair election despite the application of less drastic remedies. In these eleven cases an administrative law judge has ruled that the bargaining order remedy is warranted. Overnite appealed those rulings to the NLRB. The NLRB has upheld the decision of the administrative law judge in four cases, and Overnite has appealed the NLRB's ruling to the United States Court of Appeals for the Fourth Circuit. On February 16, 2001 a two-one majority of a Fourth Circuit panel enforced the NLRB bargaining orders. Overnite will petition for rehearing by the entire Circuit bench. With respect to the other seven bargaining order cases, Overnite's appeal is pending before the NLRB. In a twelfth case, the administrative law judge found that a bargaining order remedy was not warranted. Under NLRB case law, a bargaining order remedy would attach retrospectively to the date when, after a union with a showing of majority support demanded recognition, Overnite embarked on an unlawful course of conduct. In the event of such a retroactive effective bargaining order, Overnite would face back pay liability for losses in employee earnings due to unilateral changes in terms or conditions of employment, such as layoffs, reduced hours of work or less remunerative work assignments. Overnite believes it has substantial defenses in the bargaining order cases and intends to continue to defend them aggressively.

ENVIRONMENTAL MATTERS

In March 1998, the Railroad received notice that the Railroad and Clean Harbors, a waste disposal firm, were the subjects of a criminal investigation by the EPA and the Federal Bureau of Investigation. Tank cars containing hazardous waste billed to Clean Harbors' transload facility in Sterling, Colorado were held in the Railroad's Sterling, Colorado rail yard for periods longer than ten days prior to placement in Clean Harbors' facility, allegedly in violation of hazardous waste regulations. The Railroad is cooperating with the investigation and has responded to grand jury subpoenas. A finding of violation could result in significant criminal or civil penalties.

The Corporation and its affiliates have received notices from the EPA and state environmental agencies alleging that they are or may be liable under certain federal or state environmental laws for remediation costs at various sites throughout the United States, including sites which are on the Superfund National Priorities List or state superfund lists. Although specific claims have been made by the EPA and state regulators with respect to some of these sites, the ultimate impact of these proceedings and suits by third parties cannot be predicted at this time 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/or the speculative nature of remediation costs. Nevertheless, at many of the superfund sites, the Corporation believes it will have little or no exposure because no liability should be imposed under applicable law, one or more other financially able parties generated all or most of the contamination, or a settlement of the Corporation's exposure has been reached although regulatory proceedings at the sites involved have not been formally terminated.

Information concerning environmental claims and contingencies and estimated attendant remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations - Other Matters - Environmental Costs on pages 28 and 29 of the Annual Report. Such information is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT AND
PRINCIPAL EXECUTIVE OFFICERS OF SUBSIDIARIES

NAME -----	POSITION -----	AGE ---	BUSINESS EXPERIENCE DURING PAST FIVE YEARS -----
Richard K. Davidson	Chairman, President and Chief Executive Officer of UPC and Chairman and Chief Executive Officer of the Railroad	59	(1)
James R. Young	Executive Vice President - Finance of UPC and Chief Financial Officer of the Railroad	48	(2)
L. Merrill Bryan, Jr.	Senior Vice President and Chief Information Officer	57	(3)
Barbara W. Schaefer	Senior Vice President - Human Resources	47	(4)
Robert W. Turner	Senior Vice President - Corporate Relations	51	(5)
Carl W. von Bernuth	Senior Vice President, General Counsel and Secretary	57	(6)
Charles R. Eisele	Vice President - Strategic Planning and Administration	51	(7)
Bernie R. Gutschewski	Vice President - Taxes	50	(8)
Mary E. McAuliffe	Vice President - External Relations	54	Current Position
Richard J. Putz	Vice President and Controller	53	(9)
Mary S. Jones	Vice President and Treasurer	48	(10)
Ivor J. Evans	President and Chief Operating Officer of the Railroad	58	(11)
Dennis J. Duffy	Executive Vice President - Operations of the Railroad	50	(12)
John J. Koraleski	Executive Vice President - Marketing and Sales of the Railroad	50	(13)
R. Bradley King	Executive Vice President - Network Design and Integration of the Railroad	53	(14)
Leo H. Suggs	Chairman and Chief Executive Officer of Overnite	62	(15)

EXECUTIVE OFFICERS OF THE REGISTRANT AND
PRINCIPAL EXECUTIVE OFFICERS OF SUBSIDIARIES
(CONTINUED)

- (1) Mr. Davidson was elected Chairman and Chief Executive Officer effective January 1, 1997. He became President of UPC effective May 1994 and was also Chief Operating Officer of UPC from November 1995 to December 1996. He was President and Chief Executive Officer of the Railroad until August 1995, Chairman of the Railroad until November 1996 and Chairman and Chief Executive Officer of the Railroad since November 1996.
- (2) Mr. Young was elected Executive Vice President-Finance of UPC and Chief Financial Officer of the Railroad effective December 1, 1999. He was elected Controller of UPC and Senior Vice President - Finance of the Railroad effective March 1999 and Senior Vice President - Finance of UPC effective June 1998. He served as Treasurer of the Railroad from June 1998 to March 1999. He was Vice President - Customer Service Planning and Quality of the Railroad from April 1998 to June 1998, Vice President - Quality and Operations Planning from September 1997 to April 1998 and Vice President - Finance and Quality from September 1995 to September 1997.
- (3) Mr. Bryan was elected to his current position effective May 1997. Prior thereto, he was President and Chief Executive Officer of Union Pacific Technologies, Inc., a former subsidiary of UPC.
- (4) Ms. Schaefer was elected to her current position effective April 1997. From April 1994 to April 1997 she was Vice President - Human Resources of the Railroad.
- (5) Mr. Turner was elected to his current position effective August 2000. Prior thereto, he was Vice President - Public Affairs of Champion International Corporation, a paper and forest products company.
- (6) Mr. von Bernuth was elected Corporate Secretary effective April 1997. He has been Senior Vice President and General Counsel during the past five years.
- (7) Mr. Eisele was elected to his current position effective March 1999. He was Vice President - Strategic Planning from September 1997 to March 1999. He was Vice President - Purchasing for the Railroad from April 1994 to September 1997.
- (8) Mr. Gutschewski was elected Vice President - Taxes effective August 1998. Prior thereto, he was Assistant Vice President - Tax and Financial Management of the Railroad.
- (9) Mr. Putz was elected Vice President and Controller of UPC and Chief Accounting Officer of the Railroad effective December 1, 1999. Prior thereto, he was Assistant Vice President and Controller of the Railroad.
- (10) Ms. Jones was elected to her current position effective March 1999. She served as Vice President - Investor Relations from June 1998 to March 1999. She was Assistant Vice President - Treasury and Assistant Treasurer of UPC from September 1996 to June 1998 and prior thereto she was Assistant Treasurer of UPC.
- (11) Mr. Evans was elected to his current position effective September 1998. Prior thereto, he was Senior Vice President of Emerson Electric Company, a company engaged in the design, manufacture and sale of electrical, electromechanical, and electronic products and systems.

- (12) Mr. Duffy was elected to his current position effective September 1998. He was Senior Vice President - Safety Assurance and Compliance Process from October 1997 to September 1998. He was Senior Vice President - Customer Service and Planning of the Railroad from November 1995 to October 1997.
- (13) Mr. Koraleski was elected to this position effective March 1999. He served as Controller of UPC from August 1998 to March 1999 and as Executive Vice President - Finance of the Railroad from May 1996 to March 1999. Prior to May 1996, he was Executive Vice President - Finance and Information Technologies of the Railroad.
- (14) Mr. King was elected to his current position effective September 1998. He was Executive Vice President - Operations from October 1997 to September 1998. He was Vice President - Transportation of the Railroad from November 1995 to October 1997.
- (15) Mr. Suggs was elected to his current position in April 1996. Prior thereto, he was President and Chief Executive Officer of Preston Trucking Company, Inc., a company engaged in truck transportation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Information as to the markets in which UPC's Common Stock is traded, the quarterly high and low prices for such stock, the dividends declared with respect to the Common Stock during the last two years, and the approximate number of shareholders of record at January 31, 2001 is set forth under Selected Quarterly Data and Shareholders and Dividends on page 52 of the Annual Report. Information as to restrictions on the payment of dividends with respect to the Corporation's Common Stock is set forth in note 7 to the consolidated financial statements on page 45 of the Annual Report. All such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data for the Corporation for each of the last 10 years is set forth under the Ten-Year Financial Summary on page 54 of the Annual Report. All such information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information as to UPC's financial condition, changes in financial condition, results of operations, cash flows, liquidity and capital resources, and other matters is set forth in the Financial Review on pages 18 through 32 of the Annual Report. All such information is incorporated herein by reference.

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 on pages 29 and 30 of the Annual Report and in note 4 to the consolidated financial statements on pages 42 and 43 of the Annual Report. All such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Corporation's Consolidated Financial Statements, Significant Accounting Policies, Notes to the Financial Statements and Independent Auditors' Report are presented on pages 33 through 51 of the Annual Report. Selected quarterly financial data are set forth under Selected Quarterly Data on page 52 of the Annual Report. All such information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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 13 Directors 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.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning compensation received by UPC's directors and certain executive officers is presented in the Compensation of Directors, Compensation Committee Interlocks and Insider Participation, 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, Long Term Incentive Plan-Awards in Last Fiscal Year Table, Defined Benefit Plans, Change-in-Control Arrangements and Five-Year Performance Comparison segments of the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information as to the number of shares of UPC's equity securities beneficially owned as of February 9, 2001 by each of its directors and nominees for director, its five most highly compensated executive officers, its directors and executive officers as a group and certain beneficial owners is set forth in the Election of 13 Directors, Security Ownership of Management, and Security Ownership of Certain Beneficial Owners segments of the Proxy Statement and is incorporated herein by reference.

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.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) Financial Statements and Schedules

The Consolidated Financial Statements, Significant Accounting Policies, Notes to the Financial Statements and Independent Auditors' Report on pages 33 through 51, inclusive, of the Annual Report are incorporated herein by reference.

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 consolidated financial statements or notes thereto.

(3) Exhibits

Items 10(f) through 10(u) below constitute management contracts and executive compensation arrangements required to be filed as exhibits to this report.

- 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 as of November 19, 1998, are incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed November 25, 1998.
- 4 Pursuant to various indentures and other agreements, UPC has issued long-term debt. No such agreement has securities or obligations covered thereby which exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such indenture or agreement upon request by the Commission.
- 10(a) Amended and Restated Anschutz Shareholders Agreement, dated as of July 12, 1996, among UPC, UPRR, The Anschutz Corporation (TAC), Anschutz Foundation (the Foundation) and Mr. Philip F. Anschutz, is incorporated herein by reference to Annex D 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(b) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, TAC and the Foundation is incorporated herein by reference to Annex H 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(c) 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(d) 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(e) 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(f) The Executive Incentive Plan of UPC, as amended as of November 16, 2000.
- 10(g) The Executive Stock Purchase Incentive Plan of UPC, as amended as of November 16, 2000.
- 10(h) 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(i) The Supplemental Pension Plan for Officers and Managers of UPC and Affiliates, as amended and restated, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.
- 10(j) Letter Agreement, dated September 8, 1998, between UPC and Mr. Ivor J. Evans, is incorporated herein by reference to Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.
- 10(k) Letter Agreement, dated November 18, 1999, amending Letter Agreement dated September 8, 1999 between UPC and Mr. Ivor J. Evans, is incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.
- 10(l) The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of November 16, 2000.
- 10(m) The 1993 Stock Option and Retention Stock Plan of UPC, as amended as of January 25, 2001.
- 10(n) UPC 2000 Directors Stock Plan is incorporated by reference to Exhibit 99 to UPC's Current Report on Form 8-K filed March 9, 2000.
- 10(o) UPC Key Employee Continuity Plan dated November 16, 2000.
- 10(p) 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(q) 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(r) The UPC Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended May 27, 1999, is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
- 10(s) 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(t) 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(u) Form of 2001 Long Term Plan Stock Unit and Cash Award Agreement dated January 25, 2001.
- 12 Ratio of Earnings to Fixed Charges.
- 13 Pages 6 through 54, inclusive, of UPC's Annual Report to Shareholders for the year ended December 31, 2000, but excluding photographs set forth on pages 6 through 17, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.
- 21 List of the Corporation's significant subsidiaries and their respective states of incorporation.
- 23 Independent Auditors' Consent.
- 24 Powers of attorney executed by the directors of UPC.
- 99(a) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the UPC Thrift Plan - to be filed by amendment.
- 99(b) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the Union Pacific Fruit Express Company Agreement Employee 401(k) Retirement Thrift Plan - to be filed by amendment.
- 99(c) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the Union Pacific Agreement Employee 401(k) Retirement Thrift Plan - to be filed by amendment.
- 99(d) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the Chicago and North Western Railway Company Profit Sharing and Retirement Savings Program - to be filed by amendment.
- 99(e) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the Southern Pacific Rail Corporation Thrift Plan - to be filed by amendment.

(b) Reports on Form 8-K

On October 19, 2000, UPC filed a Current Report of Form 8-K announcing UPC's financial results for the third quarter of 2000.

On December 27, 2000, UPC filed a Current Report on Form 8-K announcing spending reductions and the expectation of lower fourth quarter earnings.

On January 18, 2001, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the fourth quarter of 2000.

On March 8, 2001, UPC filed a Current Report on Form 8-K filing the Union Pacific Corporation 2001 Stock Incentive Plan, which will be considered for approval at the UPC 2001 Annual Meeting of Shareholders.

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 21st day of March, 2001.

UNION PACIFIC CORPORATION

By /s/ Richard K. Davidson

Richard K. Davidson, Chairman,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 21st day of March, 2001, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER
AND DIRECTOR:

/s/ Richard K. Davidson

Richard K. Davidson, Chairman,
President, Chief Executive
Officer and Director

PRINCIPAL FINANCIAL OFFICER:

/s/ James R. Young

James R. Young,
Executive Vice President - Finance

PRINCIPAL ACCOUNTING OFFICER:

/s/ Richard J. Putz

Richard J. Putz,
Vice President and Controller

SIGNATURES - (Continued)

DIRECTORS:

Philip F. Anschutz*

Elbridge T. Gerry, Jr.*

Robert P. Bauman*

Judith Richards Hope*

E. Virgil Conway*

Richard J. Mahoney*

Thomas J. Donohue*

Steven R. Rogel*

Archie W. Dunham*

Richard D. Simmons*

Spencer F. Eccles*

Ernesto Zedillo*

Ivor J. Evans*

* By /s/ Thomas E. Whitaker

Thomas E. Whitaker, Attorney-in-fact

INDEPENDENT AUDITORS' REPORT

Union Pacific Corporation, its Directors and Shareholders:

We have audited the consolidated financial statements of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, and have issued our report thereon dated January 18, 2001; such financial statements and report are included in your 2000 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedule of the Corporation, listed in Item 14. This financial statement schedule is the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Omaha, Nebraska
January 18, 2001

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	For the Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Accrued Casualty Costs:			
Balance, beginning of period	\$ 1,319	\$ 1,395	\$ 1,418
Charged to expense	360	378	475
Deductions	436	454	498
Balance, End of Period	\$ 1,243	\$ 1,319	\$ 1,395
Accrued casualty costs are presented in the consolidated statements of financial position as follows:			
Current	\$ 409	\$ 385	\$ 400
Long-term	834	934	995
Balance, End of Period	\$ 1,243	\$ 1,319	\$ 1,395

UNION PACIFIC CORPORATION
EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
FILED WITH THIS STATEMENT	
10(f)	The Executive Incentive Plan of UPC, as amended as of November 16, 2000.
10(g)	The Executive Stock Purchase Incentive Plan of UPC, as amended as of November 16, 2000.
10(l)	The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of November 16, 2000.
10(m)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended as of January 25, 2001.
10(o)	UPC Key Employee Continuity Plan dated November 16, 2000
10(u)	Form of 2001 Long Term Plan Stock Unit and Cash Award Agreement dated January 25, 2001.
12	Ratio of Earnings to Fixed Charges.
13	Pages 6 through 54, inclusive, of UPC's Annual Report to Shareholders for the year ended December 31, 2000, but excluding photographs set forth on pages 6 through 17, none of which supplements the text and which are not otherwise required to be disclosed in this Annual Report on Form 10-K.
21	List of the Corporation's significant subsidiaries and their respective states of incorporation.
23	Independent Auditors' Consent.
24	Powers of attorney executed by the directors of UPC.
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.
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Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).

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- 99(e) Financial Statements for the Fiscal Year ended December 31, 2000 required by Form 11-K for the Southern Pacific Rail Corporation Thrift Plan - to be filed by amendment.

EXECUTIVE INCENTIVE PLAN
OF
UNION PACIFIC CORPORATION
AND SUBSIDIARIES

EFFECTIVE JANUARY 1, 1971

AMENDED AND RESTATED AS OF APRIL 15, 1988
AMENDED OCTOBER 26, 1989
AMENDED SEPTEMBER 24, 1992
AMENDED SEPTEMBER 30, 1993
AMENDED APRIL 21, 1995
AMENDED APRIL 27, 1995
AMENDED NOVEMBER 16, 2000

EXECUTIVE INCENTIVE PLAN OF UNION PACIFIC CORPORATION
AND SUBSIDIARIES

EFFECTIVE JANUARY 1, 1971

AMENDED AND RESTATED AS OF APRIL 15, 1988
AMENDED OCTOBER 26, 1989
AMENDED SEPTEMBER 24, 1992
AMENDED SEPTEMBER 30, 1993
AMENDED APRIL 21, 1995
AMENDED APRIL 27, 1995
AMENDED NOVEMBER 16, 2000

PURPOSE OF PLAN

The purpose of this Plan is to promote the success of Union Pacific Corporation and Subsidiaries by providing additional compensation for services rendered during any year by key executives who contribute in a significant manner to the operations and business of the Company and such Subsidiaries.

1. DEFINITIONS

Section 1.01 The following terms shall have the following meanings:

"ACCOUNTHOLDER" means any person who has received a Deferred Award.

"BENEFICIARY" means any person or persons designated in writing by an Accountholder to the Committee on a form prescribed by it for that purpose, which designation shall be revocable at any time by the Accountholder prior to his death, provided that, in the absence of such a designation or the failure of the person or persons so designated to survive the Accountholder, payments or distributions shall be made to the Accountholder's estate and provided further that no payment or distribution shall be made during the lifetime of the Accountholder to his Beneficiary.

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

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

"COMMITTEE" means the Committee provided for in Section 2.01.

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

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

"DEFERRED AWARD" means an award under the Plan which an Executive to whom the award is made shall have elected to defer until after Termination or, for awards made with respect to Years beginning with 1982, the earlier of either (i) a date or dates certain in any year or years prior to Termination (but in no event more often than once in each such year or years), or (ii) after Termination, all in accordance with Section 4.01 and which until paid shall, subject to paragraph (1) of Section 7.01, be represented by Investment Accounts maintained for such Executive in accordance with Section 5.01.

"EXECUTIVE" means any person who was a regular employee of the Company or a Subsidiary (including directors who are also such employees) for all or part of the Year in respect of which awards are made under the Plan and who, in the judgment of the Committee, contributed in a significant manner to the operations and business of the Company or a Subsidiary for such Year.

"IMMEDIATE CASH AWARD" means an award under the Plan payable in cash pursuant to Section 4.02 as promptly as practicable after the close of the Year for which the award is made or, in the sole discretion of the Committee, in December of the year for which the award is made.

"INCENTIVE RESERVE ACCOUNT" means the account established by the Company pursuant to Section 3.01.

"INVESTMENT ACCOUNT" means one of the accounts established by the Company pursuant to Section 5.01.

"PLAN" means this Executive Incentive Plan as amended from time to time.

"SUBSIDIARY" means any corporation of which the Company owns directly or indirectly at least a majority of the outstanding shares of voting stock and which by action of its board of directors has adopted the Plan.

"TERMINATION" means termination of employment with the Company and its Subsidiaries, for any reason, including retirement and death.

"VALUATION DATE" means the last business day of each calendar quarter and each other interim date on which the Committee determines that a valuation of Investment Accounts shall be made.

"YEAR" means a calendar year.

2. ADMINISTRATION OF THE PLAN

Section 2.01. The Plan shall be administered by a Committee which shall consist of at least three members designated by the Board to serve at its pleasure. Such members shall be members of the Board and shall not be officers or employees of the Company or any Subsidiary. The

Committee shall determine the Executives to whom awards are granted under the Plan and the amounts of awards payable to such Executives out of the Incentive Reserve Account, and shall otherwise be responsible for the administration and interpretation of the Plan. The Committee shall supervise and be responsible for the maintenance of the various accounts under the Plan and for determining the amounts and, subject to Sections 4.02 and 6.01, the times of payments or distributions of awards. The Committee may delegate its authority under the Plan to one or more officers or employees of the Company or a Subsidiary. All determinations of the Committee shall be by a majority of its members, and its determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a Director of the Company.

3. INCENTIVE RESERVE ACCOUNT

Section 3.01. The Company shall establish an Incentive Reserve Account to which amounts available for awards to Executives shall be credited and which shall be debited as such awards are made by the Committee. The Board may cause to be credited to such Incentive Reserve Account such amount for each Year, beginning with 1983 during which the Plan remains in effect as it, in its discretion, may determine provided that the amount so credited for any Year shall not exceed the following limitation:

The maximum amount that may be credited to the Incentive Reserve Account for any Year is 1.5% of Net Income for such Year when the Return on Average Annual Total Stockholders' Equity is 10.0% and is 3.0% of Net Income for such Year when the Return on Average Annual Total Stockholders' Equity is 12.0% or more. At intermediate levels of Return on Average Annual Total Stockholders' Equity (between 10.0% and 12.0%), the maximum percentage of Net Income that may be credited to the Incentive Reserve Account for such Year shall increase 0.075% for each incremental 0.1% increase in the Return on Average Annual Total Stockholders' Equity. Net Income is the consolidated net earnings from continuing operations of the Company (before extraordinary items) determined in conformity with generally accepted accounting principles before giving effect to provisions for amounts to be credited to the Incentive Reserve Account for such year. Average Annual Total Stockholders' Equity is calculated as the average of (i) total stockholders' equity, including preferred stock, as shown on the consolidated financial statements of the Company at the beginning of each year and (ii) total stockholders' equity, including preferred stock, as shown on the consolidated financial statements of the Company at the end of such year, adjusted in the case of clause (ii) to include income from continuing operations before extraordinary items (determined in conformity with generally accepted accounting principles) and amounts to be credited to the Incentive Reserve Account under the Plan for such year.

The amount of Net Income and the percentage Return on Average Annual Total Stockholders Equity shall be computed and reported to the Board and the Committee at the end of each Year by the Company. The Committee shall obtain a report from the Company's independent certified

public accountants stating that the computation of the amount credited to the Incentive Reserve Account at the end of the Plan Year was made in accordance with the provisions of the Plan and their report shall be final and binding. Any amounts credited to the Incentive Reserve Account which are not awarded with respect to such Year may, on direction of the Committee, be awarded in future Years during which the Plan remains in effect.

4. AWARDS UNDER THE PLAN

Section 4.01. Prior to September 30 of each Year, beginning with 1984, an Executive who has been granted awards under the Plan with respect to prior Years and who has not previously made an election under the Plan, shall file with the Committee an initial election on a form prescribed by the Committee for such purpose specifying the percent in multiples of 10% of any award which may be granted to him with respect to such Year and later Years to be in the form of an Immediate Cash Award or a Deferred Award in one or more Investment Accounts. Deferral and investment elections shall be continuing elections for all awards under the Plan except that:

(i) Deferral elections shall be subject to change before September 30 of any Year on a form prescribed by the Committee for such purpose with respect to any awards which may be granted to him for such Year and later Years; and

(ii) an Accountholder, whether or not currently employed by the Company or a Subsidiary, may elect to convert the value of his account, if any, in any Investment Account to equivalent value accounts in any other Investment Accounts as of a Valuation Date, provided that the Committee has received such notice of the conversion as the Committee may require, and provided further that, unless the Committee shall in its sole discretion determine otherwise, an Accountholder may make conversions only in such amounts and at such times as are allowable for changes in investment elections under the terms of the Union Pacific Corporation Thrift Plan. The Committee shall cause such conversions to be effected by transferring equivalent amounts from the one such account to the other, all as of such Valuation Date; otherwise, such deferral and investment elections, and such changes therein, shall be irrevocable.

In addition, for awards made with respect to Years beginning with 1982, an Executive may also specify on a form prescribed by the Committee for such purpose whether he wishes payment of Deferred Awards to be made on the earlier of either (i) date or dates certain in any year or years prior to Termination (but in no event more often than once in each such year or years), such payment to be in full in cash on such date or dates, or (ii) upon Termination in accordance with the provisions of Sections 6.01 through 6.04. Elections made as to dates for the payment of Deferred Awards shall be subject to change by such Executive before September 30 of any Year on a form prescribed by the Committee for such purpose with respect to any awards made for such Year and later Years; otherwise such elections, and such changes therein, shall be irrevocable.

Designation, election or change in election shall not entitle an Executive to any award for any Year but the form of award, if any, for any Year to such Executive shall be in accordance with such election. If an Executive has not been so designated as eligible for Deferred Awards, or an election for Deferred Awards is not in effect for him, any award granted to him for any Year shall be in the form of an Immediate Cash Award.

Section 4.02. As soon as practicable after the close of each Year, or in December of any Year if so determined by the Committee, beginning with 1971, the Committee may grant awards payable out of the Incentive Reserve Account to such Executives in such dollar amounts as it in its sole discretion shall determine, subject to Section 4.03, and the amount of each such award shall be debited to the Incentive Reserve Account. Except to the extent that Deferred Awards are elected pursuant to Section 4.01, any award under the Plan granted to an Executive for any Year shall be paid to him or to his Beneficiary in a lump sum in cash as promptly as practicable after such award is granted.

Section 4.03. No Covered Executive shall receive an award for any Year in excess of (i) .25% of Covered Income for such Year, in the case of the Chief Executive Officer of the Company, and (ii) .15% of Covered Income for such Year, in the case of any other Covered Executive. Covered Executive means an Executive whose compensation is subject to the limitations on deductibility set forth in Section 162(m) of the Code. Covered Income for a Year is the greater of (a) the consolidated net earnings from continuing operations of the Company for such Year, before extraordinary items, special charges and the cumulative effect of accounting changes, determined in accordance with generally accepted accounting principles, and (b) such net earnings for the first eleven months of such Year.

5. DEFERRED AWARDS

Section 5.01. The Company shall from time to time establish on its books one or more Investment Accounts. In the case of each Executive, if and when a Deferred Award is granted to him, the Committee shall credit to an account maintained for him in one or more Investment Accounts the equivalent amount of such award in accordance with his election. Each Investment Account shall have such name, and be charged or credited pursuant to such method, as the Committee shall determine upon establishment of such Investment Account, provided such method is consistent with the requirements of Section 162(m) of the Code for performance-based compensation. The Committee may change such names or methods for any Investment Account, but no such change shall reduce any amount previously accrued in an Accountholder's account. The Committee shall cause each Investment Account to be valued as of each Valuation Date by such person or persons as it in its sole discretion shall determine and such valuation shall be conclusive for all purposes of the Plan. The value of any Investment Account for the purpose of making payment of a Deferred Award shall be the value of such Investment Account as of the Valuation Date last preceding such payment. Compensation paid in respect of any Investment Account shall result in corresponding reduction in the value of such accounts. The amounts credited in Investment Accounts shall represent general liabilities of the Company and shall not constitute a trust fund or otherwise create any property interest in any Accountholder or his Beneficiary.

Section 5.02. The provisions of Section 5.01 shall be subject to the provisions of paragraph (1) of Section 7.01.

6. PAYMENT OR DELIVERY OF DEFERRED AWARDS

Section 6.01. Upon termination of an Executive, the Committee shall cause cash in respect of any balances in the accounts maintained for such Executive in any Investment Account to be paid or delivered to him or his Beneficiary in the sole discretion of the Committee as follows:

(i) in a single distribution, an amount in cash equal to the value of the accounts maintained for him in all Investment Accounts, all such cash being paid in the Year of his Termination or in January of the following Year, as determined by the Committee; or,

(ii) over such number of Years as are fixed by the Committee but not exceeding fifteen, in annual installments of an aggregate amount of cash equal in value at the time of each installment payment to the value of the accounts maintained for him in all Investment Accounts at the Valuation Date next preceding payment divided by the remaining number of such annual installments, the first of such installments to be paid or delivered in the month following the month of his Termination, or at the discretion of the Committee not later than 12 months following the date of Termination and subsequent installments to be paid or delivered in January of each subsequent Year; or

(iii) in the event of retirement or death of a currently employed Executive, at a specified future date not to exceed 15 years from the date of such retirement or death in a single distribution, an amount of cash equal to the value of the accounts maintained for him in all Investment Accounts. Income in respect of Investment Accounts would be paid in cash quarterly to such Executive or his Beneficiary commencing with the first day of the month subsequent to such Executive's retirement or death. In the case of retirement, the single distribution referred to above will be paid on the date specified or upon death, whichever occurs first.

All payments or distributions attributable to each Deferred Award of an Executive after his Termination shall be made by the Company on its behalf or on behalf of the Subsidiary or Subsidiaries by which he was employed during the Year in which such Deferred Award was earned. The Subsidiary shall reimburse the Company in the amount of such paid Deferred Awards.

Section 6.02. Deferred Awards elected to be paid on a date or dates certain in any year or years prior to Termination shall be paid to the Executive in full in cash on such date or dates.

Section 6.03. At any time before or after Termination of an Executive who shall have elected to receive one or more Deferred Awards, the Committee, if it finds in its sole discretion that

continued deferral of such Awards would result in undue hardship to such Executive or his Beneficiary, may accelerate and pay in cash all or any part of such Deferred Award or Deferred Awards by converting the value of the accounts maintained for him in Investment Accounts into the cash equivalent thereof on the same basis as if a payment in cash were being made as provided in Section 6.01. On the death of an Executive after his Termination, the Committee, in its sole discretion, may accelerate one or more installments, and change the form of payment or distribution in accordance with Section 6.01, of any balance of his Deferred Awards and, in the event of relevant changes in the Federal income tax laws, regulations and rulings or on termination of the Plan, the Committee may, in its sole discretion, so accelerate or change the form of payment or distribution of any or all Deferred Awards.

Section 6.04. If a Change in Control shall be deemed to have occurred under the Union Pacific Key Employee Continuity Plan, then each Executive with an account maintained for him in an Investment Account shall be entitled to receive, at his option, in a single distribution on the Valuation Date next following such Change in Control, an amount of cash equal to the value of the accounts maintained for him in all Investment Accounts less 10%.

Section 6.05. The provisions of Sections 6.01, 6.02 and 6.03 shall be subject to the provisions of paragraph (1) of Section 7.01.

7. GENERAL PROVISIONS

Section 7.01.

(1) Anything in the Plan otherwise to the contrary notwithstanding, the Board may at any time under such circumstances as it in its sole discretion may determine, convert all the accounts of Accountholders in the Investment Accounts into cash credits, with future credits to the accounts of Accountholders being made solely in cash. Accounts shall be so converted on the basis of the value thereof as of the last preceding Valuation Date. Any such cash credits to the accounts of Accountholders shall, after such conversion, solely bear interest until paid to the Accountholder or his Beneficiary compounded annually at such annual rate of interest as may be fixed by the Board. The granting and payment of Deferred Awards in respect of such cash credits shall otherwise be in accordance with the other provisions of the Plan with such adjustments therein as the Committee may deem appropriate.

(2) Neither the Plan nor the payment of benefits hereunder nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or of a Subsidiary and the Company and each Subsidiary expressly reserves the right to discharge, without liability, any Executive whenever in its sole discretion its interest may so require.

(3) No member of the Board or the Board of Directors of any Subsidiary or of the Committee or any person to whom the Committee has delegated its authority hereunder shall be liable for any action, or action hereunder, whether of commission or omission, except in circumstances involving his bad faith, for anything done or omitted to be done by himself.

(4) The Company or any Subsidiary shall not be required to segregate cash for any Investment Account.

(5) Notwithstanding the fact that an Investment Account may use Company Stock to determine amounts credited or debited thereto, no Executive shall have voting or other rights with respect to shares of such Company Stock.

(6) The Company or any Subsidiary shall not, by virtue of any provisions of this Plan or by any action by any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Accountholder or any Beneficiary of an Accountholder and the liabilities of the Company or of any Subsidiary to any Accountholder or his Beneficiary 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 or of any Subsidiary shall be deemed to be secured by any pledge or other encumbrance on any property of the Company or of any Subsidiary.

(7) Except to the extent of the rights of the Beneficiary of an Accountholder, 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 such attempted action shall be void; and no such benefit or interest shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Accountholder, former Accountholder or his Beneficiary. If any Accountholder, former Accountholder or Beneficiary shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, then the Committee in its discretion may hold or apply such benefit or interest or any part thereof to or for the benefit of such Accountholder, former Accountholder, or his Beneficiary, his spouse, children, blood relatives or other dependents, or any of them, in such manner and in such proportions as the Committee may consider proper.

(8) The Company shall on its behalf and on behalf of its Subsidiaries withhold from payment of distribution of the Awards the required amounts of income and other taxes.

(9) No member of the Committee shall be eligible for an award under the Plan.

(10) All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of New York.

8. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

Section 8.01. The Board may from time to time amend, suspend or terminate the Plan in whole or in part, and, if suspended or terminated, may reinstate any of or all of its provisions, except that without the consent of the Executive, or, if he is not living, his Beneficiary, no amendment, suspension or termination of the Plan shall be made which materially adversely affects his rights with respect to awards previously made to him and except that the limitations set forth in Section 3.01 with respect to the amount of awards which may be granted under the Plan may be

increased only with the approval of a majority of the stockholders of the Company present, in person or by proxy, at a meeting of such stockholders at which a quorum is present. In the absence of action by the stockholders of the Company, no awards shall be made under the Plan with respect to years after the calendar year 2005 and the Plan shall automatically terminate after all Deferred Awards made prior thereto shall have been paid or distributed. Notwithstanding the foregoing, no amendment which is material for purposes of the shareholder approval requirement of Section 162(m) of the Code shall be effective in the absence of action by the stockholders of the Company.

UNION PACIFIC CORPORATION
EXECUTIVE STOCK PURCHASE INCENTIVE PLAN

1. PURPOSE

The Union Pacific Executive Stock Purchase Incentive Plan (the "Plan") is intended to (i) encourage and facilitate ownership of shares of the common stock of Union Pacific Corporation (the "Company") by officers and other key executives of the Company and its Subsidiaries, (ii) create a working environment where participating executives of the Company and its Subsidiaries share in the same risks and rewards as the Company's other shareholders, and (iii) create a retention vehicle by:

- o providing participating executives of the Company and its Subsidiaries with an opportunity to significantly increase their ownership of common stock of the Company coupled with incentive awards based on the performance of the Company and its common stock and
- o providing this opportunity in a manner that places participating executives at risk in the event of inadequate Company performance.

2. DEFINITIONS

Except where the content otherwise indicates, the following definitions apply:

"Applied Dividends" means regular cash dividends on Common Stock purchased pursuant to a Purchase Award which are to be applied to offset (partially or wholly) interest accruing on the Purchase Loan as required pursuant to Section 7(d)(i) and which the Company's stock transfer agent shall be irrevocably directed by each Participant to deliver directly to the Company for such purpose to the extent required to comply with Section 7(d)(i).

"Board" means Board of Directors of the Company.

"Cause" means the deliberate, willful or gross misconduct of the Participant, as determined by the Committee.

"Code" means the Internal Revenue Code of 1986, as amended.

"Combination Deferred Award" means the grant to a Participant, upon the Participant's exercise of the Purchase Award, of Deferred Performance Award #1, Deferred Performance Award #2, Deferred Performance Award #3 and Deferred Service Incentive Award, as described in Section 8.

"Commission" means the Securities and Exchange Commission.

"Committee" means the Compensation and Benefits Committee of the Board or such other committee of the Board as may be designated by the Board, the Committee being composed of not less than two persons who qualify as "disinterested persons" as defined in Rule 16b-3(c)(2), as promulgated by the Commission under the 1934 Act, or any successor definition adopted by the Commission.

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

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

"Deferred Performance Awards" means the following awards, as described in Section 8: Deferred Performance Award #1, Deferred Performance Award #2 and Deferred Performance Award #3.

"Deferred Service Incentive Award" means the award so named and described in Section 8.

"Designated Payment Date" means the date designated by the Company for a cash payment to a Participant (or the estate of a deceased Participant) with respect to any part or all of a Combination Deferred Award, which date shall be no later than January 31, 2003 and, in the case of any cash payment with respect to a Participant's Combination Deferred Award after the Participant's Termination of Service because of death, no later than six months after such Termination of Service.

"Effective Date" means the date the Plan is adopted by the Board.

"Interest Rate" means the "applicable federal rate" in effect on the Purchase Date for loans with a final maturity date of January 31, 2006 with interest compounded annually, as determined by Section 1274(d) of the Code.

"Market Price" with respect to a Share shall mean, for any given date (or in the event such date is not a Trading Day with respect to the Share, the last Trading Day prior to such date), the average of the high and low trading prices per Share on such date, as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange issues.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

"Participant" means each eligible employee of the Company or any of its Subsidiaries who is designated by the Committee to receive a Purchase Award.

"Performance Criteria" means the following three criteria:

Criterion #1: For twenty consecutive calendar days during the Performance Period the Market Price of a Share has increased at least 15% over the Purchase Price;

Criterion #2: Either of the following two events has occurred:
(i) The Company has achieved annual earnings per Share equal to, or greater than, \$5.00 per Share during any calendar year in the Performance Period or
(ii) Criterion #3 has been achieved; and

Criterion #3: Either of the following two events has occurred:
(i) The Company has achieved annual earnings per Share equal to, or greater than, \$6.00 per Share during any calendar year in the Performance Period or
(ii) The Market Price of a Share for twenty consecutive calendar days during the Performance Period has equaled or exceeded \$85.00.

"Performance Period" means, with respect to each Purchase Award, the period of time beginning on the Purchase Date with respect to such Purchase Award and ending on January 31, 2003.

"Plan" means this Union Pacific Corporation Executive Stock Purchase Incentive Plan, as amended from time to time in accordance with the Plan's provisions.

"Purchase Award" means an award to a Participant permitting such Participant to purchase Shares pursuant to Section 6 at the Purchase Price, together with related Purchase Loan, Combination Deferred Award and Special Deferred Award rights upon exercise of the Purchase Award.

"Purchase Date" means the date a Participant purchases Shares pursuant to a Purchase Award.

"Purchase Loan" means an extension of credit to the Participant by the Company evidenced by a Purchase Note.

"Purchase Note" means a full recourse promissory note with respect to the Purchase Loan in substantially the same form as set forth on Exhibit A.

"Purchase Price" of a Share means fair market value of a Share on the Purchase Date, as determined by the Committee.

"Remaining Balance" means the principal balance of the Purchase Loan (including accrued but unpaid interest) outstanding immediately following the end of the Performance Period and the making of any prepayments required by Section 7(d)(ii).

"Service" means employment with the Company or its Subsidiaries.

"Share" means a share of the Company's Common Stock.

"Special Criterion" means attaining a Market Price per Share which equals or exceeds \$100.00 for twenty consecutive calendar days during the Performance Period.

"Special Deferred Award" means the grant to a Participant, upon the Participant's exercise of the Purchase Award, of the Special Deferred Award, as described in Section 9.

"Subsidiary" means a corporation (or partnership, joint venture, or other enterprise) of which the Company owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

"Termination of Service" means a Participant's termination of Service such that he or she is no longer an employee of either the Company or any of its Subsidiaries for any reason whatsoever; provided, however, that, for purposes of this Plan, a Participant who becomes subject to a long-term disability (within the meaning of the Company's long-term disability plan (or the relevant Subsidiary's long-term disability plan), as in effect from time to time) shall be deemed to be continuing his or her Service during such period of long-term disability.

"Total Purchase Price" means, with respect to each Participant, the Purchase Price multiplied by the number of Shares purchased pursuant to the Participant's Purchase Award.

"Trading Day" means, with respect to the Common Stock, a day on which the Common Stock is publicly traded on the New York Stock Exchange.

3. SHARES SUBJECT TO THE PLAN

The aggregate number of Shares that may be issued under the Plan shall not exceed 1,100,000 Shares.

4. TERM OF THE PLAN

The Plan shall become effective upon adoption by the Board. The Plan shall be terminated on January 31, 2003; provided, that Combination Deferred Awards, Special Awards and Purchase Loans outstanding as of such date shall not be affected or impaired by the termination of the Plan; provided further that no Purchase Awards shall be granted after December 31, 1999.

5. ELIGIBLE EMPLOYEES

All officers of the Company and other key executives of the Company and its Subsidiaries who, in the opinion of the Committee, can materially influence the long-term performance of the Company and/or its Subsidiaries are eligible to receive a Purchase Award. The Committee shall have the power and complete discretion to select those eligible employees who are to receive Purchase Awards.

6. STOCK PURCHASE

- (a) Grant of Purchase Award. The number of Shares purchasable under a Purchase Award for any Participant and the Purchase Date shall be determined by the Committee. The Committee shall, with respect to each Purchase Award, give written notice to each Participant receiving such Purchase Award stating (i) the maximum and minimum number (which numbers may be identical) of Shares that may be purchased under the Purchase Award, (ii) the Purchase Date and (iii) the Interest Rate and other terms pertaining to the Purchase Loan.
- (b) Exercise of Purchase Award. A Participant shall exercise a Purchase Award by delivering to the Company on the Purchase Date (or within a reasonable time thereafter specified by the Company) (i) a notice stating the number of Shares (not less than the minimum number and not more than the maximum number specified in the Purchase Award) such Participant elects to purchase on the Purchase Date, and (ii) an executed Purchase Note and any other documents required pursuant to the Plan. Any Participant who does not elect to purchase at least the minimum number of Shares under the Purchase Award on the Purchase Date (or within a reasonable time thereafter specified by the Company) shall forfeit any rights under the Plan with respect to such Purchase Award, including, without limitation, any right to receive a Purchase Loan, Combination Deferred Award or Special Award related to such Purchase Award.
- (c) Closing Time. The exercise of the Purchase Award by a Participant, the delivery of the Purchase Note and the issuance by the Company of the Shares purchased pursuant to the Purchase Award shall be effective at 5:00 p.m., New York City time, on the Purchase Date

(the "Closing Time"). After the Closing Time, such Participant shall be a stockholder of the Company for all purposes. Notwithstanding anything herein to the contrary, the Committee shall have the absolute right, in its sole discretion, to revoke any Purchase Award, including, without limitation, any right to receive a Purchase Loan, Combination Deferred Award or Special Award related to such Purchase Award, prior to the Closing Time.

7. LOAN PROVISIONS

- (a) General. The Company shall extend a Purchase Loan to a Participant upon exercise of a Purchase Award subject to the terms and conditions set forth in this Section 7. The original principal amount of the Purchase Loan, which shall be unsecured, shall be equal to the Total Purchase Price. Such Purchase Loan shall be evidenced by a Purchase Note with full recourse against the Participant as maker of the note. The obligations of the Participant under the Purchase Note shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by any change in the existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or the market value of the Common Stock or any resulting release or discharge of any obligation of the Company or the existence of any claim, set-off or other rights which the Participant may have at any time against the Company or any other person, whether in connection with the Plan or with any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or counterclaim.

Notwithstanding anything to the contrary in this Section 7, the Company shall not be required to make any Purchase Loan to a Participant if the making of such Purchase Loan will (i) cause the Company to violate any covenant or similar provision in any indenture, loan agreement or other agreement, or (ii) violate any applicable federal, state or local law, provided, that the failure to make such Purchase Loan shall be deemed to revoke the exercise of the related Purchase Award unless otherwise specified by the Participant or if the Company is not satisfied with the creditworthiness of the Participant.

- (b) Interest. Interest on the principal balance of the Purchase Loan shall accrue annually, in arrears, at the Interest Rate.
- (c) Term. The term of the Purchase Loan for any Participant shall begin on such Participant's Purchase Date and, subject to prepayment as provided in Sections 7(d) and 7(e), have a final maturity date of January 31, 2006. The Remaining Balance of the Purchase Loan shall be payable in three equal annual installments on January 31, 2004, January 31, 2005 and January 31, 2006, with the interest accruing (offset by Applied Dividends, if Criterion #1 was not achieved during the Performance Period) on the unpaid Remaining Balance payable annually, in arrears, on each such January 31.
- (d) Prepayments Not Related to Termination of Service.
- (i) Dividends. To the extent the Participant is entitled to regular cash dividends on Common Stock purchased under the Plan, until the earlier of the achievement of Performance Criterion #1 or payment in full of the Purchase Loan (including accrued and unpaid interest), such dividends shall be delivered by the Company's stock transfer agent to the Company to offset (wholly or partially) the accrued interest on

the Purchase Loan, pursuant to an irrevocable written direction given by the Participant. Upon and after the achievement of Performance Criterion #1, all such dividends shall be paid directly to the Participant. If, prior to the achievement of Performance Criterion #1, the Participant is entitled to regular cash dividends which exceed the accrued interest on the Purchase Loan, such excess shall be paid directly to the Participant.

- (ii) Cash Payments with respect to Combination Deferred Award. In the event a Participant (or the estate of a deceased Participant) receives any cash payments with respect to the Participant's Deferred Performance Awards or Deferred Service Incentive Award or any cash payments made by the Company under Section 8(h)(i) after the earlier of (i) Termination of Service due to death or (ii) the end of the Performance Period, the Participant (or the Participant's estate) shall immediately (partially or wholly) prepay the principal balance of the Purchase Loan (or the accrued and unpaid interest thereon in the case of a cash payment with respect to Deferred Performance Award #1), to the extent, if any, that such principal balance (or such interest in the case of a cash payment with respect to Deferred Performance Award #1) remains unpaid at such time, with an amount equal to the full amount of all such cash payments upon receipt thereof.
- (iii) Optional Prepayments. Any Participant (or the estate of a deceased Participant) may prepay all of the Purchase Loan (including accrued and unpaid interest) at any time, but partial prepayments shall not be permitted.

- (e) Prepayment Obligations Related to Termination of Service. In the event of a Participant's Termination of Service because of death, any outstanding balance (including accrued and unpaid interest) of the Purchase Loan shall be due and payable in full six months from the date of the Participant's death. In the event of a Participant's Termination of Service for any reason other than death, any outstanding balance (including accrued and unpaid interest) of the Purchase Loan shall be due and payable in full on the later of (i) the 90th day following such Termination of Service or (ii) the 90th day following the first date on which the Participant may sell the Common Stock purchased under the Plan without incurring liability under the federal securities laws, including Section 16 of the 1934 Act (limited, in the case of Section 16, to liability relating to purchases or sale of Common Stock or any derivative security occurring prior to the Termination of Service). If (i) a Participant's Termination of Service is due to death during the Performance Period or an involuntary Termination of Service without Cause during the Performance Period, (ii) on the date the outstanding balance of the Purchase Loan becomes due and payable pursuant to this Section 7(e), the aggregate Market Price of the Shares acquired under the Participant's Purchase Award is less than the sum of (x) the outstanding balance of the Purchase Loan (including accrued and unpaid interest) on such date, as reduced by any prepayment made pursuant to Section 7(d), and (y) the income and employment tax liability resulting from any cash payments with respect to the Combination Deferred Award, and (iii) if all Shares so acquired are still held by the Participant (or the Participant's estate), then, on such date (if so requested by the Participant or the Participant's estate) the Company shall accept from the Participant (or the Participant's estate) the surrender of all Shares so acquired by the Participant in full satisfaction of the outstanding balance of the Purchase Loan (including accrued and unpaid interest).

8. COMBINATION DEFERRED AWARD - DESCRIPTION, PAYMENT AND FORFEITURE

- (a) Combination Deferred Award. Upon any Participant's exercise of the Participant's Purchase Award, the Company shall grant the Participant a Combination Deferred Award, consisting of Deferred Performance Award #1, Deferred Performance Award #2, Deferred Performance Award #3 and Deferred Service Incentive Award, subject to the terms and conditions set forth in this Section 8. Any payment with respect to a Participant's Combination Deferred Award shall be made by the Company on its behalf and/or on behalf of the Subsidiary by which the Participant was employed on the Designated Payment Date. Any Subsidiary which so employed the Participant shall reimburse the Company for such payment. No payment shall be made by the Company with respect to any Participant's Combination Deferred Award until the Participant has made arrangements with respect to any federal, state or local tax withholding requirements applicable to such payment which are satisfactory to the Company.
- (b) Deferred Performance Award #1. In the event that Criterion #1 is achieved, each Participant then holding a Deferred Performance Award #1 shall become entitled to a deferred cash payment with respect thereto, subject to the terms and conditions set forth in this Section 8. On the Designated Payment Date, the Company shall pay to the Participant, with respect to Deferred Performance Award #1, a cash amount equal to the interest accrued and remaining unpaid on the Purchase Loan (after any application of Applied Dividends) as of the Designated Payment Date. Further, if Criterion #1 has been achieved during the Performance Period, but accrued interest on the Purchase Loan is payable on January 31, 2004, January 31, 2005 and /or January 31, 2006 pursuant to Section 7(c), then, on each such date, the Company shall pay to the Participant, with respect to Deferred Performance Award #1, a cash amount equal to the interest becoming payable on such date.
- (c) Deferred Performance Award #2. In the event that Criterion #2 is achieved, each Participant then holding a Deferred Performance Award #2 shall become entitled to a deferred cash payment with respect thereto, subject to the terms and conditions set forth in this Section 8. On the Designated Payment Date, the Company shall pay to the Participant, with respect to Deferred Performance Award #2, a cash amount equal to one-third of the outstanding principal balance of the Purchase Loan as of the Designated Payment Date.
- (d) Deferred Performance Award #3. In the event that Criterion #3 is achieved, each Participant then holding a Deferred Performance Award #3 shall become entitled to a deferred cash payment with respect thereto, subject to the terms and conditions set forth in this Section 8. On the Designated Payment Date, the Company shall pay to the Participant, with respect to Deferred Performance Award #3, a cash amount equal to one-third of the outstanding principal balance of the Purchase Loan as of the Designated Payment Date.
- (e) Deferred Service Incentive Award. If the Service of a Participant who holds a Deferred Service Incentive Award is continuous from the Effective Date to the end of the Performance Period, the Participant shall become entitled to a deferred cash payment with respect to such award, subject to the terms and conditions set forth in this Section 8. On the Designated Payment Date, the Company shall pay to the Participant, with respect to the Deferred Service Incentive Award, a cash amount equal to one-third of the outstanding principal balance of the Purchase Loan as of the Designated Payment Date.

- (f) Forfeiture of Combination Deferred Award Upon Certain Sales of Shares and Certain Prepayments of Purchase Loan. Notwithstanding any other provision of this Section 8, a Participant's Combination Deferred Award shall be immediately forfeited if the Participant, during the Performance Period, either (i) sells any Shares acquired under a Purchase Award or (ii) makes an optional prepayment on the Purchase Loan described in Section 7(d)(iii). A transfer of a Participant's Shares to a revocable trust as to which the Participant retains voting and investment power (which powers of revocation, voting and investment may be shared with the Participant's spouse) or a transfer to joint ownership with such Participant's spouse shall not be deemed a sale for purposes of this Section 8(f) and, solely for the purposes of this Plan, such Shares shall be deemed to be owned by the Participant.
- (g) Application of Payments Made Pursuant to Section 8. Notwithstanding any other provision of this Section 8, an amount equal to the full amount of any payment made by the Company pursuant to this Section 8 with respect to a Deferred Performance Award and/or Deferred Service Incentive Award shall be immediately applied in accordance with Section 7(d)(ii) to prepay (partially or wholly) the principal balance of the Purchase Loan (or the accrued and unpaid interest thereon in the case of a cash payment with respect to Deferred Performance Award #1), to the extent, if any, that such principal balance (or such interest in the case of a cash payment with respect to Deferred Performance Award #1) remains unpaid on the Designated Payment Date.
- (h) Change in Control. Upon an occurrence of a Change in Control (as defined in the Union Pacific Corporation Key Employee Continuity Plan, as amended from time to time (the "Continuity Plan")), all Performance Criteria shall be deemed to have been satisfied. If, on or after the occurrence of a Change in Control and prior to February 1, 2003, a Participant's employment is involuntarily terminated by the Company (other than for Cause, as defined in the Continuity Plan) or a Participant terminates his or her employment for Good Reason (as defined in the Continuity Plan), then such Participant shall be entitled to a cash payment (to be made within ninety (90) days following the date of termination but in no event later than the Designated Payment Date) with respect to (i) the Deferred Service Incentive Award calculated as if the Participant's Service had continued through the end of the Performance Period and (ii) the Deferred Performance Award.
- (i) Treatment of a Termination of Service.
- (i) Upon a Participant's Termination of Service during the Performance Period for any reason except death, the Participant shall forfeit the Combination Deferred Award. Upon a Participant's Termination of Service during the Performance Period due to death, unless the Participant shall have previously forfeited the Combination Deferred Award pursuant to Section 8(f), the Participant's estate shall be entitled to a cash payment with respect to (i) the Deferred Service Incentive Award calculated as if the Participant's Service had continued through the end of the Performance Period and (ii) any Deferred Performance Award as to which the related Performance Criterion has been achieved before the Participant's death. On the Designated Payment Date, the Company shall pay, to the deceased Participant's estate, the cash amount provided

in this Section 8 with regard to each award described in the immediately preceding sentence.

- (ii) If a Participant's Termination of Service is due to death during the Performance Period or an involuntary Termination of Service without Cause during the Performance Period and the Company accepts Shares acquired pursuant to the Participant's Purchase Award in full satisfaction of the Purchase Loan in accordance with the last sentence of Section 7(e), then, no later than the fifth business day following such acceptance, the Company shall pay to the Participant (or the Participant's estate) the cash amount necessary for the reimbursement of any income and employment taxes payable by the Participant (or the Participant's estate) as a result of (i) the acceptance by the Company of such Shares in satisfaction of the Purchase Loan, (ii) any payment made with respect to the Combination Deferred Award and (iii) the reimbursement payment made pursuant to this Section 8(h)(ii).

9. SPECIAL DEFERRED AWARD

- (a) Upon any Participant's exercise of the Participant's Purchase Award, the Company shall grant the Participant a Special Deferred Award, subject to the terms and conditions set forth in this Section 9. Any payment with respect to a Participant's Special Deferred Award shall be made by the Company on its behalf and/or on behalf of the Subsidiary by which the Participant was employed on the Designated Payment Date. Any Subsidiary which so employed the Participant shall reimburse the Company for such payment.
- (b) In the event that the Special Criterion is achieved, each Participant then holding a Special Deferred Award shall be entitled to be reimbursed by the Company on the Designated Payment Date for the federal income tax payable on the amounts paid with respect to a Combination Deferred Award pursuant to Section 8, subject to the terms and conditions set forth in this Section 9. Such reimbursement shall be computed using the maximum marginal rate for ordinary taxable income in effect on the Designated Payment Date. The reimbursement for federal income tax under this Section 9 shall not itself be grossed up for any federal income tax payable as a result of this reimbursement.
- (c) Notwithstanding any other provision of this Section 9, a Participant's Special Deferred Award shall be immediately forfeited if the Participant, during the Performance Period, either (i) sells any Shares acquired under a Purchase Award or (ii) makes an optional prepayment on the Purchase Loan described in Section 7(d)(iii). A transfer of a Participant's Shares to a revocable trust as to which the Participant retains voting and investment power (which powers of revocation, voting and investment may be shared with the Participant's spouse) or a transfer to joint ownership with such Participant's spouse shall not be deemed a sale for purposes of this Section 9(iii) and, solely for the purposes of this Plan, such Shares shall be deemed to be owned by the Participant.
- (d) Termination of Service.
- Upon a Participant's Termination of Service during the Performance Period for any reason except death, the Participant shall forfeit the Special Deferred Award. Upon a Participant's Termination of Service during the Performance Period due to death, unless the Participant shall have previously forfeited the Special Deferred Award pursuant to Section 9(c), the

Participant's estate shall be entitled to be reimbursed by the Company an amount calculated in accordance with Section 9(b) if the related Special Criterion has been achieved before the Participant's death. On the Designated Payment Date, the Company shall reimburse the deceased Participant's estate the amount provided in this Section 9 with regard to the Special Deferred Award described in the immediately preceding sentence.

10. PLAN ADMINISTRATION

The Plan shall be administered by the Committee. If at any time no Committee shall be in office, the functions of the Committee specified in the Plan shall be exercised by the "disinterested directors" on the Board (as defined in Rule 16b-3(c)(2) under the 1934 Act). Subject to the provisions of the Plan, the Committee shall interpret the Plan and make such rules as it deems necessary for the proper administration of the Plan, shall make all other determinations necessary or advisable for the administration of the Plan and shall correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the Committee deems desirable to carry the Plan into effect. Among other things, the Committee shall have the authority, subject to the terms of the Plan, to determine (i) the individuals to whom the Purchase Awards are granted, (ii) the time or times the Purchase Awards are granted, (iii) the Purchase Dates for such Purchase Awards, (iv) the basis for any Termination of Service, including whether or not it was for Cause or otherwise, (v) the forms, terms and provisions of any documents under the Plan, including amending or modifying the terms of the Plan. Without limiting the foregoing, in the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, spin-off or any other change in the corporate structure or shares of the Company, the Committee may make such adjustments as it deems appropriate in the Performance Criteria and other terms of the Plan. Any action taken or determination made by the Committee pursuant to this paragraph and the other paragraphs of the Plan in which the Committee is given discretion shall be final and conclusive on all parties. The act or determination of a majority of the Committee shall be deemed to be the act or determination of the entire Committee. The Committee may consult with counsel, who may be counsel to the Company, and such other advisors as the Committee may deem necessary and/or desirable, and the members of the Committee shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel or any other advisor.

11. AMENDMENT AND DISCONTINUANCE OF THE PLAN

The Board, upon the recommendation of the Committee, may amend, suspend or terminate the Plan at any time, subject to the provisions of this Section 11. No amendment, suspension or termination of the Plan may, without the consent of a Participant, adversely affect such Participant's rights under the Plan in any material respect.

12. MISCELLANEOUS PROVISIONS

- (a) Unsecured Status of Claim. Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any specific property or assets of the Company. No assets of the Company shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfillment of the Company's obligations under the Plan.

Any and all of the Company's assets shall be, and shall remain, the general unpledged and unrestricted assets of the Company. The Company's obligations under the Plan shall be

merely that of an unfunded and unsecured promise of the Company to pay employee compensation benefits in the future.

- (b) Employment Not Guaranteed. Nothing contained in the Plan nor any action taken in the administration of the Plan shall be construed as a contract of employment or as giving a Participant any right to be retained in the Service of the Company.
- (c) Nonassignability. No person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the deferred cash incentive, if any, payable under the Plan, or any part thereof, or any interest therein, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No portion of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, lien or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency. Any such transfer or attempted transfer in violation of the preceding provisions shall be considered null and void. In addition, no derivative security (as defined in Rule 16a-1(c), as promulgated by the Commission under the 1934 Act, or any successor definition adopted by the Commission) issued under the Plan shall be transferable by a Participant (to the extent transferable under the Plan) other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code, or Title I of the Employee Retirement Income Security Act of 1974 or the rules promulgated thereunder.
- (d) Separability, Validity. Transactions under this Plan are intended to qualify under Rule 16b-3 of the 1934 Act. If any of the terms or provisions of this Plan conflict with the requirements of Rule 16b-3, then such terms and provisions shall be deemed inoperative to the extent they so conflict with such requirements. In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.
- (e) Withholding Tax. The Company shall, on its behalf and on behalf of its Subsidiaries, withhold from all benefits due under the Plan an amount sufficient to satisfy any federal, state and local tax withholding requirements; provided, however, that each Participant shall make arrangements satisfactory to the Company with respect to any such withholding requirements applicable to the payments provided in Section 8 with respect to the Participant's Combination Deferred Award prior to the making of such payments and any such withholding requirements applicable to any acceptance by the Company of Shares in satisfaction of a Participant's Purchase Loan pursuant to Section 7(e) prior to such acceptance.
- (f) Applicable Law. The Plan shall be governed in accordance with the laws of the State of Utah without regard to the application of the conflicts of law provisions thereof. The obligation of the Company with respect to the grant and exercise of Purchase Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of any registration statement required under the Securities Act of 1933, as amended, and the rules and regulations of any securities exchange on which the Common Stock may be listed.

- (g) Inurement of Rights and Obligations. The rights and obligations under the Plan shall inure to the benefit of, and shall be binding upon, the Company, its successors and assigns, and the Participants and their beneficiaries.
- (h) Notice. All notices and other communications required or permitted to be given under this Plan shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, as follows: (A) if to the Company--at its principal business address to the attention of the Secretary; (B) if to any Participant--at the last address of the Participant known to the sender at the time the notice or other communication is sent.
- (i) Exclusion from Pension and other Benefit Plan Computation. By exercise of a Purchase Award, each Participant shall be deemed to have agreed that such Purchase Award and any amounts paid with respect to a Deferred Performance Award or a Deferred Service Incentive Award under Section 8, as applicable, or with respect to a Special Deferred Award under Section 9, are special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan of the Company or any of its Subsidiaries. In addition, the estate and each beneficiary of a deceased Participant shall be deemed to have agreed that such Purchase Award and any Deferred Performance Award, Deferred Service Incentive Award or Special Deferred Award, as applicable, will not affect the amount of any life insurance coverage, if any, provided by the Company or any of its Subsidiaries on the life of the Participant which is payable to such estate or beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries.

1988
STOCK OPTION AND RESTRICTED STOCK PLAN
OF
UNION PACIFIC CORPORATION

(EFFECTIVE APRIL 15, 1988 -
AS AMENDED SEPTEMBER 26, 1991, FEBRUARY 1, 1992,
APRIL 24, 1997, NOVEMBER 20, 1997,
SEPTEMBER 24, 1998, MAY 25, 2000
AND NOVEMBER 16, 2000

1988 STOCK OPTION AND RESTRICTED STOCK PLAN
OF UNION PACIFIC CORPORATION

1. PURPOSE.

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

2. ADMINISTRATION.

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

3. ELIGIBILITY.

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

4. STOCK SUBJECT TO THE PLAN.

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

5. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS.

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

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

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

(c) Exercise of Option. The shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period as the Committee may determine in a particular case, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the option. Any shares not purchased on the applicable installment date may be purchased thereafter at any time prior to the final expiration of the option. To the extent that the right to purchase shares has accrued thereunder, options may be exercised from time to time by notice to the Company stating the number of shares with respect to which the option is being exercised.

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

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

(f) Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan, and each person into whose name shares of Common Stock shall be issued, pursuant to the exercise of an option, jointly with that of any Optionee, represent and agree that any and all shares of Common Stock of the Company purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option; provided, however, that the foregoing provisions of this subparagraph (f) shall be

inoperative during any period of time when the Company has obtained all necessary or advisable approvals from any governmental agency and has completed all necessary or advisable registrations or other qualification of shares of Common Stock as to which options may from time to time be granted, all as contemplated by Section 9 hereof.

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

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

- (i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.
- (ii) Disability. Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan.
- (iii) Disposition of Business. In the case of a termination resulting from the disposition by the Company or any of its subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a subsidiary, division or other business unit, the option shall expire, unless exercised, five (5) years after the date of termination;
- (iv) Force Reduction Program. In the case of termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the option shall expire, unless exercised, at the later of (A) three (3) years from the date of termination, or (B) the earlier of (x) three (3) years from the date the option becomes exercisable and (y) five (5) years from the date of termination.
- (v) Gross Misconduct. Option shall expire upon receipt by Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.
- (vi) Change in Control. In the event an Optionee's employment is involuntarily terminated by the Company (other than termination as a result of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within two years following a Change in Control (as defined in the Union Pacific Corporation Key Employee

Continuity Plan), all options shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in subsection (i), (iii) or (iv) above) but in no event after the expiration of the option, and the option shall expire thereafter.

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

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

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

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

6. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

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

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

discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such income tax laws.

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

7. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

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

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

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

- (i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the Optionee's retirement from the Company or any Subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.
- (ii) Disability. In the case of an Optionee who is disabled within the meaning of Section 22(e)(3) of the Code, an incentive stock option shall expire, unless exercised, twelve (12) months after the date the Optionee terminates employment or the date the Optionee is eligible to receive

disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan, whichever is earlier.

- (iii) Gross Misconduct. An incentive stock option shall expire upon receipt by an Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.
- (iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

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

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

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

8. TERMS AND CONDITIONS OF RESTRICTED SHARES.

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

(b) Restrictions. At the time of grant of Restricted Shares to a Participant, a certificate representing the number of shares of Common Stock granted shall be registered in his name but shall be held by the Company for the account of the Participant. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a stockholder as to, such Restricted Shares, including the right to receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) subject to Section 8(c) hereof, the Participant shall not be entitled to delivery of the stock certificate until the expiration of the

Restricted Period; (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (iii) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restricted Period in relation to which such Restricted Shares were granted, except as provided by Section 8(c) hereof. Any shares of Common Stock received as a result of a transaction listed in Section 10 hereof shall be subject to the same restrictions as such Restricted Shares unless the Committee shall determine otherwise.

(c) Termination of Employment.

- (i) Disability and Retirement. If a Participant ceases to be an employee of the Company or a subsidiary prior to the end of a Restricted Period by reason of disability (as defined in Section 5(h)(ii) hereof) or retirement (as defined in Section 5(h)(i) hereof), the number of Restricted Shares granted to such Participant for such Restricted Period shall be reduced in proportion to the Restricted Period (determined on a monthly basis) remaining after the Participant ceases to be an employee and all restrictions on such reduced number of shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof. The Committee may, if it deems appropriate, direct that the Participant receive a greater number of shares of Common Stock free of all restrictions but not exceeding the number of Restricted Shares then subject to the restrictions of Section 8(b).
- (ii) Death. If a Participant ceases to be an employee prior to the end of a Restricted Period by reason of death, the Restricted Shares granted to such participant shall immediately vest in his beneficiary or estate and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's beneficiary or estate in accordance with the provisions of Section 8(d) hereof.
- (iii) All Other Terminations. If a Participant ceases to be an employee prior to the end of a Restricted Period for any reason other than death, disability or retirement, the Participant shall immediately forfeit all Restricted Shares then subject to the restrictions of Section 8(b) hereof in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a participant whose employment has so terminated to retain any or all of the Restricted Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof.

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

9. REGULATORY APPROVALS AND LISTING.

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

10. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION.

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

11. TERM OF PLAN.

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

12. TERMINATION OR AMENDMENT OF THE PLAN.

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

13. EFFECTIVE DATE OF PLAN.

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

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1993
STOCK OPTION AND RETENTION STOCK PLAN
OF
UNION PACIFIC CORPORATION

(EFFECTIVE APRIL 16, 1993 -
AS AMENDED SEPTEMBER 30, 1993,
JULY 28, 1994, APRIL 24, 1997,
NOVEMBER 20, 1997, SEPTEMBER 24, 1998, MAY 27, 1999,
MAY 25, 2000, NOVEMBER 16, 2000 AND JANUARY 25, 2001)

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1993 STOCK OPTION AND RETENTION STOCK PLAN
OF UNION PACIFIC CORPORATION

1. PURPOSE

The purpose of the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation is to promote and closely align the interests of employees of Union Pacific Corporation and its shareholders by providing stock based compensation. The Plan is intended to strengthen Union Pacific Corporation's ability to reward performance which enhances long term shareholder value; to increase employee stock ownership through performance based compensation plans; and to strengthen the company's ability to attract and retain an outstanding employee and executive team.

2. DEFINITIONS

The following terms shall have the following meanings:

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

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

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

"Award" means an award of Retention Shares or Stock Units pursuant to the Plan.

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

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

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

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

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

- (ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on November 16, 2000, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or
- (iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or
- (iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than 50% of the combined voting power of the voting securities of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Unit Restriction Period" means the period defined in Section 10.

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

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

3. ADMINISTRATION

The Plan shall be administered by the Committee, which shall be comprised of not less than three members of the Board, none of whom shall be employees of the Company or any Subsidiary. The Committee shall (i) grant Options to Optionees and make Awards of Retention Shares and Stock Units to Participants, and (ii) determine the terms and conditions of such Options and Awards of Retention Shares and Stock Units, all in accordance with the provisions of the Plan. The Committee shall have full authority to construe and interpret the Plan, to establish, amend and rescind rules and regulations relating to the Plan, to administer the Plan, and to take all such steps and make all such determinations in connection with the Plan and Options and Awards granted thereunder as it may deem necessary or advisable. Each Option and grant of Retention Shares or Stock Units shall, if required by the Committee, be evidenced by an

agreement to be executed by the Company and the Optionee or Participant, respectively, and contain provisions not inconsistent with the Plan. All determinations of the Committee shall be by a majority of its members and shall be evidenced by resolution, written consent or other appropriate action, and the Committee's determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his or her capacity as a director of the Company.

4. ELIGIBILITY

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not full-time salaried employees shall not be eligible. In granting Options or Awards of Retention Shares or Stock Units to eligible employees, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Company or a Subsidiary, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

5. STOCK SUBJECT TO THE PLAN

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

6. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS

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

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

b. Duration of Options. Options shall be exercisable at such time or times and under such conditions as set forth in the written agreement evidencing such option, but in no event

shall any option be exercisable subsequent to the tenth anniversary of the date on which the option is granted.

c. Exercise of Option. Except as provided in Section 6(h), 6(i), 8(c) or 8(d), the shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the option. Any shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the option. To the extent that the right to purchase shares has accrued thereunder, options may be exercised from time to time by notice to the Company stating the number of shares with respect to which the option is being exercised.

d. Payment. Shares of Common Stock purchased under options shall, at the time of purchase, be paid for in full. All, or any portion, of the option exercise price may, at the discretion of the Committee, be paid by the surrender to the Company, at the time of exercise, of shares of previously acquired Common Stock owned by the Optionee, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock. In addition, to the extent permitted by the Committee, the option exercise price may be paid by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the option. Such shares previously acquired or shares withheld to pay the option exercise price shall be valued at fair market value on the date the option is exercised in accordance with the procedures to be established by the Committee. A holder of an option shall have none of the rights of a stockholder until the shares of Common Stock are issued to him or her. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of non-qualified options, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

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

f. Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan represent and agree that any shares of Common Stock purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be

sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option.

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

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

- (i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.
- (ii) Disability. Any holding period required by Section 6(c) shall automatically be deemed to be satisfied and Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.
- (iii) Disposition of Business. In the case of a termination resulting from the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a subsidiary, division or other business unit, unvested options shall not be forfeited, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule (including any holding period associated with an option that becomes a non-qualified option in accordance with Section 8(c)) and Option shall expire, unless exercised, five (5) years after the date of termination;
- (iv) Force Reduction Program. In the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the Option shall expire, unless exercised, three (3) years from the date of termination.
- (v) Gross Misconduct. Option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.
- (vi) Change in Control. In the event an Optionee's employment is involuntarily terminated by the Company (other than termination as a result of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within two years following a

Change in Control all options shall become fully vested and the option shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in Subsection (i), (iii) or (iv) above) but in no event after the expiration of the option, and the option shall expire thereafter.

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

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

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

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

7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

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

b. Exercise and Payment. Each stock appreciation right shall entitle the Optionee to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the excess of the fair market value of one share of Common Stock over the option price per share times the number of shares covered by the option, or portion thereof, which is surrendered. Payment shall be made in shares of Common Stock valued at fair market value, or in cash, or partly in shares and partly in cash, all as shall be determined by the Committee. The fair market value shall be the value determined in accordance with procedures established by the Committee. Stock appreciation rights may be exercised from time to time upon actual receipt by the Company of written notice stating the number of shares of Common Stock with respect to which the stock appreciation right is being exercised, provided that if a stock appreciation right expires unexercised, it shall be deemed exercised on the expiration date if any amount would be payable with respect thereto. No

fractional shares shall be issued but instead cash shall be paid for a fraction or, if the Committee should so determine, the number of shares shall be rounded downward to the next whole share. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of stock appreciation rights, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

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

8. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

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

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

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

- (i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the Optionee's retirement from the Company or any

Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

- (ii) Disability. In the case of an Optionee who is disabled within the meaning of Section 22(e)(3) of the Code, any holding period required by Section 6(c) shall automatically be deemed to be satisfied and an incentive stock option shall expire, unless exercised, one (1) year after the earlier of the date the Optionee terminates employment or the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.
- (iii) Gross Misconduct. An incentive stock option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.
- (iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

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

- (i) Disposition of Business. Subject to Section 8(e), in the case of a termination resulting from the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a subsidiary, division or other business unit, unvested options shall not be forfeited, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule and the Option shall expire, unless exercised, three (3) months after the date of termination, but shall at the end of such three month period become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Section 6(h)(iii), less the period already elapsed hereunder);
- (ii) Force Reduction Program. Subject to Section 8(e), in the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the Option shall expire, unless exercised, three (3) months after the date of termination, but shall at the end of such three (3) month period become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Section 6(h)(iv), less the period already elapsed hereunder).

e. Additional Provisions Regarding Incentive Stock Options Granted On Or After November 16, 2000. In the case of an incentive stock option granted on or after November 16, 2000, the following additional provisions shall apply:

In the event an Optionee's employment is involuntarily terminated by the Company (other than termination as a result of disability or gross misconduct, but including a

termination described in subsections (d)(i) or (d)(ii) above) within two years following a Change in Control, all options shall become fully vested and the option shall remain exercisable for a period of three (3) months following such termination (but in no event after the expiration of the option) and shall at the end of such three (3) month period become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Section 6(h)(vii), less the period already elapsed hereunder).

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

- (i) Disposition of Business. In the case of incentive stock options granted after September 24, 1998 and before May 25, 2000, in the event that a termination results from the disposition by the Company of all or a part of its interest in, or the discontinuance of the business of, a subsidiary, division or other business unit of the Company, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified option to up to five (5) years from the date of such termination.
- (ii) Other Terminations. In the case of incentive stock options granted after April 24, 1997 and before May 25, 2000, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified stock option to up to three (3) years from the date of a termination not due to retirement, disability or gross misconduct or, if later, three (3) years from the date the option becomes exercisable but not more than five years after the date of such termination.

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

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

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

9. TERMS AND CONDITIONS OF AWARDS OF RETENTION STOCK

a. General. Retention Shares may be granted only to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the

Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 9(b) shall apply, provided that in no event, other than as provided in Section 9(c) or in the next sentence, shall such restrictions terminate prior to 3 years after the date of grant (the "Restriction Period"), and may also specify any other terms or conditions to the right of the Participant to receive such Retention Shares ("Vesting Conditions"). The Committee may determine in its sole discretion to waive any or all of such restrictions prior to end of the Restriction Period or the satisfaction of any Vesting Condition. Subject to Section 9(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked; provided, however, in the event of a Change in Control of the Company (i) with respect to Retention Shares (other than Retention Shares granted pursuant to the Executive Incentive Premium Exchange Program ("PEP Plan") or the 2001 Long Term Plan (the "LTP")), the Restricted Period shall end with respect to that number of such Retention Shares calculated by multiplying such Retention Shares by the fraction obtained by dividing the number of full months during such Restricted Period through the date of such Change in Control by the total number of months contained in such Restricted Period (determined without regard to this proviso), (ii) with respect to Retention Shares granted to such Participant pursuant to the PEP Plan, the Restricted Period shall end with respect to that number of such Retention Shares equal to (x) that number of such Retention Shares with a fair market value (as of the date of grant) equal to the amount of incentive award such Participant elected to forego in exchange for such Retention Shares (the "Original Retention Shares"), and (y) number of Retention Shares which the Participant received as a premium under the PEP Plan (the "Premium Retention Shares") calculated by multiplying such Premium Retention Shares by the fraction obtained by dividing the number of full months during such Restricted Period through the date of such Change in Control by the total number of months contained in such Restricted Period, and (iii) Retention Shares granted to such Participant pursuant to the LTP shall be subject to the terms of the applicable agreement issued under the LTP. In the event a payment becomes due, the Committee may, in its sole discretion, elect to make such payment either in cash, in shares of Common Stock, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

b. Restrictions. At the time of grant of Retention Shares to a Participant, a certificate representing the number of shares of Common Stock granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a stockholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following: (i) subject to Section 9(c), the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (ii) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (iii) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a

Subsidiary for the entire Restriction Period, except as provided by Sections 9(a) and 9(c), and any applicable Vesting Conditions have been satisfied. Any shares of Common Stock or other securities or property received as a result of a transaction listed in Section 13 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

c. Termination of Employment.

- (i) Disability and Retirement. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan or retirement under the provisions of the Company's or a Subsidiary's pension plan either (i) at age 65 or (ii) prior to age 65 at the request of the Company or a Subsidiary, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).
- (ii) Death. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 9(d).
- (iii) All Other Terminations. If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement as provided in Section 9(c)(i) and (ii) or a termination pursuant to Section 9(c)(v), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).
- (iv) Vesting Conditions. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if a Participant ceases to be an employee of the Company for any reason prior to the satisfaction of any Vesting Conditions, the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(b) in accordance with

the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

- (v) Change in Control. In the event a Participant's employment is involuntarily terminated by the Company (other than a termination as a result of death, disability, retirement or gross misconduct) within two years following a Change in Control, the remaining restrictions with respect to all Original Retention Shares and all Premium Retention Shares shall lapse and the Committee may, in its sole discretion, elect to make such payment either in cash, in shares of Common Stock, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

d. Payment of Retention Shares. At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 9(c) or as the Committee, in its sole discretion, may otherwise determine, all restrictions applicable to the Retention Shares shall lapse, and a stock certificate for a number of shares of Common Stock equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be. If an amount is payable by a Participant to the Company or a Subsidiary under applicable withholding tax laws in connection with the lapse of such restrictions, the Committee, in its sole discretion, may permit the Participant to make such payment, in whole or in part, by authorizing the Company to transfer to the Company Retention Shares otherwise deliverable to the Participant having a fair market value equal to the amount to be paid under such withholding tax laws.

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

10. STOCK UNITS

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

provides otherwise at the time an Award of Stock Units to a Participant is made, the provisions of Section 9(c) of the Plan relating to the vesting and forfeiture of Retention Stock upon termination of employment shall apply to any termination of employment by such Participant during the Unit Restricted Period or prior to the satisfaction of any Unit Vesting Condition for such Award.

11. DIVIDENDS AND DIVIDEND EQUIVALENTS

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

12. REGULATORY APPROVALS AND LISTING

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

13. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION

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

14. TERM OF THE PLAN

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

15. TERMINATION OR AMENDMENT OF THE PLAN

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

16. LEAVE OF ABSENCE

Unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of the Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of the Plan (except for purposes of Section 8), but the period of such Leave of Absence shall not be counted toward satisfaction of any Restriction Period or Unit Restriction Period or any holding period described in Section 6(c).

17. GENERAL PROVISIONS

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

b. All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of Utah, without regard to conflict of laws doctrine.

18. EFFECTIVE DATE

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

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UNION PACIFIC CORPORATION
KEY EMPLOYEE CONTINUITY PLAN

Dated as of November 16, 2000

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UNION PACIFIC CORPORATION
KEY EMPLOYEE CONTINUITY PLAN

The Company hereby adopts the Union Pacific Corporation Key Employee Continuity Plan for the benefit of certain employees of the Company and its Affiliates, on the terms and conditions hereinafter stated. All capitalized terms used herein are defined in Section 1 hereof. The Plan, as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b).

SECTION 1. DEFINITIONS. As hereinafter used:

SECTION 1.1 "Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Exchange Act.

SECTION 1.2 "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

SECTION 1.3 "Board" means the Board of Directors of the Company.

SECTION 1.4 "Cause" means (i) the willful and continued failure by the Eligible Employee to substantially perform the Eligible Employee's duties with the Employer (other than any such failure resulting from the Eligible Employee's incapacity due to physical or mental illness), or (ii) the willful engaging by the Eligible Employee in conduct which is demonstrably injurious to the Company, monetarily or otherwise. For purposes of this definition, no act, or failure to act, on the Eligible Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Eligible Employee not in good faith or without reasonable belief that the Eligible Employee's act, or failure to act, was in the best interest of the Company.

SECTION 1.5 A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power

of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on November 16, 2000, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

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

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

SECTION 1.6 "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

SECTION 1.7 "Company" means Union Pacific Corporation, a Utah corporation, or any successors thereto.

SECTION 1.8 "Eligible Employee" means any employee who is a Tier 1, Tier 2 or Tier 3 Employee. An Eligible Employee becomes a "Severed Employee" once he or she incurs a Severance.

SECTION 1.9 "Employer" means the Company or any of its Affiliates which is an employer of an Eligible Employee.

SECTION 1.10 "Equity Award" shall mean stock options, restricted stock and other similar equity-based awards which are granted to an Eligible Employee by the Company (excluding, however, (i) any incentive stock options (as defined under Section 422 of the Code) granted prior to November 16, 2000, (ii) awards made under the Company's Executive Stock Purchase Incentive Plan, and (iii) awards made under the Company's 2001 Long Term Plan (the "2001 LTP")).

SECTION 1.11 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

SECTION 1.12 "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code or any successor provision thereto.

SECTION 1.13 "Good Reason" means the occurrence, on or after the date of a Change in Control and without the affected Eligible Employee's written consent, of any of the following: (i) the assignment to the Eligible Employee of duties that are materially inconsistent with the Eligible Employee's duties immediately prior to the Change in Control (other than pursuant to a transfer or promotion to a position of equal or enhanced responsibility or authority) or any diminution in the nature or scope of the Eligible Employee's responsibilities from those in effect immediately prior to the Change in Control; (ii) a reduction by the Employer (or any member of the Parent Group) in the Eligible Employee's annual base salary or annual incentive opportunity from that in effect immediately prior to the Change in Control; (iii) a material reduction by the Employer (or any member of the Parent Group) in the pension, thrift, medical or long term disability benefits provided to the Eligible Employee from those provided to the Eligible Employee immediately prior to the Change in Control; or (iv) the failure by any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise), to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no succession had taken place.

SECTION 1.14 "Gross-Up Payment" shall have the meaning set forth in Section 2.5 hereof.

SECTION 1.15 "Parent" shall mean the ultimate parent, if any, of the Company after a Change in Control.

SECTION 1.16 "Parent Group" shall mean, collectively, the Parent and its Affiliates.

SECTION 1.17 "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

SECTION 1.18 "Plan" means the Union Pacific Corporation Key Employee Continuity Plan, as set forth herein, as it may be amended from time to time.

SECTION 1.19 "Plan Administrator" means the person or persons appointed from time to time by the Board which appointment may be revoked at any time by the Board.

SECTION 1.20 A "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing fifteen (15%) or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(d) the Board adopts a resolution to the effect that a Potential Change in Control has occurred.

SECTION 1.21 "Severance" means the termination of an Eligible Employee's employment with the Employer on or within two years following the date of the Change in Control, (i) by the Employer, other than for Cause or pursuant to mandatory retirement policies of the Employer that existed prior to the Change of Control, or (ii) by the Eligible Employee for Good Reason. An Eligible Employee will not be considered to have incurred a Severance if his or her employment is (a) discontinued by reason of the Eligible Employee's death or a physical or mental condition causing such Eligible Employee's inability to substantially perform his or her duties with the Employer, including, without limitation, such condition entitling him or her to benefits under any sick pay or disability income policy or program of the Employer or (b) discontinued by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Eligible Employee is affiliated, if the Eligible Employee is offered comparable employment by the entity which acquires such facility, business or business unit or which succeeds to such outsourced business activity and such entity agrees to assume the obligations of the Employer to the Eligible Employee under this Plan.

SECTION 1.22 "Severance Date" means the date on or after the date of the Change in Control on which an Eligible Employee incurs a Severance.

SECTION 1.23 "Severance Payment" means the payment determined pursuant to Section 2.1 hereof.

SECTION 1.24 "Tier 1 Employee" means any employee of the Employer designated as such by a resolution of the Board.

SECTION 1.25 "Tier 2 Employee" means any employee of the Employer designated as such by a resolution of the Board.

SECTION 1.26 "Tier 3 Employee" means any employee of the Employer designated as such by a resolution of the Board.

SECTION 2. BENEFITS.

SECTION 2.1 Each Eligible Employee who incurs a Severance shall be entitled, subject to Section 2.9 hereof, to receive a Severance Payment equal to the product of (i) the sum of (A) such Eligible Employee's annual base salary as in effect immediately prior to such Severance, plus (B) the average annual incentive

compensation earned (or foregone at the election of the Eligible Employee) by such Eligible Employee in respect of the three (or fewer, as hereinafter described) annual incentive compensation determinations (including determinations that no annual incentive compensation will be awarded) immediately preceding the Severance (or, if higher, in respect of the three (or fewer, as hereinafter described) annual incentive compensation determinations immediately preceding the Change in Control) multiplied by (ii) in the case of a Tier 1 Employee, three (3), in the case of a Tier 2 Employee, two (2); and in the case of a Tier 3 Employee, one and one-half (1.5). For purposes of clause (A) above, annual base salary shall be determined immediately prior to the Severance (without regard to any reductions therein which constitute Good Reason) and for purposes of clause (B) above, annual incentive compensation determinations prior to 2000 (with respect to annual incentive compensation earned for plan years prior to 1999) shall be disregarded. The Severance Payment shall be paid to a Severed Employee in a cash lump sum, as soon as practicable following the Severance Date, but in no event later than twenty (20) business days immediately following the expiration of the revocation period, if any, applicable to such Severed Employee's release described in Section 2.9 hereof.

SECTION 2.2 Each Eligible Employee who incurs a Severance and who is, at the time of such Severance, a participant either in the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates (the "UPC SERP") or in the Overnight Transportation Company Supplemental Executive Retirement Plan (the "Overnite SERP") shall, for purposes of the UPC SERP or the Overnite SERP, as applicable, (i) be deemed to have accumulated an additional thirty-six (36) months of age and service credit beyond the Severance Date (but in no event beyond age 65 and in no event shall aggregate service under the UPC SERP exceed forty (40) years or under the Overnite SERP exceed thirty (30) years), and (ii) be deemed to be fully vested under such SERP.

SECTION 2.3 (a) For a period of three years following a Severed Employee's Severance Date (or, if sooner, until such Severed Employee attains the age of fifty-two (52), at which time the Severed Employee shall become entitled to receive benefits under the Company's retiree welfare benefit plans), the Company shall provide such Severed Employee and anyone entitled to claim under or through such Severed Employee all benefits under any medical, dental or life insurance program (as described in subsection (b) below), or other present or future similar group employee benefit plan or program of the Employer (but excluding any long-term disability plan), to the same extent as if such Severed Employee had continued to be an employee during such period; provided, however, that benefits otherwise receivable by or in respect of a Severed Employee hereunder shall be reduced to the extent benefits of the same type are received by such Severed Employee from a subsequent employer (and the Severed Employee shall report the receipt of such

benefits to the Company). The coverage period for purposes of the group health continuation requirements of section 4980B of the Code shall commence on the Severance Date.

(b) With respect to continuation of Executive Life Insurance Plan coverage (i) for a Severed Employee who has attained the age of fifty-two (52) years on his or her Severance Date, the Company shall pay premiums for a life insurance policy (in amount equal to one-half (1/2) of such Severed Employee's annual salary as in effect immediately prior to Severance Date), until fully funded; (ii) for a Severed Employee who attains the age of fifty-two (52) during the three-year period following his or her Severance Date, the Company shall, for the period prior to such Severed Employee reaching the age of fifty-two (52), treat such Severed Employee as if he or she were an active employee of the Company, and at such time as such Severed Employee attains the age of fifty-two (52), treat such Severed Employee in accordance with clause (i) above; and (iii) for a Severed Employee who will not attain the age of fifty-two (52) during the three-year period following his or her Severance Date, the Company shall, during such period, pay premiums on such Severed Employee's life insurance policy as though such Severed Employee were an active employee.

SECTION 2.4 (a) In the event an Eligible Employee incurs a Severance, the Eligible Employee shall become fully vested in all outstanding Equity Awards. In the case of an Equity Award consisting of (1) a stock option, such option shall continue to be exercisable for a period of three years from the Severance Date (or such longer period as may be prescribed in the plan or agreement governing such option), but in no event later than the expiration date of such option; and (2) retention stock units, the Company shall make payment of or on such units within five (5) days following the Severed Employee's Severance Date.

(b) In the event an Eligible Employee incurs a Severance, the Company shall make payment of or on all retention shares or retention stock units and any cash award earned under the 2001 LTP within five (5) days following the Severed Employee's Severance Date.

SECTION 2.5 (a) Whether or not the Eligible Employee becomes entitled to the Severance Payment, if any payment or benefit received or to be received by the Eligible Employee in connection with a Change in Control or the termination of the Eligible Employee's employment (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payment, being hereinafter called "Total Payments") will be subject (in whole or

part) to the Excise Tax, then, subject to the provisions of subsection (b) of this Section 2.5, the Company shall pay to the Eligible Employee an additional amount (the "Gross-Up Payment") such that the net amount retained by the Eligible Employee, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment, shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Eligible Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Eligible Employee's residence on the Severance Date (or if there is no Severance Date, then the date on which the Gross-Up Payment is calculated for purposes of this Section 2.5), net of the maximum reduction in federal income tax which could be obtained from deduction of such state and local taxes.

(b) In the event that the amount of the Total Payments exceeds 100% of, but does not exceed 110% of, the largest amount that would result in no portion of the Total Payments being subject to the Excise Tax (the "Safe Harbor"), then subsection (a) of this Section 2.5 shall not apply and the Severance Payments under Section 2.1 shall be reduced (if necessary, to zero) so that the amount of the Total Payments is equal to the Safe Harbor.

(c) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, unless in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Eligible Employee and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such other payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent "reasonable compensation for services actually rendered", within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "base amount" within meaning of Section 280G(b)(3) of the Code allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. Prior to the payment date set forth in Section 2.6 hereof, the Company shall provide the Eligible Employee with its calculation of the amounts referred to in this Section 2.5(c) and such supporting materials as are reasonably necessary for the

Eligible Employee to evaluate the Company's calculations. If the Eligible Employee disputes the Company's calculations (in whole or in part), the reasonable opinion of Tax Counsel with respect to the matter in dispute shall prevail.

(d) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, and after giving effect to such redetermination, the Severance Payment under Section 2.1 are to be reduced pursuant to subsection (b) of this Section 2.5, the Eligible Employee shall repay to the Company, within five (5) business days following the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Eligible Employee), to the extent that such repayment results in (i) no portion of the Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Eligible Employee's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(b) of the Code. In the event that (x) the Excise Tax is finally determined to exceed the amount taken into account hereunder at the time of the termination of the Eligible Employee's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment) and (y) after giving effect to such redetermination, the Severance Payment under Section 2.1 should not have been reduced pursuant to subsection (b) of this Section 2.5, the Company shall make the previously reduced Severance Payment and shall make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Eligible Employee with respect to such excess and such portion) within five (5) business days following the time that the amount of such excess is finally determined.

SECTION 2.6 The payments provided in subsection (a) of Section 2.5 hereof shall be made not later than the fifth day following the Severance Date; provided, however, that if the amounts of such payments, and the limitations on such payments set forth in Section 2.5 hereof, cannot be finally determined on or before such day, the Company shall pay to the Eligible Employee on such day an estimate of the minimum amount of such payments to which the Eligible Employee is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Severance Date.

SECTION 2.7 The Company shall reimburse the Eligible Employee for all reasonable legal fees and expenses incurred by the Eligible Employee in seeking to obtain or enforce any benefit or right provided by this Plan, so long as the Eligible Employee prevails in substantial part on the merits of his or her claim. The Company shall reimburse the Eligible Employee for all reasonable legal fees and expenses incurred by the Eligible Employee in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder.

SECTION 2.8 In the event of a claim for benefits hereunder by an Eligible Employee, such Eligible Employee shall present the reason for his or her claim in writing to the Plan Administrator. The Plan Administrator shall, within thirty (30) days after receipt of such written claim, send a written notification to the Eligible Employee as to its disposition. In the event the claim is wholly or partially denied, such written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Eligible Employee to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the Eligible Employee may appeal the denial of his or her claim. In the event an Eligible Employee wishes to appeal the denial of his or her claim, he or she may request a review of such denial by making application in writing to the Plan Administrator within sixty (60) days after receipt of such denial. Such Eligible Employee (or his or her duly authorized legal representative) may, upon written request to the Plan Administrator, review any documents pertinent to his or her claim, and submit in writing, issues and comments in support of his or her position. Within forty-five (45) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Plan Administrator shall notify the Eligible Employee of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

SECTION 2.9 No Severed Employee shall be eligible to receive a Severance Payment or other benefits under the Plan unless he or she first executes a written release substantially in the form attached hereto as Schedule A.

SECTION 2.10 An Employer shall be entitled to withhold from amounts to be paid to the Severed Employee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

SECTION 3. PLAN ADMINISTRATION.

SECTION 3.1 The Plan Administrator shall administer the Plan and may interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan.

SECTION 3.2 The Plan Administrator may delegate any of its duties hereunder to such person or persons from time to time as it may designate.

SECTION 3.3 The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Employer.

SECTION 4. PLAN MODIFICATION OR TERMINATION.

The Plan may be amended or terminated by the Board at any time; provided, however, that, during the following periods, the Plan may not be terminated nor may the Plan be amended in any manner adverse to the interests of any Eligible Employee (including, without limitation, any adverse changes to a person's status as an Eligible Employee) without such Eligible Employee's written consent (and any such termination or amendment shall be void and of no force and effect): (i) within one year preceding a Potential Change in Control (in the case of any action (other than in connection with a termination of employment) pursuant to which an individual ceases to be designated as an Eligible Employee or is designated in a lower tier of Eligible Employee) or within 90 days preceding a Potential Change in Control (in the case of termination of the Plan or any other amendment which is adverse to the interests of any Eligible Employee), (ii) during the pendency of or within 90 days following the cessation of a Potential Change in Control or (iii) within two years following a Change in Control. This Plan shall terminate automatically two years and one day after a Change in Control. No Plan termination shall, without such Eligible Employee's written consent, adversely affect any rights of any Eligible Employee which accrued under this Plan prior to such termination.

SECTION 5. GENERAL PROVISIONS.

SECTION 5.1 Except as otherwise provided herein or by law, no right or interest of any Eligible Employee under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Eligible Employee under the Plan shall be liable for, or subject to, any obligation or liability of such Eligible Employee. When a payment is due under this Plan to a Severed Employee who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

SECTION 5.2 If an Employer is obligated by law, contract, policy or otherwise to pay severance pay, a termination indemnity, notice pay, or the like, or if an Employer is obligated by law to provide advance notice of separation ("Notice Period"), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

SECTION 5.3 Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee, or any person whomsoever, the right to be retained in the service of the Employer, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

SECTION 5.4 If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

SECTION 5.5 This Plan shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Eligible Employee, present and future, and any successor to the Employer. If a Severed Employee shall die while any amount would still be payable to such Severed Employee hereunder if the Severed Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executor, personal representative or administrators of the Severed Employee's estate.

SECTION 5.6 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

SECTION 5.7 The Plan shall not be funded. No Eligible Employee shall have any right to, or interest in, any assets of any Employer which may be applied by the Employer to the payment of benefits or other rights under this Plan.

SECTION 5.8 Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States mail, first class, postage prepaid, addressed to the intended recipient at his, her or its last known address.

SECTION 5.9 This Plan shall be construed and enforced according to the laws of Nebraska, to the extent not preempted by federal law, which shall otherwise control.

WAIVER AND RELEASE OF CLAIMS AGREEMENT

YOU HAVE BEEN ADVISED TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.

YOU HAVE [FORTY-FIVE] [TWENTY-ONE] DAYS AFTER RECEIVING THIS AGREEMENT TO CONSIDER WHETHER TO SIGN IT.

AFTER SIGNING THIS AGREEMENT, YOU HAVE ANOTHER SEVEN DAYS IN WHICH TO REVOKE IT, AND IT DOES NOT TAKE EFFECT UNTIL THOSE SEVEN DAYS HAVE ENDED.

In consideration of, and subject to, the payments to be made to me by [Name of Employer Corporation] ("Union Pacific") or any of its subsidiaries, pursuant to the Union Pacific Corporation Key Employee Continuity Plan (the "Plan"), which I acknowledge that I would not otherwise be entitled to receive, I hereby waive any claims I may have for employment or re-employment by Union Pacific or any subsidiary or parent of Union Pacific after the date hereof, and I further agree to and do release and forever discharge Union Pacific or any subsidiary or parent of Union Pacific and their respective past and present officers, directors, shareholders, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with Union Pacific or any subsidiary or parent of Union Pacific or the termination thereof, including, but not limited to, by reason of any event, matter, cause or thing which has occurred to the date of execution of this Release relating in any way to my employment relationship with Union Pacific or to my termination of employment thereof, whether for severance or based on statutory or common law claims for employment discrimination, wrongful discharge, breach of contract or any other theory, whether legal or equitable, or arising under any statute or regulation, including the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and the Family Medical Leave Act of 1993, each as amended, or any other federal, state or local law, regulation, ordinance or common law.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims Agreement shall adversely affect (i) my rights under the Plan; (ii) my rights to benefits other than severance benefits under plans,

programs and arrangements of Union Pacific or any subsidiary or parent of Union Pacific; or (iii) my rights to indemnification under any indemnification agreement, applicable law and the certificates of incorporation and bylaws of Union Pacific and any subsidiary or parent of Union Pacific, and my rights under any director's and officer's liability insurance policy covering me.

I acknowledge that I have signed this Waiver and Release of Claims Agreement voluntarily, knowingly, of my own free will and without reservation or duress, and that no promises or representations, written or oral, have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and Union Pacific's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Plan, and that my entitlement thereto shall be governed by the terms and conditions of the Plan, and I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than [forty-five (45)] [twenty-one (21)] days to review and consider this Waiver and Release of Claims Agreement, and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by Union Pacific to do so if I choose. I may revoke this Waiver and Release of Claims Agreement seven days or less after its execution by providing written notice to Union Pacific.

Finally, I acknowledge that I have carefully read this Waiver and Release of Claims Agreement and understand all of its terms. This is the entire Agreement between the parties and is legally binding and enforceable.

This Waiver and Release of Claims Agreement shall be governed and interpreted under federal law and the laws of Nebraska.

I knowingly and voluntarily sign this Waiver and Release of Claims Agreement.

Date Delivered to Employee: [Name of Employer Corporation]

- -----
Date Signed by Employee: By: -----

- -----
Title: -----

Seven-Day Revocation Period Ends:

- -----
Signed: Date: -----

- -----
(Print Employee's Name)

UNION PACIFIC CORPORATION

[UNION PACIFIC LOGO]

2001 LONG TERM PLAN

STOCK UNIT AND CASH AWARD AGREEMENT

Dated: January 25, 2001

Dear Award Recipient:

This Letter Agreement will confirm (1) an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 1993 Stock Option and Retention Stock Plan of the Company (the "Plan"), a copy of which is included in this mailing packet and made a part thereof, and (2) provided some or all of such Stock Units are paid to you pursuant to this Agreement, the opportunity for you to receive a Cash Award as provided herein.

STOCK UNITS

1. GRANT OF UNITS. 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, one share of Union Pacific Corporation Common Stock, \$2.50 par value per share ("Common Stock"). As shown on Exhibit A, you are granted a Stock Unit Target Award and may receive at the end of the Restriction Period described below all or a portion of your Stock Unit Target Award, provided the applicable Performance Criteria have been satisfied.

2. RESTRICTION PERIOD. The period during which the restrictions set forth herein and in the Plan shall apply to the Stock Units granted to you shall commence on the date hereof and expire on January 31, 2004 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period").

3. PERFORMANCE CRITERIA. As shown on Exhibit A, Performance Criteria include (i) Cumulative Earnings Per Share of the Company as set forth on Exhibit A, and (ii) Fair Market Value of the Common Stock of the Company, which is the average of the high and low trading prices per share of the Common Stock as reported in The Wall Street Journal listing of composite transactions for New York Stock Exchange Issues. As used herein, Cumulative Earnings Per Share means the sum of the

annual diluted earnings per share of the Company for the fiscal years ending December 31, 2001, 2002, and 2003 based on net income (including income from both continuing and discontinued operations) as reported in the Company's Annual Reports to Shareholders, provided that in calculating Cumulative Earnings Per Share the Committee (as defined in the Plan) may, in its sole discretion, exclude special charges or extraordinary items reported by the Company. The Cumulative Earnings Per Share Performance Criterion will be satisfied if Cumulative Earnings Per Share meet or exceed the target set forth in Exhibit A. The Fair Market Value Performance Criterion will be satisfied if the Fair Market Value of the Common Stock of the Company is equal to or greater than the applicable Stock Price Target as shown on Exhibit A for 20 consecutive calendar days beginning on January 1, 2001 through January 31, 2004. In order to earn a specified portion of your Stock Unit Target Award or Cash Target Award pursuant to Section 9 below, only one of the Performance Criteria (e.g., Cumulative Earnings Per Share or Stock Price Target) must be satisfied. There is no interpolation between target amounts.

4. RESTRICTIONS. The above award of Stock Units is subject to the following restrictions: (i) no dividends or cash in lieu of dividends shall be paid on the Stock Units during the Restriction Period; (ii) subject to Sections 17 and 22 below, you shall not be entitled to delivery of shares of Common Stock until the expiration of the Restriction Period; (iii) none of such Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period; and (iv) all of the Stock Units shall be forfeited and all of your rights to such units shall terminate without further obligation on the part of the Company unless (I) you remain in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided in Section 17 or 22 below, and (II) the applicable Performance Criteria for such units are satisfied on or prior to January 31, 2004. Any shares of Common Stock or other securities or rights received as a result of a transaction listed in Section 11 of the Plan shall be subject to the same restrictions as such Stock Units.

5. PAYMENT OF STOCK UNITS. At the end of the Restriction Period or at such earlier time as provided for in Section 17 or 22 below, and subject to Section 6 hereof, all restrictions applicable to such Stock Units shall lapse, and shares of Common Stock equal to the sum of the number of Stock Units which have met the applicable Performance Criteria shown on Exhibit A, free of all restrictions, shall be delivered to you (through your account at the Company's third party stock administrator, if applicable) or your beneficiary or estate, as the case may be.

6. DEFERRAL. You may elect to defer receipt of payment of any Award of Stock Units pursuant to the Deferral of Stock Award Gains Program. If you are or should you become a "named executive officer", as defined in Item 402 of Regulation S-K promulgated by the Securities and Exchange Commission, at any time during calendar year 2003 you must defer receipt of payment of any Award of Stock Units until termination of your employment if requested by a committee of the Board of Directors of the Company pursuant to the provisions of Section 10 of the Plan.

7. WITHHOLDING. Upon the lapse of the restrictions applicable to the Stock Units, you must arrange for the payment to the Company of all applicable withholding taxes resulting therefrom promptly after you have been notified of the amount thereof by the Secretary of the Company. Shares will be withheld to pay withholding taxes if you have made a proper election to pay withholding taxes in this manner.

8. APPLICABILITY OF THE PLAN. This Agreement and the award of Stock Units hereunder are subject to all of the terms and conditions of the Plan.

CASH AWARD

9. PAYMENT OF CASH AWARD. You are eligible to receive a Cash Award equal to all or a portion of your Cash Target Award as shown on Exhibit A, provided (I) you remain in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided in Section 17 or 22 below, and (II) the applicable Performance Criteria for such Cash Award are satisfied on or prior to January 31, 2004, payable at the expiration of the Restriction Period.

10. ADDITIONAL CASH PAYMENT. If the Fair Market Value of the Common Stock equals or exceeds \$100 for 20 consecutive calendar days on or prior to January 31, 2004, or Cumulative Earnings Per Share equals or exceeds \$20, you shall be entitled to receive an additional cash payment from the Company. Such additional cash payment shall be computed by applying the maximum marginal federal income tax rate in effect at the expiration of the Restriction Period to the value of the maximum award of any Stock Units and Cash Award paid to you pursuant to this Agreement.

PROTECTION OF CONFIDENTIALITY

11. CONFIDENTIAL INFORMATION; TRADE SECRETS. By 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 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").

12. TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS. By 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 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.

13. PRIOR CONSENT REQUIRED. By signing Exhibit A, you agree that you will not, unless you receive prior consent from the Company's Senior Vice President of Human Resources ("Sr. VP-HR") 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.

14. PRIOR NOTICE OF EMPLOYMENT, ETC. By 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 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 of your intention to accept such employment or affiliation. You also agree to confer in good faith with the Sr.

VP-HR 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 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 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.

15. FAILURE TO COMPLY. By signing Exhibit A, you agree that, if you fail to comply with any of the promises that you made in Section 13 or 14 above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) and any Cash Award (including any additional cash payment) granted to you by this Agreement 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 13 or 14 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 or Cash Award (including any additional cash payment) 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 any such Cash Award and the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

CHANGE IN CONTROL

16. OCCURRENCE OF CHANGE IN CONTROL. If a Change in Control shall be deemed to have occurred under the Plan, then the Performance Criteria shall be deemed to have been satisfied at the \$70 Stock Price Target award level, provided that if a greater Performance Criteria shall have been satisfied prior to the occurrence of such Change in Control then such greater Performance Criteria shall be applicable. In either event following the Change in Control (i) no greater Performance Criteria may be earned under this Agreement, and (ii) you must remain in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided in Section 17 or 22 below. "Change in Control" shall have the meaning provided in the Plan.

17. SEVERANCE FOLLOWING CHANGE IN CONTROL. In the event your employment is involuntarily terminated by the Company within two years following the date of a Change in Control, you shall be entitled to receive the Stock Units and Cash Award earned under this Agreement.

18. GENERAL. Nothing herein shall limit or restrict the right of the Company to amend or terminate the Plan subject to the terms thereof.

NO DIRECT COMPETITION

19. SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS. By signing Exhibit A, you agree that for a period of 18 months 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 and 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 is acquiring or being acquired by any such company) (the "Western Roads"). This Section 19 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 signed or when their employment with the Company ends.

20. ACKNOWLEDGMENT; INJUNCTIVE RELIEF. By signing Exhibit A, you acknowledge that Section 19 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 19. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 19, the Company would be entitled to an injunction from a Court to enforce those promises.

21. VIOLATION OF PROMISES. By signing Exhibit A, you agree that if you violate any of your promises in Section 19, then you will return to the Company any shares of Common Stock (or the fair market value thereof), and any Cash Award (including any additional cash payment) 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 19. You agree that you will return such shares of Common Stock (or the fair market value thereof) or Cash Award (including any additional cash payment) 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 any such Cash Award and the market value of any such stock certificates against any amount that might be owed to you by the Company.

GENERAL

22. DEATH, DISABILITY AND RETIREMENT. If you die during the Restriction Period, then the Performance Criteria shall be deemed to have been satisfied at the minimum Stock Unit Target Award and Cash Target Award (\$13.50 Cumulative Earnings Per Share), provided that if prior to your death one of the Stock Price Targets on Exhibit A has been achieved (or deemed satisfied pursuant to Section 16) then that Performance Criterion shall be applicable, and your estate or beneficiary shall be entitled to receive the Stock Units and Cash Award earned under this Agreement. You shall not be entitled to any Stock Units or Cash Award hereunder if you shall become disabled or retire prior to the end of the Restriction Period.

23. 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.

24. 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.

To confirm acceptance of the foregoing, kindly sign and promptly return one copy of Exhibit A of this Letter Agreement to the Company.

Sincerely,

UNION PACIFIC CORPORATION

By /s/ DICK DAVIDSON
Chairman, President &
Chief Executive Officer

LTP RETENTION UNIT AND CASH AWARD

JANUARY 25, 2001

STOCK UNIT AWARD
GRANTED TO:

S.S. NO.:

MAXIMUM NUMBER OF RETENTION UNITS GRANTED*: 1,000(1)
*SUBJECT TO SATISFACTION OF PERFORMANCE CRITERIAMAXIMUM CASH AWARD**: \$70,000(1)
**PLUS CASH PAYMENT EQUAL TO THE MAXIMUM MARGINAL FEDERAL INCOME TAX RATE ON
VALUE OF MAXIMUM AWARD LEVEL OF UNITS AND CASH IF PERFORMANCE CRITERIA IS
SATISFIED.RESTRICTION COMMENCEMENT DATE: January 25, 2001
RESTRICTION TERMINATION DATE: January 31, 2004

For general tax purposes, LTP Retention 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.

(1) The maximum number of shares and maximum amount of cash award is for illustrative purposes only.

PERFORMANCE CRITERIA		PAYMENTS	
CUMULATIVE EPS EQUAL TO OR GREATER THAN:	STOCK PRICE TARGET *	STOCK UNIT AWARD EARNED	CASH AWARD EARNED
less than \$13.50	--	0	\$ 0
\$13.50	--	400	\$ 28,000
\$13.67	--	440	\$ 30,800
\$13.83	--	480	\$ 33,600
\$14.00	--	520	\$ 36,400
\$14.16	--	560	\$ 39,200
\$14.33	--	600	\$ 42,000
\$14.49	--	640	\$ 44,800
\$14.66	--	680	\$ 47,600
\$14.82	--	720	\$ 50,400
\$14.99	--	760	\$ 53,200
\$15.15	\$ 70	800	\$ 56,000
\$15.24	--	820	\$ 57,400
\$15.32	--	840	\$ 58,800
\$15.41	--	860	\$ 60,200
\$15.49	--	880	\$ 61,600
\$15.58	--	900	\$ 63,000
\$15.66	--	920	\$ 64,400
\$15.75	--	940	\$ 65,800
\$15.83	--	960	\$ 67,200
\$15.92	--	980	\$ 68,600
\$16.00	\$ 85	1,000	\$ 70,000
\$20.00	\$ 100	1,000	\$ 70,000

AND cash payment equal to the maximum marginal federal income tax rate on value of maximum award level of units and cash.

* The stock price targets must be achieved and maintained for 20 consecutive calendar days.

By executing this Exhibit A, I acknowledge that I am bound by all of the terms of the Union Pacific Corporation 1993 Stock Option and Retention Stock Plan and the Letter Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

Accepted:

Participant

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars, Except for Ratio)

	2000	1999	1998[a][b]	1997	1996[c]
	-----	-----	-----	-----	-----
Earnings from continuing operations	\$ 842	\$ 783	\$ (633)	\$ 432	\$ 733
Undistributed equity earnings	24	(45)	(44)	(37)	(47)
Total	866	738	(677)	395	686
Income taxes	468	419	(63)	244	380
Fixed charges:					
Interest expense including amortization of debt discount	723	733	714	605	501
Portion of rentals representing an interest factor	174	186	181	166	135
Total	897	919	895	771	636
Earnings available for fixed charges	\$ 2,231	\$ 2,076	\$ 155	\$ 1,410	\$ 1,702
Fixed charges as above	\$ 897	\$ 919	\$ 895	\$ 771	\$ 636
Interest capitalized	--	--	--	--	--
Total	\$ 897	\$ 919	\$ 895	\$ 771	\$ 636
Ratio of earnings to fixed charges	2.5	2.3	0.2	1.8	2.7
	-----	-----	-----	-----	-----

[a] Excluding the impact of the one-time goodwill charge of \$547 million pre- and after-tax in 1998, the ratio of earnings to fixed charges would have been 0.8.

[b] 1998 earnings were inadequate to cover fixed charges by \$740 million.

[c] 1996 information reflected the Corporation's waste management business as discontinued operations.

COVER

ON THE COVER - An SD70 locomotive leads an intermodal train through the Castle Crags south of Dunsmuir, California.

INSIDE COVER

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FINANCIAL HIGHLIGHTS

Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, Except Ratios and Per Share Amounts	2000(a)	1999(b)	1998(c)
	-----	-----	-----
FOR THE YEAR			
Operating Revenues	\$ 11,878	\$ 11,237	\$ 10,514
Operating Income (Loss)	1,903	1,804	(171)
Income (Loss) from Continuing Operations	842	783	(633)
Income from Discontinued Operations	--	27	--
Net Income (Loss)	842	810	(633)
Per Share - Basic:			
Income (Loss) from Continuing Operations	3.42	3.17	(2.57)
Income from Discontinued Operations	--	0.11	--
Net Income (Loss)	3.42	3.28	(2.57)
Per Share - Diluted:			
Income (Loss) from Continuing Operations	3.34	3.12	(2.57)
Income from Discontinued Operations	--	0.10	--
Net Income (Loss)	3.34	3.22	(2.57)
Dividends Per Share	0.80	0.80	0.80
Operating Cash Flow	1,958	1,869	565
Capital Investments	1,783	1,834	2,111
	-----	-----	-----
AT YEAR-END			
Assets	\$ 30,499	\$ 29,888	\$ 29,374
Total Debt	8,351	8,640	8,692
Common Shareholders' Equity	8,662	8,001	7,393
Equity Per Common Share	35.09	32.29	29.88
	-----	-----	-----
FINANCIAL RATIOS (%)			
Operating Ratio	84.0	83.9	101.6
Debt to Capital Employed	45.1	47.6	49.4
Return on Average Common Shareholders' Equity	10.1	10.5	(8.1)

INSIDE COVER

INSIDE COVER

(a) 2000 operating income and net income included a work force reduction charge of \$115 million pre-tax and \$72 million after-tax (see note 15 to the consolidated financial statements).

(b) 1999 income from discontinued operations included a one-time, after-tax gain of \$27 million from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see note 3 to the consolidated financial statements).

(c) 1998 operating loss and net loss included a \$547 million pre- and after-tax charge for the revaluation of Overnite goodwill (see note 1 to the consolidated financial statements).

OPERATING REVENUES

Union Pacific Corporation

\$ MILLIONS

Bar Chart

96	97	98	99	00
-----	-----	-----	-----	-----
8,786	11,079	10,514	11,237	11,878

OPERATING INCOME

Union Pacific Corporation

\$ MILLIONS

Bar Chart

96	97	98	99	00
-----	-----	-----	-----	-----
1,432	1,144	376*/(171)	1,804	2,018**/1,903

* Excluding \$547 million Overnite goodwill revaluation

** Excluding \$115 million pre-tax (\$72 million after-tax) work force reduction charge

INCOME FROM CONTINUING OPERATIONS

Union Pacific Corporation

\$ MILLIONS

Bar Chart

96	97	98	99	00
---	---	-----	---	-----
733	432	(86)*/(633)	783	914**/842

* Excluding \$547 million Overnite goodwill revaluation

** Excluding \$115 million pre-tax (\$72 million after-tax) work force reduction charge

INSIDE COVER

INSIDE FOLDOUT

UNION PACIFIC FRANCHISE MAP

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INSIDE FOLDOUT

LETTER FROM THE CHAIRMAN

FELLOW SHAREHOLDERS:

I'm pleased to report that 2000 was a year of solid achievement for our company. We faced many challenges over the past 12 months, from escalating fuel prices to a sharp year-end decline in the economy. But the strength of our franchise, the resilience of our operations, and the dedication and experience of our people saw us through to a successful year. Here are a few of the key financial highlights:

- o Income from continuing operations was a record \$842 million. Excluding a \$72 million after-tax work force reduction charge in the fourth quarter, income from continuing operations increased 17% to \$914 million.

- o Diluted earnings per share increased 16% (excluding the work force reduction charge) to \$3.61, based on continuing operations.

- o Total revenues rose 6% to a record \$11.9 billion, with increases at both the railroad and trucking subsidiaries.

- o Railroad traffic volumes increased 4% for the year, to a record 8.9 million carloads. The benefits of our diverse traffic mix were apparent, with gains in five of our six major business groups.

OUR MISSION

Union Pacific is committed to be a company where customers want to do business, employees are proud to work and shareholder value is created.

CARLOAD GROWTH

Union Pacific Railroad

Bar Chart

% Change vs. 1999

Automotive.....	15
Intermodal.....	7
Energy.....	3
Industrial.....	2
Chemicals.....	1
Agricultural.....	(4)

Total.....	4

o Overnite Transportation's operating income rebounded significantly to \$53.5 million, up from \$20 million in 1999, with stronger prices and improved operating efficiencies helping to offset higher fuel costs.

o Free cash flow increased almost four-fold, to \$217 million. This enabled us to strengthen the balance sheet, reducing the ratio of debt to total capitalization by 2.5 percentage points.

o Union Pacific's stock price increased 16% for the year, while the S&P 500 declined 10% over that same time period.

In our last annual report, we reviewed efforts to strengthen our franchise and transform our culture so that we could deliver on the promise of the merged railroad network. As we began to see tangible results, we stepped up the intensity of our efforts to make Union Pacific a company where customers want to do business, employees are proud to work and value is created for shareholders.

The key to achieving this vision is providing high-quality customer service. To do this, we are focused on improving reliability, being innovative in our business approach, and working smarter through the quality process to ensure that things are done right the first time. Throughout this report, you will see examples of this intensified customer focus.

REVENUE PER EMPLOYEE Union Pacific Railroad

Bar Chart
\$ THOUSANDS

97	98	99	00
---	---	---	---
192	178	195	215

THE MARKET OPPORTUNITY

Our unparalleled rail franchise gives Union Pacific a tremendous advantage in serving customers throughout North America. Our studies have estimated the available market for long-haul inter-city rail service in the western United States at close to \$90 billion. Today, the majority of this traffic moves by truck. Western railroads have tapped only about 22% of this market, so there is enormous unrealized opportunity. To capitalize on our efficiencies and make headway in this broader market, we need to demonstrate to customers that we can provide reliable service.

IMPROVING RELIABILITY

According to our customer satisfaction surveys, the speed of our service is not as critical as reliability. Efforts to improve our reliability have been under way on many fronts, from tighter accountability in field operations, to more efficient car scheduling, to the reliability and availability of our locomotive fleet. Over the past three years, we have acquired over 875 new units, with another 500 planned in 2001. This has enabled us to retire more than 1,000 older, less efficient locomotives in that same period, with significantly more retirements to come. This fleet modernization is translating into lower maintenance costs, better fuel efficiency, more flexibility, decreased emissions, and greater reliability for our customers.

While there is room for improvement, we are gaining on the competition. Survey results show that customer satisfaction with Union Pacific has increased steadily over the past three years, while truckload service levels appear to have plateaued.

CUSTOMER SATISFACTION
Union Pacific Railroad

Bar Chart
\$ SATISFIED

	1998	1999	2000
	----	----	----
Trucks	85	84	85
UPRR	56	67	72
	----	----	----

WORKING SMARTER

One of the most significant new opportunities for continuous quality improvement is the growing use of e-commerce and the Internet.

We've taken some early steps in using the Internet to improve our back-office processes. For example, train crews now go on line to determine their work schedules, while auto customers can track individual vehicles across the railroad. Another new opportunity is RailMarketplace.com, an industry alliance for supply management. Through this effort, we should see the cost benefits of standardization and economies of scale.

Beyond back-office processes, the Internet also provides many ways to interact with our customers. One of our recent efforts is a new website called MyUPRR.com. This is a customized workspace that enables customers to see information about their shipments. As this concept continues to develop, it will give us another way to improve productivity, and make it easier for customers to do business with Union Pacific.

INNOVATION AND ALLIANCES

With operations more fluid and the quality of our service improved, we have become more innovative in leveraging the strengths of our franchise. Not only can we serve our traditional customers more effectively, but we can also reach out to customers who have never used rail service before. For example, we're using day-of-the-week pricing to optimize yield and capacity in certain corridors. We're offering truck-rail packages to reach new customers or meet specific service requirements. We're using the strengths of our rail network to offer targeted new premium services.

CUSTOMERS WITH MYUPRR.COM ACCOUNTS
Union Pacific Railroad

Bar Chart
CUSTOMERS

Q1	Q2	Q3	Q4
-----	-----	-----	-----
1,715	2,392	2,764	2,986

Innovation can be seen in the spirit of cooperation within the rail industry. We are working to improve interchange points and to track shipments across railroads. We're also forming targeted new alliances to meet specific customer needs and compete effectively for new business opportunities. As an example, we work closely with both Mexico interchange partners, Ferrocarril Mexicano and Transportacion Ferroviaria Mexicana, to ensure an efficient flow of traffic north and south of the border. Our revenue associated with Mexico traffic grew 19% in 2000 to \$850 million, and we believe this will be a growing opportunity in the years ahead.

SERVING CUSTOMERS AT OVERNITE

The focus on quality service to customers continues at Overnite as well. Overnite's dedicated employees have remained committed to excellence, despite attempted disruptions by the Teamsters during the year. As a result, transit times and service performance in 2000 were the best in Overnite's 65-year history, with on-time service averaging close to 98%. These strong service levels enabled the company to roll out several expansions of its expedited Overnite Advantage program during the year, including a new Advantage Guaranteed service, which responds to the particular needs of very time-sensitive customers.

Net income at Overnite improved a dramatic 51% to \$43 million in 2000, reflecting record revenues, improved productivity and lower strike-related costs. Cash flow to the Corporation increased 46%, to \$62 million.

OPERATING INCOME

Overnite Transportation

Bar Chart
\$ MILLIONS

	Q1	Q2	Q3	Q4
	----	----	----	----
2000	0.5	17	20	16
1999	10	15	8	(13)
	----	----	----	----

FENIX

Union Pacific has long been in the forefront of developing technology to support its railroad business. Many of these technologies have expanded beyond their core transportation applications. This past June, Union Pacific formed Fenix LLC, a new holding company subsidiary. Through Fenix, the Corporation is taking steps to help realize this untapped value without losing focus on its primary transportation business.

There are now four separate companies under the Fenix umbrella. These companies have been making great strides throughout the year, developing and expanding their product offerings and reaching out to diverse customers ranging from the Seattle Mariners to Starbucks Coffee.

LOOKING AHEAD

As we look over the past year, we are encouraged by our progress on many fronts, and proud of the people throughout Union Pacific who have given their best efforts to make our company successful.

We would like to extend our special thanks to a departing member of our Board of Directors, Dick Cheney. Dick left us this past year in order to carry out his new responsibilities as Vice President of the United States. While his contributions to the Board will be missed, we know that his experience and integrity will serve our country well.

We would also like to welcome two new directors to our Board, Archie Dunham, chairman and chief executive officer of Conoco Inc., and

Steven Rogel, chairman and chief executive officer of Weyerhaeuser Company. These two business leaders bring extensive experience and customer perspectives that will help us run a quality company.

In the year ahead, there is much more that can be accomplished. We will face continued challenges such as higher fuel prices and economic uncertainty, but we are well positioned to meet these challenges and opportunities. We have strengthened our management team. We have improved the safety and efficiency of our operations. We are more innovative in our business approach, and we are unrelenting in our efforts to improve productivity and lower costs through the quality process.

Going forward, we will build on these efforts, leveraging the strengths of our premier franchise to provide consistently reliable service for our customers and strong returns for our shareholders. As we look ahead, our vision for Union Pacific remains very straightforward. We are committed to being one of America's great companies - a company where customers want to do business, employees are proud to work and value is created for shareholders.

Dick Davidson
Chairman and Chief Executive Officer
February 22, 2001

COST OF QUALITY
Union Pacific Railroad

Bar Chart
% OF REVENUE

97	98	99	00
----	----	----	----
18.5	21.4	14.4	13.7

The cost of quality is a disciplined measurement process that allows the Railroad to identify failure costs. This year's efforts reduced the cost of quality to 13.7% of total revenue.

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UNION PACIFIC RAILROAD IMPROVING RELIABILITY

Union Pacific renewed its focus on service consistency and reliability, which are critical for customers to achieve their business goals.

Applying the quality process, UP monitors key service performance measures. For example, operations managers track day-to-day field performance based on the actual time it takes to move cars and trains against a designated transportation plan. UP then uses this information to remove variances from the operating schedule, allocate resources appropriately and meet customer commitments.

A renewed emphasis on reliability and quality had a positive impact on a number of customers. For Eastman Chemical, UP has cut transit times in some lanes by as much as half and has driven significant on-time performance improvements.

Coal customers, such as Chicago-based Midwest Generation, benefited from on-time performance that averaged 96% in 2000. Toyota recognized the Railroad as its 1999 and 2000 Rail Carrier of the Year.

Union Pacific went 164 consecutive days without missing a single sort for UPS in 2000. That's more than 60 million individual packages delivered on time, breaking the previous industry record by over two months.

COAL TRAIN PERFORMANCE
Union Pacific Railroad

Bar Chart
% ON TIME

	Jan ----	Feb ----	Mar ----	Apr ----	May ----	Jun ----	Jul ----	Aug ----	Sep ----	Oct ----	Nov ----	Dec ----
99	79.8	87.4	84.2	86.7	82.4	75.3	85.1	85.6	90.3	89.9	94.9	96.5
00	97	100	99	99	98	91	97	96	95	95	96	94

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UNION PACIFIC RAILROAD BEING INNOVATIVE

Last year the Railroad developed new services for key growth corridors, with the goal of bringing customers back to the Railroad.

For Sunkist and other West Coast customers, the Railroad introduced Express Lane, a premium manifest service in partnership with CSX. Trains from the Pacific Northwest and north-central California move fresh and frozen fruits and vegetables to New York City in eight days, and Boston in nine.

Express Lane was so successful, UP expanded it in the fall to the southeastern United States and is targeting the Mid-Atlantic states in 2001.

In the I-5 corridor, UP introduced the Cascade Connection, an updated intermodal service running from Seattle to Los Angeles that uses day-of-the-week pricing for northbound service to manage capacity and balance demand. Southbound, incentive pricing helps fill trains and attract nontraditional customers.

With Thrall Car Manufacturing and DaimlerChrysler , UP developed the "Q2" auto rack. It combines the right balance of capacity and flexibility, allowing the Railroad to haul different sized vehicles while reducing delivery time. UP now carries all of Chrysler's finished auto business west of the Mississippi River.

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UNION PACIFIC RAILROAD BUILDING ALLIANCES

Alliances with other North American railroads are key to providing seamless service beyond Union Pacific's traditional 23-state reach. Alliance partners include all the major North American railroads, affording customers easy access to additional markets.

In partnership with Ferrocarril Mexicano (a 26-percent owned affiliate of the Railroad) and Transportacion Ferroviaria Mexicana, UP grew its Mexico revenue by 19 percent. To speed the delivery of automobiles, the three railroads worked with auto manufacturers in Mexico, including Ford Motor Company and its logistics partner, UPS Autogistics.

Over the last few years, the Railroad has strengthened its alliance with Canadian Pacific Railway, which hauls commodities such as potash in western Canada and hands them off to Union Pacific at Eastport, Idaho. Traffic then moves through Washington and Oregon into UP's Roseville, California yard. Operating independently, this service took 14 days. Now it takes six, and the number of trains through the Eastport corridor has increased from two to five daily.

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UNION PACIFIC RAILROAD WORKING SMARTER

Intelligent Solutions was a key catch-phrase for UP in 2000, as the Railroad discovered new ways to leverage its expansive rail network, technology and understanding of its customers' business needs. The commitment to quality, including management training and the use of Six Sigma tools, was the underpinning of UP's efforts.

Together, Simpson Timber and UP met the challenge of delivering lumber products from the Pacific Northwest by designing a transportation plan that provides the equipment and service to reach lumber markets coast to coast.

The Railroad's International Customer Service Center (ICSC) reduced the complexity of transporting products across U.S. borders. By staging trains and preparing documents in advance, the ICSC and distributors Gambrinus and Barton Beers significantly improved the customs process for importing Grupo Modelo's popular Corona beer.

UP's customized website, MyUPRR.com, simplifies doing business with the Railroad. For example, customers can now use MyUPRR.com to trace up to 100 equipment numbers with the click of a mouse, and obtain real-time information about their shipments without making a phone call.

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OVERNITE TRANSPORTATION SERVING CUSTOMERS

Responding to its customers, Overnite Transportation last year greatly enhanced its one- and two-day delivery network, expanded its full-state coverage and used new technology to increase efficiency.

With customers shortening just-in-time schedules, Overnite's upgraded fleet reduced transit times and delivered over 63 percent of all freight within two days.

Most importantly, quicker transit times did not come at the expense of reliability. Overnite's 166 service centers nationwide posted an on-time service performance standard between 97 and 98 percent throughout the year. In 2000, Overnite also became the first nationwide LTL carrier to offer guaranteed pickup service.

Overnite expanded Advantage Overnite to bring full-state coverage to 32 states east of the Rockies and continues to directly serve all major markets in the western states. On the international front, Overnite increased coverage in Canada and introduced expedited service into Mexico.

Overnite also unveiled its latest e-commerce offerings, enabling customers to set up personalized, secure websites to electronically receive copies of all shipping documents, trace and track shipments, receive rates, and create bills of lading online.

ON-TIME SERVICE PERFORMANCE

Overnite Transportation

Bar Chart
% ON TIME

	1998	1999	2000
	----	----	----
Q1.....	96.0	96.4	97.5
Q2.....	96.0	94.8	97.1
Q3.....	96.0	95.6	97.5
Q4.....	95.9	96.9	97.8
	----	----	----

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FENIX MAXIMIZING VALUE

Fenix was formed in June 2000 to further develop and grow revenue generated by Union Pacific's technology resources, which represent untapped value in the new economy. Fenix companies serve various markets and customers:

Transentric focuses on improving supply chain performance in the business-to-business marketplace.

Nexterna helps companies stay connected to remote mobile resources - people, vehicles and data.

Timera provides a proactive environment for managing enterprise work forces.

Ekanet is developing a business that leverages Union Pacific's telecommunications assets.

Customer successes are already developing. Nexterna currently provides mobile resource management solutions for 500 fleet vehicles that are operated by Great Plains Locating Service, which provides utility locating and related damage prevention services in seven Midwestern states.

Transentric signed an agreement with Starbucks to implement "intelligent messaging services" for the coffee-giant's ever-expanding network of stores, suppliers and customers.

Timera provides the Seattle Mariners with an automated personnel work schedule, which all employees - from ticket takers to ushers to security - can view through the Internet.

FINANCIAL REVIEW

This review should be read in combination with the consolidated financial statements, notes to the consolidated financial statements and supplementary information.

Union Pacific Corporation (UPC or the Corporation) consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). Other Operations includes the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product line operations that include the corporate holding company (which largely supports the Railroad), Fenix LLC and affiliated technology companies (Fenix), self-insurance activities, and all appropriate consolidating entries (see note 1 to the consolidated financial statements).

CORPORATE STRUCTURE

In 2000, the Corporation continued to focus on its core rail transportation business by investing approximately \$1.7 billion in capital-related assets at the Railroad. The capital assets are used to sustain current operations and introduce innovative rail services across every commodity line. The Corporation's rail investments in the last five years include the 1996 acquisition of Southern Pacific Rail Corporation (Southern Pacific), and the 1997 and 1999 investments in the Pacific-North and Chihuahua Pacific lines in Mexico. The details of the Corporation's key strategic transactions in recent years are as follows:

FENIX - During 2000, the Corporation announced the formation of a new subsidiary, Fenix, to develop and expand the Corporation's technology and telecommunication assets beyond the Corporation's core transportation business.

MEXICAN RAILWAY CONCESSION - During 1997, the Railroad and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico and a 25% stake in the Mexico City Terminal Company at a price of \$525 million. The consortium assumed operational control of both lines in 1998. In March 1999, the Railroad purchased an additional 13% ownership interest for \$87 million from one of its partners. The Railroad currently holds a 26% ownership share in the consortium. This investment is accounted for using the equity method of accounting.

OVERNITE - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC did not consummate the offering (see note 1 to the consolidated financial statements).

SKYWAY - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million (see note 3 to the consolidated financial statements).

SOUTHERN PACIFIC - During 2000, UPC continued its integration of Southern Pacific's rail operations. This process is expected to be completed in 2001 (see notes 1 and 2 to the consolidated financial statements). UPC consummated the acquisition of Southern Pacific in September 1996 for \$4.1 billion. Sixty percent of the outstanding Southern Pacific common shares were converted into UPC common stock, and the remaining 40% of the outstanding shares were acquired for cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method of accounting.

ASSETS
Union Pacific Corporation

Bar Chart
\$ MILLIONS

96	97	98	99	00
-----	-----	-----	-----	-----
27,990	28,860	29,374	29,888	30,499

2000 COMPARED TO 1999 RESULTS OF OPERATIONS

CONSOLIDATED

NET INCOME - The Corporation reported net income of \$842 million (\$3.42 per basic share and \$3.34 per diluted share) in 2000, including a \$115 million pre-tax (\$72 million after-tax) charge related to a work force reduction plan at the Railroad (see note 15 to the consolidated financial statements). Excluding the effect of the charge, net income grew to \$914 million (\$3.71 per basic share and \$3.61 per diluted share) compared to \$810 million (\$3.28 per basic share and \$3.22 per diluted share) in 1999. The increase in net income was due primarily to revenue growth, improved service levels and productivity improvements at the Railroad, partially offset by significantly higher fuel prices. Net income for 1999 included a one-time after-tax gain of \$27 million (\$0.11 per basic share and \$0.10 per diluted share) from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see note 3 to the consolidated financial statements).

OPERATING REVENUES - Operating revenues increased \$641 million (6%) to \$11.9 billion in 2000, reflecting higher volumes in five of the six commodity groups at the Railroad, higher other revenue at the Railroad and a 5% increase in revenue at Overnite.

OPERATING EXPENSES - Operating expenses increased to \$10.0 billion in 2000 from \$9.4 billion in 1999, reflecting the work force reduction charge, higher fuel prices, inflation, volume-related costs from a 4% increase in carloads at the Railroad and increased depreciation expense. The increase in fuel prices added \$464 million to operating expenses in 2000 compared to 1999. Productivity improvements and other cost control measures partially offset the increase in operating expenses. Excluding the \$115 million pre-tax work force reduction charge, operating expenses increased \$427 million (5%) to \$9.9 billion.

Salaries, wages and employee benefits increased \$26 million compared to 1999, including the work force reduction charge. Salaries, wages and employee benefits declined \$89 million (2%), excluding the work force reduction charge, as lower employment levels and improved productivity at the Railroad more than offset higher rail volume and inflation. Equipment and other rents expense decreased \$16 million (1%) as improved car cycle times and lower rental rates more than offset increased Railroad volume and higher contract transportation costs at Overnite. Depreciation expense increased \$57 million (5%) as a result of the Railroad's capital spending in recent years. Fuel and utilities costs were \$518 million (62%) higher than 1999 resulting from significantly higher fuel prices and increased carloads, partially offset by favorable fuel hedging (see note 4 to the consolidated financial statements). Materials and supplies expense increased \$3 million (1%) primarily due to volume-related increases in car and locomotive repairs, partially offset by productivity and cost control actions. Casualty costs decreased \$18 million (5%) over 1999 as a result of lower settlement costs at the Railroad. Other costs decreased \$28 million (3%) as productivity and cost control efforts more than offset volume-related costs and higher state and local taxes.

OPERATING INCOME - Operating income increased to \$1.9 billion in 2000 from \$1.8 billion in 1999, as revenue growth and productivity gains at the Railroad more than offset higher fuel prices, rail volume costs and increased depreciation expense. Excluding the \$115 million pre-tax work force reduction charge, operating income increased \$214 million (12%) to \$2.0 billion.

NON-OPERATING ITEMS - Interest expense decreased \$10 million (1%) compared to 1999 primarily due to lower average debt levels in 2000. Excluding the income tax expense associated with the work force reduction charge, income taxes for 2000 increased \$92 million (22%) over 1999 as a result of higher income levels in 2000 and settlements in 1999 related to prior tax years.

KEY MEASURES - Net income as a percentage of operating revenues declined to 7.1% in 2000 from 7.2% in 1999, including the work force reduction charge. Net income as a percentage of operating revenues excluding the work force reduction charge improved to 7.7% in 2000. Return on average common shareholders' equity was 10.1% (including the work force reduction charge) and 10.9% (excluding the work force reduction charge) in 2000, up from 10.5% in 1999, reflecting strong revenue growth and improved operations at the Railroad and Overnite. The Corporation's operating ratio was 84.0% (including the work force reduction charge) and 83.0% (excluding the work force reduction charge) in 2000 compared to 83.9% in 1999.

RAIL

NET INCOME - Rail operations reported record net income of \$926 million (including the \$72 million after-tax work force reduction charge) in 2000 compared to net income of \$854 million in 1999. The increase in income resulted primarily from higher commodity and other revenue, improved operations, productivity gains and lower interest expense, partially offset by significantly higher fuel prices and volume-related costs. Excluding the work force reduction charge, net income was \$998 million in 2000.

OPERATING REVENUES - Rail operating revenues increased \$591 million (6%) over 1999 to a record \$10.7 billion. Revenue carloads increased 4% over 1999 with gains in five of the six commodity groups. Other revenue gains were the result of higher subsidiary revenues and increased accessorial services.

2000 COMMODITY REVENUE MIX
Union Pacific Railroad

Pie Chart
TOTAL: \$10.3 BILLION

Agricultural.....	14%
Automotive.....	11%
Chemicals.....	16%
Energy.....	21%
Industrial.....	19%
Intermodal.....	19%

COMMODITY REVENUE
Union Pacific Railroad

Bar Chart
\$ MILLIONS

96	97	98	99	00
-----	-----	-----	-----	-----
7,419	9,712	9,072	9,851	10,270

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

Commodity Revenue In Millions of Dollars	2000	1999	Change
-----	-----	-----	-----
Agricultural.....	\$ 1,400	\$ 1,419	(1)%
Automotive.....	1,182	1,048	13
Chemicals.....	1,640	1,595	3
Energy.....	2,154	2,168	(1)
Industrial Products.....	1,985	1,896	5
Intermodal.....	1,909	1,725	11
Total	\$ 10,270	\$ 9,851	4%
	-----	-----	-----

Revenue Carloads
 In Thousands

	2000	1999	Change
Agricultural.....	873	911	(4)%
Automotive.....	815	707	15
Chemicals.....	936	930	1
Energy.....	1,930	1,872	3
Industrial Products.....	1,431	1,398	2
Intermodal.....	2,916	2,738	7
Total	8,901	8,556	4%

Average Revenue Per Car

	2000	1999	Change
Agricultural.....	\$ 1,604	\$ 1,558	3%
Automotive.....	1,450	1,481	(2)
Chemicals.....	1,752	1,715	2
Energy.....	1,116	1,158	(4)
Industrial Products.....	1,387	1,357	2
Intermodal.....	655	630	4
Total	\$ 1,154	\$ 1,151	--%

Agricultural - Revenue declined 1%, as a 4% decrease in carloads more than offset a 3% increase in average revenue per car. Carloads decreased primarily due to reduced export demand for wheat and corn and a lack of producer selling in anticipation of higher prices. Revenue increased for fresh fruits and vegetables primarily as a result of new express train service from the Pacific Northwest and northern California to eastern markets. Beverage revenue increased due to new wine shipments out of California and higher domestic beer carloads. Average revenue per car increased primarily due to an increase in longer haul traffic, particularly domestic corn shuttle shipments to California.

Automotive - Revenue increased 13% as a result of a 15% increase in carloads. Both revenue and carload totals were all-time records, resulting from strong demand for finished vehicles and parts, market share gains and improved rail service. Business volume with Mexico was particularly strong due to increased vehicle production levels and more reliable and expanded rail service. New service offerings facilitated the conversion of automotive parts shipments from truck to the Railroad. Increased container shipments of automotive parts, rather than boxcar shipments, caused average revenue per car to decrease slightly.

Chemicals - A 1% increase in carloads combined with a 2% increase in average revenue per car led to a 3% increase in revenue. Revenue growth was driven primarily by an increase in average revenue per car for soda ash, fertilizer, and liquid and dry commodities due to selected price increases. Year-over-year carload improvements came mainly in the first half of the year, as a strong economy and customer plant expansions led to increased market demand for plastics, liquid and dry chemicals, and domestic soda ash. However, a softening economy late in the year resulted in a 2% decline in fourth-quarter revenue compared to 1999, with weakness in most areas of the chemical market.

Energy - Energy revenue was down 1% compared to 1999, despite a 3% increase in carloads for the year. Average revenue per car dropped 4% as a result of contract pricing provisions with certain major customers. In the first six months of 2000, carloads declined compared to 1999 due to lower coal demand at utilities resulting from high inventories caused by mild winter weather and Year 2000 (Y2K) stockpiles. In the second half of 2000, carloads increased over 1999 levels due to hot summer weather and the combination of cold winter weather late in the year and a significant increase in the price of alternative fuels. Delays due to severe winter weather partially offset volume gains in the second half of the year.

Industrial Products - Revenue increased 5% on a 2% increase in carloads and a 2% increase in average revenue per car. A strong economy in the first half of 2000 led to a general increase in demand for most business lines. The largest revenue gains were in steel, lumber, cement and other building materials due to an expanding construction market, especially in the south and southwest. New rail services and generally improved service performance also contributed to the increase in carloads. Starting in the third quarter, a softening in the economy began to adversely affect business demand. Fourth-quarter revenue and carloads decreased in nearly all business lines but especially minerals, steel, and hazardous waste. The increase in average revenue per car was due to gains in higher average revenue per car, steel and lumber carloads and selected price increases during the year.

Intermodal - Revenue increased 11% due to a 7% increase in carloads and a 4% increase in average revenue per car. Carload growth resulted from a strong U.S. economy in the first half of 2000 and increased demand for imports from Asia. Improved service performance led to an increase in carloads and revenue for expedited premium service. New and expanded rail service offerings also contributed to the gains. The increase in average revenue per car was primarily the result of price increases and a longer average length of haul in some markets.

OPERATING EXPENSES - Operating expense increased \$510 million (6%) to \$8.8 billion in 2000 including the work force reduction charge. The higher expenses are primarily the result of significantly higher fuel prices, inflation, volume costs associated with a 4% increase in carloads and higher depreciation expense, partially offset by productivity gains and other cost control measures. Operating expenses increased \$395 million (5%) to \$8.7 billion in 2000, excluding the \$115 million pre-tax charge for the work force reduction plan.

Salaries, Wages and Employee Benefits - Including the work force reduction charge, salaries, wages and employee benefits increased \$19 million (1%) to \$3.6 billion. Costs decreased \$96 million (3%), excluding the \$115 million pre-tax work force reduction charge. The primary driver was productivity improvements that resulted in lower train crew expenses despite a 4% increase in carload volume. In addition, the average employee count decreased 4% from 1999 to 2000. Partially offsetting these gains were volume-related costs and wage and employee benefit inflation.

Equipment and Other Rents - Expenses decreased \$20 million (2%) compared to 1999. The improvement was attributable to lower prices for equipment and improvements in car cycle times, partially offset by higher volume-related costs.

Depreciation - Depreciation expense increased \$55 million (5%) over 1999, resulting from capital spending in recent years. Capital spending totaled \$1.7 billion in 2000 compared to \$1.8 billion in 1999 and \$2.0 billion in 1998.

Fuel and Utilities - Expenses increased \$496 million (63%). The increase was driven by significantly higher fuel prices (which added \$444 million of additional costs) and higher volume. Fuel prices were 90 cents per gallon in 2000 compared to 56 cents per gallon in 1999, including taxes, transportation costs, and regional pricing spreads. The Railroad hedged approximately 10% of its fuel consumption for the year, which decreased fuel costs by \$52 million. As of December 31, 2000, expected fuel consumption for 2001 is 8% hedged at 68 cents per gallon excluding taxes, transportation costs, and regional pricing spreads (see note 4 to the consolidated financial statements).

Materials and Supplies - Expenses increased \$6 million (1%), reflecting volume-related increases in car and locomotive repairs, partially offset by productivity improvements and cost control measures.

Casualty Costs - Costs decreased \$15 million (4%) compared to 1999, primarily as a result of lower settlement costs.

Other Costs - Expenses decreased \$31 million (4%) compared to 1999. Cost control, productivity gains, and lower contract services expenses more than offset volume-related cost increases and higher state and local taxes.

OPERATING INCOME - Operating income increased \$81 million (4%) to \$1.9 billion including the work force reduction charge. Operating income increased \$196 million (11%) to a record \$2.0 billion excluding the work force reduction charge. The operating ratio for 2000 was 81.2%, excluding the work force reduction charge, 0.8 percentage points better than 1999's 82.0% operating ratio.

OPERATING RATIO
Union Pacific Railroad

Bar Chart
%

96	97	98	99	00
----	----	----	----	----
79.1	87.4	95.4	82.0	81.2*

* Excluding \$115 million pre-tax (\$72 million after-tax) work force reduction charge

NON-OPERATING ITEMS - Other income increased \$11 million (10%), primarily the result of higher real estate sales. Interest expense decreased \$26 million (4%) primarily as a result of lower average debt levels compared to 1999. Excluding the effect of the work force reduction charge, income taxes increased \$89 million (19%) for the year, reflecting higher income levels and 1999 settlements related to prior tax years.

OTHER OPERATIONS

TRUCKING PRODUCT LINE

NET INCOME - Trucking net income increased \$14 million (51%) to \$43 million in 2000. The increase was primarily the result of revenue growth and decreased expenses related to responses to activity by the International Brotherhood of Teamsters (Teamsters). See "Other Matters - Labor Matters - Trucking" on page 29.

REVENUE PER HUNDREDWEIGHT
Overnite Transportation

Bar Chart
\$

96	97	98	99	00
----	-----	-----	-----	-----
9.97	11.24	11.98	12.26	13.25

OPERATING REVENUES - In 2000, trucking revenues rose \$51 million (5%) to over \$1.1 billion. The growth resulted primarily from yield initiatives, new services and the impact of a fuel surcharge assessed due to higher fuel prices. Partially offsetting this growth was a 4% decline in tonnage compared to 1999.

OPERATING EXPENSES - Trucking operating expenses rose \$18 million (2%) to \$1.1 billion in 2000. Salaries, wages and employee benefits decreased \$1 million as lower volume, lower employment levels and productivity gains offset wage and benefit inflation. Fuel and utilities costs increased \$23 million (47%), primarily as a result of significantly higher fuel prices (90 cents per gallon in 2000)

compared to 54 cents per gallon in 1999, including taxes, transportation costs, and regional pricing spreads). Overnite hedged 9% of 2000 fuel consumption at an average price of 39 cents per gallon excluding taxes, transportation costs, and regional pricing spreads, which decreased costs by \$2 million. As of December 31, 2000, Overnite has not hedged any of its expected 2001 fuel consumption. Equipment and other rents increased \$2 million (2%) primarily due to an increase in purchased transportation costs in response to the ongoing Teamster activity. Casualty costs and other costs decreased \$7 million (5%), primarily due to lower expenses related to the Teamsters' activity and also lower cargo loss and damage expenses.

OPERATING INCOME - Trucking operations generated operating income of \$53 million in 2000, compared to \$20 million for 1999. The operating ratio decreased to 95.2%, compared to 98.1% in 1999.

OTHER PRODUCT LINES

The other product lines include the corporate holding company (which largely supports the Railroad), Fenix, self-insurance activities, and all appropriate consolidating entries (see note 1 to the consolidated financial statements). Operating losses increased by \$15 million in 2000 compared to 1999. Operating revenue declined \$1 million year over year. Operating expenses increased \$14 million, primarily due to increased spending at Fenix as part of its overall strategy of developing new products and services.

1999 COMPARED TO 1998 RESULTS OF OPERATIONS

CONSOLIDATED

NET INCOME - The Corporation reported net income of \$810 million (\$3.28 per basic share and \$3.22 per diluted share) in 1999 compared to a net loss of \$633 million (\$2.57 per basic and diluted share) in 1998. Improved operations and service levels at the Railroad, which resulted in higher revenues and lower expenses, drove the increase in net income over 1998. Net income for 1999 included a one-time, after-tax gain of \$27 million (\$0.11 per basic share and \$0.10 per diluted share) from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see note 3 to the consolidated financial statements). Net loss for 1998 included a one-time revaluation of Overnite's goodwill of \$547 million pre- and after-tax (\$2.22 per basic and diluted share) (see note 1 to the consolidated financial statements).

OPERATING REVENUES - Operating revenues increased \$723 million (7%) to \$11.2 billion in 1999, reflecting higher volumes in all the Railroad's commodity lines and increased revenues at Overnite, partially offset by the impact of selling Skyway in November of 1998. Skyway generated \$152 million in revenue during 1998.

OPERATING EXPENSES - Excluding the \$547 million goodwill revaluation in 1998, operating expenses decreased \$705 million (7%) to \$9.4 billion in 1999, reflecting improved operations and service levels at the Railroad and continuing benefits from the integration of Southern Pacific operations, partially offset by increased expenses at Overnite. Salaries, wages and employee benefits decreased \$63 million (1%) in 1999 due to improved productivity and lower corporate expenses, partially offset by higher rail volume and inflation. Equipment and other rents expense decreased \$93 million (7%) from 1998 primarily as a result of improved rail cycle times, partially offset by higher rail volumes. Depreciation expense increased \$13 million (1%) in 1999 as a result of increased capital spending for the Railroad's extensive capital programs, partially offset by lower overall depreciation rates for equipment and track assets. Fuel and utilities costs were \$11 million (1%) lower than 1998 as lower fuel prices, favorable fuel hedging (see note 4 to the consolidated financial statements), and improved

fuel efficiency more than offset volume-driven increases in fuel consumption. Materials and supplies increased \$25 million (4%) in 1999, due to higher rail volume and increased fleet maintenance. Casualty costs decreased \$97 million (20%) in 1999, due to lower than expected settlement costs at the Railroad. The \$479 million (33%) decrease in other costs in 1999 reflected the impact in 1998 of customer claims expense, the impact of the 1998 sale of Skyway and lower state and local taxes (primarily sales and property taxes) in 1999.

OPERATING INCOME - Operating income increased \$2.0 billion to \$1.8 billion in 1999, reflecting improved operations and service levels at the Railroad, which resulted in decreased rail operating expenses and increased rail revenues. Operating income for 1998 included a one-time revaluation of Overnite's goodwill of \$547 million (see note 1 to the consolidated financial statements).

NON-OPERATING ITEMS - Other income decreased \$58 million (31%), due to the impact in 1998 of a telecommunications contract buyout, sale of a company aircraft, sale of the Southern Pacific headquarters building and an insurance recovery for 1997 flood damage received in 1998. Interest expense increased \$19 million (3%) as a result of increased average debt levels year over year caused by increased borrowings in 1998. Income taxes for 1999 increased \$482 million as a result of higher income before income taxes, partially offset by settlements related to prior tax years.

KEY MEASURES - Net income as a percentage of operating revenues improved to 7.2% from (0.8%) in 1998 (excluding the one-time revaluation of goodwill at Overnite in 1998). Return on average common shareholders' equity was 10.5% in 1999, up from (1.1%) in 1998 (excluding the one-time revaluation of goodwill at Overnite in 1998), reflecting improved service levels and operations at the Railroad. The Corporation's operating ratio was 83.9% in 1999 compared to 96.3% in 1998 (excluding the \$547 million of goodwill revaluation and \$15 million goodwill amortization).

RAIL

NET INCOME - During 1999, the Railroad continued the earnings improvement that began in the third quarter of 1998. The Railroad continued to benefit from the service recovery process implemented in 1997 and 1998. Rail operations reported net income of \$854 million compared to net income of \$27 million in 1998. The increase resulted from improved operations and service levels, increased revenues in all commodity lines and lower operating costs.

OPERATING REVENUES - Rail operating revenues increased \$811 million (9%) to \$10.1 billion. Revenue carloads increased 7% over 1998 with gains in each commodity group. The increase in revenue carloads resulted from improved service, market share recovery and a strong economy.

1999 COMMODITY REVENUE MIX Union Pacific Railroad

Pie Chart
TOTAL: \$9.9 BILLION

Agricultural.....	14%
Automotive.....	11%
Chemicals.....	16%
Energy.....	22%
Industrial.....	19%
Intermodal.....	18%

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

Commodity Revenue In Millions of Dollars	1999	1998	Change
Agricultural.....	\$ 1,419	\$ 1,303	9%
Automotive.....	1,048	937	12
Chemicals.....	1,595	1,535	4
Energy.....	2,168	1,996	9
Industrial Products.....	1,896	1,785	6
Intermodal.....	1,725	1,516	14
Total	\$ 9,851	\$ 9,072	9%

Revenue Carloads In Thousands	1999	1998	Change
Agricultural.....	911	840	8%
Automotive.....	707	641	10
Chemicals.....	930	899	3
Energy.....	1,872	1,767	6
Industrial Products.....	1,398	1,320	6
Intermodal.....	2,738	2,531	8
Total	8,556	7,998	7%

Average Revenue Per Car	1999	1998	Change
Agricultural.....	\$1,558	\$1,552	--%
Automotive.....	1,481	1,461	1
Chemicals.....	1,715	1,708	--
Energy.....	1,158	1,130	2
Industrial Products.....	1,357	1,352	--
Intermodal.....	630	599	5
Total	\$1,151	\$1,134	2%

Agricultural - Revenue increased 9%, reflecting an 8% improvement in carloads. Carloads increased primarily due to stronger exports and improved service levels, which resulted in increased shipments of wheat, corn, meals and oils, fresh products and beverages. Carloads also increased due to pre-harvest shipments of stored crops to clear storage. Average revenue per car was flat, as longer hauls in meals and oils and a price increase on wheat shipments were offset by a shift in corn movements to shorter-haul Gulf Coast moves versus longer-haul Pacific Northwest moves.

Automotive - Revenue rose 12%, as a result of a 10% increase in carloads and a 1% rise in average revenue per car. The year-over-year increase was driven by improved market coverage and price increases in a year of record vehicle production. Improvements in service and the negative impact in 1998 of a strike against a major auto manufacturer also contributed to the increase in revenue. These gains were partially offset by the negative impact on rail traffic, due to the implementation of the joint acquisition of Conrail by two other major railroads. Average revenue per car increased 1% due to a change in mix and pricing actions.

Chemicals - A 3% increase in chemical carloads drove a 4% increase in revenue. Shipments increased due to improved service levels and increased demand for plastics, liquid and dry chemicals and phosphorous. These gains were partially offset by lower sulfur moves resulting from decreased production in response to weak demand, and a decline in fertilizer moves resulting from depressed demand for U.S. farm commodities. Average revenue per car was level, reflecting traffic improvements in longer-haul plastics offset by shorter-haul petroleum and export sulfur moves.

Energy - Revenue was up 9%, as a result of a 6% improvement in carloads and a 2% rise in average revenue per car. The volume increase was due to increases in the number of Powder River Basin trains per day, tons per car and average train length. Colorado and Utah volumes also increased, due to improved service. Average revenue per car increased resulting from longer-haul Powder River Basin traffic and an increase in tons per car.

Industrial Products - Revenue increased 6%, due to stronger demand and improved service. Carloads were up 6% because of increases in lumber, stone and cement moves, caused by strong construction demand; shipments of recyclables grew through new business. Gains were partially offset by decreased steel and ferrous scrap carloads due to higher imports of lower-priced foreign steel and lost volumes from a major steel producer who filed for bankruptcy. Gains were also partially offset by the negative impact on rail traffic, due to the implementation of the joint acquisition of Conrail by two other major railroads.

Intermodal - Revenue increased 14%, driven by an 8% increase in carloads and a 5% increase in average revenue per car. Carloads improved due to strong demand from growth in imports from Asia, service improvements and a new premium service offering. Average revenue per car increased, due to longer-haul shipments and demand-driven price increases.

OPERATING EXPENSES - Operating expenses decreased \$578 million (7%) to \$8.3 billion in 1999. The lower expenses reflected improved operating efficiency and service levels and benefits resulting from the continuing integration of Southern Pacific operations.

Salaries, Wages and Employee Benefits - Labor costs decreased \$29 million (1%), due to productivity gains that resulted in reduced crew costs and lower crew rates, partially offset by increases resulting from volume and inflation and one-time costs recorded in 1999 related to the Southern Pacific merger (see note 2 to the consolidated financial statements).

Equipment and Other Rents - Expenses decreased \$93 million (7%), due primarily to improvements in cycle time as well as lower prices, partially offset by higher volume.

Depreciation - Expenses increased \$31 million (3%), reflecting increased capital spending in recent years, partially offset by lower depreciation rates for equipment and track assets. Capital spending totaled \$1.8 billion in 1999 compared to \$2.0 billion in 1998.

Fuel and Utilities - Expenses were down \$9 million (1%). The decrease was driven by lower fuel prices and improved consumption rates, partially offset by higher volume. The Railroad hedged 68% of its fuel consumption for 1999 at an average of 41 cents per gallon (excluding taxes, transportation charges and regional pricing spreads), which decreased fuel costs by \$53 million. At December 31, 1999, expected fuel consumption for 2000 was 10% hedged at an average of 40 cents per gallon (excluding taxes, transportation charges and regional pricing spreads). At December 31, 1998, 64% of 1999 expected fuel consumption was hedged (see note 4 to the consolidated financial statements).

Materials and Supplies - Costs increased \$25 million (5%), reflecting higher volumes and increased fleet maintenance.

Casualty Costs - Costs declined \$89 million (21%), primarily due to the effect of lower settlement costs. The decline also reflected an insurance refund received in 1999 and decreased costs for repairs on cars from other railroads.

Other Costs - Costs decreased \$414 million (33%), reflecting lower state and local taxes (primarily sales and property taxes), and the impact in 1998 of customer claims expense.

OPERATING INCOME - Operating income increased \$1.4 billion to \$1.8 billion in 1999. Both 1999 and 1998 operating income included the impact of one-time costs related to the Southern Pacific merger for severance, relocation and training of employees. The operating ratio in 1999 was 82.0%, 13.4 percentage points better than 1998's 95.4% operating ratio.

NON-OPERATING ITEMS - Other income decreased \$71 million (38%) in 1999, due to the impact in 1998 of a telecommunications contract buyout, sale of a company aircraft, sale of the Southern Pacific headquarters building and an insurance recovery for 1997 flood damage received in 1998. Interest expense increased \$15 million (2%) in 1999, as a result of higher average debt levels year over year caused by increased borrowings during 1998. Income taxes increased \$476 million in 1999, reflecting higher income before income taxes, partially offset by settlements related to prior tax years.

OTHER OPERATIONS

TRUCKING PRODUCT LINE

NET INCOME - Trucking net income was \$29 million in 1999 compared to a \$522 million net loss in 1998. Overnite's 1998 loss included \$15 million of goodwill amortization and a \$547 million charge for a revaluation of goodwill related to the acquisition of Overnite by UPC in 1986 (see note 1 to the consolidated financial statements). Overnite's 1999 net income was adversely impacted by a 7% reduction in volume in the fourth quarter and expenses related to Overnite's contingency plan in response to activity by the Teamsters.

OPERATING REVENUES - Trucking revenues increased \$28 million (3%) to \$1.1 billion in 1999. The revenue increase resulted from yield initiatives as well as a new product offering in the northeast United States and Texas.

OPERATING EXPENSES - Trucking operating expenses increased \$62 million (6%) to \$1.0 billion in 1999 (excluding the \$547 million goodwill revaluation and \$15 million goodwill amortization in 1998), approximately \$27 million of which relates to expenses incurred implementing the work stoppage contingency plan. Salaries, wages and employee benefit costs increased \$35 million (6%) to \$651 million, reflecting wage and benefit enhancements. Fuel and utilities costs increased \$3 million (7%) to \$49 million in 1999, due to higher consumption and increased fuel price per gallon (54 cents per gallon in 1999 compared to 53 cents per gallon in 1998, including taxes, transportation charges and regional pricing spreads), partially offset by favorable hedge activity. Overnite hedged 40% of 1999 fuel consumption at an average price of 45 cents per gallon (excluding taxes, transportation charges and regional pricing spreads), which decreased fuel costs by \$1 million. At December 31, 1999, 10% of Overnite's estimated 2000 fuel consumption was hedged at an average of 39 cents per gallon (excluding taxes, transportation charges and regional pricing spreads). At December 31, 1998, 41% of Overnite's expected 1999 fuel consumption was hedged (see note 4 to the consolidated financial statements). Equipment and other rents increased \$12 million (14%) over 1998 due to contingency plan activity and initial expenses in connection with new business gained as a result of closure of a regional competitor.

OPERATING INCOME - Trucking operations generated operating income of \$20 million in 1999. In 1998, Overnite reported an operating loss of \$508 million (including the \$547 million of goodwill revaluation and \$15 million goodwill amortization). The operating ratio for trucking operations increased to 98.1% in 1999 from 94.8% in 1998 (excluding the \$547 million of goodwill revaluation and \$15 million goodwill amortization).

OTHER PRODUCT LINES

In 1999, operating revenue declined \$116 million (77%) over 1998, due primarily to the sale of Skyway in November 1998. Operating expenses decreased \$174 million (70%), reflecting the absence of 1999 costs associated with Skyway and the consolidation of portions of the corporate staff with the Railroad's staff in Omaha, Nebraska. Operating losses declined \$58 million (60%), and losses from continuing operations declined \$38 million (28%), due to the corporate consolidation and improved operations at the Corporation's technology product line.

CASH FLOWS, LIQUIDITY AND FINANCIAL RESOURCES

FINANCIAL CONDITION

In 2000, cash from operations was \$2.0 billion compared to \$1.9 billion in 1999. The increase reflects higher income from continuing operations and decreased cash payouts in 2000 for merger-related expenses and customer claims.

Cash used in investing activities was \$1.5 billion in 2000 compared to \$1.6 billion in 1999. The decrease is due to reduced capital spending, the receipt of a cash dividend from an affiliate, an increase in sales of real estate and other assets in 2000 and higher investment activity in 1999.

CASH FROM CONTINUING OPERATIONS
Union Pacific Corporation

Bar Chart
\$ MILLIONS

96	97	98	99	00
-----	-----	---	-----	-----
1,657	1,600	565	1,869	1,958

CAPITAL INVESTMENTS
Union Pacific Corporation

Bar Chart
\$ MILLIONS

96	97	98	99	00
-----	-----	-----	-----	-----
1,360	2,101	2,111	1,834	1,783

Cash used in financing activities increased to \$486 million from \$256 million in 1999. This increase reflects higher debt repayments (\$796 million in 2000 versus \$692 million in 1999) and lower financings (\$509 million in 2000 versus \$637 million in 1999). Including the Convertible Preferred Securities (see note 7 to the consolidated financial statements) as an equity instrument, the ratio of debt to total capital employed was 45.1% at December 31, 2000 compared to 47.6% at December 31, 1999.

FINANCING ACTIVITIES

CREDIT FACILITIES - On December 31, 2000, the Corporation had \$2.0 billion in revolving credit facilities of which \$1.0 billion expires in March 2001, with the remaining \$1.0 billion expiring in March 2005. The facilities, which were entered into during March 2000, are designated for general corporate purposes and replaced a \$2.8 billion facility which was due to expire in April 2001. None of the credit facilities were used as of December 31, 2000 or 1999. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade corporate borrowers.

SHELF REGISTRATION - Under the currently effective shelf registration statement, the Corporation may issue, from time to time, any combination of debt securities, preferred stock or warrants for debt securities or preferred stock in one or more offerings. At December 31, 2000, the Corporation had \$600 million remaining for issuance under the shelf registration. At January 18, 2001, the Corporation had \$200 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

SIGNIFICANT NEW BORROWINGS - During June 2000, the Corporation issued \$250 million of floating-rate debt under its shelf registration statement with a maturity date of July 1, 2002. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes. During September and November 2000, UPRR entered into capital leases covering new locomotives. The related capital lease obligations totaled approximately \$201 million and are included as debt in the consolidated statements of financial position. In January 2001, the Corporation issued \$400 million of fixed-rate debt under its shelf registration statement with a maturity date of January 15, 2011. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

OTHER MATTERS

PERSONAL INJURY - In 2000, the Railroad's work-related injuries that resulted in lost job time declined 20% compared to 1999. In addition, accidents at grade crossings decreased 10% compared to 1999. Annual expenses for the Railroad's personal injury-related events were \$207 million in 2000, reflecting lower settlement costs, \$228 million in 1999 and \$311 million in 1998. 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. The Railroad offers a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

ENVIRONMENTAL COSTS - The Corporation generates and transports hazardous and nonhazardous waste in its current and former operations, and is subject to federal, state and local environmental laws and regulations. The Corporation has identified approximately 400 active sites at which it is or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 46 sites that are the subject of actions taken by the U.S. government, 26 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, the Corporation's ultimate environmental liability may include costs relating to other parties, in addition to costs relating to its own activities at each site.

As of December 31, 2000, the Corporation has a liability of \$177 million accrued for future environmental costs where its obligation is probable and where such costs can be reasonably estimated. However, the actual costs may differ from these estimates. The liability includes future 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. The Corporation believes that it has adequately

accrued for its 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/or the speculative nature of remediation costs. The majority of the December 31, 2000 environmental liability is expected to be paid out over the next five years, funded by cash generated from operations.

Remediation of identified sites previously used in operations, used by tenants or contaminated by former owners required spending of \$62 million in 2000, \$56 million in 1999 and \$58 million in 1998. The Corporation is also engaged in reducing emissions, spills and migration of hazardous materials, and spent \$8 million, \$5 million and \$9 million in 2000, 1999 and 1998, respectively, for control and prevention. In 2001, the Corporation anticipates spending \$65 million for remediation and \$8 million for control and prevention. The impact of current obligations is not expected to have a material adverse effect on the results of operations or financial condition of the Corporation.

LABOR MATTERS

Rail - Approximately 87% of the Railroad's nearly 50,000 employees are represented by rail unions. Under the conditions imposed by the Surface Transportation Board (STB) in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions had to be negotiated before the UPRR and Southern Pacific rail systems could be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical, and maintenance-of-way unions, and also implemented "hub-and-spoke" agreements with the train operating crafts. Under the hub-and-spoke concept, all operating employees in a central "hub" are placed under a common set of collective bargaining agreements with the ability to work on the "spokes" running into and out of the hub. Negotiations under the Railway Labor Act to revise the national labor agreements for all crafts began in late 1999 and are still in progress.

Trucking - Overnite continues to oppose the efforts of the Teamsters to unionize Overnite service centers. Since the Teamsters began their efforts at Overnite in 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers, although there have been only nine elections since August 1997, and Teamsters representation was rejected in seven of those nine elections. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 nationwide employee work force, have voted for union representation, and the Teamsters have been certified and recognized as the bargaining representative for such employees. Fifteen of these 22 locations filed decertification petitions in 1999 and 2000. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters, who began a job action on October 24, 1999 that has continued into 2001. As of January 31, 2001, 30 Overnite service centers had approximately 495 employees, less than 5% of Overnite's work force, who did not report to work. Despite the work stoppage, Overnite has managed to improve its service, revenue and profitability on a year-over-year basis.

INFLATION - The cumulative effect of long periods of inflation has significantly increased asset replacement costs for capital-intensive companies such as the Railroad and Overnite. As a result, depreciation charges on an inflation-adjusted basis, assuming that all operating assets are replaced at current price levels, would be substantially greater than historically reported amounts.

DERIVATIVE FINANCIAL INSTRUMENTS - The Corporation and its subsidiaries use derivative financial instruments, which are subject to market risk, in limited instances for purposes other than trading to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside financial risk of adverse price and rate movements and hedge the exposure to variable cash flows. The sensitivity analyses that follow illustrate the economic effect that hypothetical changes in interest rates or fuel prices could have on the Corporation's financial instruments. These hypothetical changes do not consider other factors that could impact actual results.

Interest Rates - The Corporation manages its overall exposure to fluctuations in interest rates by adjusting the proportion of fixed- and floating-rate debt instruments within its debt portfolio over a given period. The mix of fixed- and floating-rate debt is largely managed through the issuance of targeted amounts of each as debt matures or incremental borrowings are required. Derivatives may be used in limited circumstances as one of the tools to obtain the targeted mix and hedge the exposure to variable fair value changes. In addition, the Corporation obtains flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed-rate debt securities.

At December 31, 2000, the Corporation has variable-rate debt representing approximately 6% of its total debt. If interest rates average 10% higher in 2001 than the December 31, 2000 rate, the Corporation's interest expense would increase by less than \$5 million after tax. This amount is determined by considering the impact of the hypothetical interest rates on the balances of the Corporation's variable-rate debt at December 31, 2000. At December 31, 2000, the Corporation has not entered into any interest rate swaps.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in interest rates as of December 31, 2000, and amounts to approximately \$307 million at December 31, 2000. The fair values of the Corporation's fixed-rate debt were estimated by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

Fuel - Fuel costs are a significant portion of the Corporation's total operating expenses. As a result of the significance of fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and/or forward contracts to mitigate the impact of adverse fuel price changes. However, the use of these instruments also limits future gains from favorable movements.

As of December 31, 2000, the Corporation had hedged approximately 8% of its forecasted 2001 fuel consumption. If fuel prices decrease 10% from the December 31, 2000 level, the corresponding decrease in the value of the Corporation's fuel hedging contracts would be approximately \$5 million after tax.

COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to various federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of various sites. A discussion of certain claims, lawsuits, contingent liabilities and guarantees is set forth in note 12 to the consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would have been effective January 1, 2000. In June 1999, the FASB issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 138 addresses certain issues related to the implementation of FAS 133, but does not change the basic model of FAS 133 or further delay the implementation of FAS 133. Management has determined that FAS 133 and FAS 138 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133 and FAS 138, be recorded in the Corporation's consolidated statements of financial position (see note 4 to the consolidated financial statements). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. On January 1, 2001, the Corporation adopted the provisions of FAS 133 and FAS 138. This adoption resulted in the recognition of a \$2 million asset on January 1, 2001.

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and

collateral, and introduces new disclosures. FAS 140 is effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. Management is currently assessing the financial impact that FAS 140 will have on the Corporation's consolidated financial statements.

A LOOK FORWARD

2001 BUSINESS OUTLOOK

RAIL - The Railroad anticipates that revenue will continue to grow in 2001 despite signals of a weakening economy that were evident at the close of 2000. The Railroad's diverse commodity base helps insulate overall financial performance from weakness in individual commodity groups due to economic or other factors. Fuel prices are expected to remain above historical levels during 2001, but should fall below the record levels of 2000. To help reduce the effect of volatile fuel prices on earnings, the Railroad will continue to look for opportunities to use hedge contracts. Emphasis will continue to be placed on cost control. In addition, by developing innovative new rail services and improving service performance and reliability, the Railroad expects to continue to grow market share and raise overall customer satisfaction.

TRUCKING - Overnite expects to continue to improve financial performance by focusing on customer service and by expanding new service offerings that have been introduced in recent years. While fuel prices are expected to remain high in 2001, reliable on-time performance and quality service should enable Overnite to maintain profitable margins.

2001 CAPITAL INVESTMENTS - The Corporation's 2001 capital expenditures and debt service requirements are expected to be funded through cash generated from operations, additional debt financings and the sale or lease of various operating and non-operating properties. The Corporation expects that these sources will continue to provide sufficient funds to meet cash requirements in the foreseeable future. Railroad-related capital expenditures will be used to maintain track and structures, continue capacity expansions on its main lines, upgrade and augment equipment to better meet customer needs, build infrastructure and develop and implement new technologies. Overnite will continue to maintain its truck fleet, expand service centers and enhance technology. Fenix expects to invest capital to upgrade and develop technologies which should generate increased business from third party sales.

CAUTIONARY INFORMATION

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

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

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

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

INDEPENDENT AUDITORS' REPORT

DELOITTE & TOUCHE

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, 2000 and 1999, 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, 2000. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Omaha, Nebraska
January 18, 2001

RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements, which consolidate the accounts of Union Pacific Corporation and its subsidiaries (the Corporation), have been prepared in conformity with accounting principles generally accepted in the United States of America.

The integrity and objectivity of data in these consolidated financial statements and accompanying notes, including estimates and judgments related to matters not concluded by year end, are the responsibility of management as is all other information in this Annual Report. Management devotes ongoing attention to review and appraisal of its system of internal controls. This system is designed to provide reasonable assurance, at an appropriate cost, that the Corporation's assets are protected, that transactions and events are recorded properly and that financial reports are reliable. The system is augmented by a staff of internal auditors; careful attention to selection and development of qualified financial personnel; programs to further timely communication and monitoring of policies, standards and delegated authorities; and evaluation by independent auditors during their audits of the annual consolidated financial statements.

The Audit Committee of the Corporation's Board of Directors, composed entirely of outside directors, as identified on page 55, meets regularly with financial management, the corporate auditors and the independent auditors to review the work of each. The independent auditors and corporate auditors have free access to the Audit Committee, without management representatives present, to discuss the results of their audits and their comments on the adequacy of internal controls and the quality of financial reporting.

Chairman, President and Chief Executive Officer

Executive Vice President - Finance

Vice President and Controller

CONSOLIDATED STATEMENTS OF INCOME
 Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, Except Per Share Amounts, for the Years Ended December 31,		2000	1999	1998
-----		-----	-----	-----
OPERATING REVENUES	Rail, trucking and other.....	\$ 11,878	\$ 11,237	\$ 10,514
OPERATING EXPENSES	Salaries, wages and employee benefits.....	4,311	4,285	4,348
	Equipment and other rents.....	1,281	1,297	1,390
	Depreciation.....	1,140	1,083	1,070
	Fuel and utilities.....	1,350	832	843
	Materials and supplies.....	593	590	565
	Goodwill impairment.....	--	--	547
	Casualty costs.....	360	378	475
	Other costs.....	940	968	1,447
	Total.....	9,975	9,433	10,685
INCOME	Operating Income (Loss).....	1,903	1,804	(171)
	Other income.....	130	131	189
	Interest expense.....	(723)	(733)	(714)
	Income (Loss) before Income Taxes.....	1,310	1,202	(696)
	Income taxes.....	(468)	(419)	63
	Income (Loss) from Continuing Operations.....	842	783	(633)
	Income from Discontinued Operations.....	--	27	--
	Net Income (Loss).....	\$ 842	\$ 810	\$ (633)
PER SHARE	Basic:			
	Income (Loss) from Continuing Operations.....	\$ 3.42	\$ 3.17	\$ (2.57)
	Income from Discontinued Operations.....	--	0.11	--
	Net Income (Loss).....	\$ 3.42	\$ 3.28	\$ (2.57)
	Diluted:			
	Income (Loss) from Continuing Operations.....	\$ 3.34	\$ 3.12	\$ (2.57)
	Income from Discontinued Operations.....	--	0.10	--
	Net Income (Loss).....	\$ 3.34	\$ 3.22	\$ (2.57)
	Weighted Average Number of Shares (Basic).....	246.5	246.6	246.0
	Weighted Average Number of Shares (Diluted).....	269.5	269.8	246.0
	Dividends.....	\$ 0.80	\$ 0.80	\$ 0.80

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 Union Pacific Corporation and Subsidiary Companies

		2000	1999
Millions of Dollars, as of December 31			
		-----	-----
ASSETS			
Current Assets	Cash and temporary investments.....	\$ 105	\$ 175
	Accounts receivable - net.....	597	581
	Inventories.....	360	337
	Current deferred tax asset.....	89	111
	Other current assets.....	134	110
	Total.....	----- 1,285	----- 1,314
Investments	Investments in and advances to affiliated companies.....	644	657
	Other investments.....	96	96
	Total.....	----- 740	----- 753
Properties	Cost.....	35,458	34,370
	Accumulated depreciation.....	(7,262)	(6,851)
	Net	----- 28,196	----- 27,519
Other	Other assets.....	278	302
	Total Assets.....	----- \$ 30,499	----- \$ 29,888
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Accounts payable.....	\$ 658	\$ 598
	Accrued wages and vacation.....	422	409
	Accrued casualty costs.....	409	385
	Income and other taxes.....	234	256
	Dividends and interest.....	265	290
	Debt due within one year.....	207	214
	Other current liabilities.....	767	733
	Total.....	----- 2,962	----- 2,885
Other Liabilities and Shareholders' Equity	Debt due after one year.....	8,144	8,426
	Deferred income taxes.....	7,143	6,715
	Accrued casualty costs.....	834	934
	Retiree benefits obligation.....	745	791
	Other long-term liabilities.....	509	636
	Company-obligated Mandatorily Redeemable Convertible Preferred Securities.....	1,500	1,500
	Common shareholders' equity.....	8,662	8,001
	Total Liabilities and Shareholders' Equity.....	----- \$ 30,499	----- \$ 29,888

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Union Pacific Corporation and Subsidiary Companies

Millions of Dollars, for the Years Ended December 31		2000	1999	1998
OPERATING ACTIVITIES				
	Net Income (Loss).....	\$ 842	\$ 810	\$ (633)
	Less Income from Discontinued Operations.....	--	27	--
	Income (Loss) from Continuing Operations.....	842	783	(633)
	Non-cash charges to income:			
	Depreciation.....	1,140	1,083	1,070
	Goodwill impairment.....	--	--	547
	Deferred income taxes.....	447	529	(74)
	Other - net.....	(507)	(666)	(29)
	Changes in current assets and liabilities.....	36	140	(316)
	Cash Provided by Operating Activities.....	1,958	1,869	565
INVESTING ACTIVITIES				
	Capital investments.....	(1,783)	(1,834)	(2,111)
	Proceeds from sale of assets and other investing activities.....	241	220	213
	Cash Used in Investing Activities.....	(1,542)	(1,614)	(1,898)
FINANCING ACTIVITIES				
	Dividends paid.....	(199)	(198)	(255)
	Debt repaid.....	(796)	(692)	(1,789)
	Financings.....	509	637	3,480
	Other - net.....	-	(3)	(17)
	Cash Provided by (Used in) Financing Activities.....	(486)	(256)	1,419
	Net Change in Cash and Temporary Investments.....	(70)	(1)	86
	Cash and Temporary Investments at Beginning Year.....	175	176	90
	Cash and Temporary Investments at End of Year.....	\$ 105	\$ 175	\$ 176
CHANGES IN CURRENT ASSETS AND LIABILITIES				
	Accounts receivable.....	\$ (16)	\$ 62	\$ 84
	Inventories.....	(23)	6	(47)
	Other current assets.....	(2)	119	58
	Accounts, wages and vacation payable.....	73	11	(183)
	Debt due within one year.....	(7)	33	(52)
	Other current liabilities.....	11	(91)	(176)
	Total.....	\$ 36	\$ 140	\$ (316)
SUPPLEMENTAL CASH FLOW INFORMATION				
	Cash paid (received) during the year for:			
	Interest.....	\$ 756	\$ 742	\$ 677
	Income taxes - net.....	25	(110)	(103)

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

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY
 Union Pacific Corporation and Subsidiary Companies

Millions of Dollars	Common Shares(a)	Treasury Stock(b)	Paid-in- Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Common Shareholders' Equity
Balance at January 1, 1998.....	\$ 690	\$ (1,802)	\$ 4,066	\$ 5,271	\$ --	\$ 8,225
Net Income (Loss).....	--	--	--	(633)	--	(633)
Other Comprehensive Income:						
Foreign translation adjustment.....	--	--	--	--	--	--
Minimum pension liability adjustment....	--	--	--	--	--	--
Comprehensive Income (Loss).....						(633)
Conversions, exercises of stock options, forfeitures and other - net						
287,867 in 1998.....	1	10	(13)	--	--	(2)
Dividends declared.....	--	--	--	(197)	--	(197)
Balance at December 31, 1998.....	691	(1,792)	4,053	4,441	--	7,393
Net Income.....	--	--	--	810	--	810
Other Comprehensive Income (Loss):						
Foreign translation adjustment.....	--	--	--	--	(4)	(4)
Minimum pension liability adjustment....	--	--	--	--	(2)	(2)
Comprehensive Income.....						804
Conversions, exercises of stock options, forfeitures and other - net						
(41,206) shares in 1999.....	--	36	(34)	--	--	2
Dividends declared.....	--	--	--	(198)	--	(198)
Balance at December 31, 1999.....	691	(1,756)	4,019	5,053	(6)	8,001
NET INCOME.....	--	--	--	842	--	842
OTHER COMPREHENSIVE INCOME:						
FOREIGN TRANSLATION ADJUSTMENT.....	--	--	--	--	6	6
MINIMUM PENSION LIABILITY ADJUSTMENT....	--	--	--	--	--	--
COMPREHENSIVE INCOME.....						848
CONVERSIONS, EXERCISES OF STOCK OPTIONS, FORFEITURES AND OTHER - NET						
(1,060,242) SHARES IN 2000.....	(3)	7	5	--	--	9
DIVIDENDS DECLARED.....	--	--	--	(196)	--	(196)
BALANCE AT DECEMBER 31, 2000.....	\$ 688	\$ (1,749)	\$ 4,024	\$ 5,699	\$ --	\$ 8,662

(a) Common stock \$2.50 par value; 500,000,000 shares authorized; 275,233,975 shares issued at the end of 2000; 276,294,217 shares issued at the end of 1999; 276,335,423 shares issued at the end of 1998.

(b) Shares at cost: 28,413,483 at the end of 2000; 28,510,907 at the end of 1999; 28,885,160 at the end of 1998.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying significant accounting policies and notes are an integral part of these consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Union Pacific Corporation (UPC or the Corporation) and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned or where UPC exercises significant influence over an investee's operations) are accounted for using the equity method of accounting. All material intercompany transactions are eliminated.

CASH AND TEMPORARY INVESTMENTS - Temporary investments are stated at cost which approximates fair value and consist of investments with original maturities of three months or less.

INVENTORIES - Inventories consist of materials and supplies 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. A gain or loss is recognized in other income for all other property upon disposition.

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 - The Corporation reviews 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. The Corporation regularly assesses the recoverability of its enterprise-level goodwill through a review of discounted cash flows.

REVENUE RECOGNITION - Transportation revenues are recognized on a percentage-of-completion basis as freight moves from origin to destination. Other revenue is recognized as service is performed or contractual obligations are met.

FINANCIAL INSTRUMENTS - The carrying value of the Corporation's non-derivative financial instruments approximates fair value, except for differences with respect to long-term, fixed-rate debt and certain differences relating to cost method investments and other financial instruments that are not significant. 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 and swap spread.

The Corporation periodically uses derivative financial instruments to manage risk related to changes in fuel prices and interest rates. The Corporation does not enter into financial instruments for trading or speculative purposes.

EARNINGS PER SHARE - Basic earnings per share (EPS) is calculated on the weighted-average number of common shares outstanding during each period. Diluted earnings per share includes shares issuable upon exercise of outstanding stock options and the potential conversion of the preferred securities where the conversion of such instruments would be dilutive.

USE OF ESTIMATES - The consolidated financial statements of the Corporation 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.

CHANGE IN PRESENTATION - Certain prior year amounts have been reclassified to conform to the 2000 consolidated financial statement presentation.

1. OPERATIONS AND SEGMENTATION

Union Pacific Corporation consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (collectively, the Railroad). Other Operations include the trucking product line

(Overnite Transportation Company or Overnite), as well as the "other" product lines that include the corporate holding company (which largely supports the Railroad), Fenix LLC and affiliated technology companies (Fenix), self-insurance activities, and all appropriate consolidating entries.

RAIL

OPERATIONS - The Corporation's only reportable segment is the Railroad, including as of October 1, 1996, Southern Pacific Rail Corporation (Southern Pacific or SP). In addition, during 1997, the Railroad and a consortium of partners were 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.

The Railroad has approximately 34,000 route miles linking Pacific Coast and Gulf Coast ports to the Midwest and eastern United States gateways and providing several north/south corridors to key Mexican gateways. The Railroad serves the western two-thirds of the country and maintains coordinated schedules with other 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 (primarily through interline connections) Canadian borders. The Railroad is subject to price and service competition from other railroads, motor carriers and barge operators. The Corporation expects to complete the integration of the operations of SP in 2001.

EMPLOYEES - Approximately 87% of the Railroad's nearly 50,000 employees are represented by rail unions. Under the conditions imposed by the Surface Transportation Board (STB) in connection with the Southern Pacific acquisition, labor agreements between the Railroad and the unions had to be negotiated before the UPRR and Southern Pacific rail systems could be fully integrated. The Railroad has successfully reached agreements with the shopcraft, carmen, clerical, and maintenance-of-way unions, and also implemented "hub-and-spoke" agreements with the train operating crafts. Under the hub-and-spoke concept, all operating employees in a central "hub" are placed under a common set of collective bargaining agreements with the ability to work on the "spokes" running into and out of the hub. Negotiations under the Railway Labor Act to revise the national labor agreements for all crafts began in late 1999 and are still in progress.

OTHER OPERATIONS

TRUCKING PRODUCT LINE

OPERATIONS - Overnite Transportation Company, a wholly owned subsidiary of the Corporation, is a major interstate trucking company specializing in less-than-truckload shipments. Overnite serves all 50 states and portions of Canada and Mexico through 166 service centers located throughout the United States. Overnite transports a variety of products including machinery, tobacco, textiles, plastics, electronics and paper products. Overnite experiences intense service and price competition from both regional and national motor carriers.

EMPLOYEES - Overnite continues to oppose the efforts of the International Brotherhood of Teamsters (Teamsters) to unionize Overnite service centers. Since the Teamsters began their efforts at Overnite in 1994, Overnite has received 90 petitions for union elections at 67 of its 166 service centers, although there have been only nine elections since August 1997, and Teamsters representation was rejected in seven of those nine elections. Twenty-two service centers, representing approximately 14% of Overnite's 13,000 nationwide employee work force, have voted for union representation, and the Teamsters have been certified and recognized as the bargaining representative for such employees. Fifteen of these 22 locations filed decertification petitions in 1999 and 2000. Elections affecting approximately 400 additional employees are unresolved, and there are no elections currently scheduled. Additionally, proceedings are pending in certain cases where a Teamsters' local union lost a representation election. To date, Overnite has not entered into any collective bargaining agreements with the Teamsters, who began a job action on October 24, 1999 that has continued into 2001.

OPERATIONAL INITIATIVES - During 2000, 1999 and 1998, Overnite benefited from several initiatives aimed at better matching its operations to the trucking industry environment. These actions included work force reductions, service center consolidations, centralization of the linehaul management process and pricing initiatives targeting Overnite's lowest margin customers. Overnite has also benefited from growth in its customer base generated by continuing improvements in its service levels.

ATTEMPTED SALE OF OVERNITE - In May 1998, the Corporation's Board of Directors approved a formal plan to divest of UPC's investment in Overnite through an initial public offering. However, market conditions deteriorated to the point that UPC decided not to consummate the offering.

GOODWILL REVALUATION - During 1998, the Corporation changed its method of measuring impairment of enterprise level goodwill from an undiscounted cash flow method to a fair value method based on discounted cash flows. The Corporation believes that a discounted cash flow approach is preferable since it provides a more current and realistic valuation than the undiscounted method and more closely matches Overnite's fair value. In connection with the change in accounting policy with respect to measurement of goodwill impairment described above, \$547 million of goodwill related to the acquisition of Overnite was written off during 1998. Generally accepted accounting principles preclude the recognition of tax benefits associated with goodwill charges to income until the tax benefits are realized. Should the Corporation realize a tax benefit associated with the goodwill write-down in the future, this benefit may be recognized.

OTHER PRODUCT LINES

OTHER - Included in the "other" product lines are the results of the corporate holding company, Fenix, self-insurance activities, and all appropriate consolidating entries.

The following table details reportable financial information for the Corporation's Rail segment and Other Operations:

Millions of Dollars	2000	1999	1998
Operating revenues:(a)			
Rail	\$ 10,731	\$ 10,140	\$ 9,329
Trucking	1,113	1,062	1,034
Other	34	35	151
Consolidated	\$ 11,878	\$ 11,237	\$ 10,514
Depreciation and amortization:(b)			
Rail	\$ 1,089	\$ 1,034	\$ 1,003
Trucking	48	46	60
Other	3	3	7
Consolidated	\$ 1,140	\$ 1,083	\$ 1,070
Operating income (loss):(b)			
Rail	\$ 1,903	\$ 1,822	\$ 433
Trucking	53	20	(508)
Other	(53)	(38)	(96)
Consolidated	\$ 1,903	\$ 1,804	\$ (171)
Interest income:			
Rail	\$ 7	\$ 10	\$ 20
Trucking	18	16	13
Other	(14)	(8)	(5)
Consolidated	\$ 11	\$ 18	\$ 28
Interest expense:			
Rail	\$ 592	\$ 618	\$ 603
Trucking	1	1	1
Other	130	114	110
Consolidated	\$ 723	\$ 733	\$ 714
Income tax expense (benefit):			
Rail	\$ 511	\$ 465	\$ (11)
Trucking	28	8	24
Other	(71)	(54)	(76)
Consolidated	\$ 468	\$ 419	\$ (63)
Earnings of nonconsolidated affiliates:(c)			
Rail	\$ 78	\$ 55	\$ 52
Trucking	--	--	--
Other	--	--	--
Consolidated	\$ 78	\$ 55	\$ 52

Net income (loss):(d)			
Rail	\$ 926	\$ 854	\$ 27
Trucking	43	29	(522)
Other	(127)	(73)	(138)
	-----	-----	-----
Consolidated	\$ 842	\$ 810	\$ (633)
	-----	-----	-----
Investments in nonconsolidated affiliates:(c)			
Rail	\$ 644	\$ 657	\$ 520
Trucking	--	--	--
Other	--	--	--
	-----	-----	-----
Consolidated	\$ 644	\$ 657	\$ 520
	-----	-----	-----
Assets:			
Rail	\$ 29,581	\$ 28,880	\$ 28,357
Trucking	651	670	655
Other	267	338	362
	-----	-----	-----
Consolidated	\$ 30,499	\$ 29,888	\$ 29,374
	-----	-----	-----
Capital investments:			
Rail	\$ 1,735	\$ 1,777	\$ 2,044
Trucking	33	55	59
Other	15	2	8
	-----	-----	-----
Consolidated	\$ 1,783	\$ 1,834	\$ 2,111
	-----	-----	-----

(a) The Corporation has no significant intercompany sales activities.

(b) Included the one-time revaluation of Overnite's goodwill of \$547 million in 1998 and goodwill amortization at Overnite of \$15 million in 1998 and the \$115 million pre-tax (\$72 million after-tax) work force reduction charge in 2000.

(c) The Railroad has equity interests in several railroad-related and other businesses.

(d) "Other" included the \$43 million pre-tax \$27 million after-tax adjustment of a liability related to the discontinued operations of a former subsidiary in 1999 (note 3).

CONSOLIDATED

RISK FACTORS - The Corporation's future results may be affected by changes in the economic environment, fluctuations in fuel prices and external factors such as weather. Several of the commodities transported by both the Railroad and Overnite come from industries with cyclical business operations. As a result, prolonged negative changes in U.S. and global economic conditions can have an adverse effect on the Corporation's operating results. In addition, to the extent that diesel fuel costs are not recovered through increased revenues, improved fuel conservation or mitigated by hedging activity, operating results at the Railroad and Overnite can also be adversely affected.

2. ACQUISITIONS

Southern Pacific - UPC consummated the acquisition of Southern Pacific in September 1996 for \$4.1 billion. Sixty percent of the outstanding Southern Pacific common shares were converted into UPC common stock, and the remaining 40% of the outstanding shares were acquired for cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings, all of which have been subsequently refinanced with other borrowings. The acquisition of Southern Pacific has been accounted for using the purchase method and was fully consolidated into UPC results beginning October 1996.

Merger Consolidation Activities - In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC will complete the elimination of 5,200 duplicate positions in 2001, primarily employees involved in activities other than train, engine and yard activities. UPC will also complete the relocation of 4,700 positions, merging or disposing of redundant facilities, and disposing of certain rail lines. In addition, the Corporation will cancel and settle the remaining uneconomical and duplicative SP contracts, including payroll-related contractual obligations in accordance with the original merger plan.

Merger Liabilities - In 1996, UPC recognized a \$958 million pre-tax liability in the SP purchase price allocation for costs associated with SP's portion of these activities. Merger liability activity reflected cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. In addition, where merger implementation has varied from the original merger plan, the Corporation has adjusted the merger liability and the fair value allocation of SP's purchase price to fixed assets to eliminate the variance. Where the merger implementation has caused the Corporation to incur more costs than were envisioned in the original merger plan, such costs are charged to expense in the period incurred. The Corporation charged \$10 million, \$45 million and \$474 million against the merger liability in 2000, 1999 and 1998, respectively. The remaining merger payments will be made during 2001 as labor negotiations are completed and implemented, and related merger consolidation activities are finalized.

The components of the merger liability as of December 31, 2000 were as follows:

Millions of Dollars	Original Liability	Cumulative Activity	DEC. 31, 2000 LIABILITY
-----	-----	-----	-----
Labor protection related to legislated and contractual obligations...	\$ 361	\$ 361	\$ --
Severance and related costs.....	343	271	72
Contract cancellation fees and facility and line closure costs.....	145	141	4
Relocation costs.....	109	96	13
	-----	-----	-----
Total.....	\$ 958	\$ 869	\$ 89
	-----	-----	-----

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

3. DIVESTITURES

ADJUSTMENT TO 1994 LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS - Net income for 1999 included a one-time, after-tax gain of \$27 million, net of taxes of \$16 million, from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary.

SKYWAY - In November 1998, the Corporation completed the sale of Skyway Freight Systems, Inc. (Skyway), a wholly owned subsidiary. Skyway provided contract logistics and supply chain management services. The proceeds were used to repay outstanding debt. The sale of Skyway generated a net after-tax loss of \$50 million, of which \$40 million was recognized in 1997.

4. FINANCIAL INSTRUMENTS

STRATEGY AND RISK - The Corporation and its subsidiaries use derivative financial instruments in limited instances for purposes other than trading to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside risk of adverse price and rate movements and hedge the exposure to variable cash flows. However, the use of these instruments also limits future gains from favorable movements.

MARKET AND CREDIT RISK - The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. The total credit risk associated with the Corporation's counterparties was \$2 million and \$79 million at December 31, 2000 and December 31, 1999, respectively. The Corporation has not been required to provide collateral; however, the Corporation has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

In addition, the Corporation enters into secured financings in which the debtor has pledged collateral. The collateral is based upon the nature of the financing and the credit risk of the debtor. The Corporation generally is not permitted to sell or repledge the collateral unless the debtor defaults.

DETERMINATION OF FAIR VALUE - The fair values of the Corporation's derivative financial instrument positions at December 31, 2000 and 1999, as follows, were determined 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 and swap spread.

INTEREST RATE STRATEGY - The Corporation manages its overall exposure to fluctuations in interest rates by adjusting the proportion of fixed- and floating-rate debt instruments within its debt portfolio over a given period. The mix of fixed- and floating-rate debt is largely managed through the issuance of targeted amounts of each as debt matures or as incremental borrowings are required. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. In addition, the Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed-rate debt securities.

FUEL STRATEGY - Fuel costs are a significant portion of the Corporation's total operating expenses. As a result of the significance of fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and/or forward contracts to mitigate the impact of adverse fuel price changes. The following is a summary of the Corporation's financial instruments at December 31, 2000 and 1999:

Millions, Except Percentages and Average Commodity Prices -----	2000 -----	1999 -----
Interest Rate Hedging:		
Amount of debt hedged	--	\$ 54
Percentage of total debt portfolio	--	1%
Rail Fuel Hedging:		
Number of gallons hedged for 2000	--	126
Percentage of forecasted 2000 fuel consumption hedged	--	10%
Average price of 2000 hedges outstanding (per gallon)(a)	--	\$ 0.40
Number of gallons hedged for 2001	101	--
Percentage of forecasted 2001 fuel consumption hedged	8%	--
Average price of 2001 hedges outstanding (per gallon)(a)	\$ 0.68	--
Trucking Fuel Hedging:		
Number of gallons hedged for 2000	--	5
Percentage of forecasted 2000 fuel consumption hedged	--	10%
Average price of 2000 hedges outstanding (per gallon)(a)	--	\$ 0.39
Number of gallons hedged for 2001	--	--
Percentage of forecasted 2001 fuel consumption hedged	--	--
Average price of 2001 hedges outstanding (per gallon)(a)	--	--

(a) Excluded taxes, transportation costs, and regional pricing spreads

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

Millions of Dollars	2000	1999
Interest Rate Hedging:		
Gross fair market asset position	\$ --	\$ 56
Gross fair market liability position	--	(1)
Rail Fuel Hedging:		
Gross fair market asset position	2	22
Gross fair market liability position	--	--
Trucking Fuel Hedging:		
Gross fair market asset position	--	1
Gross fair market liability position	--	--
Total asset position - net	\$ 2	\$ 78

The Corporation's use of derivative financial instruments had the following impact on pre-tax income for the years ended December 31, 2000, 1999 and 1998:

Millions of Dollars	2000	1999	1998
Increase in interest expense from interest rate hedging	\$ --	\$ 1	\$ 4
Increase (decrease) in fuel expense from Rail fuel hedging	(52)	(53)	87
Increase (decrease) in fuel expense from Trucking fuel hedging	(2)	(1)	3
(Increase) decrease in pre-tax income	\$ (54)	\$ (53)	\$ 94

FAIR VALUE OF DEBT INSTRUMENTS - The fair value of the Corporation's long- and short-term debt has been estimated using quoted market prices or current borrowing rates. At December 31, 2000 and 1999, the fair value of total debt was more (less) than the carrying value by approximately \$56 million and \$(160) million, respectively. At both December 31, 2000 and 1999, approximately \$1.3 billion of fixed-rate debt securities contain call provisions that allow the Corporation to retire the debt instruments prior to final maturity subject, in certain cases, to the payment of premiums.

SALE OF RECEIVABLES - The Railroad has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary. Receivables are sold at carrying value, which approximates fair value. The third parties have designated the Railroad to service the sold receivables. The amount of receivables sold fluctuates based upon the availability of the designated pool of receivables and is directly affected by changing business volumes and credit risks. At December 31, 2000 and 1999, accounts receivable are presented net of \$600 million and \$576 million, respectively, of receivables sold.

5. PROPERTIES

At December 31, 2000 and 1999, major property accounts were as follows:

Millions of Dollars	2000	1999
-----	-----	-----
Railroad:		
Road and other	\$ 26,832	\$ 25,781
Equipment	7,781	7,755
	-----	-----
Total Railroad	34,613	33,536
Trucking	806	804
Other	39	30
	-----	-----
Total	\$ 35,458	\$ 34,370
	-----	-----

At December 31, 2000 and 1999, major accumulated depreciation accounts were as follows:

Millions of Dollars	2000	1999
-----	-----	-----
Railroad:		
Road and other	\$ 4,527	\$ 4,218
Equipment	2,354	2,272
	-----	-----
Total Railroad	6,881	6,490
Trucking	364	345
Other	17	16
	-----	-----
Total	\$ 7,262	\$ 6,851
	-----	-----

6. INCOME TAXES

Components of income tax expense, excluding discontinued operations, were as follows for the years ended December 31, 2000, 1999 and 1998:

Millions of Dollars	2000	1999	1998
-----	-----	-----	-----
Current:			
Federal	\$ 18	\$ (112)	\$ 13
State	3	2	(2)
	-----	-----	-----
Total current	21	(110)	11
	-----	-----	-----
Deferred:			
Federal	423	516	261
State	24	13	15
Benefit of net operating loss	--	--	(350)
	-----	-----	-----
Total deferred	447	529	(74)
	-----	-----	-----
Total	\$ 468	\$ 419	\$ (63)
	-----	-----	-----

Deferred tax liabilities (assets) comprised the following at December 31, 2000 and 1999:

Millions of Dollars	2000	1999
Net current deferred tax asset	\$ (89)	\$ (111)
Excess tax over book depreciation	7,670	7,497
State taxes - net	517	501
Long-term liabilities	(264)	(374)
Retirement benefits	(305)	(315)
Alternative minimum tax credits	(247)	(218)
Net operating loss	(445)	(559)
Other	217	183
Net long-term deferred tax liability	7,143	6,715
Net deferred tax liability	\$ 7,054	\$ 6,604

At December 31, 2000, the Corporation has a deferred tax asset reflecting the benefits of \$1,271 million in net operating loss carryforwards, which expires as follows:

Millions of Dollars	
Expiring December 31:	
2003.....	\$ 104
2004.....	134
2005.....	136
2006.....	226
2007-2018.....	671
Total.....	\$ 1,271

The Internal Revenue Code limits a corporation's ability to utilize its net operating loss carryforwards. The Corporation does not expect these limits to impact its ability to utilize its carryforwards. The Corporation has analyzed its deferred tax assets and believes a valuation allowance is not necessary.

For the years ending December 31, 2000, 1999 and 1998, a reconciliation between statutory and effective tax rates of continuing operations is as follows:

	2000	1999	1998
Statutory tax rate	35.0%	35.0%	(35.0)%
State taxes-net	1.4	0.8	(1.6)
Goodwill amortization and impairment	--	0.1	28.4
Dividend exclusion	(1.1)	(1.0)	(1.7)
Tax settlements	--	(1.3)	--
Other	0.4	1.3	0.8
Effective tax rate	35.7%	34.9%	(9.1)%

The Internal Revenue Service is currently examining the Corporation's tax returns for 1986 through 1998. All years prior to 1986 are closed. The Corporation believes it has adequately provided for federal and state income taxes.

7. DEBT

Total debt is summarized below:

Millions of Dollars -----	2000 -----	1999 -----
Notes and debentures, 0% to 9.6% due through 2054	\$ 4,472	\$ 4,666
Capitalized leases	1,435	1,345
Medium-term notes, 6.3% to 10.0% due through 2020	843	950
Equipment obligations, 6.1% to 10.3% due through 2019	842	920
Term floating-rate debt, 7.1% to 7.4% due through 2002	362	395
Mortgage bonds, 4.3% to 4.8% due through 2030	154	175
Tax-exempt financings, 5.3% to 5.7% due through 2026	168	168
Commercial paper and bid notes, average of 6.8% in 2000 and 5.5% in 1999	125	67
Unamortized discount	(50)	(46)
	-----	-----
Total debt	8,351	8,640
Less current portion	(207)	(214)
	-----	-----
Total long-term debt	\$ 8,144	\$ 8,426
	-----	-----

DEBT MATURITIES - Aggregate debt maturities are as follows:

Millions of Dollars -----	
2001.....	\$ 207
2002.....	1,413
2003.....	771
2004.....	524
2005.....	678
Thereafter.....	4,758

Total debt.....	\$8,351

MORTGAGED PROPERTIES - At December 31, 2000 and 1999, approximately \$9.6 billion and \$9.4 billion, respectively, of Railroad properties secure outstanding equipment obligations and mortgage bonds.

CREDIT FACILITIES - On December 31, 2000, the Corporation had \$2.0 billion in revolving credit facilities, of which \$1.0 billion expires in March 2001, with the remaining \$1.0 billion expiring in March 2005. The facilities, which were entered into during March 2000, are designated for general corporate purposes and replaced a \$2.8 billion facility which was due to expire in April 2001. None of the credit facilities were used as of December 31, 2000 or 1999. Commitment fees and interest rates payable under the facilities are similar to fees and rates available to comparably rated investment-grade corporate borrowers. To the extent the Corporation has long-term credit facilities available, commercial paper borrowings and other current maturities of long-term debt of \$663 million and \$593 million as of December 31, 2000 and 1999, respectively, have been reclassified as long-term debt maturing in the years 2002 and 2001, respectively. This reclassification reflects the Corporation's intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis through the issuance of additional commercial paper or new long-term financings, or by using the currently available long-term credit facility if alternative financing is not available.

CONVERTIBLE PREFERRED SECURITIES - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, issued \$1.5 billion aggregate liquidation amount of 6-1/4% Convertible Preferred Securities (the CPS) in April 1998. Each of the CPS has a stated liquidation amount of \$50 and is convertible, at the option of the holder, into shares of UPC's common stock, par value \$2.50 per share (the Common Stock), at the rate of 0.7257 shares of Common Stock for each of the CPS, equivalent to a conversion price of \$68.90 per share of Common Stock, subject to adjustment under certain circumstances. The CPS accrues and pays cash distributions quarterly in arrears at the annual rate of 6-1/4% of the stated liquidation amount. The Corporation owns all of the common securities of the Trust. The proceeds from the sale of the CPS and the common securities of the Trust were invested by the Trust in \$1.5 billion aggregate principal amount of the Corporation's 6-1/4% Convertible Junior Subordinated Debentures due April 1, 2028 (the Debentures). The Debentures represent the sole assets of the Trust. The principal amount of the Debentures held by the Trust at December 31, 2000 was \$1.5 billion.

The Debentures accrue and pay interest quarterly in arrears at the annual rate of 6-1/4%. The Debentures mature on April 1, 2028, unless previously redeemed or repurchased in accordance with the terms of the indenture (the Indenture). The proceeds from the issuance of the Debentures were used by the Corporation for repayment of corporate borrowings.

The Corporation has guaranteed, on a subordinated basis, distributions and other payments due on the CPS (the Guarantee). Considered together, the Corporation's obligations under the Debentures, the Indenture, the Guarantee and the Amended and Restated Declaration of Trust governing the Trust provide a full and unconditional guarantee by the Corporation of the Trust's obligations under the CPS.

For financial reporting purposes, the Corporation has recorded distributions payable on the CPS as an interest charge to earnings in the consolidated statements of income.

SHELF REGISTRATION - Under the currently effective shelf registration statement, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. At December 31, 2000, the Corporation had \$600 million remaining for issuance under the shelf registration. At January 18, 2001, the Corporation had \$200 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

SIGNIFICANT NEW BORROWINGS - During June 2000, the Corporation issued \$250 million of floating-rate debt under its shelf registration statement with a maturity date of July 1, 2002. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes. During September and November 2000, UPRR entered into capital leases covering new locomotives. The related capital lease obligations totaled approximately \$201 million and are included as debt in the consolidated statements of financial position. In January 2001, the Corporation issued \$400 million of fixed-rate debt under its shelf registration statement with a maturity date of January 15, 2011. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

DIVIDEND RESTRICTIONS - The Corporation is subject to certain restrictions related to the payment of cash dividends. The amount of retained earnings available for dividends under the most restrictive test was \$3.2 billion and \$2.5 billion at December 31, 2000 and 1999, respectively.

8. LEASES

The Corporation leases certain locomotives, freight cars, trailers 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, 2000 were as follows:

Millions of Dollars -----	Operating Leases -----	Capital Leases -----
2001.....	\$ 447	\$ 231
2002.....	373	205
2003.....	290	199
2004.....	262	201
2005.....	256	174
Later years.....	1,825	1,386
	-----	-----
Total minimum payments.....	\$3,453	2,396
	-----	-----
Amount representing interest.....		(961)
	-----	-----
Present value of minimum lease payments.....		\$1,435
	-----	-----

Rent expense for operating leases with terms exceeding one month was \$652 million in 2000, \$707 million in 1999 and \$672 million in 1998. Contingent rentals and sub-rentals are not significant.

9. RETIREMENT PLANS

BENEFIT SUMMARY - The Corporation provides defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. In addition, the Corporation provides a defined contribution plan (thrift plan) to eligible non-union employees. All non-union and certain of the Corporation's union employees participate in defined contribution medical and life insurance programs for retirees. All Railroad employees are covered by the Railroad Retirement System (the System).

FUNDING AND BENEFIT PAYMENTS - Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment. The qualified plans are funded based on the Projected Unit Credit actuarial funding method and are funded at not less than the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The Corporation has settled a portion of the non-qualified unfunded supplemental plan's accumulated benefit obligation by purchasing annuities. Corporation contributions into the thrift plan are based on 50% of the participant's contribution, limited to 3% of the participant's base salary. Corporation thrift plan contributions were \$11 million, \$11 million and \$10 million for the years ended December 31, 2000, 1999 and 1998, respectively. The Corporation also provides medical and life insurance benefits on a cost sharing basis for qualifying employees. These costs are funded as incurred. In addition, contributions made to the System are expensed as incurred and amounted to approximately \$430 million in 2000, \$426 million in 1999 and \$411 million in 1998.

The following illustrates the change in the Corporation's projected benefit obligation for the years ended December 31, 2000 and 1999:

Millions of Dollars -----	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
Net benefit obligation at beginning of year	\$ 1,883	\$ 2,060	\$ 412	\$ 444
Service cost	38	46	7	8
Interest cost	150	135	32	29
Plan amendments	5	33	--	(2)
Actuarial loss (gain)	164	(283)	30	(32)
Gross benefits paid	(119)	(108)	(43)	(35)
Net benefit obligation at end of year	\$ 2,121	\$ 1,883	\$ 438	\$ 412

Changes in the Corporation's benefit plan assets are summarized as follows for the years ended December 31, 2000 and 1999:

Millions of Dollars -----	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
Fair value of plan assets at beginning of year	\$ 2,367	\$ 2,100	\$ --	\$ --
Actual return on plan assets	(16)	345	--	--
Employer contributions	8	30	43	35
Gross benefits paid	(119)	(108)	(43)	(35)
Fair value of plan assets at end of year	\$ 2,240	\$ 2,367	\$ --	\$ --

The components of funded status of the benefit plans for the years ended December 31, 2000 and 1999 were as follows:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
Funded status at end of year	\$ 119	\$ 484	\$(438)	\$(412)
Unrecognized net actuarial gain	(521)	(929)	(41)	(75)
Unrecognized prior service cost (credit)	132	144	(17)	(21)
Unrecognized net transition obligation	(9)	(12)	--	--
Net liability recognized at end of year	\$(279)	\$(313)	\$(496)	\$(508)

At both December 31, 2000 and 1999, \$30 million of the total pension and other post-retirement liability were classified as a current liability.

Amounts recognized for the benefit plan liabilities in the consolidated statements of financial position for December 31, 2000 and 1999 consisted of:

Millions of Dollars	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
Prepaid benefit cost	\$ 4	\$ 2	\$ --	\$ --
Accrued benefit cost	(283)	(315)	(496)	(508)
Additional minimum liability	(30)	(31)	--	--
Intangible assets	27	28	--	--
Accumulated other comprehensive income	3	3	--	--
Net liability recognized at end of year	\$(279)	\$(313)	\$(496)	\$(508)

The components of the Corporation's net periodic pension costs for the years ended December 31, 2000, 1999 and 1998 were as follows:

Millions of Dollars	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Service cost	\$ 38	\$ 46	\$ 40	\$ 7	\$ 7	\$ 8
Interest cost	150	135	134	32	29	29
Expected return on assets	(197)	(158)	(144)	--	--	--
Amortization of:						
Transition obligation	(3)	(4)	1	--	--	--
Prior service cost (credit)	16	15	12	(5)	(7)	(7)
Actuarial loss (gain)	(31)	(9)	3	(3)	(1)	(3)
Total net periodic benefit cost	\$(27)	\$ 25	\$ 46	\$ 31	\$ 28	\$ 27

As of December 31, 2000 and 1999, approximately 32% and 25%, respectively, of the funded plans' assets were held in fixed-income and short-term securities, with the remainder in equity securities.

The weighted-average actuarial assumptions for the years ended December 31, 2000, 1999 and 1998 were as follows:

Percentages	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Discount rate	7.5%	8.00%	6.75%	7.5%	8.0%	6.75%
Expected return on plan assets	10.0	10.0	9.0	N/A	N/A	N/A
Rate of compensation increase	4.5	5.0	3.75 to 4.75	4.5	5.0	3.75 to 4.75
Health care cost trend:						
Current.....	N/A	N/A	N/A	7.7	7.7	9.0
Level in 2005.....	N/A	N/A	N/A	5.5	5.5	4.5

Assumed health care cost trend rates have a significant effect on the amount reported for health care plans. A one percentage point change in the assumed health care cost trend rates would have the following effects:

Millions of Dollars	One % pt. increase	One % pt. decrease
Effect on total service and interest cost components	\$ 5	\$ (4)
Effect on postretirement benefit obligation	43	(36)

10. STOCK OPTIONS AND OTHER STOCK PLANS

OPTIONS - The Corporation applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock plans. Pursuant to the Corporation's stock option and retention stock plans for officers and key employees, 5,541,561; 4,807,783 and 4,493,578 common shares were available for grant at December 31, 2000, 1999 and 1998, respectively. Options are granted at market value on the grant date and are exercisable for a period of 10 years from the grant date. Options generally become exercisable no earlier than one year after grant.

RETENTION AND RESTRICTED STOCK - The plans provide for awarding retention shares of common stock or stock units (the right to receive shares of common stock) to eligible employees. These awards are subject to forfeiture if employment terminates during the prescribed retention period or, in some cases, if certain prescribed stock price or other financial criteria are not met. 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, 2000, 283,059 retention shares, restricted shares and stock units were issued at a weighted-average fair value of \$41.21. During 1999, 26,300 retention shares and stock units were issued at a weighted-average fair value of \$52.41. During 1998, 322,025 retention and restricted shares were issued at a weighted-average fair value of \$51.77. A portion of the retention awards issued in 1999 and 1998 are subject to stock price or performance targets. The cost of retention shares is amortized to expense over the vesting period. In 2000, 1999 and 1998, UPC expensed \$6 million, \$3 million and \$16 million, respectively, to amortize retention and restricted stock awards.

LONG-TERM PLANS - During the year ended December 31, 2000, the 1996 Long-Term Performance Plan (LTPP) expired. The performance criteria set forth in the LTPP were not satisfied and all retention stock and units awarded under the LTPP were cancelled. In November 2000, the Corporation approved the 2001 Long-Term Plan (LTP). The LTP includes certain performance criteria and a retention requirement.

EXECUTIVE STOCK PURCHASE INCENTIVE PLAN - The Corporation adopted the Executive Stock Purchase Incentive Plan (ESPIP) effective October 1, 1999, in order to encourage and facilitate ownership of common stock by officers and other key executives of the Corporation and its subsidiaries and allow ESPIP participants to share in the same risks and rewards as the Corporation's other shareholders.

Under the ESPIP, the participants purchased a total of one million shares of the Corporation's common stock with the proceeds of 6.02% interest-bearing, full recourse loans from the Corporation. Loans totaled \$47 million. Deferred cash payments will be awarded to the participants to repay interest and the loan principal if certain performance and retention criteria are met within a 40-month period ending January 31, 2003. The cost of the ESPIP is amortized to expense over the 40-month period. During the years ended December 31, 2000 and 1999, UPC expensed \$9 million and \$2 million, respectively, to amortize the deferred cash payments.

DETERMINATION OF FAIR VALUE OF OPTIONS - The fair value of each stock option granted is estimated for the determination of pro forma expense using a Black-Scholes option-pricing model. The following table details the number of options granted, weighted-average option price of the options granted, weighted-average assumptions utilized in determining the pro forma expense and the weighted-average fair value of options for the years ended December 31, 2000, 1999 and 1998:

	2000 -----	1999 -----	1998(a) -----
Number of options granted	253,250	44,250	15,653,880
Weighted-average option price	\$ 41.96	\$ 54.25	\$ 53.10
Weighted-average assumptions:			
Dividend yield	1.6%	1.8%	1.8%
Risk-free interest rate	5.1%	6.4%	4.5%
Volatility	31.4%	28.3%	24.2%
Expected option period (years)	4	4	4
Weighted-average fair value of options	\$ 11.84	\$ 14.94	\$ 11.69

The expense impact of the option grant is determined as of the date of the grant and is reflected in pro forma results over the options' vesting period.

Pro forma net income (loss) and EPS for 2000, 1999 and 1998, including compensation expense for options that vested in each year, were as follows:

Millions of Dollars, Except EPS Amounts	2000	1999	1998(a)
Net income (loss)	\$ 813	\$ 755	\$ (672)
EPS - Basic	\$ 3.30	\$ 3.06	\$ (2.73)
EPS - Diluted	\$ 3.23	\$ 3.01	\$ (2.73)

(a) During 1998, the Corporation implemented a broad-based option program that granted each employee 200 options at \$55.00 per share. This program resulted in 11,236,400 new options in 1998 and generated an after-tax pro forma compensation expense of \$28 million in both 2000 and 1999 and \$21 million in 1998. The conversion of these options may be effected with treasury shares and are not issued under the stock option plan for officers and key employees.

Changes in common stock options outstanding were as follows:

	Shares Under Option	Weighted- Average Option Price per Share
Balance January 1, 1998	11,336,343	\$ 44.65
Granted (a)	15,653,880	53.10
Exercised	(315,528)	27.52
Expired/Surrendered	(175,116)	56.13
Balance December 31, 1998	26,499,579	49.77
Granted	44,250	54.25
Exercised	(921,169)	31.58
Expired/Surrendered	(231,190)	53.06
Balance December 31, 1999	25,391,470	50.41
GRANTED	253,250	41.96
EXERCISED	(175,900)	30.05
EXPIRED/SURRENDERED	(126,520)	48.64
BALANCE DECEMBER 31, 2000	25,342,300	\$ 50.48

(a) During 1998, the Corporation implemented a broad-based option program that granted each employee 200 options at \$55.00 per share. This program resulted in 11,236,400 new options in 1998.

Stock options outstanding at December 31, 2000 were as follows:

	Number of Options	Weighted- Average Years to Expiration	Weighted- Average Option Price
	-----	-----	-----
Range of Option Prices:			
\$20.60 to \$42.53	3,655,072	4	\$ 32.85
\$42.87 to \$48.19	5,047,108	7	46.50
\$52.88 to \$62.40	16,640,120	7	55.56
	-----	-----	-----
BALANCE DECEMBER 31, 2000	25,342,300	6	\$ 50.48
	-----	-----	-----

Stock options exercisable at December 31, 2000 were as follows:

	Number of Options	Weighted- Average Option Price
	-----	-----
Range of Option Prices:		
\$20.60 to \$31.60	2,630,306	\$ 30.96
\$32.26 to \$42.87	1,675,039	40.06
\$45.69 to \$62.40	9,453,472	52.69
	-----	-----
BALANCE DECEMBER 31, 2000	13,758,817	\$ 47.00
	-----	-----

11. EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share for the years ended December 31, 2000, 1999 and 1998:

Millions, Except Per Share Amounts	2000	1999	1998
Income Statement Data:			
Income (loss) from continuing operations	\$ 842	\$ 783	\$ (633)
Income (loss) available to common shareholders from continuing operations ..	842	783	(633)
Gain on disposal of discontinued operations	--	27	--
Net income (loss) available to common shareholders - Basic	842	810	(633)
Dilutive effect of interest associated with the CPS (a)	58	58	--
Net income (loss) available to common shareholders - Diluted	\$ 900	\$ 868	\$ (633)
Weighted-Average Number of Shares Outstanding:			
Basic	246.5	246.6	246.0
Dilutive effect of common stock equivalents (b)	23.0	23.2	--
Diluted	269.5	269.8	246.0
Earnings Per Share - Basic:			
Income (loss) from continuing operations	\$ 3.42	\$ 3.17	\$ (2.57)
Income from discontinued operations	--	0.11	--
Net income (loss)	\$ 3.42	\$ 3.28	\$ (2.57)
Earnings Per Share - Diluted: (b)			
Income (loss) from continuing operations	\$ 3.34	\$ 3.12	\$ (2.57)
Income from discontinued operations	--	0.10	--
Net income (loss)	\$ 3.34	\$ 3.22	\$ (2.57)

(a) 1998 excluded the anti-dilutive impact of \$44 million of interest associated with the Convertible Preferred Securities (note 7).

(b) Excluded the effect of anti-dilutive common stock equivalents related to options and Convertible Preferred Securities (note 7), which were 1.4 million and 16.3 million, respectively, at December 31, 1998.

12. COMMITMENTS AND CONTINGENCIES

There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of numerous sites. For environmental sites where remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. At December 31, 2000, the Corporation had accrued \$177 million for estimated future environmental costs and believes it is reasonably possible that actual environmental costs may differ from such estimate. In addition, the Corporation and its subsidiaries periodically enter into financial and other commitments in connection with their businesses. It is not possible at this time for the Corporation to determine fully the effect of all unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs,

commitments, contingent liabilities or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

13. OTHER INCOME

Other income included the following:

Millions of Dollars	2000	1999	1998
-----	-----	-----	-----
Net gain on asset dispositions	\$ 88	\$ 74	\$ 125
Rental income	75	63	55
Interest income	11	18	28
Loss on sale of Skyway	--	--	(18)
Other - net	(44)	(24)	(1)
	-----	-----	-----
Total	\$ 130	\$ 131	\$ 189
	-----	-----	-----

14. ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would have been effective January 1, 2000. In June 1999, the FASB issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 138 addresses certain issues related to the implementation of FAS 133, but does not change the basic model of FAS 133 or further delay the implementation of FAS 133. Management has determined that FAS 133 and FAS 138 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133 and FAS 138, be recorded in the Corporation's consolidated statements of financial position (note 4). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. On January 1, 2001, the Corporation adopted the provisions of FAS 133 and FAS 138. This adoption resulted in the recognition of a \$2 million asset on January 1, 2001.

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140), replacing Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 140 revises criteria for accounting for securitizations, other financial asset transfers and collateral, and introduces new disclosures. FAS 140 is effective for fiscal 2000 with respect to the new disclosure requirements and amendments of the collateral provisions originally presented in FAS 125. All other provisions are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. The provisions are to be applied prospectively with certain exceptions. Management is currently assessing the financial impact that FAS 140 will have on the Corporation's consolidated financial statements.

15. WORK FORCE REDUCTION PLAN

Prompted by signs of an economic slowdown, the Corporation's Board of Directors approved a work force reduction plan (the Plan) in the fourth quarter of 2000. The Plan calls for the elimination of approximately 2,000 Railroad positions during 2001. The positions will be eliminated through a combination of attrition, subsidized early retirement and involuntary layoffs and will affect both agreement and non-agreement employees across the entire 23-state Railroad system. Most of the eliminations will occur during the first six months of 2001, with the remainder completed throughout the year.

The Corporation accrued \$115 million pre-tax or \$72 million after-tax in the fourth quarter of 2000 for costs related to the Plan. The expense was charged to salaries, wages and employee benefits in the Corporation's consolidated statements of income. No cash payments or charges against the Plan reserve were made in 2000.

SUPPLEMENTARY INFORMATION (UNAUDITED)
SELECTED QUARTERLY DATA

Selected unaudited quarterly data are as follows:

Millions of Dollars, Except Per Share Amounts

2000	MAR 31	JUNE 30	SEP 30	DEC 31(a)
OPERATING REVENUES	\$ 2,906	\$ 2,966	\$ 3,054	\$ 2,952
OPERATING INCOME	452	542	570	339
INCOME FROM CONTINUING OPERATIONS	185	244	256	157
NET INCOME	185	244	256	157
PER SHARE - BASIC:				
INCOME FROM CONTINUING OPERATIONS	0.75	0.99	1.04	0.64
NET INCOME	0.75	0.99	1.04	0.64
PER SHARE - DILUTED:				
INCOME FROM CONTINUING OPERATIONS	0.74	0.96	1.00	0.63
NET INCOME	0.74	0.96	1.00	0.63
DIVIDENDS PER SHARE	0.20	0.20	0.20	0.20
COMMON STOCK PRICE:				
HIGH	47.63	46.31	46.00	52.81
LOW	34.25	37.13	37.44	37.88

1999	MAR 31	JUNE 30	SEP 30(b)	DEC 31
Operating Revenues	\$ 2,734	\$ 2,766	\$ 2,881	\$ 2,856
Operating Income	362	441	515	486
Income from Continuing Operations	129	194	218	242
Net Income	129	194	245	242
Per Share - Basic:				
Income from Continuing Operations	0.52	0.79	0.88	0.98
Net Income	0.52	0.79	0.99	0.98
Per Share - Diluted:				
Income from Continuing Operations	0.52	0.77	0.86	0.95
Net Income	0.52	0.77	0.96	0.95
Dividends per Share	0.20	0.20	0.20	0.20
Common Stock Price:				
High	55.00	67.88	60.69	56.50
Low	44.63	50.88	46.94	39.00

(a) Included \$115 million pre-tax (\$72 million after-tax) work force reduction charge (see note 15 to the consolidated financial statements).

(b) Included a one-time, after-tax gain of \$27 million from the adjustment of a liability established in connection with the discontinued operations of a former subsidiary (see note 3 to the consolidated financials statements).

SHAREHOLDERS AND DIVIDENDS

The common stock of the Corporation is traded on various stock exchanges, principally the New York Stock Exchange. At January 31, 2001, there were 247,134,266 shares of outstanding common stock and approximately 39,150 common shareholders of record. At that date, the closing price of the common stock on the New York Stock Exchange was \$52.98. Cash dividends declared on common stock by the Corporation were \$0.80 per share in 2000, 1999 and 1998. The Corporation has paid dividends to its common shareholders during each of the past 101 years. See note 7 to the consolidated financial statements for a discussion regarding restrictions relating to the payment of cash dividends.

RAIL TRANSPORTATION

COMMODITIES

Revenue ton-miles (RTM) and commodity revenue (CR) for major commodities by percent and in total were as follows:

Percent of Total	2000		1999		1998	
	RTM	CR	RTM	CR	RTM	CR
Agricultural	13.9%	13.6%	14.7%	14.4%	14.1%	14.4%
Automotive	3.4	11.5	3.2	10.6	3.1	10.3
Chemicals	11.0	16.0	11.3	16.2	11.4	16.9
Energy	40.9	21.0	40.0	22.0	40.1	22.0
Industrial Products	16.2	19.3	16.2	19.3	16.5	19.7
Intermodal	14.6	18.6	14.6	17.5	14.8	16.7
Total	100.0%	100.0%	100%	100%	100%	100%
Total (billions)	485.5	\$ 10.3	473.1	\$ 9.9	432.1	\$ 9.1

CAPITAL EXPENDITURES

Millions of Dollars	2000	1999	1998
Roadway and other	\$1,430	\$1,377	\$1,538
Equipment	305	400	506
Total	\$1,735	\$1,777	\$2,044

EQUIPMENT

	2000	1999	1998
	-----	-----	-----
Owned or leased at year-end:			
Locomotives	7,007	6,969	7,083
Freight cars:			
Covered hoppers	37,607	39,212	40,097
Boxcars	18,342	20,864	23,263
Open-top hoppers	18,683	19,828	20,324
Gondolas	17,480	18,099	17,828
Other	16,557	16,726	18,264
Work equipment	6,616	9,927	9,218
	-----	-----	-----
Purchased or leased during the year:			
Locomotives	451	182	256
Freight cars	1,082	1,216	2,120
	-----	-----	-----
Average age of equipment (years):			
Locomotives	14.9	15.4	14.4
Freight cars	20.9	19.3	20.1
	-----	-----	-----
Bad order ratio - freight cars	5.5%	5.4%	4.5%
	-----	-----	-----

TRACK

Miles	2000	1999	1998
	-----	-----	-----
Main line	26,914	26,963	27,197
Branch line	6,121	6,378	6,509
Yards, sidings and other main lines	21,564	21,660	21,597
	-----	-----	-----
Total	54,599	55,001	55,303
	-----	-----	-----
Track miles of continuous welded rail at year-end	24,855	24,771	23,647
Track miles under centralized traffic control at year-end	17,163	16,199	15,944
Track miles of rail installed and replaced:			
New	943	950	858
Used	242	444	341
Track miles re-ballasted	6,967	4,579	3,259
Ties installed and replaced (thousands)	3,332	3,293	2,961
	-----	-----	-----

RAIL OPERATIONS

	2000	1999	1998
	-----	-----	-----
Operating ratio (%)	82.3	82.0	95.4
Carloads (thousands)	8,901	8,556	7,998
Average commodity revenue per car	\$1,154	\$1,151	\$1,134
Average price of diesel fuel per gallon	90(cent)	56(cent)	62(cent)

TRUCKING

FREIGHT OPERATIONS

	2000	1999	1998
	-----	-----	-----
Shipments (thousands):			
Less-than-truckload	7,463	7,686	7,768
Truckload	32	22	21
	-----	-----	-----
Total	7,495	7,708	7,789
	-----	-----	-----
Tonnage (thousands):			
Less-than-truckload	3,755	3,974	3,983
Truckload	257	224	226
	-----	-----	-----
Total	4,012	4,198	4,209
	-----	-----	-----
Revenue per hundredweight	\$ 13.25	\$ 12.26	\$ 11.98
	-----	-----	-----
Operating ratio %(a)	95.2	98.1	94.8
	-----	-----	-----

(a) Excluded \$15 million of goodwill amortization and \$547 million one-time goodwill revaluation charge in 1998.

EQUIPMENT AND SERVICE CENTERS

	2000	1999	1998
	-----	-----	-----
Owned or leased at year-end:			
Tractors	4,916	5,288	4,839
Trailers	18,586	20,111	19,460
Straight trucks	74	77	77
Automobiles and service units	166	158	160
Service centers	166	166	165
	-----	-----	-----
Average age of equipment (years):			
Tractors	6.3	6.0	6.8
Trailers	8.2	9.0	8.4
	-----	-----	-----

CAPITAL EXPENDITURES

Millions of Dollars	2000	1999	1998
	-----	-----	-----
Revenue equipment	\$ 16	\$ 36	\$ 33
Other	17	19	26
	-----	-----	-----
Total	\$ 33	\$ 55	\$ 59
	-----	-----	-----

TEN-YEAR FINANCIAL SUMMARY(a)
 Union Pacific Corporation and Subsidiary Companies

	2000(b)	1999	Millions of Dollars, Except			Per Share Amounts and as Indicated				
	2000(b)	1999	1998(c)	1997	1996	1995	1994(d)	1993(e)	1992	1991(f)
FOR THE YEAR										
Operating Revenue	\$11,878	11,237	10,514	11,079	8,786	7,486	6,492	6,002	5,773	5,687
Operating Income(Loss)	1,903	1,804	(171)	1,144	1,432	1,242	1,145	1,015	992	139
Income (Loss)(g)	842	783	(633)	432	733	619	568	412	456	(123)
Net Income (Loss)	842	810	(633)	432	904	946	546	530	728	64
Per Share - Basic:										
Income (Loss)(g)	3.42	3.17	(2.57)	1.76	3.38	3.02	2.77	2.01	2.24	(0.61)
Net Income (Loss)	3.42	3.28	(2.57)	1.76	4.17	4.62	2.66	2.59	3.58	0.32
Per Share - Diluted:										
Income (Loss)(g)	3.34	3.12	(2.57)	1.74	3.36	3.01	2.76	2.00	2.24	(0.60)
Net Income (Loss)	3.34	3.22	(2.57)	1.74	4.14	4.60	2.66	2.58	3.57	0.31
Dividends per Share	0.80	0.80	0.80	1.72	1.72	1.72	1.66	1.54	1.42	1.31
Operating Cash Flow	1,958	1,869	565	1,600	1,657	1,454	1,079	975	842	794
Average Employees	61,800	64,200	65,100	65,600	54,800	49,500	45,500	44,000	42,800	43,800
Revenues Per Employee (000)	192.2	175.0	161.5	168.9	160.3	151.2	142.7	136.4	134.9	129.8
AT YEAR-END										
Total Assets	\$30,499	29,888	29,374	28,860	27,990	19,500	14,543	13,797	12,901	12,272
Total Debt	8,351	8,640	8,692	8,518	8,027	6,364	4,479	4,105	4,035	3,966
Common Shareholders' Equity	8,662	8,001	7,393	8,225	8,225	6,364	5,131	4,885	4,639	4,163
Equity Per Common Share	35.09	32.29	29.88	33.30	33.35	30.96	24.92	23.81	22.75	20.52
ADDITIONAL DATA										
Rail Commodity Revenue	\$10,270	9,851	9,072	9,712	7,419	6,105	5,216	4,873	4,819	4,708
Trucking Revenue	1,113	1,062	1,034	946	961	976	1,037	939	873	800
Rail Carloads (000)	8,901	8,556	7,998	8,453	6,632	5,568	4,991	4,619	4,458	4,304
Trucking Shipments (000)	7,495	7,708	7,789	7,506	8,223	8,332	8,593	8,206	7,669	7,106
Rail Operating Ratio (%)	82.3	82.0	95.4	87.4	79.1	78.1	77.9	79.1	79.0	80.4
Trucking Operating Ratio (%) (h) ...	95.2	98.1	94.8	96.8	104.9	103.0	91.3	90.2	90.9	91.9
FINANCIAL RATIOS (%)										
Debt to Capital Employed	45.1	47.6	49.4	50.9	49.4	50.0	46.6	45.7	46.5	48.8
Return on Equity(i)	10.1	10.5	(8.1)	5.3	12.4	16.5	10.9	11.1	16.5	1.5

- (a) Data included the effects of the acquisitions of Southern Pacific Rail Corporation as of October 1, 1996, Chicago and North Western Transportation Company as of May 1, 1995 and Skyway Freight Systems, Inc. as of May 31, 1993, and reflects the disposition of the Corporation's natural resources subsidiary in 1996 and waste management subsidiary in 1995 and Skyway Freight Systems in 1998.
- (b) 2000 operating income and net income included \$115 million pre-tax (\$72 million after-tax) work force reduction charge (see note 15 to the consolidated financial statements).
- (c) 1998 operating loss and net loss included a \$547 million pre-and after-tax charge for the revaluation of Overnite goodwill (see note 1 to the consolidated financial statements).
- (d) 1994 net income included a net after-tax loss of \$404 million from the sale of the Corporation's waste management operations.
- (e) 1993 net income included a net after-tax charge for the adoption of changes in accounting methods for income taxes, postretirement benefits other than pensions and revenue recognition, and a one-time charge for the deferred tax effect of the Omnibus Budget Reconciliation Act of 1993.
- (f) 1991 net income included special charges of \$870 million pre-tax (\$575 million after-tax).
- (g) Based on results from continuing operations.
- (h) Excluded goodwill amortization in all years, and the revaluation of goodwill in 1998.
- (i) Based on average common shareholders' equity.

BOARD OF DIRECTORS

PHILIP F. ANSCHUTZ

Chairman
Anschutz Company
Energy, transportation,
communications, professional
sports, agriculture and real estate

ROBERT P. BAUMAN

Retired Chief Executive
SmithKline Beecham p.l.c.
Pharmaceutical products

E. VIRGIL CONWAY

Chairman
Metropolitan Transportation Authority
Public transportation

RICHARD K. DAVIDSON

Chairman, President and
Chief Executive Officer
Union Pacific Corporation

Chairman and Chief Executive Officer
Union Pacific Railroad Company

THOMAS J. DONOHUE

President and
Chief Executive Officer
U.S. Chamber of Commerce
Business federation

ARCHIE W. DUNHAM

Chairman, President and
Chief Executive Officer
Conoco Inc.
Integrated energy company

SPENCER F. ECCLES

Chairman
Wells Fargo Intermountain
Banking Region
Diversified financial services company

IVOR J. EVANS

President and Chief Operating
Officer
Union Pacific Railroad Company

ELBRIDGE T. GERRY, JR.

Partner
Brown Brothers Harriman & Co.
Bankers

JUDITH RICHARDS HOPE

Partner
Paul, Hastings, Janofsky & Walker
Law

RICHARD J. MAHONEY

Retired Chairman and
Chief Executive Officer
Monsanto Company
Agricultural products

STEVEN R. ROGEL

Chairman, President and
Chief Executive Officer
Weyerhaeuser Company
Integrated forest products
company

RICHARD D. SIMMONS

Retired President
International Herald Tribune
Communications

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Philip F. Anschutz, Chair
Robert P. Bauman
E. Virgil Conway
Richard K. Davidson
Elbridge T. Gerry, Jr.
Judith Richards Hope

COMPENSATION AND BENEFITS
COMMITTEE

E. Virgil Conway, Chair
Robert P. Bauman
Thomas J. Donohue
Archie W. Dunham
Richard D. Simmons

AUDIT COMMITTEE

Judith Richards Hope, Chair
Thomas J. Donohue
Spencer F. Eccles
Richard D. Simmons

FINANCE COMMITTEE

Elbridge T. Gerry, Jr., Chair
Philip F. Anschutz
Spencer F. Eccles
Judith Richards Hope
Richard J. Mahoney

CORPORATE GOVERNANCE AND

NOMINATING COMMITTEE

Robert P. Bauman, Chair
Philip F. Anschutz
Archie W. Dunham
Elbridge T. Gerry, Jr.
Richard J. Mahoney

SENIOR OFFICERS

RICHARD K. DAVIDSON

Chairman, President and
Chief Executive Officer
Union Pacific Corporation

Chairman and Chief Executive Officer
Union Pacific Railroad Company

IVOR J. EVANS

President and Chief Operating Officer
Union Pacific Railroad Company

LEO H. SUGGS

Chairman and Chief Executive Officer
Overnite Transportation Company

OSMO A. HAUTANEN

Chief Executive Officer
Fenix LLC

L. MERILL BRYAN, JR.

Senior Vice President
and Chief Information Officer
Union Pacific Corporation

DENNIS J. DUFFY

Executive Vice President - Operations
Union Pacific Railroad Company

CHARLES R. EISELE

Vice President -
Strategic Planning and Administration
Union Pacific Corporation

BERNARD R. GUTSCHEWSKI

Vice President - Taxes
Union Pacific Corporation

MARY SANDERS JONES

Vice President and Treasurer
Union Pacific Corporation

R. BRADLEY KING

Executive Vice President -
Network Design and Integration
Union Pacific Railroad Company

JOHN J. KORALESKI

Executive Vice President -
Marketing and Sales
Union Pacific Railroad Company

MARY E. MCAULIFFE

Vice President - External Relations
Union Pacific Corporation

RICHARD J. PUTZ

Vice President and Controller
Union Pacific Corporation

BARBARA W. SCHAEFER

Senior Vice President - Human Resources
Union Pacific Corporation

ROBERT W. TURNER

Vice President - Corporate Relations
Union Pacific Corporation

CARL W. VON BERNUTH

Senior Vice President,
General Counsel and Secretary
Union Pacific Corporation

JAMES R. YOUNG

Executive Vice President - Finance
Chief Financial Officer
Union Pacific Corporation

CORPORATE INFORMATION

UNION PACIFIC CORPORATION
1416 Dodge Street, Room 1230
Omaha, NE 68179
(402) 271-5777
<http://www.up.com>

UNION PACIFIC RAILROAD COMPANY
1416 Dodge Street
Omaha, NE 68179
<http://www.uprr.com>

OVERNITE TRANSPORTATION COMPANY
1000 Semmes Avenue
PO Box 1216
Richmond, VA 23218-1216
<http://www.overnite.com>

FENIX LLC
Computer Associates Tower
909 E. Las Colinas Boulevard, Suite 1450
Irving, TX 75039
<http://www.fenixenterprises.com>

EXTERNAL RELATIONS OFFICE
600 13th Street, N.W.
Suite 340
Washington, D.C. 20005

TRANSFER AGENT AND REGISTRAR OF STOCK
Computershare Investor Services

For U. S. mail
PO Box 1689
Chicago, IL 60690

For express service deliveries
2 North LaSalle Street
Chicago, IL 60602

Most questions regarding your account may be answered by contacting the automated Computershare Investor Services Help Line at (800) 317-2512 from your touch-tone phone, 24 hours a day, 7 days a week. Service representatives are available on the Help Line from 8:30 a.m. to 5:00 p.m. Central Time, Monday through Friday, to assist with problems not addressed by the Help Line. You may also write to Computershare at the appropriate address above, or you may contact Computershare online at <http://www.us.computershare.com>.

INSIDE BACK COVER

STOCK LISTING

New York Stock Exchange
Ticker Symbol: UNP

ANNUAL MEETING OF STOCKHOLDERS

April 20, 2001, 8:30 a.m.
Little America Hotel
500 South Main Street
Salt Lake City, UT

PUBLICATIONS

Copies of the Corporation's 2000 Annual Report or the report, "Commitment to Diversity," may be obtained by writing to:

Secretary
Union Pacific Corporation
1416 Dodge Street, Room 1230
Omaha, NE 68179

INFORMATION SOURCES

Media and public relations inquiries should be directed to Corporate Relations at the Corporation's address or call (402) 271-3475.

Investors and financial analysts can contact Investor Relations in Omaha or call (402) 271-4227 or (877) 547-7261

Individual shareholder questions should be directed to the Corporation's Transfer Agent as listed at left. News releases, investor fact books and other general information about Union Pacific are also available on the Internet at <http://www.up.com>.

EARNINGS INFORMATION

Copies of press releases and Securities and Exchange Commission (SEC) filings covering quarterly and annual earnings information may be obtained by telephoning or writing the Corporation's Transfer Agent as listed at left. They are also available on the Internet at <http://www.up.com> or from the SEC at <http://www.sec.gov>.

The trademarks and trade names of the companies featured herein, including Major League Baseball, are used with permission.

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

NAME OF CORPORATION	STATE OF INCORPORATION
-----	-----
Overnite Transportation Company.....	Virginia
Southern Pacific Rail Corporation.....	Utah
Union Pacific Railroad Company.....	Delaware

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 2-79663, Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-18877, Registration Statement No. 33-22106, Registration Statement No. 33-44236, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 33-51735, Registration Statement No. 33-58563, 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 and Registration Statement No. 333-42768 on Forms S-8 and Registration Statement No. 333-18345, Registration Statement No. 333-54009, Registration Statement No. 333-75989 and Post-Effective Amendment No. 1 to Registration Statement No. 333-51617 on Forms S-3 of our reports dated January 18, 2001, appearing in and incorporated by reference in this Annual Report on Form 10-K of Union Pacific Corporation for the year ended December 31, 2000.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 21, 2001

UNION PACIFIC CORPORATION

POWERS OF ATTORNEY

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ PHILIP F. ANSCHUTZ

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Philip F. Anschutz

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ROBERT P. BAUMAN

- - - - -

Robert P. Bauman

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ E. VIRGIL CONWAY

- - - - -

E. Virgil Conway

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ THOMAS J. DONOHUE

- - - - -

Thomas J. Donohue

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ARCHIE W. DUNHAM

Archie W. Dunham

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ SPENCER F. ECCLES

Spencer F. Eccles

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ IVOR J. EVANS

Ivor J. Evans

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ELBRIDGE T. GERRY, JR.

Elbridge T. Gerry, Jr.

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ JUDITH RICHARDS HOPE

Judith Richards Hope

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ RICHARD J. MAHONEY

Richard J. Mahoney

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ STEVEN R. ROGEL

Steve R. Rogel

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ RICHARD D. SIMMONS

Richard D. Simmons

I, the undersigned, a director of Union Pacific Corporation, a Utah Corporation (the Company), do hereby appoint each of Carl W. von Bernuth, James R. Young, and Thomas E. Whitaker my true and lawful attorney-in-fact and agent, to sign on my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

/s/ ERNESTO ZEDILLO

Ernesto Zedillo