COVER

FORM 10-Q

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

(Mark One)

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

For the quarterly period ended June 30, 1999

\- OR -

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

For the transition period from _______________ to _____________

Commission file number 1-6075

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

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

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

68179
(Zip Code)

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

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

YES X NO

As of July 30, 1999, there were 247,829,273 shares of the Registrant's Common Stock outstanding.

UNION PACIFIC CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Statement of Consolidated Income (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Three Months Ended June 30, 1999 and 1998

	Millions, Except Per Share and Ratios	1999	1998
Operating Revenues	Rail and other (Note 2)	$2,773	$2,623
Operating Expenses	Salaries, wages and employee benefits	1,057	1,090
	Equipment and other rents	325	369
	Depreciation	268	268
	Fuel and utilities (Note 5)	202	214
	Materials and supplies	146	146
	Casualty costs	95	118
	Other costs (Note 10)	239	557
	Total	2,332	2,762
Income	Operating Income (Loss)	441	(139)
	Other income (Note 8)	24	54
	Interest expense (Notes 5 and 6)	(184)	(177)
	Income (Loss) before Income Taxes	281	(262)
	Income taxes	(87)	108
	Income (Loss) from Continuing Operations	194	(154)
	Estimated Loss on Disposal of Discontinued Operations(net of income taxes of $198 million) (Note 4)	-	(262)
	Net Income (Loss)	$ 194	$ (416)
Earnings Per Share (Note 7)	Basic:		
	Income (Loss) from Continuing Operations	$ 0.79	$(0.63)
	Estimated Loss on Disposal of Discontinued Operations	-	(1.06)
	Net Income (Loss)	$ 0.79	$(1.69)
	Diluted:		
	Income (Loss) from Continuing Operations	$ 0.77	$(0.63)
	Estimated Loss on Disposal of Discontinued Operations	-	(1.06)
	Net Income (Loss)	$ 0.77	$(1.69)
	Weighted Average Number of Shares (Basic)	246.5	246.0
	Weighted Average Number of Shares (Diluted)	270.6	246.0
	Cash Dividends Per Share	$ 0.20	$ 0.20
	Ratio of Earnings to Fixed Charges (Note 9)	2.2	-

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

Statement of Consolidated Income (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 1999 and 1998

	Millions, Except Per Share and Ratios	1999	1998
Operating Revenues	Rail and other (Note 2)	$5,513	$5,209
Operating Expenses	Salaries, wages and employee benefits	2,133	2,168
	Equipment and other rents	656	751
	Depreciation	538	531
	Fuel and utilities (Note 5)	391	435
	Materials and supplies	290	290
	Casualty costs	206	235
	Other costs (Note 10)	496	905
	Total	4,710	5,315
Income	Operating Income (Loss)	803	(106)
	Other income (Note 8)	49	77
	Interest expense (Notes 5 and 6)	(370)	(338)
	Income (Loss) before Income Taxes	482	(367)
	Income taxes	(159)	151
	Income (Loss) from Continuing Operations	323	(216)
	Estimated Loss on Disposal of Discontinued Operations(net of income taxes of $198 million) (Note 4)	-	(262)
	Net Income (Loss)	$ 323	$ (478)
Earnings Per Share (Note 7)	Basic:		
	Income (Loss) from Continuing Operations	$ 1.31	$(0.88)
	Estimated Loss on Disposal of Discontinued Operations	-	(1.06)
	Net Income (Loss)	$ 1.31	$(1.94)
	Diluted:		
	Income (Loss) from Continuing Operations	$ 1.31	$(0.88)
	Estimated Loss on Disposal of Discontinued Operations	-	(1.06)
	Net Income (Loss)	$ 1.31	$(1.94)
	Weighted Average Number of Shares (Basic)	246.4	246.0
	Weighted Average Number of Shares (Diluted)	247.7	246.0
	Cash Dividends Per Share	$ 0.40	$ 0.40
	Ratio of Earnings to Fixed Charges (Note 9)	2.0	0.1

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

Statement of Consolidated Financial Position (Unaudited)
Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars	June 30, 1999	Dec. 31, 1998
Assets			
Current Assets	Cash and temporary investments	$ 331	$ 176
	Accounts receivable (Note 5)	561	643
	Inventories	341	343
	Current deferred tax asset	248	244
	Other current assets	102	96
	Total	1,583	1,502
Investments (Note 3)	Investments in and advances to affiliated companies	632	520
	Other investments	125	171
	Total	757	691
Properties	Cost	33,748	33,145
	Accumulated depreciation	(6,567)	(6,206)
	Net	27,181	26,939
Other	Other assets	266	242
	Total Assets	$29,787	$29,374
Liabilities and Stockholders' Equity			
Current Liabilities	Accounts payable	$ 630	$ 586
	Accrued wages and vacation payable	472	410
	Accrued casualty costs	392	400
	Income and other taxes payable	282	301
	Dividends and interest payable	288	289
	Debt due within one year (Note 6)	215	181
	Other current liabilities (Note 3)	709	765
	Total	2,988	2,932
Other Liabilities and Stockholders' Equity	Debt due after one year (Note 6)	8,590	8,511
	Deferred income taxes	6,473	6,308
	Accrued casualty costs	1,045	995
	Retiree benefit obligations	826	803
	Other long-term liabilities (Notes 3 and 10)	740	932
	Company-Obligated Mandatorily Redeemable Convertible Preferred Securities (Note 6)	1,500	1,500
	Common stockholders' equity (Page 5)	7,625	7,393
	Total Liabilities and Stockholders' Equity	$29,787	$29,374

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

Statement of Consolidated Cash Flows (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 1999 and 1998

	Millions of Dollars	1999	1998
Cash from Operations	Income (Loss) from Continuing Operations	$ 323	$ (216)
	Non-cash charges to income:		
	Depreciation	538	531
	Deferred income taxes	161	(141)
	Other - net	(174)	(40)
	Changes in current assets and liabilities	130	(51)
	Cash Provided by Operations	978	83
Investing Activities	Capital investments	(824)	(1,266)
	Other - net (Note 3)	(17)	43
	Cash Used in Investing Activities	(841)	(1,223)
Equity and Financing Activities (Note 6)	Dividends paid	(98)	(155)
	Debt repaid	(528)	(1,798)
	Net financings	642	3,356
	Other - net	2	(53)
	Cash Provided by Equity and Financing Activities	18	1,350
	Net Change in Cash and Temporary Investments	$ 155	$ 210
	Cash at Beginning of Period	176	90
	Cash at End of Period	$ 331	$ 300
Change in Current Assets and Liabilities	Accounts receivable	$ 82	$ 90
	Inventories	2	(27)
	Other current assets	(10)	103
	Accounts, wages and vacation payable	106	(76)
	Debt due within one year (Note 6)	34	(68)
	Other current liabilities	(84)	(73)
	Total	$ 130	$ (51)

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

Statement of Changes in Common Stockholders' Equity (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 1999

	Millions of Dollars	1999
Common Stock	Common stock, $2.50 par value (authorized 500,000,000 shares)	
	Balance at beginning of period (276,335,423 shares issued)	$ 691
	Conversions, exercises of stock options and retention stock forfeitures for the period (17,204 net shares issued)	-
	Balance at end of period (276,352,627 shares issued)	691
Paid-in Surplus	Balance at beginning of period	4,053
	Conversions, exercises of stock options and forfeitures	(16)
	Balance at end of period	4,037
Retained Earnings	Balance at beginning of period	4,441
	Net income	323
	Total	4,764
	Cash dividends declared ($0.40 per share)	(98)
	Balance at end of period	4,666
Treasury Stock	Balance at June 30, at cost (28,509,531 shares)	(1,769)
	Total Common Stockholders' Equity	$ 7,625

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Responsibilities for Financial Statements - The consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. The Statement of Consolidated Financial Position at December 31, 1998 is derived from audited financial statements. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Union Pacific Corporation (the Corporation or UPC) Annual Report to Shareholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998. The results of operations for the three and six months ended June 30, 1999 are not necessarily indicative of the results for the entire year ending December 31, 1999. Certain 1998 amounts have been reclassified to conform to the 1999 financial statement presentation.

2. Segmentation - UPC consists of one reportable segment, rail transportation (Rail), and UPC's other product lines (Other Operations). The Rail segment includes the operations of Union Pacific Railroad Company (UPRR), its subsidiaries and rail affiliates (collectively, the Railroad). Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as technology and insurance product lines, corporate holding company operations, which largely support the Rail segment, and all appropriate consolidating entries.

The following tables detail reportable financial information for UPC's Rail segment and Other Operations for the three months and six months ended June 30, 1999 and 1998, respectively:

Three Months Ended June 30, 1999	Rail	Other Operations [a]		Consolidated
Millions of Dollars		Trucking	Other[b]	
Net sales and revenues from external customers [c]	$ 2,491	$ 273	$ 9	$ 2,773
Net income (loss)	206	11	(23)	194
Assets	28,640	869	278	29,787

Three Months Ended June 30, 1998	Rail	Other Operations [a]		Consolidated
Millions of Dollars		Trucking	Other[b]	
Net sales and revenues from external customers [c]	$ 2,317	$ 262	$ 44	$ 2,623
Net income (loss)	(122)	5	(299)	(416)
Assets [d]	28,023	1,358	(85)	29,296

Six Months Ended June 30, 1999	Rail	Other Operations [a]		Consolidated
Millions of Dollars		Trucking	Other[b]	
Net sales and revenues from external customers [c].......	$ 4,970	$526	$ 17	$ 5,513
Net income (loss)..............	355	20	(52)	323
Assets.........................	28,640	869	278	29,787

Six Months Ended June 30, 1998	Rail	Other Operations [a]		Consolidated
Millions of Dollars		Trucking	Other[b]	
Net sales and revenues from external customers [c].......	$ 4,601	$ 519	$ 89	$ 5,209
Net income (loss)..............	(154)	10	(334)	(478)
Assets [d].....................	28,023	1,358	(85)	29,296

[a]"Other Operations" includes all product lines that are not significant enough to warrant reportable segment classification.

[b]Included in the "Other" product line are the results of the corporate holding company, Union Pacific Technologies, a provider of transportation-related technologies, Wasatch Insurance Limited, a captive insurance company, and all necessary consolidating entries. 1998 also includes Skyway Freight Systems, Inc., a provider of contract logistics and supply chain management services, which was sold in November 1998.

[c]The Corporation does not have significant intercompany sales activities

[d]1998 "Other" includes the write-down of the investment in Overnite in connection with the attempted sale of Overnite (See Note 4).

3. Acquisitions

Southern Pacific Rail Corporation (Southern Pacific or SP) - UPC consummated the acquisition of Southern Pacific in September 1996. The acquisition of SP was accounted for as a purchase and was fully consolidated into UPC's results beginning in October 1996.

Merger Consolidation Activities - In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC is in the process of eliminating 5,200 duplicate positions, which are primarily employees involved in activities other than train, engine and yard activities. In addition, UPC is relocating 4,700 positions, merging or disposing of redundant facilities and disposing of certain rail lines. The Corporation is also canceling uneconomical and duplicative SP contracts.

To date, UPC has severed 2,500 employees and relocated 4,100 employees due to merger implementation activities. UPC recognized a $958 million pre-tax merger liability as part of the SP purchase price allocation for costs associated with SP's portion of these activities. In addition, the Railroad expects to incur $130 million in pre-tax acquisition-related costs for severing or relocating UPRR employees, disposing of certain UPRR facilities, training and equipment upgrading over the remainder of the merger implementation period. Earnings for the three months ended June 30, 1999 and 1998 included $8 million and $11 million after-tax, respectively, and for the six months ended June 30, 1999 and 1998, included $17 million and $29 million after-tax, respectively, for acquisition-related costs for UPRR consolidation activities.

The components of the merger liability as of June 30, 1999 were as follows:

Millions of Dollars	Original Reserve	Cumulative Activity	Current Reserve
Contractual obligations................	$361	$361	$ -
Severance costs........................	343	261	82
Contract cancellation fees and facility and line closure costs......	145	125	20
Relocation costs.......................	109	84	25
Total..................................	$958	$831	$127

Merger Liabilities - Merger liability activity reflected cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. The Corporation expects that the remaining merger payments will be made over the course of the next three years as labor negotiations are completed and implemented, and related merger consolidation activities are finalized.

Mexican Railway Concession - During 1997, UPRR 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 UPRR purchased an additional 13% ownership interest for $87 million from one of its partners. The UPRR now holds a 26% ownership share in the consortium. The investment is accounted for under the equity method.

4. Attempted Sale of Overnite - In May 1998, the Corporation's Board of Directors approved a formal plan to divest UPC's investment in Overnite through an initial public offering (IPO). UPC recorded a $262 million after-tax loss from discontinued operations in the second quarter of 1998 to provide for the expected loss from the sale of Overnite. During the fourth quarter of 1998, it became apparent that because of continued weakness in the IPO market, a successful divestiture of Overnite within the one year time limit prescribed by generally accepted accounting principles was no longer reasonably assured. As a result, in the fourth quarter of 1998 the Corporation reclassified Overnite's results to continuing operations and reversed the $262 million loss from discontinued operations. Overnite's operating results have been reclassified to continuing operations for all periods. Additionally, as discussed in the 1998 Annual Report, the Corporation changed its method of valuing goodwill during the fourth quarter of 1998. In connection with this change in accounting policy, $547 million of goodwill related to the acquisition of Overnite was written off during the fourth quarter of 1998.

5. Financial Instruments - The Corporation and its subsidiaries use derivative financial instruments in limited instances and for other than trading purposes to manage risk as it relates to fuel prices and interest rates. Where the Corporation has fixed interest rates or fuel prices through the use of swaps, futures or forward contracts, the Corporation has mitigated the downside risk of adverse price and rate movements; however, it has also limited future gains from favorable movements.

Credit Risk - The total credit risk associated with the Corporation's counterparties was $96 million at June 30, 1999. UPC has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

Valuation - The fair market values of the Corporation's derivative financial instrument positions at June 30, 1999 and December 31, 1998 were determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of future cash flows discounted at the applicable U.S. Treasury rate and swap spread.

The following is a summary of the Corporation's financial instruments at June 30, 1999 and December 31, 1998:

Millions of Dollars Except Percentages and Average Commodity Prices	June 30, 1999	December 31, 1998
Interest Rate Hedging:		
Amount of debt hedged.......................	$ 56	$ 150
Percentage of total debt portfolio..........	1%	2%
Rail Fuel Hedging:		
Fuel purchases hedged for 1999..............	$ 172	$ 343
Percentage of forecasted 1999 fuel consumption hedged........................	64%	64%
Average price of 1999 hedges outstanding (per gallon) [a]..............	$0.41	$0.41
Fuel purchases hedged for 2000..............	$ 65	-
Percentage of forecasted 2000 fuel consumption hedged........................	13%	-
Average price of 2000 hedges outstanding (per gallon) [a]..............	$0.39	-
Trucking Fuel Hedging:		
Fuel purchases hedged for 1999..............	$ 5	$ 10
Percentage of forecasted 1999 fuel consumption hedged...................	40%	41%
Average price of 1999 hedges outstanding (per gallon) [a]..............	$0.45	$0.45
Fuel purchases hedged for 2000..............	$ 2	-
Percentage of forecasted 2000 fuel consumption hedged...................	28%	-
Average price of 2000 hedges outstanding (per gallon) [a]..............	$0.39	-

[a]Excludes taxes and transportation costs.

The asset and liability positions of the Corporation's outstanding financial instruments at June 30, 1999 and December 31, 1998 were as follows:

Millions of Dollars	June 30, 1999	December 31, 1998
Interest Rate Hedging:		
Gross fair market asset position............	$50	$ 41
Gross fair market (liability) position......	(1)	(5)
Rail Fuel Hedging:		
Gross fair market asset position............	45	-
Gross fair market (liability) position......	-	(49)
Trucking Fuel Hedging:		
Gross fair market asset position............	1	-
Gross fair market (liability) position......	-	(2)
Total asset (liability) position.................	$95	$(15)

The Corporation's use of financial instruments had the following impact on pre-tax income for the three months and six months ended June 30, 1999 and 1998:

Millions of Dollars	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Increase in interest expense from interest rate hedging...........	$1	-	$ 1	$ 1
Increase in fuel expense from Rail fuel hedging...............	-	20	19	34
Increase in fuel expense from Trucking fuel hedging...........	-	1	1	2
Reduction in Pre-Tax Income.......	$1	$21	$21	$37

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 (the Subsidiary). The Subsidiary is collateralized by a $66 million note from UPRR. 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 June 30, 1999 and December 31, 1998, accounts receivable are presented net of $576 million and $580 million, respectively, of receivables sold.

6. Debt

Credit Facilities - The Corporation had $1.2 billion of credit facilities with various banks designated for general corporate purposes that expired in the first quarter of 1999. Because of improvements in earnings and operating cash flows during 1999, the Corporation no longer required this credit capacity for operational purposes. A $2.8 billion credit facility, which expires in 2001, remains outstanding.

Convertible Preferred Securities - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, has issued $1.5 billion aggregate liquidation amount of 6-1/4% Convertible Preferred Securities (the CPS). 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 accrue and pay 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, which debentures represent the sole assets of the Trust.

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

Significant New Borrowings - During January 1999, the Corporation issued $600 million of 6-5/8% debentures with a maturity date of February 1, 2029. The proceeds from the issuance of these debentures were used for repayment of debt and other general corporate purposes.

Shelf Registration Statement - Under currently effective shelf registration statements, the Corporation may sell, from time to time, up to $1 billion in the aggregate of any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. The Corporation has no immediate plans to issue equity securities.

7. Earnings Per Share - The following tables provide a reconciliation between basic and diluted earnings per share for the three months and six months ended June 30, 1999 and 1998:

Millions, Except Per Share Amounts	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998
Income Statement Data:		
Income (loss) from continuing operations	$ 194	$ (154)
Income (loss) available to common stockholders from continuing operations	194	(154)
Estimated loss on disposal of discontinued operations	-	(262)
Net income (loss) available to common stockholders - Basic	194	(416)
Dilutive effect of interest associated with the CPS [a]	15	-
Net income (loss) available to common stockholders - Diluted	209	(416)
Weighted-Average Number of Shares Outstanding:		
Basic	246.5	246.0
Dilutive effect of common stock equivalents [b]	24.1	-
Diluted	270.6	246.0
Earnings Per Share:		
Basic:		
Income (loss) from continuing operations	$0.79	$(0.63)
Estimated loss on disposal of discontinued operations	-	(1.06)
Net income (loss)	$0.79	$(1.69)
Diluted:		
Income (loss) from continuing operations	$0.77	$(0.63)
Estimated loss on disposal of discontinued operations	-	(1.06)
Net income (loss)	$0.77	$(1.69)

[a] In 1998, the effect of $15 million of interest associated with the CPS was anti-dilutive (see Note 6).
[b] 1998 excludes the effect of anti-dilutive common stock equivalents related to options and the CPS, which were 1.4 million and 21.8 million, respectively.

Millions, Except Per Share Amounts	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Income Statement Data:		
Income (loss) from continuing operations	$ 323	$ (216)
Income (loss) available to common stockholders from continuing operations	323	(216)
Estimated loss on disposal of discontinued operations	-	(262)
Net income (loss) available to common stockholders [c]	323	(478)
Weighted-Average Number of Shares Outstanding:		
Basic	246.4	246.0

Dilutive effect of common stock equivalents [d]	1.3	-
Diluted	247.7	246.0
Earnings Per Share:		
Basic:		
Income (loss) from continuing operations	$1.31	$(0.88)
Estimated loss on disposal of discontinued operations	-	(1.06)
Net income (loss)	$1.31	$(1.94)

Diluted:		
Income (loss) from continuing operations.	$1.31	$(0.88)
Estimated loss on disposal discontinued operations................	-	(1.06)
Net income (loss)............................	$1.31	$(1.94)

[c] Represents both basic and diluted net income (loss) available to common stockholders as no adjustments are required for the CPS, which were anti-dilutive.

[d] 1999 excludes the effect of 21.8 million anti-dilutive common stock equivalents related to the CPS. 1998 excludes the effect of anti-dilutive common stock equivalents related to options and the CPS, which were 1.6 million and 10.9 million, respectively.

8. Other Income - Other income included the following for the three months and six months ended June 30, 1999 and 1998:

Millions of Dollars	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998
Net gain on asset dispositions.............	$ 7	$29
Rental income..............................	13	12
Interest income............................	4	6
Other - net................................	-	7
Total......................................	$24	$54

Millions of Dollars	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Net gain on asset dispositions.............	$18	$44
Rental income..............................	25	23
Interest income............................	8	11
Other - net................................	(2)	(1)
Total......................................	$49	$77

9. Ratio of Earnings to Fixed Charges - The ratio of earnings to fixed charges has been computed on a consolidated basis. Earnings represent net income (loss) less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and the estimated interest portion of rental charges. For the three months and six months ended June 30, 1998, fixed charges exceeded earnings by approximately $272 million and $386 million, respectively.

10. 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. In addition, the Corporation and its subsidiaries also periodically enter into financial and other commitments and guarantees in connection with their businesses, and have retained certain contingent liabilities upon the disposition of formerly owned operations.

It is not possible at this time for the Corporation to determine fully the effect of any or all unasserted claims on its consolidated financial condition; 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 or guarantees will have a material adverse effect on its consolidated financial condition. Certain potentially significant contingencies relating to the Corporation's and its subsidiaries' businesses are detailed below:

Customer Claims - Certain customers have submitted claims for damages related to shipments delayed by the Railroad as a result of congestion problems during 1997 and 1998, and certain customers have filed lawsuits seeking relief related to such delays. The nature of the damages sought by claimants includes, but is not limited to, contractual liquidated damages, freight loss or damage, alternative transportation charges, additional production costs, lost business and lost profits. In addition, some customers have asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation has made no additional provisions for such claims in 1999.

Shareholder Lawsuits - UPC and certain of its directors and officers are defendants in two purported class actions that have been consolidated into one proceeding. The consolidated complaint alleges, among other things, that the Corporation violated the Federal securities laws by failing to disclose material facts and making materially false and misleading statements concerning the service, congestion and safety problems encountered following the Corporation's acquisition of Southern Pacific in 1996. These lawsuits were filed in late 1997 in the United States District Court for the Northern District of Texas and seek to recover unspecified amounts of damages. Management believes that the plaintiffs' claims are without merit and intends to defend them vigorously. The defendants have moved to dismiss this action, and the motion has been fully briefed and is awaiting a decision by the Court.

In addition to the class action litigation, a purported derivative action was filed on behalf of the Corporation and UPRR in September 1998 in the District Court for Tarrant County, Texas, naming as defendants the then-current and certain former directors of the Corporation and UPRR and, as nominal defendants, the Corporation and UPRR. The derivative action alleges, among other things, that the named directors breached their fiduciary duties to the Corporation and UPRR by approving and implementing the Southern Pacific merger without informing themselves of its impact or ensuring that adequate controls were put in place and by causing UPC and UPRR to make misrepresentations about UPRR's service problems to the financial markets and regulatory authorities. The Corporation's Board of Directors established a special litigation committee consisting of three independent directors to review the plaintiff's allegations and determine whether it is in UPC's best interest to pursue them. The committee has unanimously concluded that further prosecution of the derivative action on behalf of the Corporation and UPRR is not in the best interest of either such company. Accordingly, the Corporation and UPRR have filed a motion with the Court to dismiss the derivative action. The plaintiff has not yet responded to the motion. The individual defendants also believe that these claims are without merit and intend to defend them vigorously.

11. Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board 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 Financial Accounting Standards Board 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. While management is still in the process of determining the full effect FAS 133 will have on the Corporation's financial statements, management has determined that FAS 133 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133, be recorded in the Corporation's Statement of Financial

Position (See Note 5). 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. Management does not anticipate that the final adoption of FAS 133 will have a material impact on UPC's consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RESULTS OF OPERATIONS

SERVICE ISSUES

The results of operations of Union Pacific Corporation (the Corporation or UPC) and its rail segment (Rail), which includes the operations of Union Pacific Railroad Company (UPRR) and its subsidiaries and rail affiliates (collectively, the Railroad), for the three and six months ended June 30, 1998 were adversely affected by the congestion that began in the third quarter of 1997. However, service recovery efforts resulted in significant improvements in operating and financial results beginning in the latter half of 1998 and continuing into the first half of 1999.

Three Months Ended June 30, 1999 Compared to June 30, 1998

CONSOLIDATED

Net Income - The Corporation reported net income of $194 million or $0.79 per basic share and $0.77 per diluted share for the second quarter of 1999, compared to a net loss of $416 million or $1.69 per basic and diluted share in 1998. This earnings increase resulted primarily from improved operations and service levels at UPC's Rail unit, as well as the impact in the second quarter 1998 results of a $262 million after-tax loss from discontinued operations associated with the planned sale of Overnite Transportation Company (Overnite). Excluding the Overnite write-down, the 1998 net loss from continuing operations was $154 million or $0.63 per basic and diluted share.

Operating Revenues - Operating revenues increased $150 million (6%) to $2,773 million in 1999, reflecting increased volumes and revenues in all commodity lines of the Rail unit, partially offset by the impact of selling Skyway Freight Systems, Inc. (Skyway) in November of 1998. Skyway generated $44 million in revenue during the second quarter of 1998.

Operating Expenses - Operating expenses decreased $430 million (16%) to $2,332 million in 1999. Salaries, wages and employee benefit costs were $33 million lower than 1998, as inflation and volume growth were more than offset by improved productivity at UPC's Rail unit and the impact of the sale of Skyway. Equipment and other rents were $44 million (12%) lower than 1998, resulting primarily from improved rail cycle times, partially offset by higher rail volumes. Depreciation expense was unchanged at $268 million, reflecting increased capital spending at the Rail unit offset by lower overall depreciation rates for rail equipment and track assets. Fuel and utilities were $12 million (6%) lower than 1998, as lower fuel prices and improved fuel efficiency more than offset volume driven increases. Materials and supplies was unchanged at $146 million. Casualty costs decreased $23 million (19%), as the cost of rail-related accident claims continued to decline. Other costs decreased $318 million (57%) to $239 million in 1999, reflecting the impact in the second quarter 1998 of a $250 million expense for the resolution of customer claims, the impact of the sale of Skyway, lower state and local taxes (primarily sales and property taxes) and increased benefits resulting from the continuing integration of Southern Pacific operations. (See Note 3 to the Consolidated Financial Statements.)

Operating Income - Operating income increased $580 million to $441 million in 1999 reflecting both decreased Rail operating expenses and increased revenues.

Non-Operating Items - Other income decreased $30 million (56%), reflecting the impact in the second quarter of 1998 of the sale of the SP headquarters building and an insurance recovery for 1997 flood damage. Interest expense increased $7 million, the result of increased debt levels year-over-year. Income taxes increased $195 million to an $87 million expense, reflecting higher income before income taxes, partially offset by settlements related to prior tax years.

RAIL SEGMENT

Net Income - Rail operations reported net income of $206 million for the second quarter of 1999 compared to a 1998 net loss of $122 million. Increased earnings resulted primarily from improved operations and service levels and achieving benefits from the SP merger.

Operating Revenues - Rail operating revenues increased $174 million (8%) to $2,491 million in 1999, reflecting the Rail unit's continued recovery from 1998 results. Second quarter 1999 results were adversely impacted by an estimated $40 million reduction in commodity revenue due to the impact on rail traffic of the implementation of the joint acquisition of Conrail, which primarily affected the Rail unit's automotive and industrial traffic, and the Rail unit's planned 10-day maintenance outage on its central corridor, which primarily affected energy traffic from the Powder River Basin (PRB). Commodity revenue increased 8% and carloads increased 6% as all commodity lines showed improvements over 1998. Average revenue per car (ARC) improved 2% over 1998 to $1,151.

The following table summarizes the quarter-over-quarter change in rail commodity revenue (CR):

Carloads in Thousands, Commodity Revenues in Millions of Dollars

	Three Months Ended June 30,1999			Change vs.1998			% Change vs.1998		
	Cars	ARC	CR	Cars	ARC	CR	Cars	ARC	CR
Agricultural.....	214	$1,536	$ 328	21	$ 23	$ 38	11%	2%	13%
Automotive.......	184	1,492	275	19	19	32	12	1	13
Chemicals........	233	1,701	395	7	9	12	3	1	3
Energy...........	448	1,188	533	21	45	45	5	4	9
Industrial.......	353	1,345	475	11	(17)	8	3	(1)	2
Intermodal.......	681	624	426	38	34	46	6	6	12
Total............	2,113	$1,151	$2,432	117	$ 23	$181	6%	2%	8%

Agricultural - Carloads increased 11%, leading to a commodity revenue gain of $38 million (13%) over 1998. Stronger exports and improved service levels resulted in volume increases in wheat (19%), corn (21%) and beverages (22%). ARC increased 2%, primarily the result of increased long-haul export moves and a price increase on wheat movements.

Automotive - Commodity revenues were up $32 million (13%), driven mainly by a 12% increase in carloadings. Strong domestic production and improvements in cycle times, partially offset by the impact on rail traffic of the implementation of the joint acquisition of Conrail, as well as the negative impact in the second quarter of 1998 of a strike against a major auto manufacturer, helped to drive a 13% improvement in finished vehicle volumes and a 10% improvement in parts volumes. ARC increased 1% per car due to a combination of product mix and price increases.

Chemicals - Carloadings and commodity revenue increased 3% over 1998. Improved service levels and recovery in demand drove increases in plastics, liquid and dry chemicals and phosphorous moves. These gains were partially offset by declines in soda ash caused by the adverse impact on demand resulting from the Asian currency crisis, lower sulfur moves resulting from a slow down in production in response to weak demand, and a decline in demand for fertilizers resulting from depressed demand for U.S. farm commodities. ARC improved 1% due to favorable product mix, reflecting traffic improvements in longer-haul plastics and fewer shorter-haul petroleum moves.

Energy - Carloads increased 5%, resulting in a $45 million increase in commodity revenue. ARC improved as a result of an increase in longer-haul PRB traffic, combined with a 4% increase in tons per car. Volumes increased as a result of longer trains and more trains per day out of the PRB and improved service from Colorado and Utah mines, offset by a planned 10-day maintenance outage in the central corridor in June 1999.

Industrial - Carloadings increased 3% and commodity revenue increased $8 million (2%) to $475 million. Volume increases resulted from stronger demand and improved cycle times. Traffic gains occurred in lumber, stone and cement due to strong construction demand. Recyclables grew due to new business. Gains were partially offset by decreased steel loadings due to higher imports of low-priced foreign steel, which reduced U.S. production, and lost volumes from a major steel producer who filed for bankruptcy. ARC declined 1% due to an unfavorable mix of long- and short-haul business.

Intermodal - Commodity revenue increased $46 million (12%) to $426 million and carloadings increased 6%. Results were positively affected by strong demand resulting from growth in imports from Asia, service improvements and a new premium service offering. These gains were partially offset by a decline in exports to Asia due to the Asian economic crisis. ARC increased 6% due to positive mix shifts (longer-haul shipments) and demand driven price increases.

Operating Expenses - Operating expenses decreased $380 million (16%) to $2,054 million in 1999. A large portion of the decrease relates to a $250 million expense in the second quarter of 1998 for the resolution of customer claims. Improvements in service and increased benefits from the SP merger helped reduce quarter-over-quarter operating expenses.

Salaries, wages and employee benefits - Labor expenses were $15 million (2%) lower than 1998, as higher rail volumes and wage inflation were more than offset by merger consolidation benefits and productivity improvements.

Equipment and other rents - Rent expense decreased $40 million (12%) versus 1998, due primarily to an improvement in cycle time, which decreased to 12.6 days in 1999 compared to 16.4 days in 1998, and lower prices for private tank cars, intermodal equipment and other leased equipment. Most of the price decrease was related to a more favorable mix of equipment, as well as lower rates resulting from deregulation of equipment rates. These improvements were partially offset by higher volume as carloads increased 6% quarter-over-quarter.

Depreciation - Depreciation expense grew by $8 million or 3% to $256 million due to the Railroad's capital spending in the last half of 1998 and first half of 1999, partially offset by lower overall depreciation rates for equipment and track assets resulting from the most recent periodic depreciation study required by the Surface Transportation Board of the U.S. Department of Transportation (STB).

Fuel and utilities - Fuel and utilities expenses were down $11 million or 5% from 1998, reflecting lower fuel prices and improved consumption rates, which were partially offset by higher volume. An 8% increase in gross-ton miles quarter-over-quarter added volume-related fuel costs of $14 million versus 1998. Prices were down 7 cents per gallon to 56 cents, saving $23 million. The fuel consumption rate of 1.39 gallons per thousand gross-ton miles improved 2% from last year, lowering fuel costs by another $4 million. The Railroad hedged 69% of its second quarter fuel consumption in 1999, which increased fuel costs by less than a million dollars, or .1 cent per gallon. Expected fuel consumption for the remaining six months of 1999 is 64% hedged at an average of 55 cents per gallon (including taxes, transportation charges and regional pricing spreads).

Materials and supplies - Materials and supplies expense decreased $1 million (1%) from 1998. Lower material costs for roadway machines and work equipment and lower material freight charges more than offset an increase in locomotive repair material needed for units being removed from storage.

Casualty costs - Casualty costs declined $23 million (21%) from 1998, primarily due to the effect of lower than expected settlement costs. In addition, insurance costs and costs for repairs on cars from other railroads were lower quarter-over-quarter.

Other costs - Other costs decreased $298 million (58%) from 1998, reflecting a $250 million expense recorded in 1998 for the resolution of customer claims, lower state and local taxes (primarily sales and property taxes) and benefits resulting from the continuing integration of Southern Pacific operations.

Operating Income - Operating income increased $554 million to $437 million in 1999. Both periods included the impact of one-time merger-related costs for severance, relocation and training of employees ($13 million reduction in operating income in 1999 and $17 million reduction in operating income in 1998). The operating ratio for the second quarter of 1999 was 82.5%, 22.5 percentage points better than 1998's 105.0% operating ratio.

Non-Operating Items - Other income decreased $33 million (66%), reflecting the impact in the second quarter of 1998 of the sale of the SP headquarters building and an insurance recovery for 1997 flood damage. Interest expense increased $8 million, the result of higher average debt levels. Income taxes increased $185 million to a $93 million expense, reflecting higher income before income taxes, partially offset by settlements related to prior tax years.

OTHER OPERATIONS

Trucking Product Line

Net Income - Trucking earnings increased $1 million to $11 million in the second quarter of 1999 from $10 million in the second quarter of 1998 (excluding goodwill amortization of $5 million in 1998).

Operating Revenues - Trucking revenues increased $11 million (4%) to $273 million, primarily driven by a 3% increase in volume and a $2 million (33%) increase in Special Services Division revenue, primarily truck load business. Volume increases reflect a new product offering in the northeast United States and Texas. Rate improvements from non-contract customers were partially offset by a shift in the mix of lower and higher margin customers.

Operating Expenses - Operating expenses increased $9 million (4%) to $258 million in 1999 compared to $249 million in 1998 (excluding goodwill amortization of $5 million in 1998). Salaries, wages and employee benefit costs increased $8 million (5%) to $167 million, reflecting wage and benefit inflation and the addition of a new product offering in the northeast United States and Texas. Rent expense increased primarily due to costs related to a new premium service and opening a new facility in Dallas, Texas. Fuel costs were unchanged at $11 million as lower fuel prices (51 cents in 1999 compared to 52 cents in 1998) offset increased volumes. Fuel hedging increased fuel expense by less than $1 million in 1999. 40% of estimated remaining 1999 fuel purchases are hedged at an average of 45 cents per gallon. Materials and supplies increased $1 million (9%) due to increased fleet maintenance expense resulting from increased volume and longer average length of haul. Other costs decreased $1 million (4%) due to cost control initiatives.

Operating Income - Trucking operations generated operating income of $15 million for the second quarter of 1999 compared to $13 million for the comparable period a year ago (excluding goodwill amortization of $5 million in 1998). The operating ratio for trucking operations (excluding goodwill amortization in 1998) improved to 94.5% in 1999 from 95.1% in 1998.

Other Product Lines

Other operations include the technology and insurance product lines, as well as the corporate holding company operations and all necessary consolidating entries (see Note 2 to the Consolidated Financial Statements). Operating revenues declined $35 million in 1999 due primarily to the sale of Skyway in November 1998, offset by a reclassification to operating revenue of commercial technology revenue previously reported in other income. Operating expenses decreased $54 million reflecting the absence of 1999 costs associated with Skyway and the consolidation of portions of the Corporate staff with the Rail unit's staff in Omaha, Nebraska. Operating losses declined $19 million and net losses declined $14 million compared to 1998, due to the corporate reorganization and improved operations at the Corporation's technology division.

Six Months Ended June 30, 1999 Compared to June 30, 1998

CONSOLIDATED

Net Income - The Corporation reported net income of $323 million or $1.31 per basic and diluted share for the first six months of 1999, compared to a net loss of $478 million or $1.94 per basic and diluted share in 1998. This earnings increase resulted primarily from improved operations and service levels at UPC's Rail unit, as well as the impact in 1998 results of a $262 million after-tax loss from discontinued operations associated with the planned sale of Overnite. Excluding the Overnite write-down, the 1998 net loss from continuing operations was $216 million or $0.88 per basic and diluted share.

Operating Revenues - Operating revenues increased $304 million (6%) to $5,513 million in 1999, reflecting increased volumes and revenues in all commodity lines of the Rail unit, partially offset by the impact of selling Skyway in November of 1998. Skyway generated $89 million in revenue during the first six months of 1998.

Operating Expenses - Operating expenses decreased $605 million (11%) to $4,710 million in 1999. Salaries, wages and employee benefit costs were $35 million (2%) lower than 1998, as inflation and volume growth were more than offset by improved productivity at UPC's Rail unit and the impact of the sale of Skyway. Equipment and other rents were $95 million (13%) lower than 1998, resulting primarily from improved rail cycle times partially offset by higher rail volumes. Depreciation expense increased by $7 million to $538 million reflecting increased capital spending at the Rail unit, partially offset by lower overall depreciation rates for rail equipment and track assets. Fuel and utilities were $44 million (10%) lower than 1998, as lower fuel prices and improved fuel efficiency more than offset volume driven increases. Materials and supplies was unchanged at $290 million. Casualty costs decreased $29 million (12%) as the cost of rail-related accident claims continued to decline. Other costs decreased $409 million (45%) to $496 million in 1999, reflecting the impact in 1998 of expense for the resolution of customer claims, the impact of the sale of Skyway and increased benefits resulting from the continuing integration of Southern Pacific operations.

Operating Income - Operating income increased $909 million to $803 million in 1999 reflecting both decreased Rail operating expenses and increased revenues.

Non-Operating Items - Other income decreased $28 million (36%), reflecting the impact in the second quarter of 1998 of the sale of the SP headquarters building and an insurance recovery for 1997 flood damage, offset by a one-time favorable contract settlement in the first quarter of 1999. Interest expense increased $32 million, the result of higher average debt levels. Income taxes increased $310 million to a $159 million expense, reflecting higher income before income taxes, partially offset by settlements related to prior tax years.

RAIL SEGMENT

Net Income - Rail operations reported net income of $355 million for the six months ended June 30, 1999 compared to a 1998 net loss of $154 million. Increased earnings resulted primarily from improved operations and service levels and achieving benefits from the SP merger.

Operating Revenues - Rail operating revenues increased $369 million (8%) to $4,970 million in 1999, reflecting the Rail unit's continued recovery from 1998 results. 1999 revenues were adversely impacted by an estimated $40 million reduction in commodity revenue due to the impact on rail traffic of the implementation of the joint acquisition of Conrail, which primarily impacted automotive and industrial traffic, and the Rail unit's planned 10-day maintenance outage on its central corridor, which primarily affected energy traffic from the PRB. Carloadings for the first six months of 1999 were 6% higher than 1998. Average revenue per car (ARC) improved 2% over 1998 to $1,162.

The following table summarizes the year-over-year change in rail commodity revenue (CR):

Carloads in Thousands, Commodity Revenues in Millions of Dollars

	Six Months Ended June 30,1999			Change vs. 1998			% Change vs. 1998		
	Cars	ARC	CR	Cars	ARC	CR	Cars	ARC	CR
Agricultural...	437	$1,544	$ 675	43	$ 6	$ 70	11%	-%	12%
Automotive.....	354	1,492	528	30	31	55	9	2	12
Chemicals......	458	1,741	796	9	20	23	2	1	3
Energy.........	925	1,185	1,097	56	52	112	6	5	11
Industrial.....	680	1,359	924	24	(12)	24	4	(1)	3
Intermodal.....	1,307	622	814	65	26	73	5	4	10
Total..........	4,161	$1,162	$4,834	227	$24	$357	6%	2%	8%

Agricultural - Carloads increased 11%, leading to a commodity revenue gain of $70 million (12%) over 1998. Stronger exports and improved service levels resulted in volume increases in wheat, corn and beverages. ARC remained flat as longer hauls in meals and oils and a price increase on wheat movements were offset by a shift in corn movements to shorter-haul Gulf Coast moves versus longer-haul Pacific Northwest moves.

Automotive - Commodity revenue was up $55 million (12%), driven mainly by a 9% increase in carloadings. Strong domestic production, and improvements in cycle times, partially offset by the impact on rail traffic of the implementation of the joint acquisition of Conrail, model changeovers and a plant shut down, as well as the negative impact in 1998 of a strike against a major auto manufacturer, resulted in year-over-year increases in both finished vehicle and parts volumes. ARC increased 2% per car due to a combination of product mix and price increases.

Chemicals - Carloadings and commodity revenue increased 2% and 3%, respectively, over 1998. Improved service levels and recovery in demand drove increases in plastics, liquid and dry chemicals and phosphorous moves. These gains were partially offset by declines in soda ash caused by the adverse impact on demand resulting from the Asian currency crisis, lower sulfur moves resulting from a slow down in production in response to weak demand, and a decline in demand for fertilizers resulting from depressed demand for U.S. farm commodities. ARC improved 1% due to favorable product mix, reflecting traffic improvements in longer-haul plastics and fewer shorter-haul petroleum and export sulfur moves.

Energy - Carloads increased 6%, resulting in a $112 million increase in commodity revenue. ARC also improved $52 per car (5%) year-over-year resulting from changes in traffic mix as longer-haul PRB traffic increased. Increases in the number of PRB trains per day, tons per car and average train length helped to improve 1999 PRB business versus 1998. PRB traffic was reduced during the Rail unit's planned 10-day maintenance outage in June 1999. Colorado and Utah volumes also increased due to improved service.

Industrial - Carloadings increased 4% and commodity revenue increased $24 million (3%) to $924 million. Volume increases resulted from stronger demand and improved cycle times. Traffic gains occurred in lumber, stone and cement due to strong construction demand, and recyclables grew due to new business. Gains were partially offset by decreased steel loadings due to higher imports of low-priced foreign steel, which reduced U.S. production, and lost volumes from a major steel producer who filed for bankruptcy. ARC declined 1% due to an unfavorable mix of long- and short-haul business.

Intermodal - Commodity revenue increased $73 million (10%) to $814 million and carloadings increased 5%. Results were affected positively by strong demand resulting from growth in imports from Asia, service improvements and a new premium service offering. These gains were partially offset by a decline in exports to Asia due to the Asian economic crisis. ARC increased 4% due to positive mix shifts (longer-haul shipments) and demand driven price increases.

Operating Expenses - Operating expenses decreased $496 million (11%) to $4,169 million in 1999. A large portion of the decrease relates to the impact of expense in 1998 for the resolution of customer claims. Improvements in service and increased benefits from the SP merger helped to drive the year-over-year decrease in operating expenses.

Salaries, wages and employee benefits - Labor expenses were $6 million higher than 1998, a result of higher volumes and wage inflation that were partially offset by merger consolidation benefits and productivity improvements.

Equipment and other rents - Rent expense decreased $85 million (12%) versus 1998, due primarily to improvements in cycle time and lower prices, partially offset by higher volume as carloads increased 6% year-over-year.

Depreciation - Depreciation expense grew by $20 million or 4% to $514 million, due to the Railroad's capital spending in the last half of 1998 and first half of 1999, partially offset by lower overall depreciation rates for equipment and track assets resulting from the most recent periodic depreciation study required by the STB. The Railroad spent over $2 billion on capital projects in 1998 and over $800 million on capital projects during the first six months of 1999.

Fuel and utilities - Fuel and utilities expenses were down $41 million or 10% from 1998, reflecting lower fuel prices and improved consumption rates, which were partially offset by higher volume. The Railroad hedged 70% of its fuel consumption for the first six months of 1999, which increased fuel costs by $19 million.

Materials and supplies - Materials and supplies expense remained unchanged from the first six months of 1998 at $266 million. Lower material costs for roadway machines and work equipment, lower material freight charges and higher credits received for parts rebuilt, offset an increase in locomotive repair material needed for units being removed from storage.

Casualty costs - Casualty costs declined $28 million (13%) from 1998, primarily due to the effect of lower than expected settlement costs. In addition, insurance costs and costs for repairs on cars from other railroads were lower year-over-year.

Other costs - Other costs decreased $368 million (45%) from 1998, reflecting the impact on 1998 results from expense for the resolution of customer claims, lower state and local taxes (primarily sales and property taxes) and benefits resulting from the continuing integration of Southern Pacific operations.

Operating Income - Operating income increased $865 million to $801 million in 1999. Both periods included the impact of one-time merger-related costs for severance, relocation and training of employees ($28 million reduction in operating income in 1999 and $46 million reduction in operating income in 1998). The operating ratio for the first six months of 1999 was 83.9%, 17.5 percentage points better than 1998's 101.4% operating ratio.

Non-Operating Items - Other income decreased $29 million (42%), reflecting the impact in the second quarter of 1998 of the sale of the SP headquarters building and an insurance recovery for 1997 flood damage. Interest expense increased $29 million, the result of higher average debt levels. Income taxes increased $298 million to a $175 million expense reflecting higher income before income taxes, partially offset by settlements related to prior years.

OTHER OPERATIONS

Trucking Product Line

Net Income - Trucking net income matched 1998's results of $20 million (excluding goodwill amortization of $10 million in 1998).

Operating Revenues - Trucking revenues increased $7 million (1%) to $526 million. Stable volumes combined with a 1% increase in average price to produce the year-over-year improvement.

Operating Expenses - Operating expenses increased $8 million (2%) to $501 million in 1999 compared to $493 million in 1998 (excluding goodwill amortization of $10 million in 1998). Salaries, wages and employee benefit costs increased $12 million (4%) to $325 million, reflecting wage and benefit inflation and the addition of a new product offering in the northeast United States and Texas. Rent expense decreased $2 million (5%) to $40 million, due to a shift from third party to internal transportation sources. Fuel costs decreased $2 million (8%), primarily due to lower fuel prices (47 cents in 1999 compared to 55 cents in 1998). Fuel hedging increased fuel expense by $1 million in 1999. 40% of estimated remaining 1999 fuel purchases are hedged at an average of 45 cents per gallon. Materials and supplies increased $1 million (5%) due to increased fleet maintenance expense. Other costs decreased $1 million (2%) due to cost control initiatives.

Operating Income - Trucking operations generated operating income of $25 million for the first six months of 1999 compared to $26 million for the comparable period a year ago (excluding goodwill amortization of $10 million in 1998). The operating ratio for trucking operations (excluding goodwill amortization in 1998) increased to 95.2% in 1999 from 95.0% in 1998.

Other Product Lines

Other operations include the technology and insurance product lines, as well as the corporate holding company operations and all necessary consolidating entries (see Note 2 to the Consolidated Financial Statements). Operating revenues declined $72 million in 1999 due primarily to the sale of Skyway in November 1998, offset by a reclassification to operating revenue of commercial technology revenue previously reported in other income. Operating expenses decreased $107 million reflecting the absence of 1999 costs associated with Skyway and the consolidation of portions of the Corporate staff with the Rail unit's staff in Omaha, Nebraska. Operating losses declined $35 million and net losses declined $20 million compared to 1998 due to the corporate reorganization and improved operations at the Corporation's technology division.

CHANGES IN FINANCIAL CONDITION AND OTHER DEVELOPMENTS

Financial Condition - During the first six months of 1999, cash provided by operations was $978 million, compared to cash provided by operations of $83 million in 1998. This $895 million increase primarily reflects higher earnings at the Corporation's Rail segment resulting from the success of service recovery efforts in the first half of 1999 and the last half of 1998. Working capital improved due to continued emphasis on receivable collection efforts at the Railroad and the timing of current liability payments.

Cash used in investing activities was $841 million in the first six months of 1999, compared to a use of $1,223 million in 1998. This decrease primarily reflects lower Rail capital spending, including merger-related spending, offset by the purchase of an additional 13% ownership interest in the consortium operating the Pacific-North and Chihuahua Pacific lines in Mexico for $87 million (see Note 3 to Consolidated Financial Statements).

Cash provided by equity and financing activities was $18 million in the first six months of 1999, compared to $1.4 billion provided in 1998. Cash provided in 1999 principally reflects lower net borrowings ($642 million in 1999 compared to $3.4 billion in 1998) offset by debt repaid ($528 million in 1999 compared to $1.8 billion in 1998) reflecting the private placement of the Convertible Preferred Securities (the CPS) on April 1, 1998 (see Note 6 to the Consolidated Financial Statements).

The ratio of debt to total capital employed (treating the CPS as a debt instrument) was 57.5% at June 30, 1999 compared to 58.0% at December 31, 1998 and 56.9% at June 30, 1998. Including the CPS as an equity instrument, the ratio of debt to total capital employed at June 30, 1999 was 49.1% compared to 49.4% at December 31, 1998 and 48.4% at June 30, 1998.

At June 30, 1999, the Corporation had a $2.8 billion credit facility outstanding. The facility is designated for general corporate purposes and expires in 2001. Under currently effective shelf registration statements, the Corporation may sell, from time to time, up to $1 billion in the aggregate of any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. The Corporation has no immediate plans to issue equity securities.

OTHER MATTERS

Commitments and Contingencies - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. In addition, the Corporation and its subsidiaries are subject to various Federal, state and local environmental laws and are currently participating in the investigation and remediation of various sites. A discussion of certain claims, lawsuits, guarantees and contingencies is set forth in Note 10 to the Consolidated Financial Statements, which is incorporated herein by reference.

Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board 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 Financial Accounting Standards Board 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. While management is still in the process of determining the full effect FAS 133 will have on the Corporation's financial statements, management has determined that FAS 133 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133, be recorded in the Corporation's Statement of Financial Position (See Note 5). 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. Management does not anticipate that the final adoption of FAS 133 will have a material impact on UPC's consolidated financial statements.

Year 2000 - The Year 2000 (Y2K) compliance project at UPC includes software (internally developed and purchased), hardware and embedded chips inside equipment and machinery, primarily at its Rail unit. The Corporation's enterprise-wide project encompasses computer systems and equipment in multiple data centers and a telecommunications network spread over 23 states. Equipment containing embedded computer chips includes locomotives, automated train switching systems, computer aided train dispatching systems, signaling systems, computerized fueling stations, weigh-in-motion scales, cranes, lifts, PBX systems, elevators, and computerized monitoring systems throughout UPC. The Y2K project started with research in 1994 and an impact analysis of the Corporation's mainframe COBOL systems in 1995. The Y2K project has been a high priority since then.

UPC's Y2K Project is divided into five major initiatives as follows:

Mainframe Systems - These systems have been converted, tested and deemed to be Y2K compliant as of December 31, 1998. Periodic audits are planned during 1999 to ensure these systems remain Y2K compliant.

Client Server Systems - All critical client server systems have been converted, tested, and deemed to be Y2K compliant as of December 31, 1998. The non-critical client server systems were deemed to be Y2K compliant as of June 30, 1999.

User Department Developed Systems - These systems consist of both mainframe and PC-based systems developed by internal user departments. All of the systems were deemed to be Y2K compliant as of June 30, 1999.

Vendor Supplied and Embedded Systems - These systems consist of vendor-supplied software, desktop, mainframe and server hardware, databases and operating systems, as well as equipment and machinery with embedded systems. One hundred percent of the identified critical suppliers of these systems have indicated that they have a comprehensive Year 2000 plan. To help assure safety and Y2K compliance, UPC is testing selected critical software, hardware and embedded systems, even if the vendor has already certified the product. The Corporation is sharing information on the compliance and testing of safety critical components common to the industry with the cooperation of the Association of American Railroads (AAR).

Electronic Commerce Systems - These systems consist of all electronic exchanges of information with customers, vendors, other railroads and financial institutions. The railroad industry has agreed on a standard 4-digit year for all electronic data interchange (EDI). The Rail unit can now transmit and receive the new EDI standard that involves a 4-digit year. The Corporation is conducting additional Y2K testing with customers and trading partners using current and older versions of EDI transactions in 1999.

In an effort to ensure that interfacing systems will operate successfully in the year 2000 the Corporation is conducting integrated testing of individual systems already deemed to be Y2K compliant. Although the formal testing period is scheduled to be completed in September 1999, additional verification testing will continue through December 1999.

For each of these initiatives, seven major categories of events have been identified for contingency plans. These categories are (1) key data - integrity/loss, (2) critical software, (3) critical hardware, (4) communications, (5) critical supplies and suppliers, (6) facilities, and (7) key personnel. The contingency plans also include a Y2K command center that will be staffed 24 hours a day in the fourth quarter of 1999 and continuing into early 2000 for any problems that might occur due to Y2K. The staff will be composed of technical experts to fix or advise what to fix if systems fail and knowledgeable representatives from each business unit. Contingency plans continue to be developed and will be refined and adjusted throughout 1999.

As of June 30, 1999, 100% of the Corporation's systems (excluding trucking) have been converted, tested, and deemed to be Y2K compliant. Modification to trucking systems comprises approximately 10% of UPC's total Y2K workload and is estimated to be 98% complete. The remaining modification to trucking's systems is expected to be completed in the third quarter of 1999. Costs to convert UPC's systems are expensed as incurred. As of June 30, 1999, more than 80% of the costs of the Y2K project, estimated to be $61 million (pre-tax) in total, have been expensed. Although the Corporation believes its systems will be successfully modified, failure by it, or by those from whom UPC purchases equipment, or by other entities with whom UPC exchanges data, or on whom it relies for data, to successfully modify their systems, could materially impact operations and financial results in the year 2000.

CAUTIONARY INFORMATION

Certain information included in this report contains, and other materials filed or to be filed by the Corporation 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) contain or will contain, forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Such forward-looking information may include, without limitation, statements that the Corporation does not expect that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or other matters will have a material adverse effect on its consolidated financial condition, results of operations or liquidity and other similar expressions concerning matters that are not historical facts, and projections or predictions as to the Corporation's financial or operational results. Such forward-looking information is or will be based on information available at that time, and is or will be subject to risks and uncertainties that could cause actual 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 is fully successful in implementing its financial and operational initiatives; regaining its customers who switched to alternative transportation arrangements during the service crisis; industry competition and performance, and legislative and/or regulatory developments; natural events such as severe weather, floods and earthquakes; the effects of adverse general economic conditions; changes in fuel prices; labor stoppages; the impact of year 2000 systems problems; the outcome of shipper claims related to congestion; and claims arising from environmental investigations or proceedings and other types of claims and litigation. 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Disclosure concerning market risk-sensitive instruments is set forth in Note 5 to the Consolidated Financial Statements included in Item 1 of Part I of this Report and is incorporated herein by reference.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The discussion of certain legal proceedings affecting the Corporation and/or certain of its subsidiaries set forth in Note 10 to the Consolidated Financial Statements included in Item 1 of Part I of this Report is incorporated herein by reference. In addition to those matters, the following proceedings, or developments in proceedings presently pending, arose or occurred during the second quarter of 1999.

Bottleneck Proceedings - As reported in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998 and Quarterly Report on Form 10-Q for the quarter period ended March 31, 1999, the U.S. Court of Appeals for the Eighth Circuit entered an order on February 10, 1999 affirming a prior decision by the STB. The STB decision generally reaffirmed its existing position regarding the obligation of rail carriers to provide rates for bottleneck segments (lines of railroad that are served by a single railroad between a junction and an exclusively-served shipper facility), and dismissed two complaint proceedings filed by shippers challenging a class rate for the movement of coal to which UPRR and a predecessor were parties. On April 23, 1999 the Eighth Circuit denied a petition for rehearing filed by two of the shippers involved in the complaint proceeding. On July 19, 1999 the Western Coal Traffic League filed a petition for a writ of certiorari in the United States Supreme Court.

Labor Matters - The UPC 1998 10-K disclosed that the General Counsel of the National Labor Relations Board (NLRB) is seeking a bargaining order remedy in 12 cases involving Overnite Transportation Company (Overnite), where a Teamsters local union lost a representation election, and that in four of the 12 cases an administrative law judge has ruled that the bargaining order remedy is warranted, a ruling that Overnite has appealed to the NLRB. During the second quarter, an administrative law judge ruled in the remaining cases, determining that the bargaining order remedy is warranted in seven of the eight cases. Overnite intends to appeal that ruling to the NLRB.

Environmental Matters - As reported in the UPC 1998 10-K, the Railroad was named as a defendant in a criminal misdemeanor action brought by the State of California, and both the California Department of Fish and Game and the United States Environmental Protection Agency (USEPA) were seeking penalties, as the result of a diesel fuel spill at Norden, California in February 1997. In the second quarter, the Railroad settled the cases with the State of California by payment of $180,000. The Railroad and the USEPA have reached an agreement in principle to settle that case for payment of $125,000, subject to the USEPA's customary public comment procedures.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(a) Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended through May 27, 1999.

10(b) 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation, as amended through May 27, 1999.

10(c) Consulting greement dated April 24, 1999 between Union Pacific Railroad Company and Jerry R. Davis.

12(a) Computation of Ratio of Earnings to Fixed Charges for the Three Months Ended June 30, 1999.

12(b) Computation of Ratio of Earnings to Fixed Charges for the Six Months Ended June 30, 1999.

27 Financial data schedule.

(b) Reports on Form 8-K

On April 22, 1999, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the first quarter of 1999.

SIGNATURE

SIGNATURE

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

Dated: August 13, 1999

UNION PACIFIC CORPORATION
(Registrant)
/S/ James R. Young

James R. Young
Senior Vice President - Finance
and Controller
(Chief Accounting Officer and Duly
Authorized Officer)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

EXHIBIT INDEX

Exhibit No.	Description of Exhibits Filed with this Statement
10(a)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, as amended through May 27, 1999.
10(b)	1993 Stock Option and Retention Stock Plan of Union Pacific Corporation, as amended through May 27, 1999.
10(c)	Consulting agreement dated April 24, 1999 between Union Pacific Railroad Company and Jerry R. Davis.
12(a)	Computation of Ratio of Earnings to Fixed Charges for the Three Months Ended June 30, 1999.
12(b)	Computation of Ratio of Earnings to Fixed Charges for the Six Months Ended June 30, 1999.
27	Financial Data Schedule.

Exhibit 10(a)

UNION PACIFIC CORPORATION
STOCK UNIT GRANT AND DEFERRED COMPENSATION PLAN

FOR THE

BOARD OF DIRECTORS

(Effective December 1, 1978, as Amended April 30, 1987, January 1, 1995, January 25, 1996, February 26, 1998 and May 27, 1999)

Union Pacific Corporation
Stock Unit Grant and Deferred Compensation Plan
for the Board of Directors
As Amended as of May 27, 1999

1. Purpose

The purpose of this Plan is to permit grants of Stock Units to Directors to align their interests with those of stockholders, and to provide a means for deferring payment of all or a portion of any cash compensation, excluding expenses, payable to Directors for their service on the Board of Directors (the "Board") of Union Pacific Corporation (the "Company") in accordance with Article II, Section 5 of the By-Laws of Union Pacific Corporation. Such compensation eligible to be deferred, not including any grants under paragraph 3, is referred to herein as "Compensation".

2. Eligibility

Any individual (a "Director") serving as a member of the Board as of the effective date of this Plan or who subsequently becomes a member is eligible under this Plan, other than members who are employees of the Company or any of its subsidiaries.

3. Stock Unit Grants

(1) Commencing with the second quarter of 1998, each full quarterly installment of a Director's Compensation shall be accompanied by the grant of an amount of whole Stock Units equal to $7,500 (as such amount may be changed from time to time by the Board) divided by the Fair Market Value of one share of the Company's Common Stock on the first business day of the month following the quarter in which such Compensation

was earned, plus cash in lieu of any fractional Stock Unit resulting from such calculation. A pro-rata grant of Stock Units will accompany any partial quarterly Compensation installment. "Fair Market Value" on a date means the average of the high and low trading prices per share on that date, as reported in The Wall Street Journal listing of consolidated trading for New York Stock Exchange issues. Stock Units and cash so granted shall be credited to such Director's Stock Unit Account referred to in paragraph 6.

(2) Each person serving as a member of the Board on January 25, 1996 who has elected (the "Election") to forfeit $6,000 of the annual retirement pension under the Directors' Pension Plan pursuant to Section 12 thereof shall receive a grant of an amount of Stock Units equal to the dollar amount set forth in the election form pursuant to which such person made the Election, divided by the Fair Market Value of one share of the Company's Common Stock on the date that the grant is credited to such Directors' Stock Unit Account, plus cash in lieu of any fractional Stock Unit resulting from such calculation. For all persons making the Election who are eligible on January 25 1996 for benefits under the Directors' Pension Plan, such grant will be credited to such person's Stock Unit Account on February 15, 1996. For all other persons making the Election, such grant will be credited on the date they become eligible for such benefits (or if such date is not a business day, on the next business day).

(3) Each person elected as a member of the Board for the first time after January 25, 1996 shall receive, on the date such person completes five consecutive years of service on the Board (or if such date is not a business day, on the next business day), a grant for immediate credit to such person's Stock Unit Account of an amount of Stock Units equal to $85,000 (as such amount may be changed from time to time by the Board), divided by the Fair Market Value of one share of Common Stock on the date of such grant, plus cash in lieu of any fractional Stock Unit resulting from such calculation. In determining whether a person has completed five consecutive years of service, there shall be disregarded any period of such service during which such person was employed by the Company or any of its subsidiaries and, in the case of any person formerly so employed, any period after termination of such employment if at the time of termination the person is entitled to receive benefits as an employee under any pension plan of the Company or any of its subsidiaries.

4. Deferral Election

An election to defer Compensation is to be made on or before December 31 of any year for Compensation for services as a member of the Board for the following and later calendar years. In addition to deferrals of 1995 Compensation elected in the previous year, at any time prior to March 31, 1995, a Director may elect to defer additional Compensation to be paid for services in the last three quarters of 1995.

An election to defer is a continuing election until changed by the Director on or before December 31 of any year for the then following and later calendar years. However, once an election is made (and effective), subsequent elections will have no effect on the amounts, timing and manner of payment covered by the previous election.

Any newly elected Director who was not a Director on the preceding December 31 may elect, before his term begins, to defer Compensation for services as a member of the Board for the balance of the calendar year following such election.

Forms shall be made available to Directors each year for the purpose of making or changing their election.

5. Amount

All or any portion, in multiples of 10%, of a Director's Compensation may be deferred.

6. Deferred Accounts

Each Director shall have a Stock Unit Account and may have one or more Other Accounts (together, the "Accounts"). Amounts deferred pursuant to paragraph 4 may be credited to any Account, at the election of the Director made at the time of the deferral election, in multiples of 10% of such Director's Compensation. A Director may change the Account to which any quarterly installment of such Director's Compensation so deferred is to be credited at any time on or before the fifth business day prior to the date such quarterly installment is to be credited. Amounts deferred and credited to the Stock Unit Account shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the first business day of the month following the quarter in which the Compensation was earned, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Unit. In addition, (i) on or prior to March 31, 1995, each Director shall have a one-time election to transfer all or any part of the balance of his or her Other Account to the Stock Unit Account based on the Fair Market Value of the Company's Common Stock on April 3, 1995, (ii) at any time, a Director may transfer all or any part of the balance of any of his or her Other Accounts to another of his or her Other Accounts subject to any regulations regarding such transfer adopted by the Board and (iii) at any time on or after the 30th day after the date of a Director's termination from the Board, such Director may transfer all or any part of the balance of any of his or her Accounts to another of his or her Accounts, pursuant to any regulations regarding such transfers adopted by the Board.

On the payment date for each cash dividend or other cash distribution with respect to the Company's Common Stock, each Director's Stock Unit Account shall be credited with an amount equal to the amount of the per share dividend or distribution, multiplied by the number of Stock Units in such Account, and, if such Director is then serving as a member of the Board, shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the payment date for such dividend or distribution, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Units. If a Director is no longer serving as a member of the Board on the payment date for such dividend or distribution, the amount representing such dividend or distribution shall be paid out of the Stock Unit Account to such Director as soon as practicable after the payment date for such dividend or distribution.

Except as provided in the preceding sentence, any cash credited to a Director's Stock Unit Account shall be added to other cash credited to such Account and converted into a whole Stock Unit on the date sufficient cash exists to purchase a whole Stock Unit, based on the Fair Market Value of the Company's Common Stock on such date. In the event of a subdivision or combination of shares of Company Stock, the number of Stock Units credited to the Stock Unit Accounts on the effective date of such subdivision or combination shall be proportionately subdivided or combined as the case may be. No adjustment shall be made in Stock Units in connection with the issuance by the Company of any rights or options to acquire additional shares of Company Common Stock or securities convertible into Company Common Stock. In the event of any stock dividend or reclassification of Company Common Stock, any merger or consolidation to which the Company is a party, or any spin-off of shares or distribution of property other than cash with respect to the Company Common Stock, the Committee shall cause appropriate adjustments, if any, to be made in the Stock Units to reflect such stock dividend, reclassification, merger or consolidation, spin-off or distribution of property.

Other Accounts shall have such name, and be charged or credited pursuant to such method, as the Board shall determine upon establishment of such Other Account, and the Board may change such name or method for any such Other Account, but no such change shall reduce any amount previously accrued in a Director's Other Account.

7. Distribution

All distributions from Accounts shall be made in cash. For purposes of distributions from the Stock Unit Account, each Stock Unit shall be converted into an amount of cash equal to the Fair Market Value of one share of the Company's Common Stock on the first business day of the month in which such distribution is made. The Director must elect the timing and manner of payment: (a) in the case of deferred Compensation, at the same time and on the same form he elects a deferral of Compensation, (b) in the case of a Stock Unit grant under 3.a., on or prior to the time an election to defer the accompanying Compensation would have been required to be made, (c) in the case of a Stock Unit grant under 3.b., at the same time as the Election referred to therein, and (d) in the case of a Stock Unit grant under 3.c., prior to the time the Director receives such grant

- Timing of Payment: Directors may elect to begin distributions from the Accounts (a) following termination from the Board, (b) in a year specified by the Director which, in the case of distributions from the Stock Unit Account, must be after termination from the Board, or (c) in the case of distributions from any Other Account, following retirement from the Director's principal occupation.

- Manner of Payment: The Director may elect to receive payment from the Accounts in a lump sum or in a number of equal annual installments, not to exceed ten. A Director may change the foregoing election, provided that any such change must be made: (i) in the case of payments commencing on termination from the Board, one year prior to termination, (ii) in the case of payments commencing in a specified year, one year prior to the earlier to occur of termination from the Board and the commencement of such specified year, and (iii) in the case of payments commencing upon retirement from a principal occupation, one year prior to the earlier to occur of termination from the Board and such retirement.

  The lump sum or first installment is to be paid in January of the year following the year of termination or retirement or in January of the year selected by the Director, as applicable, and any remaining installments in January of each succeeding year until the total balance is paid.

  Distributions from the Stock Unit Account in installments shall be based on equal numbers of Stock Units in each installment.

  In the event of the death of a Director then serving as a member of the Board or a terminated or retired Director entitled to a distribution under this Plan, the balance of the Accounts shall be payable to the estate or designated beneficiary in full during the January of the year following the year of such Director's, terminated Director's or retired Director's death.

  The Director may designate his beneficiary at the same time he elects deferral of Compensation. However, the latest designated beneficiary will be the beneficiary or beneficiaries for the total of all distributions from the Accounts. The designated beneficiary may be changed at any time on a form provided by the Corporate Secretary, provided that no designation will be effective unless it is filed with the Corporate Secretary prior to the Director's death.

8. Unfunded Plan

The liability of the Union Pacific Corporation to any Director, terminated Director, retired Director or his estate or designated beneficiary under the Plan shall be that of a debtor only pursuant to such contractual obligations as are created by the Plan, and no such obligation of Union Pacific Corporation shall be deemed to be secured by any assets, pledges, or other encumbrances on any property of Union Pacific Corporation.

9. Inalienability of Deferred Compensation

Except to the extent of the rights of a designated beneficiary, no distribution pursuant to, or interest in, the Plan may be transferred, assigned, pledged or otherwise alienated and no such distribution or interest shall be subject to legal process or attachment for the payment of any claims against any individual entitled to receive the same.

10. Controlling State Law

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.

11. Amendment

The Board of Directors of the Union Pacific Corporation at its sole discretion may amend, suspend or terminate the Plan at any time. However, any such amendment, suspension or termination of the Plan may not adversely affect any Director's or his beneficiary's rights with respect to Compensation previously deferred.

12. Administration

Administration of the Plan will be coordinated by the Corporate Finance Department. Administration will include, but not be limited to, crediting of deferred compensation, dividends and accrued interest to individual Director accounts and ultimate disbursement of deferred amounts.

13. Effective Date

This Plan shall become effective December 1, 1978, applicable only to compensation for services after December 31, 1978, provided that the provisions hereof related to Stock Units shall be effective January 1, 1995.

Exhibit 10(b)

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 and May 27, 1999)

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.

"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.

"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.

"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.

"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) or 8(c), 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 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 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, 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 (i) in the case of disability as described below, 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 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. 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) 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.

(iv) All Other Terminations. Option shall expire, unless exercised, three (3) months after the date of such termination; provided, the Committee may provide for a longer exercise period, not to exceed three (3) years from the date of such 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. In the event that such 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 provide for an exercise period of up to five (5) years from 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 provided that (i) in the case of disability as described below, 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 as an incentive stock option (but shall become a non-qualified option exercisable pursuant to the terms of Section 6 hereof less the period already elapsed under such Section), according to the following schedule (unless the Committee shall provide for shorter periods at the time the incentive stock option is granted):

(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, 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.

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. In the case of incentive stock options granted after September 24, 1998, 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 stock option to up to five (5) years from the date of such termination.

d. 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).

e. 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.

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), 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).

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.

Exhibit 10(c)

CONSULTING AGREEMENT

AGREEMENT (the "Agreement"), made as of the 24th day of April, 1999, by and between Union Pacific Railroad Company, a Delaware corporation ("UPRR"), and Jerry R. Davis ("Consultant").

WHEREAS, the Consultant was previously employed by UPRR and possesses an intimate knowledge of the business and operations of UPRR; and

WHEREAS, UPRR desires to retain the Consultant in the capacity of an independent consultant and the Consultant desires to commit himself to providing the consulting services provided for herein;

Now, therefore, in consideration of the respective covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. Engagement. UPRR hereby engages the Consultant to provide the Consulting Services (as defined in Paragraph 2) to UPRR and its affiliates, and the Consultant hereby accepts such engagement, on the terms and conditions set forth herein, for the period commencing on the date hereof and expiring on March 31, 2000 (the "Term"), unless sooner terminated as provided in paragraph 5.

2. Services. The Consultant agrees, during the Term, to provide advisory and consulting services to UPRR relating to railroad safety issues, government regulation of railroad operations and other matters relating to the operation of UPRR as may be requested, including meeting with relevant regulatory authorities, and other services relating to safety (A Consulting Services"). The Consulting Services shall be performed at the request of the Chief Executive Officer of UPRR and in such places as UPRR requests. The Consultant shall devote such time to the Consulting Services as the parties hereto mutually agree. This is not intended to be an exclusive relationship, and the Consultant may contract with others so long as he does not violate the confidentiality provisions of this Agreement.

3. Independent Contractor. UPRR and the Consultant agree that he is an independent contractor, and that the Consultant will have complete control over how he performs services under this Agreement. The Consultant shall not be considered an employee or agent of UPRR or its affiliates for any purpose and shall not be entitled or eligible to participate in any benefits or privileges given or extended by UPRR or its affiliates to their employees. The Consultant shall have no power or right to enter into contracts or commitments on behalf of UPRR or its affiliates.

4. Fees and Expenses.

(a) Fees. In consideration of the Consulting Services as contemplated by this Agreement, UPRR shall pay to the Consultant in cash the sum of $100,000, payable on or before April 30, 1999.

(b) Reimbursement of Expenses.During the Term, UPRR shall reimburse the Consultant for all reasonable and necessary business expenses incurred by him in connection with performing the Consulting Services in accordance with and on the terms of UPRR's customary expense reimbursement policies.

5. Confidential Information. The Consultant shall not, without the written consent of the Board of Directors of UPRR or a person authorized thereby or pursuant to lawful process, while engaged by UPRR or at any time thereafter, directly or indirectly, publish or disclose to any person, firm, corporation or other entity, whether or not a competitor of UPRR or any affiliate thereof, except as necessary in connection with the performance by the Consultant of the Consulting Services, any Confidential Information. For purposes of this Agreement, "Confidential Information" means all information about UPRR and its affiliates obtained or developed by the Consultant while an employee of or consultant to UPRR, whether before or during the Term, including, but not limited to, information regarding directors, officers and other key personnel of UPRR and its affiliates, financial information or plans and other matters, and which UPRR has requested be held in confidence or which it could reasonably be expected to desire to be held in confidence, or the disclosure of which would likely be disparaging or disadvantageous to UPRR or any of such employees and directors, but shall not include information already in the public domain.

The Consultant acknowledges that the provisions of this Section 5 are reasonable and necessary for the protection of UPRR and that UPRR will be irrevocably damaged if such covenants are not specifically enforced. Accordingly, the Consultant agrees that, in addition to any other relief to which UPRR may be entitled in the form of actual of punitive damages, UPRR shall be entitled to seek and obtain injunctive relief from a court of competent jurisdiction (without the posting of bond therefor) for the purposes of restraining the Consultant from any actual or threatened breach of such covenants.

6. Notices. Notices and all other communications provided for

in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Consultant, to:

Jerry R. Davis
2131 East Alameda
Denver, Colorado 80209

If to UPRR, to:

Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
Attn: Barbara W. Schaefer

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7. Amendment and Waiver. No provisions of this Agreement may be amended, waived or discharged unless such amendment, waiver or discharge is agreed to in writing and signed by the Consultant and UPRR. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar of dissimilar provisions or conditions at the same or at any prior or subsequent time.

8. Integration. This Agreement contains the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter.

9. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Nebraska.

10. Assignment; Binding Agreement. This Agreement may not be transferred or assigned by either party, but shall be binding on the successors and permitted assigns of each party. This Agreement and all rights of the Consultant hereunder shall inure to the benefit of and be enforceable by the Consultant's personal or legal representatives, executors, administrators, successors, heirs, distributees, divisees and legatees.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

UNION PACIFIC RAILROAD COMPANY

By
Name:
Title:

By
Name: Jerry R. Davis

Exhibit 12(a)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

Millions of Dollars Except Ratios	Three Months Ended June 30, 1999	1998
Earnings		
Income (Loss) from Continuing Operations	$194	$(154)
Undistributed equity earnings....................	(10)	(10)
Total..	184	(164)
Income Taxes.....................................	87	(108)
Fixed Charges:		
Interest expense including amortization of debt discount...............................	184	177
Portion of rentals representing an interest factor............................	46	46
Total..	230	223
Earnings Available for Fixed Charges.................	501	(49)
Total Fixed Charges -- as above......................	$230	$ 223
Ratio of earnings to fixed charges (Note 9)...........	2.2	-

Exhibit 12(b)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

Millions of Dollars Except Ratios	Six Months Ended June 30, 1999	1998
Earnings		
Income (Loss) from Continuing Operations	$323	$(216)
Undistributed equity earnings	(19)	(19)
Total	304	(235)
Income Taxes	159	(151)
Fixed Charges:		
Interest expense including amortization of debt discount	370	338
Portion of rentals representing an interest factor	92	91
Total	462	429
Earnings Available for Fixed Charges	925	43
Total Fixed Charges -- as above	$462	$ 429
Ratio of earnings to fixed charges (Note 9)	2.0	0.1

5

This is a legend

1,000,000

6-MOS
DEC-31-1999
JUN-30-1999
331
0
561
0
341
1583
33748
6567
29787
2988
8590
0
0
691
6934
29787
0
5513
0
4710
0
0
370
482
159
323
0
0
0
323
1.31
1.31