COVER

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

(Mark One)

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

For the quarterly period ended September 30, 1996

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.)

Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania
(Address of principal executive offices)

18018
(Zip Code)

(610) 861-3200
(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
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As of October 31, 1996, there were 244,796,077 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED INCOME

For the Three Months and Nine Months Ended September 30, 1996 and 1995

(Amounts in Millions, Except Ratio and Per Share Amounts)
(Unaudited)

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Operating Revenues	$ 1,996	$ 1,974	$ 5,976	$ 5,512
Operating Expenses:				
Salaries, wages and employee benefits	716	726	2,233	2,112
Equipment and other rents	208	200	649	541
Depreciation and amortization	170	172	516	469
Fuel and utilities (Note 5)	164	144	508	414
Materials and supplies	106	92	333	277
Other costs	213	261	664	704
Total	1,577	1,595	4,903	4,517
Operating Income	419	379	1,073	995
Other Income - Net	52	35	102	105
Interest Expense (Notes 2, 3, 4 and 5)	(115)	(127)	(346)	(328)
Corporate Expenses	(24)	(26)	(75)	(80)
Income before Income Taxes	332	261	754	692
Income Taxes	(121)	(101)	(250)	(252)
Income from Continuing Operations	211	160	504	440
Income from Discontinued Operations (Note 4)	64	77	171	212
Net Income	$ 275	$ 237	$ 675	$ 652
Earnings Per Share:				
Income from Continuing Operations	$ 1.00	$ 0.78	$ 2.42	$ 2.14
Income from Discontinued Operations	0.30	0.37	0.82	1.03
Net Income	$ 1.30	$ 1.15	$ 3.24	$ 3.17
Weighted Average Number of Shares	211.9	206.1	208.5	205.8
Cash Dividends Per Share	$ 0.43	$ 0.43	$ 1.29	$ 1.29
Ratio of Earnings to Fixed Charges (Note 6)	--	--	2.7	2.8

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Millions of Dollars)
(Unaudited)

ASSETS	September 30, 1996	December 31, 1995
Current Assets:		
Cash and temporary investments	$ 148	$ 230
Accounts receivable	672	349
Inventories	292	238
Notes receivable from Resources (Note 4)	650	650
Other current assets	308	212
Total Current Assets	2,070	1,679
Net Assets of Discontinued Operation (Note 4)	1,236	1,312
Investments:		
Investments in and advances to affiliated companies (Note 2)	377	1,260
Other investments	239	187
Total Investments	616	1,447
Properties:		
Railroad (Note 2):		
Road and other	22,041	12,888
Equipment	6,546	5,004
Total Railroad	28,587	17,892
Trucking	740	744
Other	117	112
Total Properties	29,444	18,748
Accumulated depreciation	(4,970)	(4,643)
Properties - Net	24,474	14,105
Excess Acquisition Costs - Net	706	730
Other Assets	205	173
Total Assets	$ 29,307	$ 19,446

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Amounts in Millions, Except Share and Per Share Amounts)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1996	December 31, 1995
Current Liabilities:		
Accounts payable	$ 501	$ 435
Accrued wages and vacation	428	284
Debt due within one year	333	132
Accrued casualty costs	317	192
Income and other taxes	268	178
Dividends and interest	248	203
Other current liabilities (Note 2)	1,298	475
Total Current Liabilities	3,393	1,899
Dividend Payable--Resources Spin-Off (Note 4)	1,236	--
Debt Due After One Year (Note 2)	8,374	6,232
Deferred Income Taxes (Note 2)	5,842	3,498
Retiree Benefits Obligation	801	588
Other Long-Term Liabilities (Notes 2 and 7)	1,636	649
Minority Interest in Consolidated Subsidiary (Note 4)	--	216
Stockholders' Equity:		
Common stock, $2.50 par value, authorized 500,000,000 shares, 271,452,418 shares issued in 1996, 232,317,010 shares issued in 1995 (Note 2)	679	581
Paid-in surplus (Note 2)	3,900	1,473
Paid-in surplus--Resources' IPO (Note 4)	--	638
Retained earnings	5,138	5,327
Treasury stock, at cost, 27,270,026 shares in 1996, 26,737,806 shares in 1995	(1,692)	(1,655)
Total Stockholders' Equity	8,025	6,364
Total Liabilities and Stockholders' Equity	$ 29,307	$ 19,446

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
For the Nine Months Ended September 30, 1996 and 1995

(Millions of Dollars)
(Unaudited)

	1996	1995
Cash flows from operating activities:		
Net income	$ 675	$ 652
Non-cash charges to income:		
Depreciation and amortization	516	469
Deferred income taxes	29	101
Other - net	105	(675)
Income from discontinued operations (Note 4)	(171)	(212)
Changes in current assets and liabilities	125	786
Cash from continuing operations	1,279	1,121
Cash flows from investing activities:		
Capital investments	(888)	(653)
Southern Pacific acquisition (Note 2)	(539)	(976)
CNW acquisition (Note 3)	--	(1,170)
Cash provided by discontinued operations (Note 4)	31	242
Other - net	49	167
Cash used in investing activities	(1,347)	(2,390)
Cash flows from equity and financing activities:		
Dividends paid	(265)	(264)
Debt repaid	(861)	(1,394)
Financings	1,144	2,935
Other - net	(32)	(32)
Cash (used in) provided by equity and financing activities	(14)	1,245
Net decrease in cash and temporary investments	$ (82)	$ (24)

CONDENSED STATEMENT OF CONSOLIDATED RETAINED EARNINGS
For the Nine Months Ended September 30, 1996 and 1995
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	1996	1995
Balance at Beginning of Year	$ 5,327	$ 4,734
Net Income	675	652
Total	6,002	5,386
Dividend of Resources Common Stock (Note 4)	(598)	--
Cash Dividends Declared ($1.29 per share in 1996 and 1995)	(266)	(265)
Balance at End of Period	$ 5,138	$ 5,121

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Responsibilities for Financial Statements - The condensed 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. The Condensed Statement of Consolidated Financial Position at December 31, 1995 is derived from audited financial statements. The condensed 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 Stockholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995. The results of operations for the three months and nine months ended September 30, 1996 are not necessarily indicative of the results for the entire year ending December 31, 1996.

2. Acquisition of Southern Pacific Rail Corporation (Southern Pacific or SP) - On August 12, 1996, the Surface Transportation Board of the U.S. Department of Transportation (STB) issued a written decision approving the acquisition of Southern Pacific by UPC with certain conditions. UPC consummated the acquisition of Southern Pacific on September 11, 1996 by acquiring the remaining 75% of Southern Pacific common shares not previously owned by the Corporation for $25 per SP share in cash, 0.4065 shares of the Corporation's common stock per SP share or a combination thereof, at the holder's election and subject to proration. As a result of the initial cash tender offer in 1995 for 25% of Southern Pacific's outstanding shares and the acquisition of the remaining 75% of Southern Pacific shares, 60% of the outstanding Southern Pacific shares were converted into 38.1 million shares of UPC common stock, and the remaining 40% of the outstanding shares were acquired for $1.562 billion in cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings.

The acquisition of Southern Pacific has been accounted for in the September 30, 1996 condensed consolidated financial statements using the purchase method of accounting. The condensed statement of consolidated income includes equity income equal to 25% of Southern Pacific's net income through September 10, 1996, reflecting UPC's ownership of SP during such period, and 100% of Southern Pacific's net income thereafter. SP's results will be fully consolidated with the Corporation effective October 1, 1996. The purchase price was determined as follows and was based on a market value of the Corporation's common stock of $65.00 per share, the value at the August 3, 1995 announcement of the SP acquisition.

	(in millions)
Initial 25% Investment in SP on September 15, 1995 plus Equity Income	$ 990
Second-Step Cash Purchase (23.4 million Shares at $25.00 per SP Share) on September 11, 1996	586
Merger Exchange of SP Shares (93.7 million SP Shares converted into 38.1 million shares of UPC common stock at $65.00 per Share) on September 11, 1996	2,476
Transaction Costs	37
Purchase Price to be Allocated	$4,089

The Southern Pacific purchase price has been allocated as follows:

	(in millions)
Purchase Price to be Allocated	$4,089
Pre-Tax Merger Costs:	
Current	373
Long-term	273
Equity Acquired	(1,083)
Unallocated Purchase Price	$3,652
Purchase Price Allocation:	
Property and Equipment	$5,719
Debt Revaluation	(201)
Preference Share Revaluation	(19)
Deferred Income Taxes (Including the Effect of Merger Costs)	(1,847)
Total	$3,652

In connection with the acquisition and subsequent consolidation of the Corporation's and Southern Pacific's railroad operations, UPC plans to eliminate duplicate positions, relocate certain functions, merge or dispose of redundant facilities and dispose of certain rail lines. Relocation and severance plans for unionized employees and for employees not covered by collective bargaining agreements are expected to be completed by mid-1997. Other merger-related costs include debt and lease prepayment penalties, duplicate facility abandonment expenses and contract cancellation fees. UPC has recognized an estimated $646 million liability in the Southern Pacific purchase price allocation for costs attributable to a preliminary assessment of Southern Pacific employees, facilities and contracts. Because UPC was precluded by the Interstate Commerce Act from obtaining certain non-public information regarding Southern Pacific, and was thus unable to perform a substantive analysis of SP's business activities, prior to September 1996, the determination of merger costs attributable to Southern Pacific employees, facilities and contracts is preliminary and subject to further refinement. As a result, final amounts included in the Southern Pacific purchase price allocation could differ from the original estimate, although any such revisions are not expected to be material to the Corporation's ongoing results of operations. Expenses for severing or relocating UPC employees and disposing of UPC facilities, which could be substantial, will be charged to operating expense as definitive plans are determined and communicated.

The pro forma results presented below have been prepared to reflect the consummation of the Southern Pacific acquisition and the subsequent pro-rata distribution of the shares of Union Pacific Resources Group Inc. (Resources) owned by the Corporation to UPC's stockholders (see Note 4) as if such events occurred at the beginning of each period presented. The pro forma results presented below do not reflect synergies expected to result from the integration of UPC's and SP's rail operations, and accordingly, do not account for any potential increase in revenue or operating income, estimated cost savings, adjustments to conform accounting practices or one-time costs associated with the elimination of UPC's duplicate facilities and relocation or severance payments to UPC employees. The effects of the foregoing could be substantial. This unaudited pro forma information is not necessarily indicative of the results of operations that might have occurred had the Southern Pacific acquisition and the distribution of the shares of Resources owned by the Corporation actually occurred on the dates indicated, or of future results of operations of the resulting entity. Pro forma results for the nine months ended September 30, 1995 also reflect the pro forma effect of UPC's acquisition of Chicago and North Western Transportation Company (CNW)(see Note 3).

(in millions, except per share amounts)

	Nine Months Ended 1996	1995
Operating Revenues	$8,410	$8,275
Operating Income	1,155	1,164
Income from Continuing Operations	439	430
Net Income	439	430
Earnings Per Share:		
Income from Continuing Operations	1.79	1.76
Net Income	1.79	1.76

3. CNW - In April 1995, UPC completed the acquisition of the remaining 71.6% of CNW's outstanding common stock not previously owned by the Corporation for approximately $1.2 billion, funded by the issuance of additional long-term debt. The acquisition of CNW has been accounted for as a purchase, and CNW's financial results were consolidated with the Corporation effective May 1, 1995.

4. Union Pacific Resources Group Inc. (Resources) - In July 1995, the Corporation's Board of Directors approved a formal plan to divest UPC's natural resources business through an initial public offering (IPO) by Resources followed by a pro-rata distribution of the remaining Resources' shares owned by the Corporation to its stockholders (the Spin-Off).

   The IPO of 42.5 million Resources' shares at $21 per share was completed in October 1995 and generated net proceeds of $844 million. At that time, Resources distributed to UPC a dividend of $1,621 million ($912 million in cash, $650 million in 8.5% notes due within 90 days of the Spin-Off and a $59 million intercompany balance owed by the Corporation). UPC used the cash proceeds from the IPO dividend to repay outstanding commercial paper.

   On September 12, 1996, after UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the Spin-Off, the Corporation's Board of Directors declared a special dividend consisting of the remaining shares of Resources' common stock owned by UPC. As a result of the Spin-Off, on October 15, 1996, each of the Corporation's stockholders received 0.846946 of a share of Resources common stock for each UPC share of common stock held by such stockholder at the September 26, 1996 record date for the distribution. On October 16, 1996, Resources repaid its $650 million note to UPC, the proceeds of which were used by the Corporation to repay outstanding commercial paper. The Corporation's September 30, 1996 Condensed Statement of Consolidated Financial Position reflects the Spin-Off as a reduction in paid-in surplus (representing the equity generated by the IPO) and retained earnings.

Resources' results have been reported as a discontinued operation in the Corporation's condensed consolidated financial statements for all periods presented. The Corporation's share of Resources' net income was $64 million and $77 million for the three months ended September 30, 1996 and 1995, respectively, and $171 million and $212 million for the nine months ended September 30, 1996 and 1995, respectively. As a result of the IPO, the Corporation's 1996 results reflect 83% of Resources' net income while 1995 results reflect 100% of Resources' net income. These amounts are net of income taxes of $29 million and $25 million for the three months ended September 30, 1996 and 1995, respectively, and $82 million and $62 million for the nine months ended September 30, 1996 and 1995, respectively.

5. Financial Instruments - The Corporation uses derivative financial instruments in limited instances 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.

The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring minimum credit standards for counterparties and periodic settlements. The largest credit risk associated with any of the Corporation's counterparties was $23 million at September 30, 1996. The Corporation has not been required to provide, nor has it received, any significant amount of collateral relating to its hedging activity.

The fair market values of the Corporation's derivative financial instrument positions at September 30, 1996 shown below were determined based on current fair market values as quoted by recognized dealers or developed based on the present value of expected future cash flows discounted at the applicable zero coupon U.S. treasury rate and swap spread.

Interest Rates - The Corporation controls its overall risk of fluctuations in interest rates by managing the proportion of fixed and floating rate debt instruments within its debt portfolio over a given period. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of such debt as debt maturities occur or as incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

At September 30, 1996, the Corporation had outstanding interest rate swaps on $276 million of notional principal amount of debt (3% of the total debt portfolio) with a gross fair market value asset position of $23 million and a gross fair market value liability position of $10 million. These contracts mature over the next one to nine years. Interest rate hedging activity increased third quarter 1996 interest expense by $4 million and year-to-date 1996 interest expense by $8 million.

Fuel - During 1996, fuel costs approximated 10% of the Corporation's total operating expenses. As a result of the significance of the fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and forward contracts to mitigate the impact of fuel price volatility. The intent of this program is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes. However, the use of these contracts also limits the benefit of favorable fuel price changes.

At September 30, 1996, Union Pacific Railroad Company and its affiliate, Missouri Pacific Railroad Company (collectively the Railroad), had hedged 33% of its remaining 1996 fuel consumption at $0.46 per gallon based on a Gulf Coast market, while neither Overnite Transportation Company nor Southern Pacific had hedged any of its 1996 fuel requirements. At September 30, 1996, the Railroad had outstanding swap agreements covering its fuel purchases of $32 million with a gross and net fair market value asset position of $19 million. Fuel hedging lowered third quarter 1996 fuel costs by $9 million and lowered fuel costs for the nine months ended September 30, 1996 by $19 million.

6. Ratio of Earnings to Fixed Charges - The ratio of earnings to fixed charges has been computed on a total enterprise basis. Earnings represent income from continuing operations less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges.

7. Commitments and Contingencies - There are various lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to Federal, state and local environmental laws and regulations and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation periodically enters into commitments and provides guarantees for specific financial and contractual obligations. The Corporation does not expect that the lawsuits, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition or its results of operations.

   Management does not anticipate that the ultimate resolution of the matters described in Part I, Item 3. Legal Proceedings of the Corporation's 1995 Annual Report on Form 10-K and in Part II, Item 1. Legal Proceedings in this Report will have a material adverse effect on the Corporation's consolidated financial condition or operating results.

8. Accounting Pronouncements - The Financial Accounting Standards Board has issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have a material impact on UPC's operating results or financial condition.

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

RESULTS OF OPERATIONS

Quarter ended September 30, 1996 Compared to September 30, 1995

CORPORATE REORGANIZATION

Chicago and North Western Transportation Company (CNW) - In April 1995, Union Pacific Corporation (the Corporation or UPC) acquired the remaining 71.6% of CNW's outstanding common stock not previously owned by UPC for $1.2 billion. The acquisition of CNW was accounted for as a purchase and CNW's financial results were consolidated with UPC beginning in May 1995 (see Note 3 to the Condensed Consolidated Financial Statements).

Natural Resources Divestiture - In July 1995, UPC's Board of Directors approved a formal plan to exit its natural resources business. The plan included an initial public offering (IPO) of Union Pacific Resources Group Inc.'s (Resources) common stock (which occurred in October 1995) followed by the distribution of UPC's remaining interest in Resources to the Corporation's stockholders on a tax-free, pro-rata basis (the Spin-Off)(see Note 4 to the Condensed Consolidated Financial Statements). On September 12, 1996, after UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the Spin-Off, the Corporation's Board of Directors declared a special dividend consisting of the remaining shares of Resources' common stock owned by UPC. As a result of the Spin-Off, on October 15, 1996, each UPC stockholder received 0.846946 of a share of Resources' common stock for each UPC share of common stock held by such stockholder at the September 26, 1996 record date for the distribution.

Southern Pacific Rail Corporation (Southern Pacific) Acquisition - On August 12, 1996, the Surface Transportation Board of the U.S. Department of Transportation (STB) issued a written decision approving the acquisition of Southern Pacific by UPC with certain conditions. UPC consummated the acquisition of Southern Pacific on September 11, 1996 by acquiring the remaining 75% of Southern Pacific common shares not previously owned by the Corporation for $25 per Southern Pacific share in cash, 0.4065 shares of the Corporation's common stock per Southern Pacific share or a combination thereof, at the holder's election and subject to proration. As a result of the initial cash tender offer in 1995 for 25% of Southern Pacific's outstanding shares and the acquisition of the remaining 75% of Southern Pacific shares, 60% of the outstanding Southern Pacific shares were converted into 38.1 million shares of Union Pacific common stock, and the remaining 40% of the outstanding shares were acquired for $1.562 billion in cash. UPC initially funded the cash portion of the acquisition with credit facility borrowings.

The acquisition of Southern Pacific has been accounted for in the September 30, 1996 condensed consolidated financial statements using the purchase method of accounting (see Note 2 to the Condensed Consolidated Financial Statements). The condensed statement of consolidated income includes equity income in 25% of Southern Pacific's net income through September 10, 1996, reflecting UPC's ownership of Southern Pacific during such period, and 100% of Southern Pacific's net income thereafter. Southern Pacific's results will be fully consolidated with the Corporation effective October 1, 1996.

FINANCIAL RESULTS

CONSOLIDATED - The Corporation reported net income of $275 million or $1.30 per share for the third quarter of 1996, compared to 1995 net income of $237 million or $1.15 per share. As a result of Resources' IPO, net income for 1996 reflected approximately 83% of Resources' net income in discontinued operations. Results for 1995 reflected the Corporation's 100% ownership of Resources in discontinued operations.

RESULTS OF CONTINUING OPERATIONS - The Corporation reported income from continuing operations of $211 million ($1.00 per share) in the third quarter of 1996, a 32% improvement from 1995's results of $160 million ($0.78 per share). Earnings for 1996 primarily resulted from record operations at Union Pacific Railroad Company and its affiliate, Missouri Pacific Railroad Company (collectively, the Railroad), and reduced interest costs, the result of the IPO dividend.

Operating revenues grew $22 million (1%) to $2.00 billion in 1996 from $1.97 billion in 1995, reflecting increased volumes at the Railroad, slightly offset by lower volumes at Overnite Transportation Company (Overnite) and lower average commodity revenue per car at the Railroad.

Operating expenses decreased $18 million (1%) to $1.58 billion in 1996. Repair and maintenance expense decreased $35 million reflecting the Railroad's more efficient maintenance practices, improved equipment utilization and increased credits related to repairs of other railroads' freight cars. Other taxes decreased $12 million, principally as a result of the discontinuance of a government safety tax assessment and a property tax settlement at the Railroad. Other operating costs decreased $12 million as a result of cost containment activities and the absence of third quarter 1995 CNW integration efforts. Improved train and crew management and employee productivity at the Railroad and headcount reductions at Overnite resulted in a $10 million decrease in salaries, wages and employee benefits. These operating expense decreases were slightly offset by higher volumes at the Railroad and inflation which contributed to increased materials and supplies ($14 million), equipment and other rents ($8 million) and contract transportation costs ($4 million). Fuel and utility costs increased $20 million, reflecting increased fuel prices and transportation volumes slightly offset by a lower fuel consumption rate.

Operating income increased $40 million (11%) to $419 million for the quarter. Other income increased $17 million, largely the result of increased real estate sales activity at the Railroad. Interest expense decreased $12 million (9%) to $115 million, principally from the favorable impact of the Resources IPO dividend and debt refinancing activities.

Railroad - The Railroad earned $259 million for the quarter in 1996, a 17% increase from $222 million in 1995. Operating revenues improved $43 million (3%) to $1.73 billion, as a 3% (43,000 carloads) increase in traffic was slightly offset by a 1% decrease in average commodity revenue per car, the result of unfavorable changes in commodity mix.

Energy: Energy commodity revenue rose 16% to $418 million for the third quarter of 1996 reflecting a 13% increase in carloadings and a 3% increase in average revenue per car. Volume increases reflected demand from both domestic and foreign utilities for low-sulfur Powder River Basin coal. Average revenue per car improvements reflected a longer average length of haul. The Railroad averaged 25 trains per day out of the Southern Powder River Basin in 1996 compared to 22.7 trains per day in 1995.

Intermodal: Intermodal commodity revenue rose 5% to $247 million as a 6% increase in carloadings--the result of new business and strengthening domestic intermodal demand--was slightly offset by a 1% customer-mix-related decrease in average revenue per car.

Industrial Products: Industrial products commodity revenue rose $4 million (1%) as a 2% increase in average revenue per car was slightly offset by a 1% decrease in carloadings.

Agricultural Products: Agricultural products commodity revenue decreased $59 million (20%) to $241 million. This decline principally reflected a 17% decrease in carloadings (over 36,000 loads), the result of low U.S. corn inventories and exports. Average revenue per car decreased 3%, reflecting increased competition for shipments of diminished corn supplies. In addition, the Railroad's 1995 results benefitted from a record grain harvest.

Chemicals: Chemicals commodity revenue increased 2% to $307 million, principally from a 2% increase in carloadings sparked by growth in domestic fertilizer shipments and a rise in automotive industry plastics demand. Average revenue per car was unchanged for the quarter.

Automotive: Automotive commodity revenue rose 10% to $164 million as carloadings volumes increased 11% on continued auto industry sales growth. Finished autos carloadings rose 12% reflecting strong finished vehicle shipments from Mexico, while auto parts exports to Mexico increased 10%. Average revenue per car decreased 1%.

Operating expenses decreased $1 million to $1.29 billion. Repair and maintenance expense decreased $34 million reflecting more efficient maintenance practices, improved equipment utilization and increased credits related to repairs of other railroads' freight cars. Other operating costs decreased $12 million as a result of cost containment activities and the absence of third quarter 1995 CNW integration efforts. Other taxes decreased $9 million, the result of a state property tax settlement and the discontinuance of a government safety tax assessment.   These operating expense decreases were offset by higher volumes and inflation which contributed to increased equipment rentals ($9 million), materials and supplies ($15 million) and contract transportation costs ($9 million). Fuel and utility costs increased $19 million, reflecting a 10% increase in fuel prices and a 5% increase in rail volumes (measured in gross ton-miles) slightly offset by an improved fuel consumption rate. Improved train and crew management and employee productivity mostly offset the effects of higher rail volumes and inflation costs, resulting in a $1 million increase in salaries, wages and employee benefits.

Operating income advanced $44 million (11%) to $433 million in 1996, while the operating ratio improved 2.0 points to an all-time record 74.9 in 1996. Interest expense increased $5 million, principally from higher debt levels associated with the Southern Pacific acquisition. Other income increased $11 million reflecting increased real estate sales activity, primarily from the required sale of rail lines in connection with the Southern Pacific acquisition.

Trucking - During the third quarter, Overnite continued to implement its strategic initiatives, aimed at better matching its operations to the current trucking industry business environment. Actions taken included workforce reductions, service center consolidations, centralization of the linehaul management process and repricing initiatives targeting Overnite's lowest margin customers. Nonetheless, aggressive pricing from regional less-than-truckload (LTL) and truckload carriers continued to impact Overnite's operating results. As a result, Overnite reported a net loss of $9 million in 1996 compared to a net loss of $7 million in 1995. Results for both periods included goodwill amortization of $5 million.

Overnite's operating revenues decreased $11 million (4%) to $234 million as a 12% decrease in volumes more than offset an 8% increase in average prices--resulting from Overnite's repricing initiatives. Lower volumes consisted of a 7% decrease in LTL tonnage and a 47% decrease in truckload volumes.

Operating expenses decreased $7 million to $248 million. Salaries, wages and employee benefit costs decreased $6 million reflecting workforce reductions and lower volumes partially offset by wage and benefit inflation. A volume-related reduction in contract linehaul costs resulted in a $2 million (10%) decrease in rent and purchased transportation expenses. Fuel costs rose $1 million, reflecting a 20% increase in fuel prices partially offset by a 12% volume-related reduction in fuel consumption. Overnite's operating loss grew $4 million to $14 million in 1996, while Overnite's operating ratio (including goodwill amortization) increased to 106.0 for the quarter from 104.1 in 1995.

Corporate Services and Other Operations - Expenses related to Corporate Services and Other Operations (consisting of corporate expenses, third-party interest charges, inter-company interest allocations, other income and income taxes related to the Corporation's holding company operations and the results of other operating units) decreased $16 million to $39 million. This decrease largely reflects lower Corporate interest costs, resulting from the utilization of the Resources IPO dividend to reduce debt levels. Operating income at other operating units broke even in both 1996 and 1995.

RESULTS OF DISCONTINUED OPERATIONS - Resources reported net income of $77 million for the third quarter of 1996, essentially unchanged from the third quarter of 1995. As a result of Resources' October 1995 IPO, UPC recognized approximately 83% of Resources' 1996 net income in discontinued operations. The Corporation's 1995 results reflected UPC's 100% ownership of Resources in discontinued operations. Operating revenues increased $112 million (33%) reflecting a 9% increase in sales volumes and a 26% increase in average sales prices. Operating expenses increased $83 million (35%), the result of higher volumes and increased general and administrative expenses related to operating Resources as a stand- alone company. Interest expense increased $12 million to $13 million, the result of debt incurred by Resources in connection with its IPO dividend to UPC.

Nine Months Ended September 30, 1996 Compared to September 30, 1995

CONSOLIDATED RESULTS - The Corporation reported net income for the first nine months of 1996 of $675 million ($3.24 per share) compared to $652 million ($3.17 per share) for the same period of 1995. Results for 1996 included CNW and, as a result of the Resources' IPO, reflected approximately 83% of Resources' net income in discontinued operations. Results for 1995 included CNW from May 1, 1995 and reflected the Corporation's 100% ownership of Resources.

RESULTS OF CONTINUING OPERATIONS - Income from continuing operations advanced $64 million for the period to $504 million ($2.42 per share), as the positive impact of the Railroad's CNW integration more than offset higher debt service costs associated with the CNW and Southern Pacific acquisitions. Operating revenues increased $464 million (8%) to $5.98 billion for the period principally the result of the Railroad's $487 million (10%) operating revenue improvement (reflecting the addition of CNW, increased base carloadings and a higher average commodity revenue per car).

Consolidated operating expenses rose $386 million (9%) to $4.90 billion. CNW results, rail volume growth and inflation caused increases in salaries, wages and employee benefits ($121 million), equipment and other rents ($108 million), materials and supplies ($56 million), casualty accruals ($17 million), contracted transportation costs ($15 million) and other taxes ($6 million). Increased fuel prices and transportation volumes resulted in a $94 million increase in fuel and utilities costs. Depreciation charges rose $47 million, principally reflecting the addition of CNW properties. Offsetting these increases were a decline in real estate expenses of $21 million, reflecting the absence of real estate sales by the Corporation, other operating costs ($12 million), the result of cost containment activities and the absence of 1995 CNW integration efforts at the Railroad, and reduced car repair accruals ($45 million), primarily the result of increased credits related to repairs of other railroads' freight cars.

Consolidated operating income advanced $78 million (8%) to $1.07 billion for the first nine months of 1996, principally reflecting a $113 million improvement at the Railroad offset by a $26 million decline in operating results at Overnite. Interest expense increased $18 million, principally from higher debt levels associated with the CNW and Southern Pacific acquisitions partially offset by the favorable impact of the Resources' IPO dividend and debt refinancing activities. The Corporation's effective tax rate for the period decreased to 33.2% from 36.4% a year ago, reflecting a favorable first quarter 1996 IRS tax settlement ($20 million) at the Railroad.

RESULTS OF DISCONTINUED OPERATIONS - Resources reported net income for the first nine months of 1996 of $207 million compared to $212 million for the same period of 1995. As a result of Resources' October 1995 IPO, UPC recognized approximately 83% of Resources' 1996 net income in discontinued operations. The Corporation's 1995 results reflected UPC's 100% ownership of Resources in discontinued operations. Operating revenues increased $263 million (26%) reflecting a 7% increase in sales volumes and a 19% increase in average sales prices. Operating expenses increased $192 million (26%), the result of higher volumes and exploration activity, and increased general and administrative expenses related to operating Resources as a stand-alone company. Interest expense increased $35 million to $38 million, the result of debt incurred by Resources in connection with its IPO dividend to UPC.

CHANGES IN CONSOLIDATED FINANCIAL CONDITION

During the first nine months of 1996, cash from continuing operations was $1.28 billion compared to $1.12 billion for the same period in 1995. This $158 million increase primarily reflects lower CNW merger-related payments, improved inventory management at the Railroad, increased income from continuing operations and a higher proportion of non-cash expenses included in net income offset by a volume-related increase in accounts receivable and higher income tax payments.

Cash used in investing activities was $1.35 billion in 1996 compared to $2.39 billion in 1995. This change in cash reflects reduced cash payments for strategic acquisitions, the absence of $225 million in USPCI, Inc. sale proceeds collected in January 1995 and increased capital expenditures, largely from fleet expansion and renewal at the Railroad.

Cash provided by financing activities decreased $1.26 billion, the result of a decline in strategic transaction borrowings. The ratio of debt to debt plus equity increased to 52.0% at September 30, 1996 compared to 50.0% at December 31, 1995. This increase resulted from increased debt levels associated with the purchase of Southern Pacific shares and the consolidation of Southern Pacific's debt, partially mitigated by 1996 earnings and the UPC common stock issued in exchange for Southern Pacific shares.

In October 1996, the Corporation completed its tender offer for Southern Pacific's $375 million principal amount of 9-3/8% Senior Notes due 2005 (the "Notes"). In connection with the tender offer, UPC retired approximately 90% of the Notes. Investors tendering their Notes were also requested to consent to certain amendments to the Indenture pursuant to which the Notes were issued, which eliminated or modified certain restrictive covenants and eliminated certain occurrences defined as "events of default" under the Indenture. The Corporation also repaid $250 million principal amount outstanding under Southern Pacific Transportation Company's (SPT) credit facility and redeemed $30 million principal amount of SPT's First and Refunding Mortgage 8.20% Bonds, Series B, due 2001. The Corporation issued commercial paper to fund these refinancing activities.

In October 1996, Resources repaid its $650 million in notes to UPC, the proceeds of which were used by the Corporation to repay outstanding commercial paper (See Note 4 to the Condensed Consolidated Financial Statements).

OTHER DEVELOPMENTS

OTHER MATTERS

Labor Matters

Railroad: Approximately 90% of the Railroad's 35,000 employees are represented by one of twelve national rail unions. To date, nine of those twelve national rail unions (representing approximately 93% of the Railroad's unionized workforce) have either ratified or are in the process of voting on national agreements. The terms of these five-year agreements include a combination of general wage increases and lump-sum payments from 3% to 3.5% annually, as well as increased work rule flexibility. These events greatly reduce the possibility of rail strikes during the current round of negotiations. The terms of the ratified and tentative agreements are not expected to have a material adverse affect on the Corporation's results of operations.

Overnite: Overnite continues to resist the efforts of the International Brotherhood of Teamsters (Teamsters) to unionize Overnite service centers. Since year-end 1994, over 50 of Overnite's 165 service centers have received petitions for union elections. Where elections have been held, 27 Overnite service centers voted against representation and three elections remain unresolved. The employees of three service centers that previously voted for union representation filed petitions with the National Labor Relations Board (NLRB) to decertify the Teamsters as their union bargaining representative. Eleven service centers, representing approximately 7% of Overnite's nationwide workforce, have voted for union representation and the Teamsters have been certified as the bargaining representative for such employees without challenge by Overnite. Eight other service centers, representing another 10% of Overnite's nationwide workforce, have either voted for union representation or it is unclear how such employees have voted and such elections are currently being challenged by Overnite before the NLRB or the Federal courts. Overnite has begun negotiations with the Teamsters at the eleven certified service centers and is unable at this time to estimate the impact these negotiations will have on its future operating results.

Management - In November 1996, Ronald J. Burns resigned as Chief Executive Officer and President of the Railroad. Jerry Davis, former President, Southern Pacific Rail Operations, was named President and Chief Operating Officer of the Railroad, replacing Mr. Burns. Richard Davidson, President and Chief Operating Officer of the Corporation and Chairman of the Railroad, was named Chief Executive Officer of the Railroad.

Commitments and Contingencies - There are various lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to Federal, state and local environmental laws and regulations and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation periodically enters into commitments and provides guarantees for specific financial and contractual obligations. The Corporation does not expect that the lawsuits, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

Accounting Pronouncements - The Financial Accounting Standards Board has issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have a material impact on UPC's operating results or financial condition.

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 lawsuits, environmental costs, commitments, guarantees, 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 as to the Corporation's financial 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 industry competition and regulatory developments, natural events such as floods and earthquakes, the effects of adverse general economic conditions and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Southern Pacific Acquisition: As previously reported in the Corporation's 10-Q Report for the quarterly period ended June 30, 1996, the Surface Transportation Board (the "STB") announced at a July 3, 1996 voting conference its approval of the proposed acquisition of control of Southern Pacific Rail Corporation ("SPR") and its rail affiliates by Union Pacific Corporation (the "Corporation") and its affiliates, the merger of SPR with an affiliate of the Corporation and certain related transactions, subject to various conditions. On August 12, 1996, the STB issued its written decision (the "Final Decision"), which contained terms substantially consistent with those voted on at the STB's voting conference. The Final Decision became effective on September 11, 1996.

On August 29, 1996, the Corporation and its affiliates filed a petition requesting that the STB clarify certain conditions set forth in the Final Decision which would allow the Burlington Northern Railway Company and the Atchison, Topeka and Santa Fe Railroad Company (collectively, "BNSF") to serve new transloading facilities and other new facilities on Union Pacific Railroad Company ("UPRR"), Missouri Pacific Railroad Company or SPR rail lines over which BNSF has received trackage rights. In addition, various other parties have requested that the STB (i) clarify certain aspects of the condition requiring that the Corporation and its affiliates modify contracts with shippers at "2-to-1" points to allow BNSF access to at least 50% of the volume and determine whether the facilities of certain shippers constitute "2-to-1" points for purposes of this condition, (ii) remove the restriction imposed by the STB on traffic that the Texas Mexican Railway Company ("Tex Mex") can transport over trackage rights granted to Tex Mex under the Final Decision, (iii) expand the trackage rights that the STB made available to Dow Chemical Company for use in connection with a possible build-out from its Freeport, Texas facility, (iv) allow the Utah Railway Company access to the facility of Railco, Inc. in Carbon City, Utah, (v) reconsider the STB's decision not to impose labor protective conditions on the settlement agreement between certain rail affiliates of the Corporation and the Gateway Western Railway Company, (vi) reconsider its approval of the merger on the grounds it is not in the public interest and (vii) reconsider its decision to grant BNSF access to shippers in Lake Charles, Louisiana, as a condition to the merger. The Corporation and its affiliates have opposed the requests described in (i) through (vi) above and did not respond to the request described in (vii).

As previously reported in the Corporation's 10-Q Report for the quarterly period ended June 30, 1996, the City of Reno, Nevada (the "City"), filed a complaint on July 12, 1996 in the U.S. District Court for the District of Nevada seeking a writ of mandamus directing the STB to prepare, with regard to the alleged impacts of the merger on Reno and the surrounding area, an environmental impact statement pursuant to the National Environmental Policy Act and a conformity determination pursuant to the Clean Air Act. The District Court dismissed the complaint for lack of jurisdiction and denied the City's petition to transfer the suit to the U.S. Court of Appeals for the Ninth Circuit. The City is seeking reconsideration of its motion to transfer.

The City subsequently filed a petition for review of the Final Decision in the U.S. Court of Appeals for the Ninth Circuit on August 21, 1996. The City's petition was ordered consolidated in the U.S. Court of Appeals for the District of Columbia Circuit with the petition for review of the City of Wichita and

Sedgwick County, Kansas, described below. The City did not state the grounds on which it seeks review of the Final Decision.

A number of judicial appeals with respect to the Final Decision were also filed in the U.S. Court of Appeals for the District of Columbia Circuit by various other parties. The Corporation and its affiliates filed a petition for review principally to preserve their right to judicial review in the event that the STB adversely resolves any of the pending requests for clarification or reconsideration of the Final Decision described above. BNSF filed a petition for review challenging the STB's decision to grant certain trackage rights and overhead trackage rights to Tex Mex. The City of Wichita and Sedgwick County, Kansas filed a petition seeking review of the Final Decision insofar as it may require parties other than the Corporation and its affiliates to contribute to the costs of mitigating the effects of increased rail traffic in those locations.

Finally, Enterprise Products Company filed a petition for review of the Final Decision without stating the basis for review or the relief sought, and the Western Coal Traffic League filed a petition for review on the grounds that the Final Decision was arbitrary and capricious and based on a misapplication of the facts and law.

Bottleneck Proceedings: On August 27, 1996, the STB initiated a proceeding asking for arguments and evidence on the issue of whether it should modify its existing regulations regarding the prescription of, and challenge to, rates for rail service involving a segment that is served by only one railroad between an interchange point and an exclusively-served shipper facility (i.e., a bottleneck segment). The Association of American Railroads, certain railroads, including UPRR and Southern Pacific Transportation Company, and several major shipper groups have opposed this suggestion, arguing that such a change in regulation is contrary to existing STB precedent as well as the public policy adopted by Congress with the passage of the Staggers Act in 1980 and the ICC Termination Act in December 1995. The STB is expected to rule on whether it is going to modify its current regulatory scheme in the near future. After that decision the STB will rule on pending Motions to Dismiss in three complaint proceedings filed by shippers challenging a class rate charged for the movement of coal, two of which named a rail affiliate of the Corporation as a party thereto. Neither case individually involves significant exposure for reparations. However, if existing regulation of bottleneck movements is changed, future revenue from such movements, including those covered by the complaint proceedings, could be substantially reduced.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3 - By-laws of Union Pacific Corporation, as amended effective as of September 26, 1996.

10(a) - Employment Agreement between Southern Pacific Rail Corporation ("SPRC") and Jerry R. Davis dated February 20, 1995 is incorporated by reference to Exhibit 10.12 to SPRC's Annual Report on Form 10-K for the year ended December 31, 1994.*

10(b) - Letter Agreement between Union Pacific Corporation and Jerry R. Davis dated August 30, 1996.*

* Management contract or compensatory plan, contract or arrangement required to be filed as an exhibit.

11 - Computation of earnings per share.

12 - Computation of ratio of earnings to fixed charges.

27 - Financial data schedule.

(b) Reports on Form 8-K

On September 16, 1996, the Corporation filed a Current Report on Form 8-K, announcing the consummation of its acquisition of Southern Pacific. Such report also contained certain historical financial statements of Southern Pacific required by Regulation S-X and a press release announcing receipt of a favorable Internal Revenue Service ruling regarding the tax-free nature of the Resources Spin-Off. Such report was amended on October 17, 1996 to include certain pro forma financial information required by Regulation S-X.

On October 21, 1996, the Corporation filed a Current Report on Form 8-K, disclosing the completion of the Resources Spin-Off. Such report also included a press release dated October 17, 1996 containing earnings information for UPC for the third quarter of 1996 and the nine months ended September 30, 1996.

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: November 13, 1996

UNION PACIFIC CORPORATION
(Registrant)

/s/ Joseph E. O'Connor, Jr.

Joseph E. O'Connor, Jr.
Vice President and Controller
(principal accounting officer and
duly authorized officer)

UNION PACIFIC CORPORATION

EXHIBIT INDEX

Exhibit No.	Description
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COVER

Exhibit 3

BY-LAWS

OF

UNION PACIFIC CORPORATION

As Amended Effective as of September 26, 1996

BY-LAWS

OF

UNION PACIFIC CORPORATION

(AS AMENDED EFFECTIVE AS OF SEPTEMBER 26, 1996)

ARTICLE I

STOCKHOLDERS MEETINGS

SECTION 1. Annual meetings of the stockholders of this Company shall be held in Salt Lake City, Utah. Special meetings of the stockholders of this Company may be held at such place or places as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, such meetings shall be held in Salt Lake City, Utah.

SECTION 2. Annual meetings of the stockholders, for the purpose of electing directors and transacting any other business, shall be held at such time as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, shall be held at 8:30 a.m. on the third Friday of April in each year.

SECTION 3. A special meeting of the stockholders may be called by the Board of Directors, the Executive Committee, or by any other person who, at such time, is authorized by the Utah Revised Business Corporation Act (the "Act") to call a special meeting of stockholders. A request by a stockholder for a special meeting must be accompanied by a statement of purposes which includes at least the information set out in clauses (i) through (vi) of Section 10(e) of Article I of these By-Laws. The objects of a special meeting shall be stated in the order therefor, and the business transacted shall be confined to such objects.

SECTION 4. Notice of all meetings of the stockholders shall be given, either personally or by mail, not less than ten nor more than sixty days prior thereto. The notice of all special meetings shall state the objects thereof. The failure to give notice of an annual meeting, or any irregularity in the notice, shall not affect the validity of such annual meeting or of any proceedings thereat. Any stockholder may consent in writing to the holding of a special meeting without notice. A stockholder's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

SECTION 5. The Board of Directors or the Executive Committee may fix in advance a day and hour not more than seventy days preceding any annual or special meeting of stockholders or action of stockholders as the time for the determination of stockholders entitled to vote at such meeting or to take such action.

Stockholders of record at the time so fixed by the Board of Directors or the Executive Committee and only such stockholders shall be entitled to vote at such meeting. Each share of stock shall entitle such record holder thereof to one vote, in person or by proxy in writing.

SECTION 6. The Chairman of the Board, and in his absence the Chief Executive Officer, and in their absence the President, and in their absence one of the Vice Presidents, shall call meetings of the stockholders to order and act as chairman of such meetings. In the absence of all these officers, the Board of Directors may appoint a chairman of the meeting to act in such event; but if the Board shall not make such appointment, then, in the absence of all of these officers, any stockholder or proxy of any stockholder may call the meeting to order, and a chairman shall be elected.

SECTION 7. The Secretary of the Company shall act as secretary at all meetings of the stockholders; but the Board of Directors or Executive Committee may designate an Assistant Secretary for that purpose before the meeting, and if no such designation shall have been made, then the presiding officer at the meeting may appoint any person to act as secretary of the meeting.

SECTION 8. At each meeting of the stockholders the polls shall be opened and closed and the ballots and proxies shall be received and taken charge of by two inspectors. Such inspectors shall be appointed before the meeting by the Board of Directors or by the Executive Committee, and if no such appointment shall have been made, then by the presiding officer at the meeting; and if for any reason any of the inspectors previously appointed shall fail to attend, or refuse or be unable to serve, then inspectors, in place of any so failing to attend or refusing or unable to serve, shall be appointed by the presiding officer at the meeting. Such inspectors need not be stockholders.

SECTION 9. Stockholders may take action on a matter at a meeting only if a quorum exists with respect to that matter. Unless the articles of incorporation or the Act provide otherwise, a majority of the votes entitled to be cast on the matter, represented in person or by proxy, constitutes a quorum for action on that matter. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, by stockholders is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Act require a greater number of affirmative votes. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

SECTION 10. (a) At any annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder who complies with the procedures set forth in this Section 10.

(b) No business may be transacted at any annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws, (ii) otherwise properly brought before such meeting of stockholders by or at the direction of the Board of Directors or (iii) otherwise properly brought before such meeting by any stockholder (A) who is a stockholder of record on the date of the giving of the notice by the stockholder provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such annual meeting of stockholders and (B) who complies with the notice procedures set forth in this Section 10.

(c) No business may be transacted at any special meeting of stockholders, other than business that is specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws.

(d) In addition to any other applicable requirements, for business to be properly brought before a meeting of stockholders by a stockholder pursuant to clause (b) of this Section 10 such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company. To be timely, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must be delivered to or mailed and received at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the meeting of stockholders was made, whichever first occurs.

(e) To be in proper written form, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must set forth as to each matter such stockholder proposes to bring before the annual meeting of stockholders (i) a brief description of the business desired to be brought before the meeting of stockholders and the reasons for conducting such business at such meeting of stockholders, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (v) any other information which would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the proposal pursuant to Section 14 of the Securities Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act), and (vi) a representation that such stockholder intends to appear in person or by proxy at the meeting of stockholders to bring such business before the meeting.

(f) No business shall be conducted at the annual meeting of stockholders except business brought before the meeting of stockholders in accordance with the procedures set forth in this Section 10, provided, however, that, once business has been properly brought before the meeting of stockholders in accordance with such procedures, nothing in this Section 10 shall be deemed to preclude discussion by any stockholder of any such business.

(g) If the chairman of a meeting of stockholders determines that business was not properly brought before a meeting of stockholders, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

SECTION 11. (a) Subject to the rights of the holders of any series of Preferred Stock then outstanding, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder of the Company (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 11.

(b) In addition to any other applicable requirements for a nomination to be made by a stockholder pursuant to clause (a) of this Section 11, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

(c) To be timely, a stockholder's notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must be delivered to or mailed and received at the principal executive offices of the Company (i) in the case of an annual meeting of stockholders, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs, and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting of stockholders was mailed or public disclosure of the date of the special meeting of stockholders was made, whichever first occurs.

(d) To be in proper written form, a stockholder's notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and record address of such stockholder, (B) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder, (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act). Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 11. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 12. If and to the extent authorized by the Board in connection with a particular meeting, stockholders may participate in a meeting of stockholders, and such meetings may be conducted through the use of, any means of telecommunication permitted under the Act.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board of Directors, which shall consist of eighteen members. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a vote of the Board and, if the directors remaining in office consist of fewer than a quorum of the Board, a majority of the directors then in office, though less than a quorum, may fill the vacancy. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any director appointed by the Board of Directors to fill a directorship caused by an increase in the number of directors shall serve until the next annual meeting or a special meeting of the stockholders called for the purpose of electing directors.

SECTION 2. Regular meetings of the Board of Directors shall be held at 8:30 a.m. on such day in such months as the Board shall from time to time designate, and no further notice of such regular meetings shall be required. Special meetings shall be held whenever called by order of the Chairman or the Executive Committee or any five members of the Board. Notice of Special meetings shall be given, at least one day prior thereto, by personal service of written notice upon the directors or by delivering the same at, or transmitting the same by first class mail, facsimile transmission, telephone or other electronic means to, their respective residences or offices. Any director may consent in writing to the holding of a special meeting without notice, and the attendance or participation of any director at a special meeting shall constitute a waiver by him of call and notice thereof and a consent to the holding of said meeting and the transaction of any corporate business thereat, unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business thereat because of lack of notice or defective notice, and does not thereafter vote for or assent to the action taken at the meeting. Meetings of the Board of Directors may be held at such place or places as shall be ordered by the Executive Committee or by a majority of the directors in office, but unless otherwise ordered, all meetings of the Board of Directors shall be held at the principal executive offices of the Company in Bethlehem, Pennsylvania.

SECTION 3. A majority of the number of directors prescribed by Article II, Section 1 shall constitute a quorum at all meetings of the Board. If a quorum be not present at any meeting, a majority of the directors present may adjourn the meeting until a later day or hour.

SECTION 4. Each director, other than active employees of the Company, or of any subsidiary of the Company, shall be paid an annual retainer in an amount equal to $60,000, a portion of which may be required to be deferred as determined by the Board of Directors, and each such director who shall serve as the Chairman or a Co-Chairman of a Committee of the Board shall receive an additional annual retainer of $6,000, each retainer payable quarterly at the end of the quarter, except that directors who attend fewer than 75% of the Board and Committee meetings on which they serve will be paid 75% of the annual retainer, plus a reasonable allowance for transportation and other expenses incurred by such director in going to any meeting of the Board of Directors, or of any Committee of the Board, and returning to such director's place of residence.

ARTICLE III

EXECUTIVE COMMITTEE

SECTION 1. There shall be an Executive Committee consisting of such number of directors as shall be elected thereto by the vote of the majority of the directors then in office, whose terms of office shall continue during the pleasure of the Board, and in addition the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and the President, ex officio. The Executive Committee shall, when the Board of Directors is not in session, have all the powers of the Board of Directors to manage and direct all the business and affairs of the Company in all cases in which specific directions shall not have been given by the Board of Directors.

SECTION 2. Meetings of the Executive Committee may be called at any time by the Chairman of the Board or a majority of the members of the Committee, to convene at such time and place as may be designated. The rules regarding notice of meetings of the Board set forth in Section 2 of Article II of these By-Laws shall apply to meetings of the Executive Committee.

SECTION 3. A majority of the members of the Committee shall constitute a quorum. If a quorum be not present at any meeting, the member or members of the Committee present may adjourn the meeting until a later day or hour.

ARTICLE IV

OFFICERS AND AGENTS

SECTION 1. There may be elected by the Board of Directors from its members a Chairman of the Board, a Chief Executive Officer, a President, a Chief Operating Officer, one or more Vice Chairmen of the Board, and a Chairman of the Executive Committee, and there may also be elected by the Board of Directors an Executive Vice President-Finance, a Senior Vice President-Human Resources, a Vice President-Taxes, a General Counsel, a Controller, a Secretary, a Treasurer and such other Executive Vice Presidents, Senior Vice Presidents and Vice Presidents as the Board shall determine, and there may also be appointed by the Board of Directors or Executive Committee such Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, Assistant Controllers, Associate General Counsels, Assistant General Counsels, General Tax Counsels, Associate General Tax Counsels and other officers and agents as the Board of Directors or Executive Committee shall from time to time determine.

SECTION 2. The Chairman of the Board shall preside, when present, at meetings of the Board of Directors and at meetings of the Executive Committee and shall perform such other duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 3. The Chief Executive Officer shall have general supervision of all departments and offices of the Company and of the interest of the Company in all companies controlled by it. He shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and at meetings of the Executive Committee.

SECTION 4. The President shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 5. The Chief Operating Officer shall have day to day operating responsibilities for the affairs of the Company, reporting to the Chief Executive Officer, and shall perform such duties as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 6. The Chairman of the Executive Committee shall preside, in the absence of the Chairman of the Board and the President, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors, the Executive Committee or the Chief Executive Officer.

SECTION 7. The Vice Chairmen of the Board shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 8. The Executive Vice Presidents and Senior Vice Presidents shall perform such duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 9. The Executive Vice President-Finance shall have the direction and management of the financial affairs, investments, strategic planning and corporate development of the Company and of the offices in charge of the Controller, the Treasurer and the Vice President-Taxes, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 10. The Senior Vice President-Human Resources shall have the direction and management of the human resources functions of the Company, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 11. The General Counsel shall have the direction and management of all legal business of the Company except as otherwise provided in Sections 12 and 19 of this ARTICLE IV, shall perform such duties respecting legal matters as shall be assigned to him by the Chief Executive Officer, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 12. The Vice President-Taxes shall, under the control of the Executive Vice President-Finance, have charge of all aspects of Federal, foreign, state and local taxes, and shall perform such other duties as may be assigned by the Executive Vice President-Finance.

SECTION 13. The other Vice Presidents elected and Assistant Vice Presidents appointed from time to time shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 14. Except as otherwise provided herein or directed by the Board of Directors, the Controller shall have immediate charge of the general books, accounts and statistics of the Company and shall be the custodian of all vouchers, drafts, invoices and other evidences of payment and all bonds, interest coupons and other evidences of indebtedness which shall have been canceled. He is authorized to approve for payment by the Treasurer vouchers, payrolls, drafts or other accounts. He shall be furnished by the Assistant Controllers of the Company periodically or specially as requested by him with the approval of and in form prescribed by the Executive Vice President-Finance, statements of operating revenues and expenses and estimates thereof and of expenditures and estimates on all other accounts; and copies of all statistical data that may be compiled in regular course and also all other information in reference to the financial affairs and operations of the Company and of any subsidiary company that may be required by the Executive Vice President-Finance or the Board of Directors. He shall submit for each regular meeting of the Board of Directors, and, at such other times as may be required by said Board or the Executive Vice President-Finance, statements of operating results, of cash resources and requirements and of appropriations for Capital Expenditures, and shall perform such other duties as the Executive Vice President-Finance may from time to time direct.

The Assistant Controllers shall exercise such of the powers and perform such of the duties of the Controller with respect to accounting and approving or authorizing payments as shall be assigned to them by the Controller.

SECTION 15. The Secretary shall attend all meetings of the stockholders, the Board of Directors and the Executive Committee, and keep a record of all their proceedings. He shall procure and keep in his files copies of the minutes of all meetings of the stockholders, boards of directors and executive committees of all companies a majority of whose capital stock is owned by this Company. He shall be the custodian of the seal of the Company. He shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same. He shall have supervision of the issuance, transfer and registration of the capital stock and debt securities of the Company. He shall perform such other duties as may be assigned to him by the Board of Directors or the Chief Executive Officer.

The Assistant Secretaries shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same, and shall exercise such of the other powers and perform such of the other duties of the Secretary as shall be assigned to them by the Secretary.

SECTION 16. Except as otherwise provided herein or directed by the Board of Directors, the Treasurer shall be the custodian of all moneys, stocks, bonds, notes and other securities of the Company. He is authorized to receive and receipt for stocks, bonds, notes and other securities belonging to the Company or which are received for its account. All stocks, bonds, notes and other securities in the custody of the Treasurer shall be held in the safe deposit vaults of the Company or in one or more depositories selected by the Treasurer or other officer authorized by the Board of Directors, in each case subject to access thereto as shall from time to time be authorized or required by the Board of Directors, the Chief Executive Officer, or the Treasurer. Stocks, bonds, notes and other securities shall be deposited in the safe deposit vaults or depositories, or withdrawn from them, only by persons and pursuant to procedures as shall be determined by the Board of Directors, the Chief Executive Officer or the Treasurer. The Treasurer is authorized and empowered to receive and collect all moneys due to the Company and to receipt therefor. All moneys received by the Treasurer shall be deposited to the credit of the Company in such depositories as shall be designated by the Board of Directors, the Chief Executive Officer, the Treasurer or such other officers as may be authorized by the Board of Directors; and the Treasurer or other officer designated by the Treasurer may endorse for deposit therein all checks, drafts, or vouchers drawn to the order of the Company or payable to it. He is also authorized to draw checks against any funds to the credit of the Company in any of its depositories. All such checks shall be signed by such persons, either by manual or facsimile signature as shall be authorized by the Board of Directors, and countersigned if required by the Board of Directors . The Treasurer is authorized to make disbursements in settlement of vouchers, payrolls, drafts or other accounts, when approved for payment by the Controller, or such other person as shall be authorized by the Board of Directors, the Chief Executive Officer or these By-Laws; for payments which have been otherwise ordered or provided for by the Board of Directors or the Chief Executive Officer; for interest on bonds and dividends on stock when due and payable; for vouchers, pay checks, drafts and other accounts properly certified to by the duly authorized officers of the Company; and for vouchers, pay checks, drafts and other accounts approved by the officers duly authorized to approve for payment of any company which this Company controls through the ownership of stock or otherwise, as may be designated in writing from time to time by the Chief Executive Officer to the Treasurer. He shall cause to be kept in his office true and full accounts of all receipts and disbursements of his office. He shall also perform such other duties as shall be assigned to him by the Executive Vice President-Finance.

The Assistant Treasurers may exercise all powers of the Treasurer herein conferred in respect of the receipt of moneys and securities, endorsement for deposit and signature of checks.

SECTION 17. The Associate General Counsels and Assistant General Counsels shall perform such duties respecting legal matters as shall be assigned to them by the General Counsel.

SECTION 18. The General Tax Counsels shall be responsible for all tax-related legal advice (including federal tax planning and research, litigation and legislation; tax aspects of strategic, operational and financing transactions; and ERISA/Benefits tax matters), and shall perform such other duties as shall be assigned to them by the Vice President-Taxes.

SECTION 19. The Associate General Tax Counsels shall perform such duties as shall be assigned to them by the Vice President-Taxes or the General Tax Counsels.

SECTION 20. To the extent that a separate division shall be created within the Company, the Chief Executive Officer shall be authorized to appoint officers of such division and any such officers shall perform such duties and possess such powers as are prescribed and conferred by the Chief Executive Officer.

ARTICLE V

SUPERVISION, REMOVAL AND SALARIES OF OFFICERS AND EMPLOYEES

SECTION 1. Any officer or employee elected or appointed by the Board of Directors may be removed as such at any time by the affirmative vote of a majority of the directors then in office, with or without cause. Any other officer or employee of the Company may be removed at any time by vote of the Board of Directors or of the Executive Committee or by the officer supervising such officer or employee, with or without cause.

SECTION 2. All officers, agents and employees of the Company, in the exercise of the powers conferred and the performance of the duties imposed upon them, by these By-Laws or otherwise, shall at all times be subject to the direction, supervision and control of the Board of Directors or the Executive Committee.

SECTION 3. No office or position shall be created and no person shall be employed at a salary of more than $200,000 per annum, and no salary shall be increased to an amount in excess of $200,000 per annum, without the approval of the Board of Directors or Executive Committee.

SECTION 4. The Board of Directors may from time to time vest general authority in the Chairman of the Board, the Chief Executive Officer, the President, or the Head of any department or office of the Company, or any such other officer of the Company as any of the foregoing shall designate, for the sole determination of disposition of any matter which otherwise should be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

ARTICLE VI

CONTRACTS AND EXPENDITURES

SECTION 1. All capital expenditures, leases and property dispositions must be authorized by the Board of Directors or Executive Committee, except that general or specific authority with regard to such matters may be delegated to such officers of the Company as the Board of Directors may from time to time direct.

SECTION 2. Expenditures chargeable to operating expenses may be made by or under the direction of the Head of the department or office of the Company in which they are required, without explicit or further authority from the Board of Directors or Executive Committee, subject to direction, restriction or prohibition by the Chief Executive Officer.

SECTION 3. No contract shall be made without the approval of the Board of Directors or Executive Committee, except as authorized by the Board of Directors or these By-Laws.

SECTION 4. Contracts for work, labor and services and materials and supplies, the expenditures for which will be chargeable to operating expenses, may be made in the name and on behalf of the Company by the Head of the department or office of the Company concerned, or by such officer as he shall designate, without further authority.

SECTION 5. All written contracts and agreements to which the Company may become a party shall be approved as to form by or under the direction of counsel for the Company.

SECTION 6. The Chief Executive Officer, the Chairman of the Board, the President, the Heads of the departments and offices of the Company and the Vice Presidents shall severally have the power to execute on behalf of the Company any deed, bond, indenture, certificate, note, contract or other instrument authorized or approved by, or pursuant to authority granted by, by the Board of Directors or the Executive Committee, and to cause the corporate seal to be thereto affixed and attested by the Secretary or an Assistant Secretary.

SECTION 7. The Board of Directors may from time to time vest general or specific authority in such officers of the Company as the Board of Directors shall designate for the sole determination of disposition of any matter which otherwise would be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

SECTION 8. For purposes of this Article VI, any references to "officers of the Company" shall include officers of any division of the Company and references to the "Head of the department or office of the Company" shall include the Head of any division of the Company or any department or office within such a division.

ARTICLE VII

ISSUE AND CANCELLATION OF STOCK CERTIFICATES

SECTION 1. The Board of Directors shall provide for the issue, transfer, and registration of the capital stock of the Company in the City and State of New York, and in any other locality which it may designate, and shall appoint the necessary officers, transfer agents, and registrars of transfers for that purpose.

SECTION 2. Until otherwise provided by the Board of Directors, stock certificates shall be signed by the Chief Executive Officer or the President or a Vice President, and also by the Secretary or an Assistant Secretary thereunto authorized by the Board of Directors or by the Executive Committee.

SECTION 3. The registrar of transfers shall in every case be a trust company to be appointed by the Board of Directors, in accordance with the requirements of the New York Stock Exchange, and such registration shall be performed in accordance with the rules and regulations of said Exchange.

ARTICLE VIII

FINAL

SECTION 1. The Company shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Company or serves or served at the request of the Company any other enterprise as a director, officer, fiduciary or employee. The indemnification provided in this section shall include the right to receive payment in advance of any final disposition of any expenses incurred by any such person in connection with any such action, suit or proceeding, consistent with the provisions of then applicable law. For purposes of this By-Law, the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Company" shall include service as a director, officer or employee of the Company which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan in good faith which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the corporation. This Section 1 shall not apply to any action, suit or proceeding pending or threatened on the date of adoption hereof provided that the right of the Company to indemnify any person with respect thereto shall not be limited hereby.

SECTION 2. Any indemnification under Section 1 of this Article VIII (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because such person has met the applicable standard of conduct required by law. Such determination shall be made by the persons authorized by the Act.

SECTION 3. Notwithstanding Sections 1 and 2 of this Article VIII, except for proceedings to enforce indemnification, the Company shall not be obligated to indemnify any director, officer or employee in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The indemnification and advancement of expenses provided by Section 1 of this Article VIII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person. Any amendment or repeal of Section 1 or Section 2 of this ARTICLE VIII or this Section 3 shall not limit the right of any person to indemnity with respect to actions taken or omitted to be taken by such person prior to such amendment or repeal.

SECTION 4. The Common corporate seal is, and, until otherwise ordered by the Board of Directors, shall be, an impression upon paper or wax, circular in form, with the words "Union Pacific Corporation" on the outer edge thereof, and the words and figures "Corporate Seal", "1969", "Utah" in the center thereof.

SECTION 5. Except as otherwise provided by the Act, these By-Laws may be altered, amended or repealed at a meeting of the stockholders by a majority vote of those present in person or by proxy or at any meeting of the Board of Directors by a majority vote of the directors then in office.

Exhibit 10(b)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
LETTER AGREEMENT BETWEEN UNION PACIFIC CORPORATION AND JERRY R. DAVIS

August 30,1996

Mr. Jerry R. Davis:

Dear Jerry:

We are pleased that commencing with the merger of Southern Pacific Rail Corporation ("SP Rail") into a subsidiary of Union Pacific Corporation, currently expected to occur on September 11, 1996, you will continue in the employment of Union Pacific Railroad Company ("UPRR") and its affiliates as President Southern Pacific Rail Operations.

You will receive an annual base salary of $600,000 and participate after January, 1997 in the Executive Incentive Plan of Union Pacific Corporation and Subsidiaries, and participate after the effective date of the merger in other compensation programs generally available to UPRR's senior executives. Union Pacific Corporation's officers will recommend to the Compensation, Benefits and Nominating Committee of Union Pacific Corporation's Board during the 1996 fall compensation cycle that you receive 30,000 options under Union Pacific Corporation's 1993 Stock Option and Retention Stock Plan at the then market price vesting two years from grant date. Upon the effective date of the merger you will be entitled to the balance ($560,000) of your Management Continuity Payment whether or not you become a Union Pacific employee.

The terms set forth in the letter agreement, dated February 20, 1995 (the "Employment Agreement"), with respect to the remaining outstanding amount of the loan extended to you by SP Rail to purchase a residence in Denver will continue to apply, with Union Pacific Railroad Company ("UPRR") as the obligee of the loan and the employer. If you are required to move prior to March 1, 1998, the remainder of the home loan balance will be forgiven on the day of closing of your residence. If you are required to move and subsequently resign prior to March 1, 1998, you will be required to repay any loan forgiveness accelerated by the move, which would not have been forgiven on the current schedule. Recognizing that the acceptance of employment at UPRR may require you to move, you will be eligible for the Union Pacific Relocation Program.

If your employment by UPRR is terminated or your title or duties at UPRR are materially downgraded, you will be entitled to severance benefits if and to the extent that you would have been entitled to benefits under the Employment Agreement upon termination of employment or change in title or duties at SP Rail, as such benefits may be enhanced by the Enhanced Severance Program described in the Amended and Restated Agreement and Plan of Merger by and among Union Pacific Corporation, UPRR, SP Rail, UP Holding Company, Inc. and Union Pacific Merger Co., dated as of July 12, 1996, except that you will not be entitled to any stock bonus based on the achievement of a stated operating ratio. In accordance with the preceding sentence (1) if you are terminated, other than for cause, prior to September 11, 1997 you will be entitled to the Enhanced Severance payment of $1,600,000 less applicable taxes and other withholdings, (2) if you are terminated, other than for cause, between September 11, 1997 and March 1, 1998 you will be entitled to $1,000,000 Severance, as described in your SP Employment Agreement, less any applicable taxes and other required withholdings. If terminated after March 1, 1998 you will not be entitled to any severance payments.

Additionally, UPRR will purchase and convey to you the automobile SP Rail leased for you under the terms of the Employment Agreement. The fair market value of the automobile will be grossed up for income tax purposes.

You are vested in Union Pacific Corporation's pension plans. As of January 1, 1998, your credited service will include all Union Pacific service and Southern Pacific service. As of the effective date of the merger you will become eligible for the more favorable early retirement factors and the full 50% survivor annuity for your spouse under Union Pacific's pension plans based on your earnings history through July 1, 1989. On February 1, 1998, your three-year SP earnings history will become the basis for your pension benefit.

While you are employed by UPRR you will devote your full energies, efforts and productive time exclusively to the business and affairs of UPRR, and you will do your utmost to promote its interest. You will not, without UPRR's prior written consent, render to others services of any kind for compensation, and you will not engage in any other business activity that would interfere with the performance of your duties for UPRR.

In the event that your employment with UPRR is terminated by UPRR for "cause" (as defined in the Employment Agreement) or is terminated by your resignation, you agree that, for a period of three years, commencing on the date of such termination, without the approval of the Chief Executive Officer of Union Pacific Corporation, you will not compete (as a proprietor, partner, shareholder, director, employee, agent, consultant, or in any other capacity of manner) with any business in which UPRR or its affiliated companies is involved on the date of such termination, except that the foregoing shall not apply to ownership by you of a 5% or less equity interest in a publicly-traded entity if you have no other interest in or involvement with such entity. UPRR and you intend that the provisions of this paragraph be enforceable to the fullest extent permitted by law and public policy applied in each jurisdiction where enforcement is sought. If a particular portion of this paragraph shall be adjudicated to be unenforceable, such adjudication shall apply only with respect to your activities in the particular jurisdiction in which such adjudication is made. In addition, you agree that you will not, while you are employed by UPRR or at any time prior to the end of the third year after your employment with UPRR has terminated, without the approval of the Chief Executive Officer of Union Pacific Corporation, solicit the employment of any person, who, at the time of such solicitation, is an employee of UPRR or any of its affiliates.

You acknowledge that as an employee of UPRR, you will have access to proprietary and confidential information that directly or indirectly relates to the business of UPRR and its affiliates. For purposes of this Agreement, "Confidential Information" means all information about UPRR and its affiliates obtained or developed by you while an employee of UPRR including, but not limited to, information regarding the officers and other key personnel of UPRR and its affiliates and financial or business information, strategy or plans, which UPRR or one of its affiliates has requested be held in confidence or could reasonably be expected to desire to be held in confidence, or the disclosure of which would likely be disparaging or damaging, to any substantial extent, to UPRR or one of its affiliates or any of their employees and directors, but shall not include information already in the public domain. You agree that you will not, without the prior written consent of UPRR or except pursuant to lawful process, disclose to any person any Confidential Information or use Confidential Information in any way detrimental to UPRR or its affiliates.

None of the foregoing provisions is intended to give you any right to continued employment with UPRR or its affiliates, and UPRR may terminate your employment at any time, with or without cause or notice, subject only to payment of amounts provided above for certain terminations. You acknowledge that this Agreement contains the entire agreement between you and UPRR concerning the terms of your employment.

Except as specifically provided in this Agreement, the Employment Agreement is hereby terminated.

This agreement will be governed by the laws of the Commonwealth of Pennsylvania.

This agreement is subject to approval by the Board of Directors of Union Pacific Corporation.

If you are in agreement with the terms and conditions of employment contained herein, please execute this Agreement by signing a copy and returning it to the undersigned.

Sincerely,

UNION PACIFIC CORPORATION

/s/ Richard K. Davidson

By: Richard K. Davidson
President and Chief Operating Officer

Agreed to this 30th day of August, 1996

/s/ Jerry R. Davis

- ---------------------------------------

Jerry R. Davis

Exhibit 11

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER SHARE

(Amounts in Thousands, Except Share and Per Share Amounts)
(Unaudited)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Average number of shares outstanding (1).......	207,314	204,911
Average shares issuable on exercise of stock options less shares repurchasable from proceeds....................................	1,135	857
Total average number of common and common equivalent shares............................	208,449	205,768
Income from Continuing Operations..............	$504,368	$440,091
Income from Discontinued Operations............	170,673	211,525
Net Income.....................................	$675,041	$651,616
Earnings per share:		
Income from Continuing Operations............	$ 2.42	$ 2.14
Income from Discontinued Operations..........	0.82	1.03
Net Income..................................	$ 3.24	$ 3.17

(1) In connection with the Southern Pacific acquisition, on September 11, 1996, the Corporation issued 38.1 million shares of its common stock in exchange for 60% of Southern Pacific's shares. As a result, average common stock outstanding used in the computation of earnings per share will increase in future periods.

Exhibit 12

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Amounts in Thousands, Except Ratios)
(Unaudited)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Earnings:		
Income from continuing operations	$ 504,368	$ 440,091
Undistributed equity earnings	(39,425)	(25,083)
Total	464,943	415,008
Income Taxes	250,214	251,502
Fixed Charges:		
Interest expense including amortization of debt discount	346,458	328,016
Portion of rentals representing an interest factor	83,092	38,494
Total	429,550	366,510
Earnings available for fixed charges	$1,144,707	$1,033,020
Fixed Charges -- as above	$ 429,550	$ 366,510
Interest capitalized	--	--
Total fixed charges	$ 429,550	$ 366,510
Ratio of earnings to fixed charges	2.7	2.8

UNION PACIFIC CORPORATION
FINANCIAL DATA SCHEDULE - EXHIBIT 27
($ in millions except per share amounts)

Schedule contains summary financial information derived from the Condensed Statements of Consolidated Income and Consolidated Financial Position and is qualified in its entirety by reference to such statements.

1,000,000

9-MOS
DEC-31-1996
SEP-30-1996
148
0
1,322
0
292
2,070
29,444
4,970
29,307
3,393
8,374
0
0
679
7,346
29,307
0
5,976
0
4,903
75
0
346
754
250
504
171
0
0
675
3.24
0