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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from __________ to ____________

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

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

1400 DOUGLAS STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 544-5000
(Registrant's telephone number, including area code)

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

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

§ Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☑ Yes ☐ No

§ Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☑ No

§ 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 ☐ No

§ Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
☑ Yes ☐ No

§ Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☑

§ Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

§ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
☐ Yes ☑ No

§ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

§ As of June 30, 2017, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was $87.3 billion.

The number of shares outstanding of the registrant's Common Stock as of February 2, 2018 was 779,305,276.

Documents Incorporated by Reference – Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2018, are incorporated by reference into Part III of this report. The registrant's Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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February 9, 2018

Fellow Shareholders:

Looking back at 2017, I can report Union Pacific made progress building long-term value for our four key stakeholders – shareholders, communities, customers, and employees. After two consecutive years of overall volume declines, Union Pacific experienced a 2 percent increase in volume. This increase in volume, coupled with positive pricing and continued productivity improvement, generated reported earnings of $13.36 per share. After adjusting for the impact of corporate tax reform that was passed prior to year-end, our adjusted earnings were a record $5.79 per share*. This result is a 14 percent improvement compared to last year's $5.07 per share. Our adjusted operating ratio was a record 63.0 percent*, or 0.5 points better than last year's 63.5 percent.

Carloadings were up in our Industrial Products and Coal business units 12 percent and 6 percent, respectively, driven primarily by a robust increase in frac sand shipments. Automotive shipments were down 3 percent resulting from lower domestic sales and reduced vehicle production, while Chemical and Agricultural Product shipments were both down 2 percent as we experienced declines in our crude oil volumes and grain carloadings. Intermodal volumes were flat compared to 2016.

We faced several operational challenges during 2017, from significant flooding in the western portion of our network, to the unprecedented rain and flooding that accompanied Hurricane Harvey. Despite these challenges, the men and women of Union Pacific worked tirelessly and heroically to safely serve our customers. I am pleased with our results and look forward to continuing to build long-term enterprise value by building our Value Tracks.

Starting with **World Class Safety**, 2017 was another outstanding year for employee safety performance. Our reportable personal injury rate of 0.79 was off slightly from last year's all-time record low of 0.75. Our ultimate goal is zero incidents, getting every one of our employees home safely at the end of each day. We will maintain a relentless focus on data-driven processes and root-cause evaluations, as well as on internal safety programs such as Total Safety Culture and Courage to Care.

We have built centers of excellence around game-changing technology and other **Innovation** initiatives. Our **Engaged Team** is inspiring passion and dedication while leveraging diverse talents to extract the best ideas that will drive positive results across our Company. The continued implementation and execution of our "Grow to 55 and Zero" initiative drives significant **Resource Productivity**, from successfully aligning our resources to meet the increase in demand, to being more efficient in virtually everything that we do across the entire organization.

Given the challenges I mentioned above, our service product in 2017 did not meet all our customers' expectations, but we kept working to create an **Excellent Customer Experience**, anticipating customer needs, responding quickly, keeping commitments, and offering solutions. Our robust capital program helps provide the necessary resources and network capacity to build these relationships and prepare for future growth. It enables us to handle our business safely and efficiently, while improving network fluidity. We invested about $3.1 billion in 2017, including about $1.9 billion in replacement capital to harden our infrastructure, and to improve the safety and resiliency of our network, as well as nearly $340 million toward completing our Positive Train Control project.

A **Maximized Franchise** is much more than our unique physical footprint. It encompasses our employees' skills, our assets, and a strategy that emphasizes the importance of our customers' experiences. It also embraces a thoughtful approach to market penetration, the competitive landscape to determine future service offerings and to identify trade flow opportunities.

This successful execution of our value track strategy to the benefit of all our stakeholders translates into value for our shareholders. Total shareholder return increased 32 percent in 2017, compared with 22 percent for the S&P 500. Our net return on invested capital* of 13.7 percent increased a full percentage point over last year's 12.7 percent. We increased our quarterly declared dividend per share by 10 percent, with dividends paid in 2017 totaling $2.0 billion. In addition, we repurchased 36 million Union Pacific shares. In total, combining both dividends and share repurchases, Union Pacific returned $6 billion to our shareholders in 2017.

Looking to 2018, we are optimistic the economy will favor many of the segments which drive our core business, leading us to another year of positive volume growth. We will continue to execute on our Value Tracks to benefit our employees, partner with the communities in which we serve, provide our customers an excellent experience, and generate strong returns for our shareholders.

Chairman, President and Chief Executive Officer

*See Item 7 of this report for reconciliations to U.S. GAAP.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Andrew H. Card, Jr.
Former White House
Chief of Staff
Board Committees: Audit, Compensation and Benefits

Erroll B. Davis, Jr.
Former Chairman,
President & CEO
Alliant Energy Corporation
Board Committees: Compensation and Benefits (Chair), Corporate Governance and Nominating

David B. Dillon
Former Chairman
The Kroger Company
Board Committees: Audit (Chair), Compensation and Benefits

Lance M. Fritz
Chairman, President and
Chief Executive Officer
Union Pacific Corporation and
Union Pacific Railroad Company

Deborah C. Hopkins
Former Chief Executive Officer
Citi Ventures
Former Chief Innovation Officer
Citi
Board Committees: Corporate Governance and Nominating, Finance

Jane H. Lute
President and Chief Executive Officer
SICPA North America
Board Committees: Audit, Corporate Governance and Nominating

Michael R. McCarthy
Chairman
McCarthy Group, LLC
Lead Independent Director
Board Committees: Corporate Governance and Nominating (Chair), Finance

Michael W. McConnell
General Partner and
Former Managing Partner
Brown Brothers Harriman & Co.
Board Committees: Audit, Finance

Thomas F. McLarty III
President
McLarty Associates
Board Committees: Finance (Chair), Corporate Governance and Nominating

Bhavesh V. Patel
Chief Executive Officer and
Chairman of the Management Board
LyondellBasell Industries N.V.
Board Committees: Finance, Compensation and Benefits

Steven R. Rogel
Former Chairman
Weyerhaeuser Company
Board Committees: Compensation and Benefits, Corporate Governance and Nominating

Jose H. Villarreal
Advisor
Akin, Gump, Strauss, Hauer & Feld, LLP
Board Committees: Audit, Compensation and Benefits

SENIOR MANAGEMENT*

Lance M. Fritz
Chairman, President and
Chief Executive Officer

Bryan L. Clark
Vice President-Tax

Rhonda S. Ferguson
Executive Vice President, Chief Legal Officer and Corporate Secretary

D. Lynn Kelley
Senior Vice President-Supply and Continuous Improvement

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

Sherrye L. Hutcherson
Senior Vice President and
Chief Human Resource Officer

Scott D. Moore
Senior Vice President and
Chief Administrative Officer

Jon T. Panzer
Vice President and Treasurer

Michael A. Rock
Vice President-External Relations

Todd M. Rynaski
Vice President and Controller

Cameron A. Scott
Executive Vice President and
Chief Operating Officer

Lynden L. Tennison
Senior Vice President and
Chief Information Officer

Elizabeth F. Whited
Executive Vice President and
Chief Marketing Officer

*Senior management are elected officers of both Union Pacific Corporation and Union Pacific Railroad Company, except Mr. Scott, Ms. Kelley and Ms. Whited are elected officers for Union Pacific Railroad Company.

PART I

Item 1. Business

GENERAL

Union Pacific Railroad Company is the principal operating company of Union Pacific Corporation. One of America's most recognized companies, Union Pacific Railroad Company links 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. The Railroad's diversified business mix includes Agricultural Products, Automotive, Chemicals, Coal, Industrial Products and Intermodal. Union Pacific serves many of the fastest-growing U.S. population centers, operates from all major West Coast and Gulf Coast ports to eastern gateways, connects with Canada's rail systems and is the only railroad serving all six major Mexico gateways. Union Pacific provides value to its roughly 10,000 customers by delivering products in a safe, reliable, fuel-efficient and environmentally responsible manner.

Union Pacific Corporation was incorporated in Utah in 1969 and maintains its principal executive offices at 1400 Douglas Street, Omaha, NE 68179. The telephone number at that address is (402) 544-5000. The common stock of Union Pacific Corporation is listed on the New York Stock Exchange (NYSE) under the symbol "UNP".

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

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

We have included the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and (b) to this report.

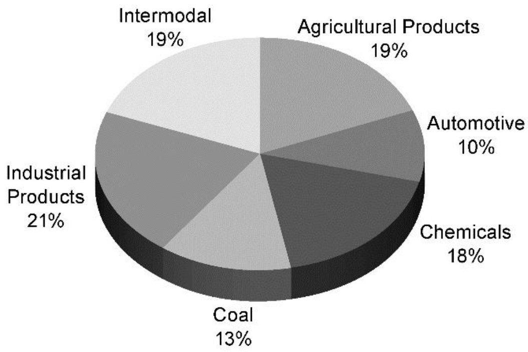
References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained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

OPERATIONS

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide revenue by commodity group, we analyze the net financial results of the Railroad as one segment due to the integrated nature of our rail network. Additional information regarding our business and operations, including revenue and financial information and data and other information regarding environmental matters, is presented in Risk Factors, Item 1A; Legal Proceedings, Item 3; Selected Financial Data, Item 6; Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7; and the Financial Statements and Supplementary Data, Item 8 (which include information regarding revenues, statements of income, and total assets).

Operations – UPRR is a Class I railroad operating in the U.S. We have 32,122 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern U.S. gateways and providing several corridors to key Mexican gateways. We serve the Western two-thirds of the country and maintain coordinated schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic moves through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. Our freight traffic consists of bulk, manifest, and premium business. Bulk traffic primarily consists of coal, grain, soda ash, ethanol, rock and crude oil shipped in unit trains – trains transporting a single commodity from one origin to one destination. Manifest traffic includes individual carload or less than train-load business involving commodities such as lumber, steel, paper, food and chemicals. The transportation of finished vehicles, auto parts, intermodal containers and truck trailers are included as part of our premium business. In 2017, we generated freight revenues totaling $19.8 billion from the following six commodity groups:

2017 Freight Revenue



Agricultural Products – Transportation of grains, commodities produced from these grains, and food and beverage products generated 19% of the Railroad's 2017 freight revenue. We access most major grain markets, linking the Midwest and Western U.S. producing areas to export terminals in the Pacific Northwest and Gulf Coast ports, as well as Mexico. We also serve significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states. Unit trains, which transport a single commodity between producers and export terminals or domestic markets, represent approximately 41% of our agricultural shipments.

Automotive – We are the largest automotive carrier west of the Mississippi River and operate or access 38 vehicle distribution centers. The Railroad's extensive franchise serves five vehicle assembly plants and connects to West Coast ports, all six major Mexico gateways, and the Port of Houston to accommodate both import and export shipments. In addition to transporting finished vehicles, UPRR provides expedited handling of automotive parts in both boxcars and intermodal containers destined for Mexico, the U.S. and Canada. The automotive group generated 10% of Union Pacific's freight revenue in 2017.

Chemicals – Transporting chemicals generated 18% of our freight revenue in 2017. The Railroad's unique franchise serves the chemical producing areas along the Gulf Coast, where roughly 55% of the Company's chemical business originates, travels through, or terminates. Our chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company's chemical shipments include six categories: industrial chemicals, plastics, fertilizer, petroleum and liquid petroleum gases, crude oil and soda ash. Currently, these products move primarily to and from the Gulf Coast region. Fertilizer movements originate in the Gulf Coast region, the western U.S. and Canada (through interline access) for delivery to major agricultural users in the Midwest, western U.S., as well as abroad. Soda ash originates in southwestern Wyoming and California, destined for chemical and glass producing markets in North America and abroad.

Coal – Shipments of coal, petroleum coke, and biomass accounted for 13% of our freight revenue in 2017. The Railroad's network supports the transportation of coal, petroleum coke, and biomass to independent and regulated power companies and industrial facilities throughout the U.S. Through interchange gateways and ports, UPRR's reach extends to eastern U.S. utilities, as well as to Mexico and other international destinations. Coal traffic originating in the Powder River Basin (PRB) area of Wyoming is the largest segment of the Railroad's coal business.

Industrial Products – Our extensive network facilitates the movement of numerous commodities between thousands of origin and destination points throughout North America. The Industrial Products group consists of several categories, including construction products, minerals, consumer goods, metals, lumber, paper, and other miscellaneous products. In 2017, this group generated 21% of our total freight revenue. Commercial, residential and governmental infrastructure investments drive shipments of steel, aggregates (cement components), cement and wood products. Oil and gas drilling generates demand for raw steel, finished pipe, frac sand, stone and drilling fluid commodities. Industrial and light manufacturing plants receive steel, nonferrous materials, minerals and other raw materials. Paper and packaging commodities, as well as appliances, move to major metropolitan areas for consumers. Lumber shipments originate primarily in the Pacific Northwest and western Canada and move throughout the U.S. for use in new home construction and repair and remodeling.

Intermodal – Our Intermodal business includes two segments: international and domestic. International business consists of import and export container traffic that mainly passes through West Coast ports served by UPRR's extensive terminal network. Domestic business includes container and trailer traffic picked up and delivered within North America for intermodal marketing companies (primarily shipper agents and logistics companies), as well as truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements are also an important part of domestic shipments. Together, our international and domestic Intermodal business generated 19% of our 2017 freight revenue.

Seasonality – Some of the commodities we carry have peak shipping seasons, reflecting either or both the nature of the commodity and the demand cycle for the commodity (such as certain agricultural and food products that have specific growing and harvesting seasons). The peak shipping seasons for these commodities can vary considerably each year depending upon various factors, including the strength of domestic and international economies and currencies and the strength of harvests and market prices for agricultural products.

Working Capital – At December 31, 2017, we had a working capital surplus. We maintain adequate resources, and when necessary, have adequate access to capital markets to meet any foreseeable cash requirements, in addition to sufficient financial capacity to satisfy our current liabilities. At December 31, 2016, we had a working capital deficit, due primarily to a decrease in other current assets related to a tax receivable for the late extension of bonus depreciation at December 31, 2015, along with an increase at December 31, 2016, in accounts payable and upcoming debt maturities.

Competition – We are subject to competition from other railroads, motor carriers, ship and barge operators, and pipelines. Our main railroad competitor is Burlington Northern Santa Fe LLC. Its primary subsidiary, BNSF Railway Company (BNSF), operates parallel routes in many of our main traffic corridors. In addition, we operate in corridors served by other railroads and motor carriers. Motor carrier competition exists for five of our six commodity groups (excluding most coal shipments). Because of the proximity of our routes to major inland and Gulf Coast waterways, barges can be particularly competitive, especially for grain and bulk commodities in certain areas where we operate. In addition to price competition, we face competition with respect to transit times, quality and reliability of service from motor carriers and other railroads. Motor carriers in particular can have an advantage over railroads with respect to transit times and timeliness of service. However, railroads are much more fuel-efficient than trucks, which reduces the impact of transporting goods on the environment and public infrastructure, and we have been making efforts to convert certain truck traffic to rail. Additionally, we must build or acquire and maintain our rail system; trucks and barges are able to use public rights-of-way maintained by public entities. Any of the following could also affect the competitiveness of our transportation services for some or all of our commodities: (i) improvements or expenditures materially increasing the quality or reducing the costs of these alternative modes of transportation, (ii) legislation that eliminates or significantly increases the size or weight limitations applied to motor carriers, or (iii) legislation or regulatory changes that impose operating restrictions on railroads or that adversely affect the profitability of some or all railroad traffic. Finally, many movements face product or geographic competition where our customers can use different products (e.g. natural gas instead of coal, sorghum instead of corn) or commodities from different locations (e.g. grain from states or countries that we do not serve, crude oil from different regions). Sourcing different commodities or different locations allows shippers to substitute different carriers and such competition may reduce our volume or constrain prices. For more information regarding risks we face from competition, see the Risk Factors in Item 1A of this report.

Key Suppliers – We depend on two key domestic suppliers of high horsepower locomotives. Both suppliers provide parts for locomotives and one also provides maintenance under a service agreement. Due to the capital intensive nature of the locomotive manufacturing business and sophistication of this equipment, potential new suppliers face high barriers of entry into this industry. Therefore, if one of these domestic suppliers discontinues manufacturing locomotives, supplying parts or providing maintenance for any reason, including insolvency or bankruptcy, we could experience a significant cost increase and risk reduced availability of the locomotives that are necessary to our operations. Additionally, for a high percentage of our rail purchases, we utilize two steel producers (one domestic and one international) that meet our specifications. Rail is critical for maintenance, replacement, improvement, and expansion of our network and facilities. Rail manufacturing also has high barriers of entry, and, if one of those suppliers discontinues operations for any reason, including insolvency or bankruptcy, we could experience cost increases and difficulty obtaining rail.

Employees – Approximately 85% of our 41,992 full-time-equivalent employees are represented by 14 major rail unions. On January 1, 2015, current labor agreements became subject to modification and we began the current round of negotiations with the unions. Existing agreements remain in effect until new agreements are ratified or the Railway Labor Act's (RLA) procedures (which include mediation, potential arbitration, cooling-off periods, and the possibility of Presidential Emergency Boards and Congressional intervention) are exhausted. Through industry and local negotiations, UPRR reached tentative new agreements with 12 of our 14 major rail unions. Nine unions (representing nearly 70% of our agreement work force) have ratified those agreements by significant margins. The tentative agreement failed ratification with two unions in early February 2018 (representing about 10% of our agreement work force) returning any further discussions with them to the jurisdiction of the National Mediation Board. Another small union (less than 1%) is still out for ratification. UPRR and the industry currently continue in active mediation with the remaining coalition of two unions (representing about 20% of our agreement work force). Under the Railway Labor Act, the National Mediation Board controls timing and location of mediation conferences and when to terminate mediation, moving the parties to the next stages of the RLA process. Contract negotiations historically continue for an extended period of time and we rarely experience work stoppages while negotiations are pending.

Railroad Security – Our security efforts consist of a wide variety of measures including employee training, engagement with our customers, training of emergency responders, and partnerships with numerous federal, state, and local government agencies. While federal law requires us to protect the confidentiality of our security plans designed to safeguard against terrorism and other security incidents, the following provides a general overview of our security initiatives.

UPRR Security Measures – We maintain a comprehensive security plan designed to both deter and respond to any potential or actual threats as they arise. The plan includes four levels of alert status, each with its own set of countermeasures. We employ our own police force, consisting of more than 250 commissioned and highly-trained officers. Our employees also undergo recurrent security and preparedness training, as well as federally-mandated hazardous materials and security training. We regularly review the sufficiency of our employee training programs. We maintain the capability to move critical operations to back-up facilities in different locations.

We operate an emergency response management center 24 hours a day. The center receives reports of emergencies, dangerous or potentially dangerous conditions, and other safety and security issues from our employees, the public, law enforcement and other government officials. In cooperation with government officials, we monitor both threats and public events, and, as necessary, we may alter rail traffic flow at times of concern to minimize risk to communities and our operations. We comply with the hazardous materials routing rules and other requirements imposed by federal law. We also design our operating plan to expedite the movement of hazardous material shipments to minimize the time rail cars remain idle at yards and terminals located in or near major population centers. Additionally, in compliance with Transportation Security Agency regulations, we deployed information systems and instructed employees in tracking and documenting the handoff of Rail Security Sensitive Materials with customers and interchange partners.

We also have established a number of our own innovative safety and security-oriented initiatives ranging from various investments in technology to The Officer on Train program, which provides local law enforcement officers with the opportunity to ride with train crews to enhance their understanding of railroad operations and risks. Our staff of information security professionals continually assesses cyber security risks and implements mitigation programs that evolve with the changing technology threat environment. To date, we have not experienced any material disruption of our operations due to a cyber threat or attack directed at us.

Cooperation with Federal, State, and Local Government Agencies – We work closely on physical and cyber security initiatives with government agencies, including the U.S. Department of Transportation (DOT) and the Department of Homeland Security (DHS) as well as local police departments, fire departments, and other first responders. In conjunction with the Association of American Railroads (AAR), we sponsor Ask Rail, a mobile application which provides first responders with secure links to electronic information, including commodity and emergency response information required by emergency personnel to respond to accidents and other situations. We also participate in the National Joint Terrorism Task Force, a multi-agency effort established by the U.S. Department of Justice and the Federal Bureau of Investigation to combat and prevent terrorism.

We work with the Coast Guard, U.S. Customs and Border Protection (CBP), and the Military Transport Management Command, which monitor shipments entering the UPRR rail network at U.S. border crossings and ports. We were the first railroad in the U.S. to be named a partner in CBP's Customs-Trade Partnership Against Terrorism, a partnership designed to develop, enhance, and maintain effective security processes throughout the global supply chain.

Cooperation with Customers and Trade Associations – Through TransCAER (Transportation Community Awareness and Emergency Response) we work with the AAR, the American Chemistry Council, the American Petroleum Institute, and other chemical trade groups to provide communities with preparedness tools, including the training of emergency responders. In cooperation with the Federal Railroad Administration (FRA) and other interested groups, we are also working to develop additional improvements to tank car design that will further limit the risk of releases of hazardous materials.

GOVERNMENTAL AND ENVIRONMENTAL REGULATION

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

The operations of the Railroad are also subject to the regulatory jurisdiction of the Surface Transportation Board (STB). The STB has jurisdiction over rates charged on certain regulated rail traffic; common carrier service of regulated traffic; freight car compensation; transfer, extension, or abandonment of rail lines; and acquisition of control of rail common carriers. The STB continues its efforts to explore expanding rail regulation and is reviewing proposed rulemaking in various areas, including reciprocal switching, commodity exemptions, and expanding and easing procedures for smaller rate complaints. The STB also continues to develop a methodology for determining railroad revenue adequacy and the possible use of a revenue adequacy constraint in regulating railroad rates. The STB posts quarterly reports on rate reasonableness cases and maintains a database on service complaints, and has the authority to initiate investigations, among other things.

The operations of the Railroad also are subject to the regulations of the FRA and other federal and state agencies. In 2010, the FRA issued initial rules governing installation of Positive Train Control (PTC) that now has a deadline of December 31, 2018. The PTC implementation deadline may be extended to December 31, 2020, provided certain other criteria are satisfied. PTC is a collision avoidance technology intended to override engineer controlled locomotives and stop train-to-train and overspeed accidents, misaligned switch derailments, and unauthorized entry to work zones. Final implementation of PTC will require us to adapt and integrate our system with other railroads whose implementation plan may be different than ours. Through 2017, we have invested approximately $2.6 billion in the ongoing development of PTC.

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

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

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7 and Note 18 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Item 1A. Risk Factors

The information set forth in this Item 1A should be read in conjunction with the rest of the information included in this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and Financial Statements and Supplementary Data, Item 8.

We Must Manage Fluctuating Demand for Our Services and Network Capacity – If there are significant reductions in demand for rail services with respect to one or more commodities or changes in consumer preferences that affect the businesses of our customers, we may experience increased costs associated with resizing our operations, including higher unit operating costs and costs for the storage of locomotives, rail cars, and other equipment; work-force adjustments; and other related activities, which could have a material adverse effect on our results of operations, financial condition, and liquidity. If there is significant demand for our services that exceeds the designed capacity of our network, we may experience network difficulties, including congestion and reduced velocity, that could compromise the level of service we provide to our customers. This level of demand may also compound the impact of weather and weather-related events on our operations and velocity. Although we continue to improve our transportation plan, add capacity, improve operations at our yards and other facilities, and improve our ability to address surges in demand for any reason with adequate resources, we cannot be sure that these measures will fully or adequately address any service shortcomings resulting from demand exceeding our planned capacity. We may experience other operational or service difficulties related to network capacity, dramatic and unplanned fluctuations in our customers' demand for rail service with respect to one or more commodities or operating regions, or other events that could negatively impact our operational efficiency, any of which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Transport Hazardous Materials – We transport certain hazardous materials and other materials, including crude oil, ethanol, and toxic inhalation hazard (TIH) materials, such as chlorine, that pose certain risks in the event of a release or combustion. Additionally, U.S. laws impose common carrier obligations on railroads that require us to transport certain hazardous materials regardless of risk or potential exposure to loss. A rail accident or other incident or accident on our network, at our facilities, or at the facilities of our customers involving the release or combustion of hazardous materials could involve significant costs and claims for personal injury, property damage, and environmental penalties and remediation in excess of our insurance coverage for these risks, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Subject to Significant Governmental Regulation – We are subject to governmental regulation by a significant number of federal, state, and local authorities covering a variety of health, safety, labor, environmental, economic (as discussed below), and other matters. Many laws and regulations require us to obtain and maintain various licenses, permits, and other authorizations, and we cannot guarantee that we will continue to be able to do so. Our failure to comply with applicable laws and regulations could have a material adverse effect on us. Governments or regulators may change the legislative or regulatory frameworks within which we operate without providing us any recourse to address any adverse effects on our business, including, without limitation, regulatory determinations or rules regarding dispute resolution, increasing the amount of our traffic subject to common carrier regulation, business relationships with other railroads, calculation of our cost of capital or other inputs relevant to computing our revenue adequacy, the prices we charge, and costs and expenses. Significant legislative activity in Congress or regulatory activity by the STB could expand regulation of railroad operations and prices for rail services, which could reduce capital spending on our rail network, facilities and equipment and have a material adverse effect on our results of operations, financial condition, and liquidity. As part of the Rail Safety Improvement Act of 2008, rail carriers were to implement PTC by the end of 2015 (the Rail Safety Improvement Act). The Surface Transportation Extension Act of 2015 amended the Rail Safety Improvement Act to require implementation of PTC by the end of 2018, which deadline may be extended to December 31, 2020, provided certain other criteria are satisfied. Final implementation of PTC will require us to adapt and integrate our system with other railroads whose implementation plan may be different than ours. This implementation could have a material adverse effect on our results of operations and financial condition. Additionally, one or more consolidations of Class I railroads could also lead to increased regulation of the rail industry.

We May Be Affected by General Economic Conditions – Prolonged severe adverse domestic and global economic conditions or disruptions of financial and credit markets may affect the producers and consumers of the commodities we carry and may have a material adverse effect on our access to liquidity and our results of operations and financial condition.

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

We Rely on Technology and Technology Improvements in Our Business Operations – We rely on information technology in all aspects of our business. If we do not have sufficient capital to acquire new technology or if we are unable to develop or implement new technology such as PTC or the latest version of our transportation control systems, we may suffer a competitive disadvantage within the rail industry and with companies providing other modes of transportation service, which could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, if a cyber attack or other event causes significant disruption or failure of one or more of our information technology systems, including computer hardware, software, and communications equipment, we could suffer a significant service interruption, safety failure, security breach, or other operational difficulties, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

We May Be Subject to Various Claims and Lawsuits That Could Result in Significant Expenditures – As a railroad with operations in densely populated urban areas and other cities and a vast rail network, we are exposed to the potential for various claims and litigation related to labor and employment, personal injury, property damage, environmental liability, and other matters. Any material changes to litigation trends or a catastrophic rail accident or series of accidents involving any or all of property damage, personal injury, and environmental liability that exceed our insurance coverage for such risks could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Subject to Significant Environmental Laws and Regulations – Due to the nature of the railroad business, our operations are subject to extensive federal, state, and local environmental laws and regulations concerning, among other things, emissions to the air; discharges to waters; handling, storage, transportation, disposal of waste and other materials; and hazardous material or petroleum releases. We generate and transport hazardous and non-hazardous waste in our operations, and we did so in our former operations. Environmental liability can extend to previously owned or operated properties, leased properties, and properties owned by third parties, as well as to properties we currently own. Environmental liabilities have arisen and may also arise from claims asserted by adjacent landowners or other third parties in toxic tort litigation. We have been and may be subject to allegations or findings that we have violated, or are strictly liable under, these laws or regulations. We currently have certain obligations at existing sites for investigation, remediation and monitoring, and we likely will have obligations at other sites in the future. Liabilities for these obligations affect our estimate based on our experience and, as necessary, the advice and assistance of our consultants. However, actual costs may vary from our estimates due to any or all of several factors, including changes to environmental laws or interpretations of such laws, technological changes affecting investigations and remediation, the participation and financial viability of other parties responsible for any such liability and the corrective action or change to corrective actions required to remediate any existing or future sites. We could incur significant costs as a result of any of the foregoing, and we may be required to incur significant expenses to investigate and remediate known, unknown, or future environmental contamination, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We May Be Affected by Climate Change and Market or Regulatory Responses to Climate Change – Climate change, including the impact of global warming, could have a material adverse effect on our results of operations, financial condition, and liquidity. Restrictions, caps, taxes, or other controls on emissions of greenhouse gasses, including diesel exhaust, could significantly increase our operating costs. Restrictions on emissions could also affect our customers that (a) use commodities that we carry to produce energy, (b) use significant amounts of energy in producing or delivering the commodities we carry, or (c) manufacture or produce goods that consume significant amounts of energy or burn fossil fuels, including chemical producers, farmers and food producers, and automakers and other manufacturers. Significant cost increases, government regulation, or changes of consumer preferences for goods or services relating to alternative sources of energy or emissions reductions could materially affect the markets for the commodities we carry, which in turn could have a material adverse effect on our results of operations, financial condition, and liquidity. Government incentives encouraging the use of alternative sources of energy could also affect certain of our customers and the markets for certain of the commodities we carry in an unpredictable manner that could alter our traffic patterns, including, for example, increasing royalties charged to producers of PRB coal by the U.S. Department of Interior and the impacts of ethanol incentives on farming and ethanol producers. Finally, we could face increased costs related to defending and resolving legal claims and other litigation related to climate change and the alleged impact of our operations on climate change. Any of these factors, individually or in operation with one or more of the other factors, or other unforeseen impacts of climate change could reduce the amount of traffic we handle and have a material adverse effect on our results of operations, financial condition, and liquidity.

Severe Weather Could Result in Significant Business Interruptions and Expenditures – As a railroad with a vast network, we are exposed to severe weather conditions and other natural phenomena, including earthquakes, hurricanes, fires, floods, mudslides or landslides, extreme temperatures, and significant precipitation. Line outages and other interruptions caused by these conditions can adversely affect our entire rail network and can adversely affect revenue, costs, and liabilities, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

Strikes or Work Stoppages Could Adversely Affect Our Operations – The U.S. Class I railroads are party to collective bargaining agreements with various labor unions. The majority of our employees belong to labor unions and are subject to these agreements. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, slowdowns, or lockouts, which could cause a significant disruption of our operations and have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could compromise our service reliability or significantly increase our costs for health care, wages, and other benefits, which could have a material adverse impact on our results of operations, financial condition, and liquidity. Labor disputes, work stoppages, slowdowns or lockouts at loading/unloading facilities, ports or other transport access points could compromise our service reliability and have a material adverse impact on our results of operations, financial condition, and liquidity. Labor disputes, work stoppages, slowdowns or lockouts by employees of our customers or our suppliers could compromise our service reliability and have a material adverse impact on our results of operations, financial condition, and liquidity.

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

We May Be Affected By Fluctuating Fuel Prices – Fuel costs constitute a significant portion of our transportation expenses. Diesel fuel prices can be subject to dramatic fluctuations, and significant price increases could have a material adverse effect on our operating results. Although we currently are able to recover a significant amount of our fuel expenses from our customers through revenue from fuel surcharges, we cannot be certain that we will always be able to mitigate rising or elevated fuel costs through our fuel surcharges. Additionally, future market conditions or legislative or regulatory activities could adversely affect our ability to apply fuel surcharges or adequately recover increased fuel costs through fuel surcharges. As fuel prices fluctuate, our fuel surcharge programs trail such fluctuations in fuel price by approximately two months, and may be a significant source of quarter-over-quarter and year-over-year volatility, particularly in periods of rapidly changing prices. International, political, and economic factors, events and conditions affect the volatility of fuel prices and supplies. Weather can also affect fuel supplies and limit domestic refining capacity. A severe shortage of, or disruption to, domestic fuel supplies could have a material adverse effect on our results of operations, financial condition, and liquidity. Alternatively, lower fuel prices could have a positive impact on the economy by increasing consumer discretionary spending that potentially could increase demand for various consumer products we transport. However, lower fuel prices could have a negative impact on other commodities we transport, such as coal and domestic drilling-related shipments, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Utilize Capital Markets – Due to the significant capital expenditures required to operate and maintain a safe and efficient railroad, we rely on the capital markets to provide some of our capital requirements. We utilize long-term debt instruments, bank financing and commercial paper from time-to-time, and we pledge certain of our receivables. Significant instability or disruptions of the capital markets, including the credit markets, or deterioration of our financial condition due to internal or external factors could restrict or prohibit our access to, and significantly increase the cost of, commercial paper and other financing sources, including bank credit facilities and the issuance of long-term debt, including corporate bonds. A significant deterioration of our financial condition could result in a reduction of our credit rating to below investment grade, which could restrict, or at certain credit levels below investment grade may prohibit us, from utilizing our current receivables securitization facility. This may also limit our access to external sources of capital and significantly increase the costs of short and long-term debt financing.

A Significant Portion of Our Revenue Involves Transportation of Commodities to and from International Markets – Although revenues from our operations are attributable to transportation services provided in the U.S., a significant portion of our revenues involves the transportation of commodities to and from international markets, including Mexico and Southeast Asia, by various carriers and, at times, various modes of transportation. Significant and sustained interruptions of trade with Mexico or countries in Southeast Asia, including China, could adversely affect customers and other entities that, directly or indirectly, purchase or rely on rail transportation services in the U.S. as part of their operations, and any such interruptions could have a material adverse effect on our results of operations, financial condition and liquidity. Any one or more of the following could cause a significant and sustained interruption of trade with Mexico or countries in Southeast Asia: (a) a deterioration of security for international trade and businesses; (b) the adverse impact of new laws, rules and regulations or the interpretation of laws, rules and regulations by government entities, courts or regulatory bodies, including modifications to the North American Free Trade Agreement (NAFTA) and actions of taxing authorities that affect our customers doing business in foreign countries; (c) any significant adverse economic developments, such as extended periods of high inflation, material disruptions in the banking sector or in the capital markets of these foreign countries, and significant changes in the valuation of the currencies of these foreign countries that could materially affect the cost or value of imports or exports; (d) shifts in patterns of international trade that adversely affect import and export markets; and (e) a material reduction in foreign direct investment in these countries.

We Are Subject to Legislative, Regulatory, and Legal Developments Involving Taxes – Taxes are a significant part of our expenses. We are subject to U.S. federal, state, and foreign income, payroll, property, sales and use, fuel, and other types of taxes. Changes in tax rates, such as those included in the recently enacted U.S. Tax Cuts and Jobs Act, enactment of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in a material effect to our results of operations, financial condition, and liquidity. Higher tax rates could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Dependent on Certain Key Suppliers of Locomotives and Rail – Due to the capital intensive nature and sophistication of locomotive equipment, parts and maintenance, potential new suppliers face high barriers to entry. Therefore, if one of the domestic suppliers of high horsepower locomotives discontinues manufacturing locomotives, supplying parts or providing maintenance for any reason, including bankruptcy or insolvency, we could experience significant cost increases and reduced availability of the locomotives that are necessary for our operations. Additionally, for a high percentage of our rail purchases, we utilize two steel producers (one domestic and one international) that meet our specifications. Rail is critical to our operations for rail replacement programs, maintenance, and for adding additional network capacity, new rail and storage yards, and expansions of existing facilities. This industry similarly has high barriers to entry, and if one of these suppliers discontinues operations for any reason, including bankruptcy or insolvency, we could experience both significant cost increases for rail purchases and difficulty obtaining sufficient rail for maintenance and other projects.

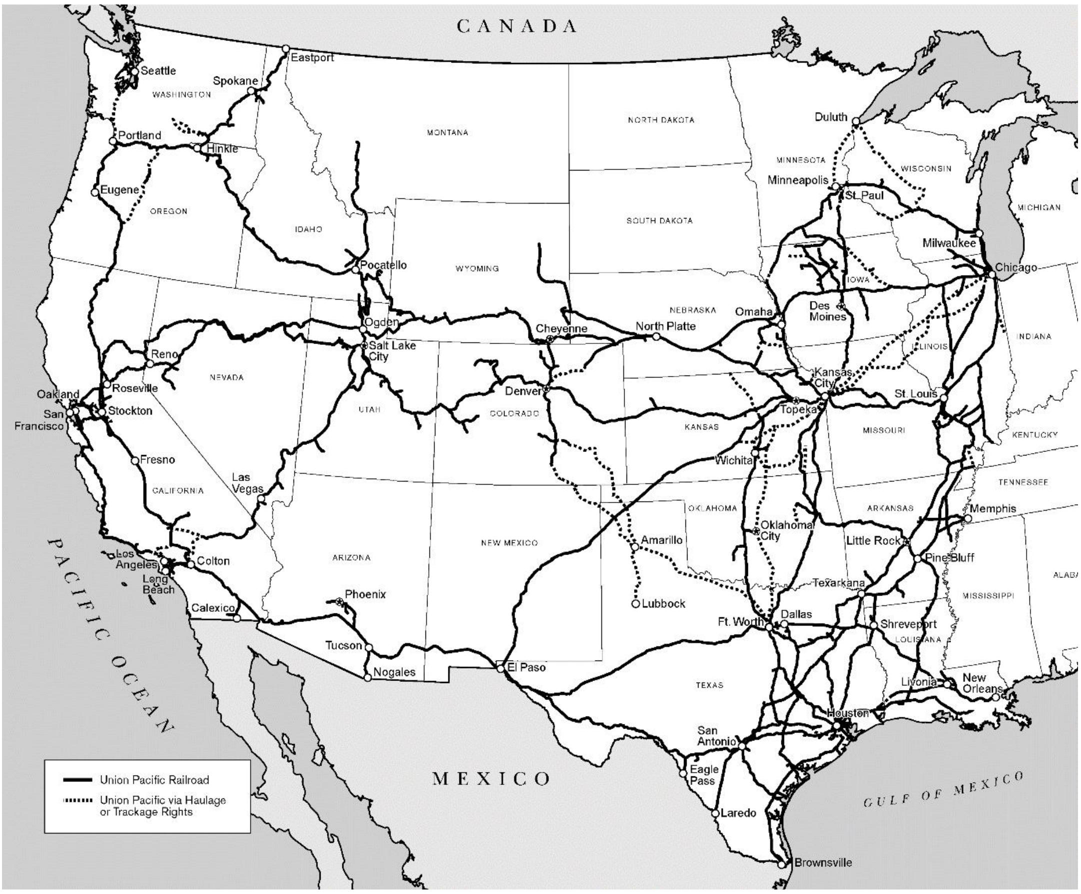
We May Be Affected by Acts of Terrorism, War, or Risk of War – Our rail lines, facilities, and equipment, including rail cars carrying hazardous materials, could be direct targets or indirect casualties of terrorist attacks. Terrorist attacks, or other similar events, any government response thereto,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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We employ a variety of assets in the management and operation of our rail business. Our rail network covers 23 states in the western two-thirds of the U.S.



TRACK

Our rail network includes 32,122 route miles. We own 26,042 miles and operate on the remainder pursuant to trackage rights or leases. The following table describes track miles at December 31, 2017, and 2016:

	2017	*2016*
Route	**32,122**	32,070
Other main line	**7,107**	7,070
Passing lines and turnouts	**3,255**	3,245
Switching and classification yard lines	**9,199**	9,115
Total miles	**51,683**	51,500

HEADQUARTERS BUILDING

We own our headquarters building in Omaha, Nebraska. The facility has 1.2 million square feet of space that can accommodate approximately 4,000 employees.

HARRIMAN DISPATCHING CENTER

The Harriman Dispatching Center (HDC), located in Omaha, Nebraska, is our primary dispatching facility. It is linked to regional dispatching and locomotive management facilities at various locations along our network. HDC employees coordinate moves of locomotives and trains, manage traffic and train crews on our network, and coordinate interchanges with other railroads. Approximately 900 employees currently work on-site in the facility. In the event of a disruption of operations at HDC due to a cyber attack, flooding or severe weather or other event, we maintain the capability to conduct critical operations at back-up facilities in different locations.

RAIL FACILITIES

In addition to our track structure, we operate numerous facilities, including terminals for intermodal and other freight; rail yards for building trains (classification yards), switching, storage-in-transit (the temporary storage of customer goods in rail cars prior to shipment) and other activities; offices to administer and manage our operations; dispatching centers to direct traffic on our rail network; crew quarters to house train crews along our network; and shops and other facilities for fueling, maintenance, and repair of locomotives and repair and maintenance of rail cars and other equipment. The following table includes the major yards and terminals on our system:

Major Classification Yards	*Major Intermodal Terminals*
North Platte, Nebraska	Joliet (Global 4), Illinois
North Little Rock, Arkansas	East Los Angeles, California
Englewood (Houston), Texas	ICTF (Los Angeles), California
Fort Worth, Texas	Global I (Chicago), Illinois
Livonia, Louisiana	DIT (Dallas), Texas
Proviso (Chicago), Illinois	Mesquite, Texas
Roseville, California	City of Industry, California
West Colton, California	Global II (Chicago), Illinois
Pine Bluff, Arkansas	Marion (Memphis), Tennessee
Neff (Kansas City), Missouri	Lathrop, California

RAIL EQUIPMENT

Our equipment includes owned and leased locomotives and rail cars; heavy maintenance equipment and machinery; other equipment and tools in our shops, offices, and facilities; and vehicles for maintenance, transportation of crews, and other activities. As of December 31, 2017, we owned or leased the following units of equipment:

Locomotives	*Owned*	*Leased*	*Total*	*Average Age (yrs.)*
Multiple purpose	6,392	1,852	8,244	20.0
Switching	213	12	225	36.9
Other	47	57	104	38.5
Total locomotives	6,652	1,921	8,573	N/A

Freight cars	*Owned*	*Leased*	*Total*	*Average Age (yrs.)*
Covered hoppers	13,804	12,629	26,433	20.4
Open hoppers	6,897	2,427	9,324	30.9
Gondolas	5,798	2,772	8,570	26.7
Boxcars	2,957	6,780	9,737	36.1
Refrigerated cars	2,600	3,486	6,086	25.4
Flat cars	2,533	1,147	3,680	32.4
Other	8	353	361	29.9
Total freight cars	34,597	29,594	64,191	N/A

Highway revenue equipment	Owned	Leased	Total	Average Age (yrs.)
Containers	38,655	15,327	53,982	8.8
Chassis	23,711	21,771	45,482	10.9
Total highway revenue equipment	62,366	37,098	99,464	N/A

CAPITAL EXPENDITURES

Our rail network requires significant annual capital investments for replacement, improvement, and expansion. These investments enhance safety, support the transportation needs of our customers, and improve our operational efficiency. Additionally, we add new locomotives and freight cars to our fleet to replace older, less efficient equipment, to support growth and customer demand, and to reduce our impact on the environment through the acquisition of more fuel-efficient and low-emission locomotives.

2017 Capital Program – During 2017, our capital program totaled approximately $3.1 billion. (See the cash capital expenditures table in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 7.)

2018 Capital Plan – In 2018, we expect our capital plan to be approximately $3.3 billion. The plan includes expenditures to renew and improve our existing infrastructure as well as new capacity investments, including initial construction work on a new classification yard in our Southern Region. In addition, expenditures will be made for PTC, locomotives, intermodal containers and chassis, and freight cars. We may revise our 2018 capital plan if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments. (See discussion of our 2018 capital plan in Management's Discussion and Analysis of Financial Condition and Results of Operations – 2018 Outlook, Item 7.)

OTHER

Equipment Encumbrances – Equipment with a carrying value of approximately $2.0 billion and $2.3 billion at December 31, 2017, and 2016, respectively served as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire or refinance such railroad equipment.

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

Environmental Matters – Certain of our properties are subject to federal, state, and local laws and regulations governing the protection of the environment. (See discussion of environmental issues in Business – Governmental and Environmental Regulation, Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7, and Note 18 of the Consolidated Financial Statements.)

Item 3. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, and litigation that occur in connection with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our third-party advisors when making these assessments. Consistent with SEC rules and requirements, we describe below material pending legal proceedings (other than ordinary routine litigation incidental to our business), material proceedings known to be contemplated by governmental authorities, other proceedings arising under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of $100,000), and such other pending matters that we may determine to be appropriate.

ENVIRONMENTAL MATTERS

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

On May 2, 2015, a UPRR train en route from Chicago, IL. to St. Louis, MO. experienced an accidental release of diesel fuel in the vicinity of Sidney, IL. It is believed that the release was caused by a puncture to a fuel tank under one or more of the locomotives attached to the train. The impacted fuel tank(s) released the majority of their contents onto the ground, approximately 400 feet from an unnamed creek. Some of the fuel migrated into that creek, which discharges to the Salt Fork River. We immediately notified federal, state and local authorities and dispatched our own emergency response resources to the scene. On May 29, 2015, we entered into an agreed-upon interim order to perform a comprehensive site investigation and remedial measures at the release site. On March 13, 2017, the State of Illinois issued a demand for $125,000 in civil penalties as part of the ongoing enforcement action. We are currently evaluating the State's demand.

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7. See also Note 18 of the Consolidated Financial Statements.

OTHER MATTERS

Antitrust Litigation – As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, 20 rail shippers (many of whom are represented by the same law firms) filed virtually identical antitrust lawsuits in various federal district courts against us and four other Class I railroads in the U.S. Currently, UPRR and three other Class I railroads are the named defendants in the lawsuit. The original plaintiff filed the first of these claims in the U.S. District Court in New Jersey on May 14, 2007. The number of complaints reached a total of 30. These suits allege that the named railroads engaged in price-fixing by establishing common fuel surcharges for certain rail traffic.

On June 21, 2012, Judge Friedman issued a decision that certified a class of plaintiffs with eight named plaintiff representatives. The decision included in the class all shippers that paid a rate-based fuel surcharge to any one of the defendant railroads for rate-unregulated rail transportation from July 1, 2003, through December 31, 2008. On July 5, 2012, the defendant railroads filed a petition with the U.S. Court of Appeals for the District of Columbia requesting that the court review the class certification ruling. On August 9, 2013, the Circuit Court vacated the class certification decision and remanded the case to the district court to reconsider the class certification decision in light of a recent Supreme Court case and incomplete consideration of errors in the expert report of the plaintiffs. After reviewing an intervening case, supplemental expert materials and related briefing from the parties, Judge Friedman scheduled and completed a new class certification hearing during the week of September 26, 2016. On October 10, 2017, the parties received a ruling from Judge Friedman denying class certification. Plaintiffs have sought appellate review of that ruling and on December 20, 2017, were granted the right of an interlocutory appeal by the U.S. Court of Appeals for the District of Columbia Circuit.

As we reported in our Current Report on Form 8-K, filed on June 10, 2011, the Railroad received a complaint filed in the U.S. District Court for the District of Columbia on June 7, 2011, by Oxbow Carbon & Minerals LLC and related entities (Oxbow). The parties are currently conducting discovery in this matter. For additional information on Oxbow, please refer to Item 3. Legal Proceedings, under Other Matters, Antitrust Litigation in our Annual Report on Form 10-K for the year ended December 31, 2016.

We continue to deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws. We believe that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries

The Board of Directors typically elects and designates our executive officers on an annual basis at the board meeting held in conjunction with the Annual Meeting of Shareholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year, as the Board of Directors considers appropriate. There are no family relationships among the officers, nor is there any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information current as of February 9, 2018, relating to the executive officers.

Name	Position	Age	Business Experience During Past Five Years
Lance M. Fritz	Chairman, President and Chief Executive Officer of UPC and the Railroad	55	[1]
Robert M. Knight, Jr.	Executive Vice President and Chief Financial Officer of UPC and the Railroad	60	Current Position
Rhonda S. Ferguson	Executive Vice President, Chief Legal Officer and Corporate Secretary of UPC and the Railroad	48	[2]
Todd M. Rynaski	Vice President and Controller of UPC and Chief Accounting Officer and Controller of the Railroad	47	[3]
Cameron A. Scott	Executive Vice President and Chief Operating Officer of the Railroad	55	[4]
Elizabeth F. Whited	Executive Vice President and Chief Marketing Officer of the Railroad	52	[5]

[1] On July 30, 2015, Mr. Fritz was named Chairman of the Board of UPC and the Railroad effective October 1, 2015. Mr. Fritz was elected President and Chief Executive Officer of UPC and the Railroad effective February 5, 2015. Previously, Mr. Fritz was President and Chief Operating Officer of the Railroad effective February 6, 2014, Executive Vice President – Operations of the Railroad effective September 1, 2010, and Vice President – Operations of the Railroad effective January 1, 2010.

[2] Ms. Ferguson was elected Corporate Secretary of UPC and the Railroad effective December 1, 2017, and Executive Vice President and Chief Legal Officer of UPC and the Railroad effective July 11, 2016. She previously was Vice President, Corporate Secretary and Chief Ethics Officer of FirstEnergy Corp. since 2007.

[3] Mr. Rynaski was elected Vice President and Controller of UPC and Chief Accounting Officer and Controller of the Railroad effective September 1, 2015. He previously was Assistant Vice President – Accounting of the Railroad effective January 1, 2014, and Assistant Vice President – Financial Reporting and Analysis effective April 1, 2011.

[4] Mr. Scott was elected to his current position effective February 6, 2014. He previously was Vice President Network Planning and Operations effective June 30, 2012.

[5] Ms. Whited was elected Executive Vice President and Chief Marketing Officer effective December 1, 2016. She previously was Vice President and General Manager – Chemicals effective October 1, 2012.

PART II

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

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

2017 - Dollars Per Share	*Q1*	*Q2*	*Q3*	*Q4*
Dividends	$ 0.605	$ 0.605	$ 0.605	$ 0.665
Common stock price:				
High	111.38	115.15	116.93	136.32
Low	101.20	104.12	101.06	108.71

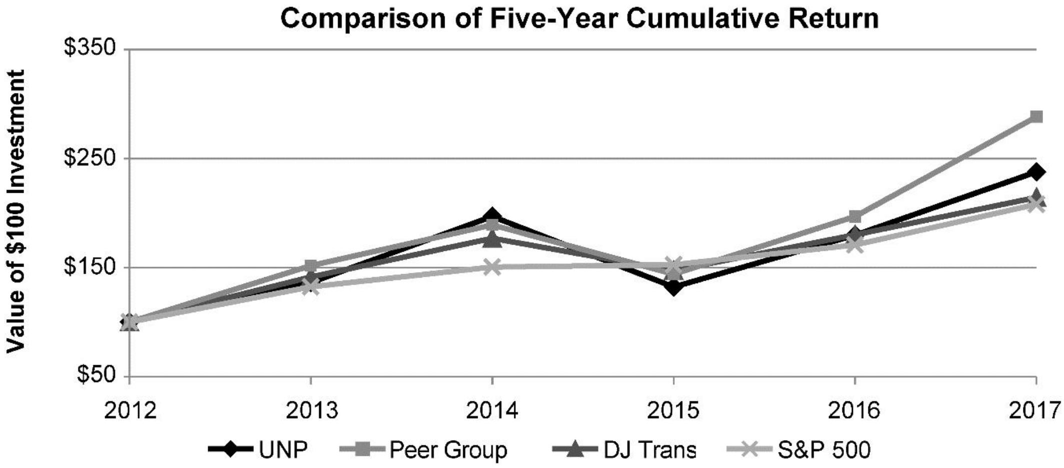
2016 - Dollars Per Share	*Q1*	*Q2*	*Q3*	*Q4*
Dividends	$ 0.55	$ 0.55	$ 0.55	$ 0.605
Common stock price:				
High	85.30	90.14	98.00	106.62
Low	67.06	77.29	86.01	87.06

At February 2, 2018, there were 779,305,276 shares of common stock outstanding and 30,653 common shareholders of record. On that date, the closing price of the common stock on the NYSE was $129.36. We paid dividends to our common shareholders during each of the past 118 years. We declared dividends totaling $1,982 million in 2017 and $1,879 million in 2016. On February 8, 2018, we increased the quarterly dividend to $0.73 per share, payable on March 30, 2018, to shareholders of record on February 28, 2018. We are subject to certain restrictions regarding retained earnings with respect to the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends increased to $16.4 billion at December 31, 2017, from $12.4 billion at December 31, 2016. (See discussion of this restriction in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 7.) We do not believe the restriction on retained earnings will affect our ability to pay dividends, and we currently expect to pay dividends in 2018.

Comparison Over One- and Three-Year Periods – The following table presents the cumulative total shareholder returns, assuming reinvestment of dividends, over one- and three-year periods for the Corporation (UNP), a peer group index (comprised of CSX Corporation and Norfolk Southern Corporation), the Dow Jones Transportation Index (DJ Trans), and the Standard & Poor's 500 Stock Index (S&P 500).

Period	*UNP*	*Peer Group*	*DJ Trans*	*S&P 500*
1 Year (2017)	32.2 %	46.5 %	19.0 %	21.8 %
3 Year (2015 - 2017)	20.7	52.4	21.2	38.3

Five-Year Performance Comparison – The following graph provides an indicator of cumulative total shareholder returns for the Corporation as compared to the peer group index (described above), the DJ Trans, and the S&P 500. The graph assumes that $100 was invested in the common stock of Union Pacific Corporation and each index on December 31, 2012 and that all dividends were reinvested. The information below is historical in nature and is not necessarily indicative of future performance.



Purchases of Equity Securities – During 2017, we repurchased 37,122,405 shares of our common stock at an average price of $110.50. The following table presents common stock repurchases during each month for the fourth quarter of 2017:

Period	*Total Number of Shares Purchased [a]*	*Average Price Paid Per Share*	*Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [b]*	*Maximum Number of Shares Remaining Under the Plan or Program [b]*
Oct. 1 through Oct. 31	3,831,636	$ 113.61	3,800,000	89,078,662
Nov. 1 through Nov. 30	3,005,225	117.07	2,937,410	86,141,252
Dec. 1 through Dec. 31	2,718,319	130.76	2,494,100	83,647,152
Total	9,555,180	$ 119.58	9,231,510	N/A

[a] Total number of shares purchased during the quarter includes approximately 323,670 shares delivered or attested to UPC by employees to pay stock option exercise prices, satisfy excess tax withholding obligations for stock option exercises or vesting of retention units, and pay withholding obligations for vesting of retention shares.

[b] Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020. These repurchases may be made on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions.

Item 6. Selected Financial Data

The following table presents as of, and for the years ended, December 31, our selected financial data for each of the last five years. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and with the Financial Statements and Supplementary Data, Item 8. The information below is historical in nature and is not necessarily indicative of future financial condition or results of operations.

Millions, Except per Share Amounts, Carloads, Employee Statistics, and Ratios	***2017[a]***	*2016*	*2015*	*2014*	*2013*
For the Year Ended December 31					
Operating revenues [b]	**$ 21,240**	$ 19,941	$ 21,813	$ 23,988	$ 21,963
Operating income	**8,061**	7,272	8,052	8,753	7,446
Net income	**10,712**	4,233	4,772	5,180	4,388
Earnings per share - basic [c]	**13.42**	5.09	5.51	5.77	4.74
Earnings per share - diluted [c]	**13.36**	5.07	5.49	5.75	4.71
Dividends declared per share [c]	**2.48**	2.255	2.20	1.91	1.48
Cash provided by operating activities	**7,230**	7,525	7,344	7,385	6,823
Cash used in investing activities	**(3,086)**	(3,393)	(4,476)	(4,249)	(3,405)
Cash used in financing activities	**(4,146)**	(4,246)	(3,063)	(2,982)	(3,049)
Cash used for common share repurchases	**(4,013)**	(3,105)	(3,465)	(3,225)	(2,218)
At December 31					
Total assets	**$ 57,806**	$ 55,718	$ 54,600	$ 52,372	$ 49,410
Long-term obligations [d]	**29,011**	32,146	30,692	27,419	24,395
Debt due after one year	**16,144**	14,249	13,607	10,952	8,820
Common shareholders' equity	**24,856**	19,932	20,702	21,189	21,225
Additional Data					
Freight revenues [b]	**$ 19,837**	$ 18,601	$ 20,397	$ 22,560	$ 20,684
Revenue carloads (units) (000)	**8,588**	8,442	9,062	9,625	9,022
Operating ratio (%) [e]	**62.0**	63.5	63.1	63.5	66.1
Average employees (000)	**42.0**	42.9	47.5	47.2	46.4
Financial Ratios (%)					
Debt to capital [f]	**40.5**	43.0	40.7	35.0	31.0
Return on average common shareholders' equity [g]	**47.8**	20.8	22.8	24.4	21.4

[a] 2017 includes a $5.9 billion non-cash reduction to income tax expense and $212 million non-cash reduction to operating expenses related to the Tax Cuts and Jobs Act enacted on December 22, 2017.
[b] Includes fuel surcharge revenue of $966 million, $560 million, $1.3 billion, $2.8 billion, and $2.6 billion, for 2017, 2016, 2015, 2014, and 2013, respectively, which partially offsets increased operating expenses for fuel. (See further discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Operating Revenues, Item 7.)
[c] Earnings per share and dividends declared per share are retroactively adjusted to reflect the June 6, 2014 stock split.
[d] Long-term obligations is determined as follows: total liabilities less current liabilities.
[e] Operating ratio is defined as operating expenses divided by operating revenues.
[f] Debt to capital is determined as follows: total debt divided by total debt plus common shareholders' equity.
[g] Return on average common shareholders' equity is determined as follows: Net income divided by average common shareholders' equity.

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

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

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

EXECUTIVE SUMMARY

2017 Results

- **Safety** – During 2017, we continued our focus on safety to reduce risk and eliminate incidents for our employees, our customers and the public. We finished 2017 with a 3% improvement in our reportable derailment incident rate per million train miles compared to 2016. Although reportable personal injury incidents per 200,000 employee-hours increased 5% from last year's record low, it is our second lowest year and a 9% decrease from 2015. Despite our efforts in 2017, our crossing incidents rate increased 5% from 2016. Overall, our 2017 safety results reflect our employees' dedication to our safety initiatives and our efforts to further engage the workforce through programs such as Courage to Care, Total Safety Culture, and UP Way (our continuous improvement culture).

- **Network Operations** – Our average train speed, as reported to the AAR, decreased 5% compared to 2016, and our average terminal dwell time increased 8% from 2016. Disruptions across our network, including the impact of Hurricane Harvey, negatively impacted network fluidity. Continued implementation and testing of Positive Train Control across a growing number of routes in our network also negatively impacted overall average train speed and terminal dwell. Network operational challenges in the latter part of the year also negatively impacted terminal dwell.

- **Tax Reform** – The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduced the federal income tax rate from 35% to 21% effective January 1, 2018. As a result, we remeasured our deferred tax assets and liabilities which resulted in a $5.9 billion non-cash reduction in our income tax expense in 2017. In addition, we recognized a $212 million non-cash reduction to operating expense related to income tax adjustments recognized at certain equity-method affiliates. See Note 8 of the Consolidated Financial Statements for additional information.

  For comparability purposes, the following table reconciles our full year 2017 reported results under accounting principles generally accepted in the U.S. (GAAP) to our 2017 adjusted results (non-GAAP) for the tax related items described above. We believe the adjusted results provide relevant information to our investors as they more accurately reflect on-going financial performance. In addition, these measures should be considered in addition to, and not a substitute for operating income, income taxes, net income, diluted EPS, operating ratio, and effective tax rate.

Millions, Except Per Share Amounts and Percentages	*Operating Income*	*Income Taxes*	*Net Income*	*Diluted EPS*	*Operating Ratio*	*Effective Tax Rate*
2017 Reported results (GAAP)	$ 8,061	$ (3,080)	$ 10,712	$ 13.36	62.0 %	(40.4)%
Factors Affecting Comparability:						
Adjustments for Tax Cuts and Jobs Act						
Equity-method affiliates	(212)	(73)	(139)	(0.17)	1.0 pts	-
Deferred taxes	-	5,935	(5,935)	(7.40)	-	77.9
2017 Adjusted results (non-GAAP)	$ 7,849	$ 2,782	$ 4,638	$ 5.79	63.0 %	37.5 %
2016 Reported results (GAAP)	$ 7,272	$ 2,533	$ 4,233	$ 5.07	63.5 %	37.4 %

- **2017 Adjusted Results Non-GAAP** – In 2017, we generated adjusted operating income of more than $7.8 billion, an 8% increase compared to 2016. Volume growth of 2%, combined with core pricing and productivity gains, generated solid financial performance improvement and more than offset $86 million of operating expense associated with our workforce reduction plan implemented in the third quarter of 2017. Our 2017 adjusted operating ratio was an all-time record 63.0%, improving 0.5 points from 2016.

Adjusted net income of $4.6 billion translated into adjusted earnings of $5.79 per diluted share, a best-ever performance.

- **Freight Revenues** – Our freight revenues increased 7% year-over-year to $19.8 billion driven by volume growth of 2%, higher fuel surcharge revenue, and core pricing gains. Growth in frac sand, coal, and intermodal shipments more than offset declines in grain, crude oil, finished vehicles, and rock shipments.

- **Fuel Prices** – Our average price of diesel fuel in 2017 was $1.81 per gallon, an increase of 22% from 2016, as both crude oil and conversion spreads between crude oil and diesel increased in 2017. The higher price resulted in increased operating expenses of $334 million (excluding any impact from year-over-year volume growth). Gross-ton miles increased 5%, which also drove higher fuel expense. Our fuel consumption rate, computed as gallons of fuel consumed divided by gross ton-miles in thousands, improved 2%.

- **Free Cash Flow** – Cash generated by operating activities totaled $7.2 billion, yielding free cash flow of $2.2 billion after reductions of $3.1 billion for cash used in investing activities and $2 billion in dividends, which included a 10% increase in our quarterly dividend per share from $0.605 to $0.665 declared and paid in the fourth quarter of 2017. Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid.

  Free cash flow is not considered a financial measure under GAAP by SEC Regulation G and Item 10 of SEC Regulation S-K and may not be defined and calculated by other companies in the same manner. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure):

Millions		***2017***		*2016*		*2015*
Cash provided by operating activities	**$**	**7,230**	$	7,525	$	7,344
Cash used in investing activities		**(3,086)**		(3,393)		(4,476)
Dividends paid		**(1,982)**		(1,879)		(2,344)
Free cash flow	**$**	**2,162**	$	2,253	$	524

2018 Outlook

- **Safety** – Operating a safe railroad benefits all our constituents: our employees, customers, shareholders and the communities we serve. We will continue using a multi-faceted approach to safety, utilizing technology, risk assessment, training and employee engagement, quality control, and targeted capital investments. We will continue using and expanding the deployment of Total Safety Culture and Courage to Care throughout our operations, which allows us to identify and implement best practices for employee and operational safety. We will continue our efforts to increase detection of rail defects; improve or close crossings; and educate the public and law enforcement agencies about crossing safety through a combination of our own programs (including risk assessment strategies), industry programs and local community activities across our network.

- **Network Operations** – In 2018, we will continue to align resources with customer demand, maintain an efficient network, and ensure surge capability of our assets.

- **Fuel Prices** – Fuel price projections for crude oil and natural gas continue to fluctuate in the current environment. We again could see volatile fuel prices during the year, as they are sensitive to global and U.S. domestic demand, refining capacity, geopolitical events, weather conditions and other factors. As prices fluctuate, there will be a timing impact on earnings, as our fuel surcharge programs trail increases or decreases in fuel price by approximately two months.

  Lower fuel prices could have a positive impact on the economy by increasing consumer discretionary spending that potentially could increase demand for various consumer products that we transport. Alternatively, lower fuel prices could likely have a negative impact on other commodities such as coal and domestic drilling-related shipments.

- **Capital Plan** – In 2018, we expect our capital plan to be approximately $3.3 billion, up around 5% compared to 2017. The plan includes expenditures to renew and improve our existing infrastructure as well as new capacity investments, including initial construction work on a new classification yard in our Southern Region. In addition, expenditures will be made for PTC, locomotives, intermodal containers and chassis, and freight cars. We expect to take delivery of approximately 60 new locomotives in 2018, which will complete our multi-year purchase commitments. The capital plan may be revised if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments. (See further discussion in this Item 7 under Liquidity and Capital Resources – Capital Plan.)

- **Financial Expectations** – Economic conditions in many of our market sectors continue to drive uncertainty with respect to our volume levels. We expect volume to grow in the low single digit range in 2018 compared to 2017, but it will depend on the overall economy and market conditions. One of the more significant uncertainties is the outlook for energy markets, which will bring both challenges and opportunities. In the current environment, we expect continued margin improvement driven by continued pricing opportunities, ongoing productivity initiatives, and the ability to leverage our resources and strengthen our franchise. Over the longer term, we expect the overall U.S. economy to continue to improve at a modest pace, with some markets outperforming others.

- **Tax Reform** – The Tax Act was enacted on December 22, 2017. The Tax Act reduced the federal income tax rate from 35% to 21% effective January 1, 2018. Due to the tax rate change, we expect to generate additional cash from operations in 2018 of approximately $1 billion, assuming normal business conditions prevail. We will continue to evaluate the best use of that cash, which will include pursuing capital projects with adequate returns, and returning cash to shareholders through share repurchases and dividends.

RESULTS OF OPERATIONS

Operating Revenues

Millions	***2017***	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Freight revenues	**$ 19,837**	$ 18,601	$ 20,397	**7 %**	(9)%
Other revenues	**1,403**	1,340	1,416	**5 %**	(5)%
Total	**$ 21,240**	$ 19,941	$ 21,813	**7 %**	(9)%

We generate freight revenues by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and average revenue per car (ARC). Changes in price, traffic mix and fuel surcharges drive ARC. We provide some of our customers with contractual incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as reductions to freight revenues based on the actual or projected future shipments. We recognize freight revenues as shipments move from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

Other revenues include revenues earned by our subsidiaries, revenues from commuter rail operations that we manage, accessorial revenues, which we earn when customers retain equipment owned or controlled by us or when we perform additional services such as switching or storage, and miscellaneous contract revenue. We recognize other revenues as we perform services or meet contractual obligations.

Freight revenues increased 7% year-over-year to $19.8 billion driven by volume growth of 2%, higher fuel surcharge revenue, and core pricing gains. Growth in frac sand, coal, and intermodal shipments more than offset declines in grain, crude oil, finished vehicles, and rock shipments.

Freight revenues decreased 9% in 2016 compared to 2015 due to a 7% decline in carloadings, and lower fuel surcharge revenue, partially offset by core pricing gains. Volume declines in coal, intermodal, frac sand, crude oil, finished vehicles, and metals shipments more than offset volume growth in grain, automotive parts, and industrial chemicals shipments.

Our fuel surcharge programs generated freight revenues of $966 million, $560 million, and $1.3 billion in 2017, 2016, and 2015, respectively. Fuel surcharge revenue in 2017 increased $406 million as a result of a 22% increase in fuel price and 2% growth in carloadings. Fuel surcharge revenue in 2016 decreased $740 million as a result of a 20% decrease in fuel price, a 7% reduction in carloadings, and the lag impact on fuel surcharge (it can generally take up to two months for changing fuel prices to affect fuel surcharge recoveries).

In 2017, other revenue increased from 2016 due to higher revenues at our subsidiaries, primarily those that broker intermodal, transload, and refrigerated warehousing logistics services.

In 2016, other revenue decreased from 2015 due to lower revenues at our subsidiaries, primarily those that broker intermodal and transload services, and lower intermodal accessorial revenue and demurrage fees.

The following tables summarize the year-over-year changes in freight revenues, revenue carloads, and ARC by commodity type:

Freight Revenues *Millions*	***2017***	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Agricultural Products	**$ 3,685**	$ 3,625	$ 3,581	**2 %**	1 %
Automotive	**1,998**	2,000	2,154	**-**	(7)
Chemicals	**3,596**	3,474	3,543	**4**	(2)
Coal	**2,645**	2,440	3,237	**8**	(25)
Industrial Products	**4,078**	3,348	3,808	**22**	(12)
Intermodal	**3,835**	3,714	4,074	**3**	(9)
Total	**$ 19,837**	$ 18,601	$ 20,397	**7 %**	(9)%

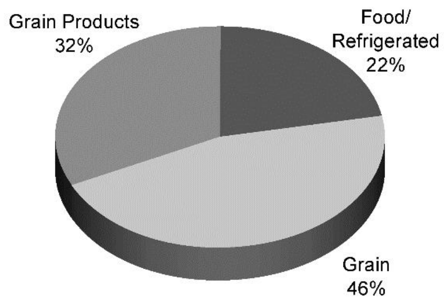
Revenue Carloads *Thousands*	***2017***	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Agricultural Products	**958**	980	941	**(2)%**	4 %
Automotive	**838**	863	863	**(3)**	-
Chemicals	**1,055**	1,074	1,098	**(2)**	(2)
Coal	**1,232**	1,166	1,459	**6**	(20)
Industrial Products	**1,227**	1,097	1,213	**12**	(10)
Intermodal [a]	**3,278**	3,262	3,488	**-**	(6)
Total	**8,588**	8,442	9,062	**2 %**	(7)%

Average Revenue per Car	***2017***	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Agricultural Products	**$ 3,847**	$ 3,702	$ 3,805	**4 %**	(3)%
Automotive	**2,384**	2,317	2,498	**3**	(7)
Chemicals	**3,410**	3,234	3,227	**5**	-
Coal	**2,146**	2,092	2,218	**3**	(6)
Industrial Products	**3,324**	3,051	3,139	**9**	(3)
Intermodal [a]	**1,170**	1,138	1,168	**3**	(3)
Average	**$ 2,310**	$ 2,203	$ 2,251	**5 %**	(2)%

[a] Each intermodal container or trailer equals one carload.

Agricultural Products – Freight revenue from agricultural products increased compared to 2016 driven by core pricing gains and higher fuel surcharge revenue, partially offset by a 2% decrease in volume. Grain and grain product shipments decreased 3% in 2017 compared to 2016. Strong export demand for wheat drove volume growth in the first half of the year, which was more than offset by declines of grain shipments in the second half of the year due to an abundance of global supply reducing U.S. grain competitiveness.

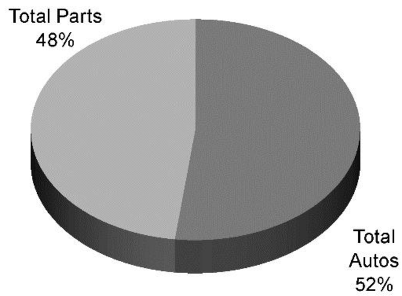
2017 Agricultural Products Carloads



Freight revenue from agricultural products increased in 2016 compared to 2015 driven by volume growth and core pricing gains, partially offset by lower fuel surcharge revenue and mix of traffic. Grain shipments increased 11% in 2016 compared to 2015 due to strong export demand in the second half of the year. Market conditions in South America and ample supply of U.S. grains led to competitive U.S. pricing relative to the global market.

Automotive – Freight revenue from automotive shipments was flat compared to 2016 as core pricing gains and higher fuel surcharge revenue were offset by a 3% decline in volume and mix of traffic. Finished vehicle shipments fell 7% for the year resulting from lower domestic sales and reduced production for certain manufacturers. Automotive parts shipments grew 1% driven by continued growth in truck-to-rail conversions.

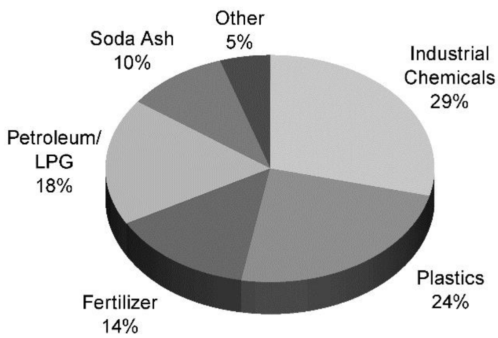
2017 Automotive Carloads



Freight revenue from automotive shipments decreased in 2016 compared to 2015 as a result of lower fuel surcharge revenue and mix of traffic, partially offset by core pricing gains. Volume was flat compared to 2015 as a 7% growth in automotive parts from truck-to-rail conversions was offset by a 5% decrease in finished vehicles resulting from a partial contract loss during the year. Overall U.S. vehicle production was flat compared to 2015.

Chemicals – Freight revenue from chemical shipments increased in 2017 versus 2016 due to core pricing gains, higher fuel surcharge revenue, and mix of traffic, which were partially offset by a 2% decrease in volume. Crude oil shipments declined significantly through the third quarter, resulting from continued low crude oil prices, regional pricing differences and available pipeline capacity. Conversely, shipments of refined petroleum products grew due to stronger demand. Fertilizer shipments also increased as a result of continued strength in potash exports.

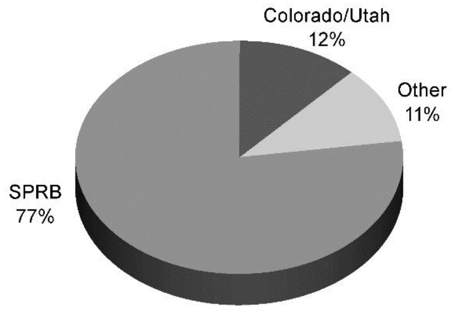
2017 Chemicals Carloads



Freight revenue from chemical shipments declined in 2016 versus 2015 due to volume declines and lower fuel surcharge revenue, which were partially offset by core pricing gains. Crude oil shipments declined significantly resulting from continued low crude oil prices, regional pricing differences and available pipeline capacity. Fertilizer shipments also declined due to weak world-wide demand for potash in the first half of the year and the strong U.S. dollar. These decreases were partially offset by growth in industrial chemical and liquid petroleum gas shipments.

Coal – Freight revenue from coal shipments increased in 2017 compared to 2016 driven by volume growth, mix of traffic, and higher fuel surcharge revenue. Shipments out of the Powder River Basin (PRB) grew 5% in 2017 driven by strong growth in the first half of the year due to higher year-over-year natural gas prices and lower inventory levels at utilities. Shipments out of Colorado and Utah increased 7% compared to 2016 due to the same drivers, combined with stronger export demand.

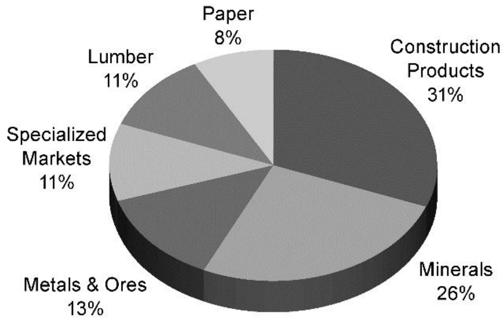
2017 Coal Carloads



Lower volume, lower fuel surcharge revenue, and mix of traffic resulted in a decline in freight revenue from coal shipments in 2016 compared to 2015. Shipments out of the Powder River Basin (PRB) declined 24% in 2016 due to high inventory levels at utilities and competitive natural gas prices. Shipments out of Colorado and Utah declined 15% compared to 2015 due to the same drivers, combined with lower international demand.

Industrial Products – Freight revenue from industrial products shipments increased in 2017 compared to 2016 due to a 12% increase in volume, core pricing gains, higher fuel surcharge revenue, and mix of traffic. Increased shale drilling activity and proppant intensity per drilling well drove substantial volume growth in frac sand shipments. Conversely, rock shipments declined 7% due to inclement weather in the West in the first half of the year, combined with decreased construction activity in Texas.

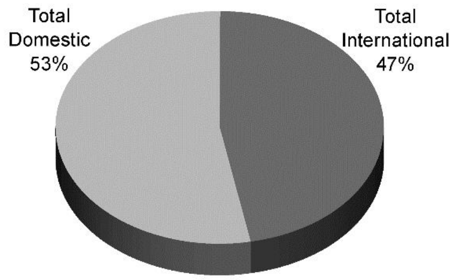
2017 Industrial Products Carloads



Freight revenue from industrial products shipments decreased in 2016 compared to 2015 due to volume declines, lower fuel surcharge revenue, and mix of traffic partially offset by core pricing gains. Declines in shale drilling activity, due to lower oil prices, negatively impacted non-metallic mineral (frac sand) shipments compared to 2015. Rock shipments also decreased as weather events and flooding in the Southern Region during the second and third quarters limited construction activity, thus limiting demand for transportation of materials. In addition, steel shipments declined as a result of reductions in shale drilling activity and strong import levels associated with the strength of the U.S. dollar.

Intermodal – Freight revenue from intermodal shipments increased in 2017 compared to 2016 primarily due to higher fuel surcharge revenue and core pricing gains. Volume was flat versus 2016, as a 1% growth in international shipments was muted by flat domestic shipments due to available truck capacity during most of 2017, offsetting a strong holiday shipping season in the fourth quarter.

2017 Intermodal Carloads



Freight revenue from intermodal shipments decreased in 2016 compared to 2015 due to lower volume and lower fuel surcharge revenue, which were partially offset by core pricing gains. Volume levels from international and domestic traffic decreased 11% and 2%, respectively, compared to last year due to weaker global trade activity, softer domestic sales, high retail inventories, and a customer bankruptcy.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Freight revenue from Mexico business was $2.3 billion in 2017, up 2% compared to 2016. Core pricing gains and higher fuel surcharge revenue more than offset the 1% volume decline. The decrease in volume was driven by lower shipments of automotive parts, partially offset by growth in coal and refined petroleum products shipments.

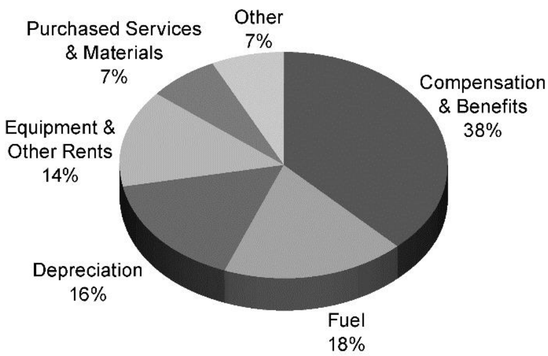
Freight revenue from Mexico business was $2.2 billion in 2016, flat with 2015. Lower fuel surcharge revenue and mix of traffic offset the 4% of volume growth and core pricing gains. Volume growth was driven by Agricultural Products, Coal, and automotive parts shipments.

Operating Expenses

Millions		***2017***		*2016*		*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Compensation and benefits	**$**	**4,984**	$	4,750	$	5,161	**5 %**	(8)%
Purchased services and materials		**2,363**		2,258		2,421	**5**	(7)
Depreciation		**2,105**		2,038		2,012	**3**	1
Fuel		**1,891**		1,489		2,013	**27**	(26)
Equipment and other rents		**888**		1,137		1,230	**(22)**	(8)
Other		**948**		997		924	**(5)**	8
Total	**$**	**13,179**	$	12,669	$	13,761	**4 %**	(8)%

Operating expenses increased $510 million in 2017 compared to 2016 driven by higher fuel prices, inflation, $86 million of expenses related to the third quarter workforce reduction plan, depreciation, contract services, and volume-related costs. Partially offsetting these increases was a $212 million reduction to operating expense related to income tax adjustments at certain equity-method affiliates, continued productivity gains, lower locomotive and freight car lease expense, and lower environmental, personal injury, and joint facility costs.

2017 Operating Expenses



Operating expenses decreased $1.1 billion in 2016 compared to 2015 driven by lower fuel prices, volume-related savings, productivity gains and lower locomotive and freight car maintenance expense. These cost reductions were partially offset by inflation, depreciation, and higher environmental and other costs.

Compensation and Benefits – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. In 2017, expenses increased 5% compared to 2016, driven by general wage and benefit inflation, $86 million of expenses associated with the workforce reduction plan, volume-related costs, and higher training expenses for trainmen, which were partially offset by resource productivity gains.

In 2016, expenses decreased 8% compared to 2015, driven by lower volume-related costs, productivity gains, and lower training expense. General wage and benefit inflation partially offset these decreases.

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased from outside contractors and other service providers (including equipment maintenance and contract expenses incurred by our subsidiaries for external transportation services); materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads; transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Purchased services and materials increased 5% in 2017 compared to 2016 primarily due to volume-related costs (including higher subsidiary contract services) and Hurricane Harvey-related contract service costs, which were partially offset by lower joint facility expenses.

Purchased services and materials in 2016 decreased 7% compared to 2015 primarily due to lower volume-related costs and lower locomotive and freight car repair and maintenance expenses.

Fuel – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Locomotive diesel fuel prices, which averaged $1.81 per gallon (including taxes and transportation costs) in 2017, compared to $1.48 per gallon in 2016, increased expenses $334 million. In addition, fuel costs were higher as gross-ton miles increased 5% compared to 2016. The fuel consumption rate (c-rate), computed as gallons of fuel consumed divided by gross ton-miles in thousands, improved 2% compared to 2016.

Locomotive diesel fuel prices, which averaged $1.48 per gallon (including taxes and transportation costs) in 2016, compared to $1.84 per gallon in 2015, reduced expenses $347 million. In addition, fuel costs were lower as gross-ton miles decreased 8%. The fuel consumption rate (c-rate), computed as gallons of fuel consumed divided by gross ton-miles in thousands, improved 1% compared to 2015.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting recent years' higher capital spending, increased depreciation expense in 2017 compared to 2016. This increase was partially offset by our recent depreciation studies that resulted in lower depreciation rates for some asset classes.

A larger depreciable asset base, reflecting higher capital spending in recent years, increased depreciation expense in 2016 compared to 2015. This increase was partially offset by our recent depreciation studies that resulted in lower depreciation rates for some asset classes.

Equipment and Other Rents – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; and office and other rent expenses. Equity income from certain equity method investments is also included. Equipment and other rents expense decreased $249 million compared to 2016. $212 million of the reduction was due to income tax adjustments at certain equity-method affiliates. Lower locomotive and freight car lease expense also contributed to the year-over-year decrease. Conversely, increased car rent expense due to volume growth in certain markets partially offset these decreases.

Equipment and other rents expense decreased $93 million in 2016 compared to 2015 as lower volume levels drove a reduction in car hire and locomotive lease expenses.

Other – Other expenses include state and local taxes, freight, equipment and property damage, utilities, insurance, personal injury, environmental, employee travel, telephone and cellular, computer software, bad debt, and other general expenses. Other expenses decreased 5% in 2017 compared to 2016 as a result of lower environmental and personal injury expenses, and higher bad debt expense in 2016 resulting from a customer bankruptcy. Conversely, increased costs associated with destroyed equipment owned by third parties, and higher property and damaged freight costs partially offset these decreases.

Other expenses increased 8% in 2016 compared to 2015 as a result of higher environmental costs, state and local taxes, bad debt expense (customer bankruptcy), and the write-off of certain in-progress capital projects that were cancelled. These cost increases were partially offset by lower expenses for damaged freight, property, and equipment not owned by the Company.

Non-Operating Items

Millions	***2017***	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Other income	**$ 290**	$ 192	$ 226	**51 %**	(15)%
Interest expense	**(719)**	(698)	(622)	**3**	12
Income tax benefit/(expense)	**3,080**	(2,533)	(2,884)	**F**	(12)%

Other Income – Other income increased in 2017 compared to 2016 primarily as a result of a $65 million gain on a litigation settlement for back rent and a $57 million real estate sale gain, both recognized in the third quarter of 2017. Rental income also increased in 2017 compared to 2016.

Other income decreased in 2016 compared to 2015 primarily due to large real estate transactions: a $113 million gain from a real estate sale in 2015, partially offset by $67 million of gains from two real estate sales in 2016.

Interest Expense – Interest expense increased in 2017 compared to 2016 due to an increased weighted-average debt level of $15.9 billion in 2017 from $15.0 billion in 2016, partially offset by the impact of a lower effective interest rate of 4.6% in 2017 compared to 4.7% in 2016.

Interest expense increased in 2016 compared to 2015 due to an increased weighted-average debt level of $15.0 billion in 2016 from $13.0 billion in 2015, partially offset by the impact of a lower effective interest rate of 4.7% in 2016 compared to 4.8% in 2015.

Income Taxes – Income taxes were a benefit of $3.1 billion in 2017 compared to expense of $2.5 billion in 2016. The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Tax Act reduced the federal income tax rate from 35% to 21% effective January 1, 2018. As a result, we remeasured our deferred tax assets and liabilities which resulted in a $5.9 billion non-cash reduction in our income tax expense in 2017. Higher pre-tax income and an increase in the State of Illinois corporate tax rate effective July 1, 2017 modestly offset the impact of the deferred tax adjustment. Our effective tax rate for 2017 was (40.4%) compared to 37.4% in 2016.

Lower pre-tax income decreased income taxes in 2016 compared to 2015. Our effective tax rate for 2016 was 37.4% compared to 37.7% in 2015.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

We report a number of key performance measures weekly to the Association of American Railroads. We provide this data on our website at www.up.com/investor/aar-stb_reports/index.htm.

Operating/Performance Statistics

Railroad performance measures are included in the table below:

	2017	*2016*	*2015*	***% Change 2017 v 2016***	*% Change 2016 v 2015*
Average train speed (miles per hour)	**25.4**	26.6	25.4	**(5)%**	5 %
Average terminal dwell time (hours)	**30.3**	28.1	29.3	**8 %**	(4)%
Gross ton-miles (billions)	**898.7**	856.9	927.7	**5 %**	(8)%
Revenue ton-miles (billions)	**466.7**	440.1	485.0	**6 %**	(9)%
Operating ratio	**62.0**	63.5	63.1	**(1.5)pts**	0.4 pts
Employees (average)	**41,992**	42,919	47,457	**(2)%**	(10)%

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Average train speed, as reported to the Association of American Railroads, declined 5% in 2017 compared to 2016 as disruptions across our network, including the impact of Hurricane Harvey, negatively impacted network fluidity. Continued implementation and testing of Positive Train Control across a growing number of routes in our network combined with operational challenges also negatively impacted overall average train speed.

Average train speed improved 5% in 2016 compared to 2015. Velocity gains resulted from lower volumes, improved network fluidity and a strong resource position.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time improves asset utilization and service. Average terminal dwell time increased 8% in 2017 compared to 2016 resulting from network disruptions and operational challenges which negatively impacted network fluidity.

Average terminal dwell time improved 4% in 2016 compared to 2015, reflecting the impact of lower volume and improved network operations.

Gross and Revenue Ton-Miles – Gross ton-miles are calculated by multiplying the weight of loaded and empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross ton-miles and revenue ton-miles increased 5% and 6%, respectively in 2017 compared to 2016, resulting from a 2% increase in carloads. Changes in commodity mix drove the variances in year-over-year increases between gross ton-miles, revenue ton-miles, and carloads.

Gross ton-miles and revenue ton-miles decreased 8% and 9%, respectively in 2016 compared to 2015, resulting from a 7% decrease in carloads. Changes in commodity mix drove the variances in year-over-year declines between gross ton-miles, revenue ton-miles and carloads.

Operating Ratio – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our operating ratio improved 1.5 points to 62.0% in 2017 compared to 2016. Income tax adjustments at our equity-method affiliates drove one point of the improvement. Core pricing gains, volume leverage, and productivity savings more than offset higher inflation, $86 million of costs associated with the workforce reduction plan, higher fuel prices, and other expenses to drive 0.5 points of operating ratio improvement.

Our operating ratio increased 0.4 points to 63.5% in 2016 compared to 2015. Core price improvements, network efficiencies, and productivity gains were more than offset by the impact of lower volume, inflation, and other costs.

Employees – Employee levels decreased 2% in 2017 compared to 2016 driven by productivity gains, a smaller capital workforce, and fewer management and administrative personnel, which more than offset the impact of 2% volume growth.

Employee levels decreased 10% in 2016 compared to 2015, driven by lower volume levels, productivity gains, a smaller capital workforce, and fewer transportation employees in training.

Return on Average Common Shareholders' Equity

Millions, Except Percentages	***2017***	*2016*	*2015*
Net income	**$ 10,712**	$ 4,233	$ 4,772
Average equity	**$ 22,394**	$ 20,317	$ 20,946
Return on average common shareholders' equity	**47.8%**	20.8%	22.8%

Return on Invested Capital as Adjusted (ROIC)

Millions, Except Percentages	***2017***	*2016*	*2015*
Net income	**$ 10,712**	$ 4,233	$ 4,772
Interest expense	**719**	698	622
Interest on present value of operating leases	**105**	121	135
Taxes on interest	**(309)**	(306)	(285)
Net operating profit after taxes as adjusted (a)	**$ 11,227**	$ 4,746	$ 5,244
Average equity	**$ 22,394**	$ 20,317	$ 20,946
Average debt	**15,976**	14,604	12,807
Average present value of operating leases	**2,288**	2,581	2,814
Average invested capital as adjusted (b)	**$ 40,658**	$ 37,502	$ 36,567
Return on invested capital as adjusted (a/b)	**27.6%**	12.7%	14.3%

ROIC is considered a non-GAAP financial measure by SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important to management and investors in evaluating the efficiency and effectiveness of our long-term capital investments. In addition, we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives. ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity. The tables above provide reconciliations from return on average common shareholders' equity to ROIC. Our 2017 ROIC of 27.6% increased compared to 2016, largely as a result the $5.9 billion reduction to our deferred tax liability, that was recognized as an income tax benefit in 2017 (See Note 8 of the Consolidated Financial Statements for additional information). Higher earnings from base operations also contributed to the increase, more than offsetting our higher invested capital base.

Net Return on Invested Capital as Adjusted (Net ROIC)

The table below reconciles ROIC as previously calculated to Net ROIC for items affecting comparability.

	2017	*2016*	*2015*
Return on invested capital as adjusted	**27.6%**	12.7%	14.3%
Factors Affecting Comparability:			
Adjustments for Tax Cuts and Jobs Act [a]	**(13.9)**	N/A	N/A
Net Return on Invested Capital as Adjusted	**13.7%**	12.7%	14.3%

[a] Adjustments remove the impact of $5.9 billion and $139 million from both 12/31/17 Net Income and 12/31/17 Shareholders' Equity.

Net ROIC is considered a non-GAAP financial measure by SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important to management and investors in evaluating the efficiency and effectiveness of our long-term capital investments. We use Net ROIC to demonstrate year over year comparability for significant items. Net ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity.

Debt to Capital

Millions, Except Percentages	***2017***	*2016*
Debt (a)	**$ 16,944**	$ 15,007
Equity	**24,856**	19,932
Capital (b)	**$ 41,800**	$ 34,939
Debt to capital (a/b)	**40.5%**	43.0%

Adjusted Debt to Capital

Millions, Except Percentages	***2017***	*2016*
Debt	**$ 16,944**	$ 15,007
Net present value of operating leases	**2,140**	2,435
Unfunded pension and OPEB, net of taxes of $238 and $261	**396**	436
Adjusted debt (a)	**$ 19,480**	$ 17,878
Equity	**24,856**	19,932
Adjusted capital (b)	**$ 44,336**	$ 37,810
Adjusted debt to capital (a/b)	**43.9%**	47.3%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. Operating leases were discounted using 4.6% and 4.7% at December 31, 2017, and 2016, respectively. The discount rate reflects our effective interest rate. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost-effective and efficient access to the capital markets with our overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The tables above provide reconciliations from debt to capital to adjusted debt to capital. Our December 31, 2017 debt to capital ratios decreased as a result of a $4.9 billion increase in equity from December 31, 2016. The increase in equity is largely due to a $5.9 billion reduction to our deferred tax liability that was recognized as an income tax benefit in 2017.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2017, our principal sources of liquidity included cash, cash equivalents, our receivables securitization facility, and our revolving credit facility, as well as the availability of commercial paper and other sources of financing through the capital markets. We had $1.7 billion of committed credit available under our credit facility, with no borrowings outstanding as of December 31, 2017. We did not make any borrowings under this facility during 2017. The value of the outstanding undivided interest held by investors under the $650 million capacity receivables securitization facility was $500 million as of December 31, 2017. Our access to this receivables securitization facility may be reduced or restricted if our bond ratings fall to certain levels below investment grade. If our bond rating were to deteriorate, it could have an adverse impact on our liquidity. Access to commercial paper as well as other capital market financings is dependent on market conditions. Deterioration of our operating results or financial condition due to internal or external factors could negatively impact our ability to access capital markets as a source of liquidity. Access to liquidity through the capital markets is also dependent on our financial stability. We expect that we will continue to have access to liquidity through any or all of the following sources or activities: (i) increasing the size or utilization of our receivables securitization, (ii) issuing commercial paper, (iii) entering into bank loans, outside of our revolving credit facility, or (iv) issuing bonds or other debt securities to public or private investors based on our assessment of the current condition of the credit markets. The Company's $1.7 billion revolving credit facility is intended to support the issuance of commercial paper by UPC and also serves as an emergency source of liquidity. The Company currently does not intend to make any borrowings under this facility.

At December 31, 2017, we had a working capital surplus. At December 31, 2016, we had a working capital deficit. The decrease at 2016 year-end was primarily due to a decrease in other current assets related to a tax receivable for the late extension of bonus depreciation at December 31, 2015, along with an increase at December 31, 2016, in accounts payable and upcoming debt maturities. We maintain adequate resources, and when necessary, have adequate access to capital markets to meet any foreseeable cash requirements, in addition to sufficient financial capacity to satisfy our current liabilities.

Cash Flows *Millions*	***2017***	*2016*	*2015*
Cash provided by operating activities	**$ 7,230**	$ 7,525	$ 7,344
Cash used in investing activities	**(3,086)**	(3,393)	(4,476)
Cash used in financing activities	**(4,146)**	(4,246)	(3,063)
Net change in cash and cash equivalents	**$ (2)**	$ (114)	$ (195)

Operating Activities

Cash provided by operating activities decreased in 2017 compared to 2016 due to the timing of tax payments in 2016 related to bonus depreciation on capital spending. The decrease was mostly offset by higher income in 2017 compared to 2016.

Cash provided by operating activities increased in 2016 compared to 2015. The timing of tax payments primarily related to bonus depreciation and changes in working capital more than offset lower net income.

The Tax Act was enacted on December 22, 2017. The Tax Act extended 100% bonus depreciation effective September 27, 2017 through 2022, and phases out bonus deprecation by 2027.

Investing Activities

Lower capital investments and short-term investment purchases decreased cash used in investing activities in 2017 compared to 2016.

Lower capital investments, partially offset by short-term investment purchases, decreased cash used in investing activities in 2016 compared to 2015.

The following tables detail cash capital investments and track statistics for the years ended December 31, 2017, 2016, and 2015:

Millions	***2017***	*2016*	*2015*
Rail and other track material	**$ 619**	$ 628	$ 734
Ties	**480**	494	455
Ballast	**231**	235	233
Other [a]	**503**	480	438
Total road infrastructure replacements	**1,833**	1,837	1,860
Line expansion and other capacity projects	**124**	153	457
Commercial facilities	**189**	152	227
Total capacity and commercial facilities	**313**	305	684
Locomotives and freight cars [b]	**607**	854	1,436
Positive train control	**336**	371	381
Technology and other	**149**	138	289
Total cash capital investments	**$ 3,238**	$ 3,505	$ 4,650

[a] Other includes bridges and tunnels, signals, other road assets, and road work equipment.
[b] Locomotives and freight cars include early lease buyouts of $173 million in 2017, $90 million in 2016, and $327 million in 2015.

	2017	*2016*	*2015*
Track miles of rail replaced	**731**	791	767
Track miles of rail capacity expansion	**11**	52	103
New ties installed (thousands)	**4,026**	4,482	4,178
Miles of track surfaced	**11,071**	11,764	10,076

Capital Plan – In 2018, we expect our capital plan to be approximately $3.3 billion, which may be revised if business conditions or the regulatory environment affect our ability to generate sufficient returns on these investments. While asset replacements will fluctuate as part of our renewal strategy, we expect to use around 70% of our capital investments to renew and improve existing capital assets. We will continue to balance investment in our network infrastructure and terminal capacity as appropriate, including initial construction work on a new classification yard in our Southern Region. Significant investments in technology improvements are planned, including PTC. We also will continue commercial investments in rail facilities and equipment, including approximately 60 new locomotives, intermodal containers and chassis, and freight cars.

We expect to fund our 2018 cash capital plan by using some or all of the following: cash generated from operations, proceeds from the sale or lease of various operating and non-operating properties, proceeds from the issuance of long-term debt, and cash on hand. Our annual capital plan is a critical component of our long-term strategic plan. We expect our plan will enhance the long-term value of the Company for our shareholders by providing sufficient resources to (i) replace and improve our existing track infrastructure to provide safe and fluid operations, (ii) increase network efficiency by adding or improving facilities and track, and (iii) make investments that meet customer demand and take advantage of opportunities for long-term growth.

Financing Activities

Cash used in financing activities decreased in 2017 compared to 2016. An increase of $908 million in common shares purchased and an increase of $103 million in dividends paid was more than offset by an increase of $752 million in debt issued, a decrease of $173 million in debt repaid, and a decrease of $191 million in debt exchange costs.

Cash used in financing activities increased in 2016 compared to 2015. An increase of $457 million in debt repaid and a decrease of $1,345 million in debt issued more than offset a decrease of $465 million in dividends paid. The decrease in dividends paid was a result of adjusting the dividend payable dates in 2015 to align with the timing of the quarterly dividend declaration and payment dates within the same quarter. Aligning the quarterly dividend declaration and payment resulted in two payments in the first quarter of 2015: the fourth quarter 2014 dividend of $438 million, which was paid on January 2, 2015, as well as the first quarter 2015 dividend of $484 million, which was paid on March 30, 2015. The second quarter 2015 dividend of $479 million was paid on June 30, 2015, the third quarter 2015 dividend of $476 million was paid on September 30, 2015, and the fourth quarter 2015 dividend of $467 million was paid on December 31, 2015.

See Note 15 of the Consolidated Financial Statements for a description of all our outstanding financing arrangements and significant new borrowings.

Ratio of Earnings to Fixed Charges

For each of the years ended December 31, 2017, 2016, and 2015, our ratio of earnings to fixed charges was 10.3, 9.6, and 11.6, respectively. The ratio of earnings to fixed charges was computed on a consolidated basis. Earnings represent income from continuing operations, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and the estimated amount representing the interest portion of rental charges. (See Exhibit 12 to this report for the calculation of the ratio of earnings to fixed charges.)

Common Shareholders' Equity

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant (discussed in the Credit Facilities section above) that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $16.4 billion and $12.4 billion at December 31, 2017, and 2016, respectively.

Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of December 31, 2017, we repurchased a total of $23.2 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in 2017 under this repurchase program and shares repurchased in 2016 under our previous purchase program.

	Number of Shares Purchased		*Average Price Paid*	
	2017	*2016*	***2017***	*2016*
First quarter	**7,531,300**	9,315,807	**$ 106.55**	$ 76.49
Second quarter	**7,788,283**	7,026,100	**109.10**	85.66
Third quarter	**11,801,755**	9,088,613	**106.69**	93.63
Fourth quarter	**9,231,510**	9,624,667	**119.37**	97.60
Total	**36,352,848**	35,055,187	**$ 110.40**	$ 88.57

Management's assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From January 1, 2018, through February 8, 2018, we repurchased 2.6 million shares at an aggregate cost of approximately $349 million.

Contractual Obligations and Commercial Commitments

As described in the notes to the Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. Based on our assessment of the underlying provisions and circumstances of our contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, other than the risks that we and other similarly situated companies face with respect to the condition of the capital markets (as described in Item 1A of Part II of this report), there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity. In addition, our commercial obligations, financings, and commitments are customary transactions that are similar to those of other comparable corporations, particularly within the transportation industry.

The following tables identify material obligations and commitments as of December 31, 2017:

Contractual Obligations *Millions*	*Total*	*Payments Due by December 31,* *2018*	*2019*	*2020*	*2021*	*2022*	*After 2022*	*Other*
Debt [a]	$ 28,965	$ 1,325	$ 1,614	$ 1,473	$ 1,098	$ 1,337	$ 22,118	$ -
Operating leases [b]	2,649	398	359	297	259	221	1,115	-
Capital lease obligations [c]	1,079	173	156	164	168	147	271	-
Purchase obligations [d]	2,789	1,573	459	319	247	48	111	32
Other post retirement benefits [e]	479	50	49	49	48	48	235	-
Income tax contingencies [f]	179	56	-	-	-	-	-	123
Total contractual obligations	$ 36,140	$ 3,575	$ 2,637	$ 2,302	$ 1,820	$ 1,801	$ 23,850	$ 155

[a] Excludes capital lease obligations of $892 million, as well as unamortized discount and deferred issuance costs of $(887) million. Includes an interest component of $12,026 million.
[b] Includes leases for locomotives, freight cars, other equipment, and real estate.
[c] Represents total obligations, including interest component of $187 million.
[d] Purchase obligations include locomotive maintenance contracts; purchase commitments for fuel purchases, locomotives, ties, ballast, and rail; and agreements to purchase other goods and services. For amounts where we cannot reasonably estimate the year of settlement, they are reflected in the Other column.
[e] Includes estimated other post retirement, medical, and life insurance payments, payments made under the unfunded pension plan for the next ten years.
[f] Future cash flows for income tax contingencies reflect the recorded liabilities and assets for unrecognized tax benefits, including interest and penalties, as of December 31, 2017. For amounts where the year of settlement is uncertain, they are reflected in the Other column.

Other Commercial Commitments *Millions*	*Total*	*Amount of Commitment Expiration per Period* *2018*	*2019*	*2020*	*2021*	*2022*	*After 2022*
Credit facilities [a]	$ 1,700	$ -	$ 1,700	$ -	$ -	$ -	$ -
Receivables securitization facility [b]	650	-	650	-	-	-	-
Guarantees [c]	33	11	7	5	5	5	-
Standby letters of credit [d]	19	19	-	-	-	-	-
Total commercial commitments	$ 2,402	$ 30	$ 2,357	$ 5	$ 5	$ 5	$ -

[a] None of the credit facility was used as of December 31, 2017.
[b] $500 million of the receivables securitization facility was utilized as of December 31, 2017, which is accounted for as debt. The full program matures in July 2019.
[c] Includes guaranteed obligations related to our affiliated operations.
[d] None of the letters of credit were drawn upon as of December 31, 2017.

Off-Balance Sheet Arrangements

Guarantees – At December 31, 2017, and 2016, we were contingently liable for $33 million and $43 million in guarantees. The fair value of these obligations as of both December 31, 2017, and 2016, was $0. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

OTHER MATTERS

Labor Agreements – Approximately 85% of our 41,992 full-time-equivalent employees are represented by 14 major rail unions. On January 1, 2015, current labor agreements became subject to modification and we began the current round of negotiations with the unions. Existing agreements remain in effect until new agreements are ratified or the Railway Labor Act's (RLA) procedures (which include mediation, potential arbitration, cooling-off periods, and the possibility of Presidential Emergency Boards and Congressional intervention) are exhausted. Through industry and local negotiations, UPRR reached tentative new agreements with 12 of our 14 major rail unions. Nine unions (representing nearly 70% of our agreement work force) have ratified those agreements by significant margins. The tentative agreement failed ratification with two unions in early February 2018 (representing about 10% of our agreement work force) returning any further discussions with them to the jurisdiction of the National Mediation Board. Another small union (less than 1%) is still out for ratification. UPRR and the industry currently continue in active mediation with the remaining coalition of two unions (representing about 20% of our agreement work force). Under the Railway Labor Act, the National Mediation Board controls timing and location of mediation conferences and when to terminate mediation, moving the parties to the next stages of the RLA process. Contract negotiations historically continue for an extended period of time and we rarely experience work stoppages while negotiations are pending.

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

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

At December 31, 2017, we had variable-rate debt representing approximately 4.4% of our total debt. If variable interest rates average one percentage point higher in 2018 than our December 31, 2017 variable rate, which was approximately 2.2%, our interest expense would increase by approximately $7.5 million. This amount was determined by considering the impact of the hypothetical interest rate on the balances of our variable-rate debt at December 31, 2017.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical one percentage point decrease in interest rates as of December 31, 2017, and amounts to an increase of approximately $2.2 billion to the fair value of our debt at December 31, 2017. We estimated the fair values of our fixed-rate debt by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

Accounting Pronouncements – See Note 3 to the Consolidated Financial Statements.

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

Indemnities – Our maximum potential exposure under indemnification arrangements, including certain tax indemnifications, can range from a specified dollar amount to an unlimited amount, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

Climate Change – Although climate change could have an adverse impact on our operations and financial performance in the future (see Risk Factors under Item 1A of this report), we are currently unable to predict the manner or severity of such impact. However, we continue to take steps and explore opportunities to reduce the impact of our operations on the environment, including investments in new technologies, using training programs to reduce fuel consumption, and changing our operations to increase fuel efficiency.

CRITICAL ACCOUNTING POLICIES

Our Consolidated Financial Statements have been prepared in accordance with GAAP. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The following critical accounting policies are a subset of our significant accounting policies described in Note 2 to the Financial Statements and Supplementary Data, Item 8. These critical accounting policies affect significant areas of our financial statements and involve judgment and estimates. If these estimates differ significantly from actual results, the impact on our Consolidated Financial Statements may be material.

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use an actuarial analysis to measure the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 95% of the recorded liability is related to asserted claims and approximately 5% is related to unasserted claims at December 31, 2017. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from approximately $285 million to $310 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

Millions	***2017***	*2016*	*2015*
Beginning balance	**$ 290**	$ 318	$ 335
Current year accruals	**77**	75	89
Changes in estimates for prior years	**(7)**	(29)	(3)
Payments	**(75)**	(74)	(103)
Ending balance at December 31	**$ 285**	$ 290	$ 318
Current portion, ending balance at December 31	**$ 66**	$ 62	$ 63

Our personal injury claims activity was as follows:

	2017	*2016*	*2015*
Open claims, beginning balance	**2,157**	2,404	2,618
New claims	**3,024**	2,453	2,573
Settled or dismissed claims	**(3,091)**	(2,700)	(2,787)
Open claims, ending balance at December 31	**2,090**	2,157	2,404

In conjunction with the liability update performed in 2017, we also reassessed our estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2017, and 2016. Any changes to recorded insurance recoveries are included in the above table in the Changes in estimates for prior years category.

Asbestos – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We assess our potential liability using a statistical analysis of resolution costs for asbestos-related claims. This liability is updated annually and excludes future defense and processing costs. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The ratio of future claims by alleged disease would be consistent with historical averages adjusted for inflation.
- The number of claims filed against us will decline each year.
- The average settlement values for asserted and unasserted claims will be equivalent to historical averages.
- The percentage of claims dismissed in the future will be equivalent to historical averages.

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 16% of the recorded liability related to asserted claims and approximately 84% related to unasserted claims at December 31, 2017. Because of the uncertainty surrounding the ultimate outcome of asbestos-related claims, it is reasonably possible that future costs to settle these claims may range from approximately $99 million to $105 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other.

Our asbestos-related liability activity was as follows:

Millions		***2017***		*2016*		*2015*
Beginning balance	**$**	**111**	$	120	$	126
Accruals/(Credits)		**(1)**		12		-
Payments		**(11)**		(21)		(6)
Ending balance at December 31	**$**	**99**	$	111	$	120
Current portion, ending balance at December 31	**$**	**9**	$	8	$	6

Our asbestos-related claims activity was as follows:

	2017	*2016*	*2015*
Open claims, beginning balance	**943**	1,089	1,065
New claims	**60**	164	193
Settled or dismissed claims	**(214)**	(310)	(169)
Open claims, ending balance at December 31	**789**	943	1,089

In conjunction with the liability update performed in 2017, we also reassessed our estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2017, and 2016. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified 315 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 33 sites that are the subject of actions taken by the U.S. government, 21 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we perform, with assistance of our consultants, environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. Our environmental liability is not discounted to present value due to the uncertainty surrounding the timing of future payments.

Our environmental liability activity was as follows:

Millions		***2017***		*2016*		*2015*
Beginning balance	**$**	**212**	$	190	$	182
Accruals		**45**		84		61
Payments		**(61)**		(62)		(53)
Ending balance at December 31	**$**	**196**	$	212	$	190
Current portion, ending balance at December 31	**$**	**57**	$	55	$	52

Our environmental site activity was as follows:

	2017	2016	2015
Open sites, beginning balance	**292**	290	270
New sites	**77**	85	66
Closed sites	**(54)**	(83)	(46)
Open sites, ending balance at December 31	**315**	292	290

The environmental liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

Property and Depreciation – Our railroad operations are highly capital intensive, and our large base of homogeneous, network-type assets turns over on a continuous basis. Each year we develop a capital program for the replacement of assets and for the acquisition or construction of assets that enable us to enhance our operations or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria. Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards) for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We currently have more than 60 depreciable asset classes, and we may increase or decrease the number of asset classes due to changes in technology, asset strategies, or other factors.

We determine the estimated service lives of depreciable railroad property by means of depreciation studies. We perform depreciation studies at least every three years for equipment and every six years for track assets (i.e., rail and other track material, ties, and ballast) and other road property. Our depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of our asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

For rail in high-density traffic corridors, we measure estimated service lives in millions of gross tons per mile of track. It has been our experience that the lives of rail in high-density traffic corridors are closely correlated to usage (i.e., the amount of weight carried over the rail). The service lives also vary based on rail weight, rail condition (e.g., new or secondhand), and rail type (e.g., straight or curve). Our depreciation studies for rail in high-density traffic corridors consider each of these factors in determining the estimated service lives. For rail in high-density traffic corridors, we calculate depreciation rates annually by dividing the number of gross ton-miles carried over the rail (i.e., the weight of loaded and empty freight cars, locomotives and maintenance of way equipment transported over the rail) by the estimated service lives of the rail measured in millions of gross tons per mile. Rail in high-density traffic corridors accounts for approximately 70 percent of the historical cost of rail and other track material. Based on the number of gross ton-miles carried over our rail in high density traffic corridors during 2017, the estimated service lives of the majority of this rail ranged from approximately 19 years to approximately 41 years. For all other depreciable assets, we compute depreciation based on the estimated service lives of our assets as determined from the analysis of our depreciation studies. Changes in the estimated service lives of our assets and their related depreciation rates are implemented prospectively.

Estimated service lives of depreciable railroad property may vary over time due to changes in physical use, technology, asset strategies, and other factors that will have an impact on the retirement profiles of our assets. We are not aware of any specific factors that are reasonably likely to significantly change the estimated service lives of our assets. Actual use and retirement of our assets may vary from our current estimates, which would impact the amount of depreciation expense recognized in future periods.

Changes in estimated useful lives of our assets due to the results of our depreciation studies could significantly impact future periods' depreciation expense and have a material impact on our Consolidated Financial Statements. If the estimated useful lives of all depreciable assets were increased by one year, annual depreciation expense would decrease by approximately $65 million. If the estimated useful lives of all depreciable assets were decreased by one year, annual depreciation expense would increase by approximately $70 million. Our recent depreciation studies have resulted in lower depreciation rates for some asset classes. These lower rates will partially offset the impact of a projected higher depreciable asset base, resulting in an increase in total depreciation expense by approximately 5% in 2018 versus 2017.

Under group depreciation, the historical cost (net of salvage) of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. The historical cost of certain track assets is estimated by multiplying the current replacement cost of track assets by a historical index factor derived from (i) inflation indices published by the Bureau of Labor Statistics and (ii) the estimated useful lives of the assets as determined by our depreciation studies. The indices were selected because they closely correlate with the major costs of the properties comprising the applicable track asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, we continually monitor the estimated service lives of our assets and the accumulated depreciation associated with each asset class to ensure our depreciation rates are appropriate. In addition, we determine if the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by our depreciation studies. Any deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the applicable classes of assets.

For retirements of depreciable railroad properties that do not occur in the normal course of business, a gain or loss may be recognized if the retirement meets each of the following three conditions: (i) it is unusual, (ii) it is material in amount, and (iii) it varies significantly from the retirement profile identified through our depreciation studies. During the last three fiscal years, no gains or losses were recognized due to the retirement of depreciable railroad properties. A gain or loss is recognized in other income when we sell land or dispose of assets that are not part of our railroad operations.

Income Taxes – We account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on current tax law; the effects of future tax legislation are not anticipated. Future tax legislation, such as a change in the corporate tax rate, could have a material impact on our financial condition, results of operations, or liquidity. For example, a permanent 1% increase in future income tax rates would increase our deferred tax liability by approximately $430 million. Similarly, a permanent 1% decrease in future income tax rates would decrease our deferred tax liability by approximately $430 million.

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management's judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset. In 2018 and 2017, there were no valuation allowances.

We recognize tax benefits that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

Pension and Other Postretirement Benefits – We use an actuarial analysis to measure the liabilities and expenses associated with providing pension and medical and life insurance benefits (OPEB) to eligible employees. In order to use actuarial methods to value the liabilities and expenses, we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rates and expected rate of return on pension assets. For OPEB, the critical assumptions are the discount rates and health care cost trend rate.

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

- Beginning in 2016, we measure the service cost and interest cost components of our net periodic benefit cost by using individual spot rates matched with separate cash flows for each future year. Discount rates are based on a Mercer yield curve of high quality corporate bonds (rated AA by a recognized rating agency).
- Expected return on plan assets is based on our asset allocation mix and our historical return, taking into consideration current and expected market conditions.
- Health care cost trend rate is based on our historical rates of inflation and expected market conditions.

The following tables present the key assumptions used to measure net periodic pension and OPEB cost/(benefit) for 2018 and the estimated impact on 2018 net periodic pension and OPEB cost/(benefit) relative to a change in those assumptions:

Assumptions	*Pension*	*OPEB*
Discount rate for benefit obligations	3.62%	3.53%
Discount rate for interest on benefit obligations	3.27%	3.12%
Discount rate for service cost	3.77%	3.72%
Discount rate for interest on service cost	3.72%	3.65%
Expected return on plan assets	7.00%	N/A
Compensation increase	4.13%	N/A
Health care cost trend rate:		
Pre-65 current	N/A	6.31%
Pre-65 level in 2038	N/A	4.50%

Sensitivities	*Increase in Expense*	
Millions	*Pension*	*OPEB*
0.25% decrease in discount rates	$ 12	$ -
0.25% increase in compensation scale	$ 8	N/A
0.25% decrease in expected return on plan assets	$ 9	N/A
1% increase in health care cost trend rate	N/A	$ 3

The following table presents the net periodic pension and OPEB cost for the years ended December 31:

Millions	*Est. 2018*	*2017*	*2016*	*2015*
Net periodic pension cost	$ 69	$ 115	$ 43	$ 120
Net periodic OPEB cost	22	22	13	19

CAUTIONARY INFORMATION

Certain statements in this report, and statements in other reports or information filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements and information include, without limitation, (A) statements in the Chairman's letter preceding Part I; statements regarding planned capital expenditures under the caption "2018 Capital Plan" in Item 2 of Part I; statements regarding dividends in Item 5 of Part II; and statements and information set forth under the captions "2018 Outlook"; "Liquidity and Capital Resources"; and "Pension and Other Postretirement Benefits" in this Item 7 of Part II, and (B) any other statements or information in this report (including information incorporated herein by reference) regarding: expectations as to financial performance, revenue growth and cost savings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; expectations as to operational or service performance or improvements; expectations as to the effectiveness of steps taken or to be taken to improve operations and/or service, including capital expenditures for infrastructure improvements and equipment acquisitions, any strategic business acquisitions, and modifications to our transportation plans, including implementation of PTC; expectations as to existing or proposed new products and services; expectations as to the impact of any new regulatory activities or legislation on our operations or financial results; estimates of costs relating to environmental remediation and restoration; estimates and expectations regarding tax matters; expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts. Forward-looking statements may be identified by their use of forward-looking terminology, such as "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "anticipates," "projects" and similar words, phrases or expressions.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking statements and information are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements and information. Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of this report could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in any forward-looking statements or information. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q, Form 8-K or subsequent Form 10-K. All forward-looking statements are qualified by, and should be read in conjunction with, these Risk Factors.

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

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Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Union Pacific Corporation
Omaha, Nebraska

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Union Pacific Corporation and Subsidiary Companies (the "Corporation") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Table of Contents at Part IV, Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 9, 2018, expressed an unqualified opinion on the Corporation's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 9, 2018

We have served as the Corporation's auditor since 1967.

CONSOLIDATED STATEMENTS OF INCOME
Union Pacific Corporation and Subsidiary Companies

Millions, Except Per Share Amounts, for the Years Ended December 31,	***2017***	*2016*	*2015*
Operating revenues:			
Freight revenues	**$ 19,837**	$ 18,601	$ 20,397
Other revenues	**1,403**	1,340	1,416
Total operating revenues	**21,240**	19,941	21,813
Operating expenses:			
Compensation and benefits	**4,984**	4,750	5,161
Purchased services and materials	**2,363**	2,258	2,421
Depreciation	**2,105**	2,038	2,012
Fuel	**1,891**	1,489	2,013
Equipment and other rents	**888**	1,137	1,230
Other	**948**	997	924
Total operating expenses	**13,179**	12,669	13,761
Operating income	**8,061**	7,272	8,052
Other income (Note 7)	**290**	192	226
Interest expense	**(719)**	(698)	(622)
Income before income taxes	**7,632**	6,766	7,656
Income tax benefit/(expense) (Note 8)	**3,080**	(2,533)	(2,884)
Net income	**$ 10,712**	$ 4,233	$ 4,772
Share and Per Share (Note 9):			
Earnings per share - basic	**$ 13.42**	$ 5.09	$ 5.51
Earnings per share - diluted	**$ 13.36**	$ 5.07	$ 5.49
Weighted average number of shares - basic	**798.4**	832.4	866.2
Weighted average number of shares - diluted	**801.7**	835.4	869.4
Dividends declared per share	**$ 2.48**	$ 2.255	$ 2.20

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,	***2017***	*2016*	*2015*
Net income	**$ 10,712**	$ 4,233	$ 4,772
Other comprehensive income/(loss):			
Defined benefit plans	**103**	(29)	58
Foreign currency translation	**28**	(48)	(43)
Total other comprehensive income/(loss) [a]	**131**	(77)	15
Comprehensive income	**$ 10,843**	$ 4,156	$ 4,787

[a] Net of deferred taxes of $(61) million, $49 million, $(8) million, and during 2017, 2016, and 2015, respectively.
The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Union Pacific Corporation and Subsidiary Companies

Millions, Except Share and Per Share Amounts as of December 31,		***2017***		*2016*
Assets				
Current assets:				
Cash and cash equivalents	**$**	**1,275**	$	1,277
Short-term investments (Note 14)		**90**		60
Accounts receivable, net (Note 11)		**1,493**		1,258
Materials and supplies		**749**		717
Other current assets		**399**		284
Total current assets		**4,006**		3,596
Investments		**1,809**		1,457
Net properties (Note 12)		**51,605**		50,389
Other assets		**386**		276
Total assets	**$**	**57,806**	$	55,718
Liabilities and Common Shareholders' Equity				
Current liabilities:				
Accounts payable and other current liabilities (Note 13)	**$**	**3,139**	$	2,882
Debt due within one year (Note 15)		**800**		758
Total current liabilities		**3,939**		3,640
Debt due after one year (Note 15)		**16,144**		14,249
Deferred income taxes (Note 8)		**10,936**		15,996
Other long-term liabilities		**1,931**		1,901
Commitments and contingencies (Notes 17 and 18)				
Total liabilities		**32,950**		35,786
Common shareholders' equity:				
Common shares, $2.50 par value, 1,400,000,000 authorized; 1,111,371,304 and 1,110,986,415 issued; 780,917,756 and 815,824,413 outstanding, respectively		**2,778**		2,777
Paid-in-surplus		**4,476**		4,421
Retained earnings		**41,317**		32,587
Treasury stock		**(22,574)**		(18,581)
Accumulated other comprehensive loss (Note 10)		**(1,141)**		(1,272)
Total common shareholders' equity		**24,856**		19,932
Total liabilities and common shareholders' equity	**$**	**57,806**	$	55,718

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,		***2017***		*2016*		*2015*
Operating Activities						
Net income	**$**	**10,712**	$	4,233	$	4,772
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation		**2,105**		2,038		2,012
Deferred and other income taxes		**(5,067)**		831		765
Net gain on non-operating asset dispositions		**(111)**		(94)		(144)
Other operating activities, net		**(282)**		(228)		116
Changes in current assets and liabilities:						
Accounts receivable, net		**(235)**		98		255
Materials and supplies		**(32)**		19		(24)
Other current assets		**9**		22		(47)
Accounts payable and other current liabilities		**182**		232		(276)
Income and other taxes		**(51)**		374		(85)
Cash provided by operating activities		**7,230**		7,525		7,344
Investing Activities						
Capital investments		**(3,238)**		(3,505)		(4,650)
Proceeds from asset sales		**168**		129		251
Purchases of short-term investments (Note 14)		**(120)**		(580)		-
Maturities of short-term investments (Note 14)		**90**		520		-
Other investing activities, net		**14**		43		(77)
Cash used in investing activities		**(3,086)**		(3,393)		(4,476)
Financing Activities						
Common share repurchases (Note 19)		**(4,013)**		(3,105)		(3,465)
Debt issued		**2,735**		1,983		3,328
Dividends paid		**(1,982)**		(1,879)		(2,344)
Debt repaid		**(840)**		(1,013)		(556)
Debt exchange		**-**		(191)		-
Other financing activities, net		**(46)**		(41)		(26)
Cash used in financing activities		**(4,146)**		(4,246)		(3,063)
Net change in cash and cash equivalents		**(2)**		(114)		(195)
Cash and cash equivalents at beginning of year		**1,277**		1,391		1,586
Cash and cash equivalents at end of year	**$**	**1,275**	$	1,277	$	1,391
Supplemental Cash Flow Information						
Non-cash investing and financing activities:						
Capital investments accrued but not yet paid	**$**	**366**	$	223	$	100
Capital lease financings		**19**		-		13
Cash paid during the year for:						
Income taxes, net of refunds	**$**	**(2,112)**	$	(1,347)	$	(2,156)
Interest, net of amounts capitalized		**(666)**		(652)		(592)

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

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

Millions	*Common Shares*	*Treasury Shares*	*Common Shares*	*Paid-in-Surplus*	*Retained Earnings*	*Treasury Stock*	*AOCI [a]*	*Total*
Balance at January 1, 2015	1,110.1	(226.7)	$ 2,775	$ 4,321	$ 27,367	$ (12,064)	$ (1,210)	$ 21,189
Net income			-	-	4,772	-	-	4,772
Other comprehensive income			-	-	-	-	15	15
Conversion, stock option exercises, forfeitures, and other	0.3	0.8	1	96	-	-	-	97
Share repurchases (Note 19)	-	(35.3)	-	-	-	(3,465)	-	(3,465)
Cash dividends declared ($2.20 per share)	-	-	-	-	(1,906)	-	-	(1,906)
Balance at December 31, 2015	1,110.4	(261.2)	$ 2,776	$ 4,417	$ 30,233	$ (15,529)	$ (1,195)	$ 20,702
Net income			-	-	4,233	-	-	4,233
Other comprehensive loss			-	-	-	-	(77)	(77)
Conversion, stock option exercises, forfeitures, and other	0.6	1.1	1	4	-	53	-	58
Share repurchases (Note 19)	-	(35.1)	-	-	-	(3,105)	-	(3,105)
Cash dividends declared ($2.255 per share)	-	-	-	-	(1,879)	-	-	(1,879)
Balance at December 31, 2016	1,111.0	(295.2)	$ 2,777	$ 4,421	$ 32,587	$ (18,581)	$ (1,272)	$ 19,932
Net income			-	-	10,712	-	-	10,712
Other comprehensive income			-	-	-	-	131	131
Conversion, stock option exercises, forfeitures, and other	0.4	1.1	1	55	-	20	-	76
Share repurchases (Note 19)	-	(36.4)	-	-	-	(4,013)	-	(4,013)
Cash dividends declared ($2.48 per share)	-	-	-	-	(1,982)	-	-	(1,982)
Balance at December 31, 2017	**1,111.4**	**(330.5)**	**$ 2,778**	**$ 4,476**	**$ 41,317**	**$ (22,574)**	**$ (1,141)**	**$ 24,856**

[a] AOCI = Accumulated Other Comprehensive Income/(Loss) (Note 10)
The accompanying notes are an integral part of these Consolidated Financial Statements.

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

1. Nature of Operations

Operations and Segmentation – We are a Class I railroad operating in the U.S. Our network includes 32,122 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and Eastern U.S. gateways and providing several corridors to key Mexican gateways. We own 26,042 miles and operate on the remainder pursuant to trackage rights or leases. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders.

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide and analyze revenue by commodity group, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network. The following table provides freight revenue by commodity group:

Millions	***2017***	*2016*	*2015*
Agricultural Products	**$ 3,685**	$ 3,625	$ 3,581
Automotive	**1,998**	2,000	2,154
Chemicals	**3,596**	3,474	3,543
Coal	**2,645**	2,440	3,237
Industrial Products	**4,078**	3,348	3,808
Intermodal	**3,835**	3,714	4,074
Total freight revenues	**$ 19,837**	$ 18,601	$ 20,397
Other revenues	**1,403**	1,340	1,416
Total operating revenues	**$ 21,240**	$ 19,941	$ 21,813

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origination or destination for some products we transport are outside the U.S. Each of our commodity groups includes revenue from shipments to and from Mexico. Included in the above table are freight revenues from our Mexico business which amounted to $2.3 billion in 2017, $2.2 billion in 2016, and $2.2 billion in 2015.

Basis of Presentation – The Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the U.S. (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

2. Significant Accounting Policies

Principles of Consolidation – The Consolidated Financial Statements include the accounts of Union Pacific Corporation and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned) are accounted for using the equity method of accounting. All intercompany transactions are eliminated. We currently have no less than majority-owned investments that require consolidation under variable interest entity requirements.

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

Accounts Receivable – Accounts receivable includes receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Consolidated Statements of Financial Position.

Investments – Investments represent our investments in affiliated companies (20% to 50% owned) that are accounted for under the equity method of accounting and investments in companies (less than 20% owned) accounted for under the cost method of accounting. The results of operations for our equity method investments that are integral to our operations are recorded in operating expenses.

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

Property and Depreciation – Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards), for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We determine the estimated service lives of depreciable railroad assets by means of depreciation studies. Under the group method of depreciation, no gain or loss is recognized when depreciable property is retired or replaced in the ordinary course of business.

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

Revenue Recognition – We recognize freight revenues as freight moves from origin to destination. The allocation of revenue between reporting periods is based on the relative transit time in each reporting period with expenses recognized as incurred. Other revenues, which include revenues earned by our subsidiaries, revenues from our commuter rail operations, and accessorial revenue, are recognized as service is performed or contractual obligations are met. Customer incentives, which are primarily provided for shipping a specified cumulative volume or shipping to/from specific locations, are recorded as a reduction to operating revenues based on actual or projected future customer shipments.

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

Fair Value Measurements – We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. These levels include:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

We have applied fair value measurements to our short term investments, pension plan assets and short- and long-term debt.

Stock-Based Compensation – We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as "retention awards". We have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted.

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options. Compensation expense is based on the calculated fair value of the awards as measured at the grant date and is expensed ratably over the service period of the awards (generally the vesting period). The fair value of retention awards is the closing stock price on the date of grant, while the fair value of stock options is determined by using the Black-Scholes option pricing model.

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

Income Taxes – We account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on current tax law; the effects of future tax legislation are not anticipated. Future tax legislation, such as a change in the corporate tax rate, could have a material impact on our financial condition, results of operations, or liquidity.

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management's judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset.

We recognize tax benefits that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

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

Personal Injury – The cost of injuries to employees and others on our property is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use an actuarial analysis to measure the expense and liability. Our personal injury liability is not discounted to present value. Legal fees and incidental costs are expensed as incurred.

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

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

Use of Estimates – The preparation of our Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported assets and liabilities, and the disclosure of certain contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual future results may differ from such estimates.

3. Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. This may require the use of more judgment and estimates in order to correctly recognize the revenue expected as an outcome of each specific performance obligation. Additionally, this guidance will require the disclosure of the nature, amount, and timing of revenue arising from contracts so as to aid in the understanding of the users of financial statements.

This standard is effective for annual reporting periods beginning after December 15, 2017. The Company has analyzed our freight and other revenues and we expect to continue to recognize freight revenues as freight moves from origin to destination and to recognize other revenues as identified performance obligations are satisfied. We have also analyzed freight and other revenues in the context of the new guidance on principal versus agent considerations and evaluated the required new disclosures. Effective January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective transition method. The ASU did not have an impact on our consolidated financial position, results of operations, or cash flows.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01), *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU 2016-01 provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. ASU 2016-01 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07), *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. ASU 2017-07 requires the service cost component be reported separately from the other components of net benefit costs in the income statement, provides explicit guidance on the presentation of the service cost component and the other components of net benefit cost in the income statement, and allows only the service cost component of net benefit cost to be eligible for capitalization. This standard is effective for annual and interim reporting periods beginning after December 15, 2017, and we intend to adopt the standard beginning in 2018 using retrospective adoption. The Company currently records service costs and net benefit costs within compensation and benefits expense. Upon adoption, the service cost will be recorded within compensation and benefits expense, and the other components of net benefit costs, including $69 million related to the 2017 workforce reduction plan as described in Note 4, will be recorded in other income. The retrospective impact of future adoption is shown in the table below:

Millions	***2017***	*2016*	*2015*
Increase/(decrease) in operating income	**$ 45**	$ (29)	$ 30
Increase/(decrease) in other income	**(45)**	29	(30)

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Subtopic 842)*. ASU 2016-02 will require companies to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. For public companies, this standard is effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. Management is currently evaluating the impact of this standard on our consolidated financial position, results of operations, and cash flows, and expects that the adoption will result in an increase in the Company's assets and liabilities of over $2 billion.

On December 22, 2017 the SEC staff issued Staff Accounting Bulletin 118 (SAB 118), which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the "Tax Act"). SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification (ASC) 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

4. Workforce Reduction Plan

On August 16, 2017, the Company approved and commenced a management and administrative personnel reorganization plan (the "Plan") furthering its on-going efforts to increase efficiency and more effectively align Company resources. The Plan implemented productivity initiatives identified during a recently completed Company-wide organizational review that included the reduction of approximately 460 management positions and 250 agreement positions. The Plan resulted in a pretax charge recognized in the third quarter of 2017 within compensation and benefits expense in our Consolidated Statements of Income. This charge consisted of management employee termination benefits, including pension expenses, severance costs, and acceleration of equity compensation expense as shown in the table below. The actions associated with the Plan are substantially complete, and we do not expect to incur additional charges for the Plan in subsequent years.

Millions *for the Year Ended December 31, 2017*		*Compensation and Benefits Expense*
Pension	$	69
Severance		12
Equity Compensation		5
Total	$	86

5. Stock Options and Other Stock Plans

In April 2000, the shareholders approved the Union Pacific Corporation 2000 Directors Plan (Directors Plan) whereby 2,200,000 shares of our common stock were reserved for issuance to our non-employee directors. Under the Directors Plan, each non-employee director, upon his or her initial election to the Board of Directors, receives a grant of 4,000 retention shares or retention stock units. Prior to December 31, 2007, each non-employee director received annually an option to purchase at fair value a number of shares of our common stock, not to exceed 20,000 shares during any calendar year, determined by dividing 60,000 by 1/3 of the fair market value of one share of our common stock on the date of such Board of Directors meeting, with the resulting quotient rounded up or down to the nearest 50 shares. In September 2007, the Board of Directors eliminated the annual payment of options for 2008 and all future years. As of December 31, 2017, 44,000 restricted shares and no options were outstanding under the Directors Plan.

The Union Pacific Corporation 2004 Stock Incentive Plan (2004 Plan) was approved by shareholders in April 2004. The 2004 Plan reserved 84,000,000 shares of our common stock for issuance, plus any shares subject to awards made under previous plans that were outstanding on April 16, 2004, and became available for regrant pursuant to the terms of the 2004 Plan. Under the 2004 Plan, non-qualified options, stock appreciation rights, retention shares, stock units, and incentive bonus awards may be granted to eligible employees of the Corporation and its subsidiaries. Non-employee directors are not eligible for awards under the 2004 Plan. As of December 31, 2017, 1,557,350 options and 962 retention shares and stock units were outstanding under the 2004 Plan. We no longer grant any stock options or other stock or unit awards under this plan.

The Union Pacific Corporation 2013 Stock Incentive Plan (2013 Plan) was approved by shareholders in May 2013. The 2013 Plan reserved 78,000,000 shares of our common stock for issuance, plus any shares subject to awards made under previous plans as of February 28, 2013, that are subsequently cancelled, expired, forfeited or otherwise not issued under previous plans. Under the 2013 Plan, non-qualified options, incentive stock options, retention shares, stock units, and incentive bonus awards may be granted to eligible employees of the Corporation and its subsidiaries. Non-employee directors are not eligible for awards under the 2013 Plan. As of December 31, 2017, 4,072,514 options and 3,450,600 retention shares and stock units were outstanding under the 2013 Plan. Pursuant to the above plans 72,151,415; 73,745,250; and 76,548,520; shares of our common stock were authorized and available for grant at December 31, 2017, 2016, and 2015, respectively.

Stock-Based Compensation – We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as "retention awards". We have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted.

Information regarding stock-based compensation appears in the table below:

Millions		***2017***		*2016*		*2015*
Stock-based compensation, before tax:						
Stock options	**$**	**19**	$	16	$	17
Retention awards		**84**		66		81
Total stock-based compensation, before tax	**$**	**103**	$	82	$	98
Excess tax benefits from equity compensation plans	**$**	**44**	$	28	$	62

Stock Options – We estimate the fair value of our stock option awards using the Black-Scholes option pricing model. The table below shows the annual weighted-average assumptions used for valuation purposes:

Weighted-Average Assumptions		***2017***		*2016*		*2015*
Risk-free interest rate		**2.0%**		1.3%		1.3%
Dividend yield		**2.3%**		2.9%		1.8%
Expected life (years)		**5.3**		5.1		5.1
Volatility		**21.7%**		23.2%		23.4%
Weighted-average grant-date fair value of options granted	**$**	**18.19**	$	11.36	$	22.30

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant; the expected dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of grant; the expected life is based on historical and expected exercise behavior; and expected volatility is based on the historical volatility of our stock price over the expected life of the option.

A summary of stock option activity during 2017 is presented below:

	Options (thous.)		*Weighted-Average Exercise Price*	*Weighted-Average Remaining Contractual Term*			*Aggregate Intrinsic Value (millions)*
Outstanding at January 1, 2017	6,162	$	73.13	5.9	yrs.	$	205
Granted	1,086		107.30	N/A			N/A
Exercised	(1,448)		56.69	N/A			N/A
Forfeited or expired	(170)		92.18	N/A			N/A
Outstanding at December 31, 2017	5,630	$	83.37	5.8	yrs.	$	286
Vested or expected to vest at December 31, 2017	5,607	$	83.25	5.8	yrs.	$	285
Options exercisable at December 31, 2017	3,466	$	75.96	4.2	yrs.	$	201

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at December 31, 2017, are subject to performance or market-based vesting conditions.

At December 31, 2017, there was $19 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.1 years. Additional information regarding stock option exercises appears in the following table:

Millions		***2017***		*2016*		*2015*
Intrinsic value of stock options exercised	**$**	**88**	$	52	$	50
Cash received from option exercises		**59**		39		27
Treasury shares repurchased for employee payroll taxes		**(18)**		(15)		(12)
Tax benefit realized from option exercises		**34**		20		19
Aggregate grant-date fair value of stock options vested		**20**		19		19

Retention Awards – The fair value of retention awards is based on the closing price of the stock on the grant date. Dividends and dividend equivalents are paid to participants during the vesting periods.

Changes in our retention awards during 2017 were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2017	2,789	$ 84.68
Granted	575	107.51
Vested	(894)	70.91
Forfeited	(157)	94.01
Nonvested at December 31, 2017	2,313	$ 95.04

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At December 31, 2017, there was $87 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 1.6 years.

Performance Retention Awards – In February 2017, our Board of Directors approved performance stock unit grants. The basic terms of these performance stock units are identical to those granted in February 2016, except for different annual return on invested capital (ROIC) performance targets. The 2016 and 2017 plans also include the addition of relative operating income growth (OIG) as a modifier compared to the companies included in the S&P 500 Industrials Index. We define ROIC as net operating profit adjusted for interest expense (including interest on the present value of operating leases) and taxes on interest divided by average invested capital adjusted for the present value of operating leases. The modifier can be up to +/- 25% of the award earned based on the ROIC achieved.

Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC, and for the 2016 and 2017 plans, modified for the relative OIG. We expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period, and with respect to the third year of the 2016 and 2017 plans, the relative OIG modifier. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.

The assumptions used to calculate the present value of estimated future dividends related to the February 2017 grant were as follows:

	2017
Dividend per share per quarter	$ 0.605
Risk-free interest rate at date of grant	1.5%

Changes in our performance retention awards during 2017 were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2017	1,145	$ 86.23
Granted	461	101.38
Vested	(255)	83.06
Unearned	(110)	83.06
Forfeited	(103)	91.36
Nonvested at December 31, 2017	1,138	$ 92.92

At December 31, 2017, there was $39 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.5 years. This expense is subject to achievement of the performance measures established for the performance stock unit grants.

6. Retirement Plans

Pension and Other Postretirement Benefits

Pension Plans – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements. Non-union employees hired on or after January 1, 2018, are no longer eligible for pension benefits, but will be eligible for an enhanced 401(k) plan as described below in other retirement programs.

Other Postretirement Benefits (OPEB) – We provide medical and life insurance benefits for eligible retirees hired before January 1, 2004. These benefits are funded as medical claims and life insurance premiums are paid.

Funded Status

We are required by GAAP to separately recognize the overfunded or underfunded status of our pension and OPEB plans as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the plan assets. Our non-qualified (supplemental) pension plan is unfunded by design. The PBO of the pension plans is the present value of benefits earned to date by plan participants, including the effect of assumed future compensation increases. The PBO of the OPEB plan is equal to the accumulated benefit obligation, as the present value of the OPEB liabilities is not affected by compensation increases. Plan assets are measured at fair value. We use a December 31 measurement date for plan assets and obligations for all our retirement plans.

Changes in our PBO and plan assets were as follows for the years ended December 31:

Funded Status	Pension		OPEB	
Millions	***2017***	*2016*	***2017***	*2016*
Projected Benefit Obligation				
Projected benefit obligation at beginning of year	**$ 4,110**	$ 3,958	**$ 334**	$ 329
Service cost	**90**	84	**2**	1
Interest cost	**142**	143	**10**	11
Plan curtailment cost	**20**	-	**(1)**	-
Special termination cost	**49**	-	**-**	-
Actuarial loss	**382**	124	**7**	16
Gross benefits paid	**(264)**	(199)	**(22)**	(23)
Projected benefit obligation at end of year	**$ 4,529**	$ 4,110	**$ 330**	$ 334
Plan Assets				
Fair value of plan assets at beginning of year	**$ 3,748**	$ 3,544	**$ -**	$ -
Actual return on plan assets	**716**	279	**-**	-
Voluntary funded pension plan contributions	**-**	100	**-**	-
Non-qualified plan benefit contributions	**24**	24	**22**	23
Gross benefits paid	**(264)**	(199)	**(22)**	(23)
Fair value of plan assets at end of year	**$ 4,224**	$ 3,748	**$ -**	$ -
Funded status at end of year	**$ (305)**	$ (362)	**$ (330)**	$ (334)

Amounts recognized in the statement of financial position as of December 31, 2017, and 2016 consist of:

	Pension		OPEB	
Millions	***2017***	*2016*	***2017***	*2016*
Noncurrent assets	**$ 196**	$ 67	**$ -**	$ -
Current liabilities	**(27)**	(24)	**(23)**	(24)
Noncurrent liabilities	**(474)**	(405)	**(307)**	(310)
Net amounts recognized at end of year	**$ (305)**	$ (362)	**$ (330)**	$ (334)

Pre-tax amounts recognized in accumulated other comprehensive income/(loss) as of December 31, 2017, and 2016 consist of:

	2017			2016		
Millions	***Pension***	***OPEB***	***Total***	*Pension*	*OPEB*	*Total*
Prior service cost	**$ -**	**$ (1)**	**$ (1)**	$ -	$ (2)	$ (2)
Net actuarial loss	**(1,533)**	**(120)**	**(1,653)**	(1,681)	(123)	(1,804)
Total	**$ (1,533)**	**$ (121)**	**$ (1,654)**	$ (1,681)	$ (125)	$ (1,806)

Pre-tax changes recognized in other comprehensive income/(loss) during 2017, 2016, and 2015 were as follows:

	Pension			*OPEB*		
Millions	***2017***	*2016*	*2015*	***2017***	*2016*	*2015*
Net actuarial (loss)/gain	**$ 67**	$ (112)	$ (31)	**$ (6)**	$ (16)	$ 18
Amortization of:						
Prior service cost/(credit)	**-**	-	-	**1**	(9)	(10)
Actuarial loss	**81**	83	106	**9**	10	13
Total	**$ 148**	$ (29)	$ 75	**$ 4**	$ (15)	$ 21

Amounts included in accumulated other comprehensive income/(loss) expected to be amortized into net periodic cost during 2018:

Millions	*Pension*	*OPEB*	*Total*
Prior service credit	$ -	$ (1)	$ (1)
Net actuarial loss	(90)	(9)	(99)
Total	$ (90)	$ (10)	$ (100)

Underfunded Accumulated Benefit Obligation – The accumulated benefit obligation (ABO) is the present value of benefits earned to date, assuming no future compensation growth. The underfunded accumulated benefit obligation represents the difference between the ABO and the fair value of plan assets. At December 31, 2017, and 2016, the non-qualified (supplemental) plan ABO was $481 million and $412 million, respectively. The following table discloses only the PBO, ABO, and fair value of plan assets for pension plans where the accumulated benefit obligation is in excess of the fair value of the plan assets as of December 31:

Underfunded Accumulated Benefit Obligation		
Millions	***2017***	*2016*
Projected benefit obligation	**$ 501**	$ 428
Accumulated benefit obligation	**$ 481**	$ 412
Fair value of plan assets	**-**	-
Underfunded accumulated benefit obligation	**$ (481)**	$ (412)

The ABO for all defined benefit pension plans was $4.2 billion and $3.9 billion at December 31, 2017, and 2016, respectively.

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

	Pension		*OPEB*	
Percentages	***2017***	*2016*	***2017***	*2016*
Discount rate	**3.62%**	4.20%	**3.53%**	4.00%
Compensation increase	**4.20%**	4.20%	**N/A**	N/A
Health care cost trend rate (employees under 65)	**N/A**	N/A	**6.09%**	6.31%
Ultimate health care cost trend rate	**N/A**	N/A	**4.50%**	4.50%
Year ultimate trend rate reached	**N/A**	N/A	**2038**	2038

Expense

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. Differences in actual experience in relation to assumptions are not recognized in net income immediately, but are deferred in accumulated other comprehensive income and, if necessary, amortized as pension or OPEB expense.

The workforce reduction plan initiated in the third quarter of 2017 included a curtailment loss of $20 million and a special termination benefit of $49 million as a result of a remeasurement as of September 30, 2017, due to the eliminated future service for approximately 460 management employees. These amounts were recognized in 2017 within compensation and benefits expense in our Consolidated Statements of Income. In connection with this remeasurement, the Company also updated the pension effective discount rate assumption from 4.20% to 3.81%.

The components of our net periodic pension and OPEB cost were as follows for the years ended December 31:

	Pension			*OPEB*		
Millions	***2017***	*2016*	*2015*	***2017***	*2016*	*2015*
Net Periodic Benefit Cost:						
Service cost	**$ 90**	$ 84	$ 106	**$ 2**	$ 1	$ 3
Interest cost	**142**	143	163	**10**	11	13
Expected return on plan assets	**(267)**	(267)	(255)	**-**	-	-
Plan curtailment cost	**20**	-	-	**-**	-	-
Special termination cost	**49**	-	-	**-**	-	-
Amortization of:						
Prior service cost/(credit)	**-**	-	-	**1**	(9)	(10)
Actuarial loss	**81**	83	106	**9**	10	13
Net periodic benefit cost	**$ 115**	$ 43	$ 120	**$ 22**	$ 13	$ 19

Assumptions – The weighted-average actuarial assumptions used to determine expense were as follows:

	Pension			OPEB		
Percentages	***2017***	*2016*	*2015*	***2017***	*2016*	*2015*
Discount rate for benefit obligations	**4.09%**	4.37%	3.94%	**3.89%**	4.13%	3.74%
Discount rate for interest on benefit obligations	**3.47%**	3.65%	3.94%	**3.25%**	3.34%	3.74%
Discount rate for service cost	**4.41%**	4.69%	3.94%	**4.25%**	4.59%	3.74%
Discount rate for interest on service cost	**4.27%**	4.55%	3.94%	**4.11%**	4.44%	3.74%
Expected return on plan assets	**7.00%**	7.50%	7.50%	**N/A**	N/A	N/A
Compensation increase	**4.13%**	4.20%	4.00%	**N/A**	N/A	N/A
Health care cost trend rate (employees under 65)	**N/A**	N/A	N/A	**6.31%**	6.52%	6.34%
Ultimate health care cost trend rate	**N/A**	N/A	N/A	**4.50%**	4.50%	4.50%
Year ultimate trend reached	**N/A**	N/A	N/A	**2038**	2038	2028

Beginning in 2016, we measure the service cost and interest cost components of our net periodic benefit cost by using individual spot discount rates matched with separate cash flows for each future year. The discount rates were based on a yield curve of high quality corporate bonds. The expected return on plan assets is based on our asset allocation mix and our historical return, taking into account current and expected market conditions. The actual return/(loss) on pension plan assets, net of fees, was approximately 19% in 2017, 8% in 2016, and (1)% in 2015.

Assumed health care cost trend rates have an effect on the expense and liabilities reported for health care plans. The assumed health care cost trend rate is based on historical rates and expected market conditions. The 2018 assumed health care cost trend rate for employees under 65 is 6.09%. It is assumed the rate will decrease gradually to an ultimate rate of 4.5% in 2038 and will remain at that level. A one-percentage point change in the assumed health care cost trend rates would have the following effects on OPEB:

Millions	*One % pt. Increase*	*One % pt. Decrease*
Effect on total service and interest cost components	$ 1	$ (1)
Effect on accumulated benefit obligation	19	(16)

Cash Contributions

The following table details our cash contributions for the qualified pension plans and the benefit payments for the non-qualified (supplemental) pension and OPEB plans:

	Pension		
Millions	*Qualified*	*Non-qualified*	*OPEB*
2017	$ -	$ 24	$ 22
2016	100	24	23

Our policy with respect to funding the qualified plans is to fund at least the minimum required by law and not more than the maximum amount deductible for tax purposes. All contributions made to the qualified pension plans were voluntary and were made with cash generated from operations.

The non-qualified pension and OPEB plans are not funded and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent supplemental pension payments and claims paid for medical and life insurance. We anticipate our 2018 supplemental pension and OPEB payments will be made from cash generated from operations.

Benefit Payments

The following table details expected benefit payments for the years 2018 through 2027:

Millions	*Pension*	*OPEB*
2018	$ 212	$ 23
2019	212	22
2020	211	22
2021	212	21
2022	213	20
Years 2023 - 2027	1,101	90

Asset Allocation Strategy

Our pension plan asset allocation at December 31, 2017, and 2016, and target allocation for 2018, are as follows:

	Target Allocation 2018	*Percentage of Plan Assets December 31,*	
		2017	*2016*
Equity securities	60% to 70%	**69%**	68%
Debt securities	20% to 30%	**22**	21
Real estate	2% to 8%	**5**	6
Commodities	4% to 6%	**4**	5
Total		**100%**	100%

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve our target average long-term rate of return of 7.0%. While we believe we can achieve a long-term average rate of return of 7.0%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among equity, debt, and other investments in order to achieve a diversification level that reduces fluctuations in investment returns. Asset allocation target ranges for equity, debt, and other portfolios are evaluated at least every three years with the assistance of an independent consulting firm. Actual asset allocations are monitored monthly, and rebalancing actions are executed at least quarterly, as needed.

The pension plan investments are held in a Master Trust. The majority of pension plan assets are invested in equity securities because equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons and are expected to do so in the future. Correspondingly, equity investments also entail greater risks than other investments. Equity risks are balanced by investing a significant portion of the plans' assets in high quality debt securities. The average credit rating of the debt portfolio exceeded A at both December 31, 2017 and December 31, 2016. The debt portfolio is also broadly diversified and invested primarily in U.S. Treasury, mortgage, and corporate securities. The weighted-average maturity of the debt portfolio was 13 years and 14 years at December 31, 2017, and 2016, respectively.

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

Fair Value Measurements

The pension plan assets are valued at fair value. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Temporary Cash Investments – These investments consist of U.S. dollars and foreign currencies held in master trust accounts at The Northern Trust Company (the Trustee). Foreign currencies held are reported in terms of U.S. dollars based on currency exchange rates readily available in active markets. These temporary cash investments are classified as Level 1 investments.

Registered Investment Companies – Registered Investment Companies are entities primarily engaged in the business of investing in securities and are registered with the Securities and Exchange Commission. The Plan's holdings of Registered Investment Companies include both public and private fund vehicles. The public vehicles are mutual funds (real estate) and exchange-traded funds (stocks), which are classified as Level 1 investments. The private vehicles (bonds) do not have published pricing and are valued using Net Asset Value (NAV).

Federal Government Securities – Federal Government Securities consist of bills, notes, bonds, and other fixed income securities issued directly by the U.S. Treasury or by government-sponsored enterprises. These assets are valued using a bid evaluation process with bid data provided by independent pricing sources. Federal Government Securities are classified as Level 2 investments.

Bonds and Debentures – Bonds and debentures consist of debt securities issued by U.S. and non-U.S. corporations as well as state and local governments. These assets are valued using a bid evaluation process with bid data provided by independent pricing sources. Corporate, state, and municipal bonds and debentures are classified as Level 2 investments.

Corporate Stock – This investment category consists of common and preferred stock issued by U.S. and non-U.S. corporations. Most common shares are traded actively on exchanges and price quotes for these shares are readily available. Common stock is classified as a Level 1 investment. Preferred shares included in this category are valued using a bid evaluation process with bid data provided by independent pricing sources. Preferred stock is classified as a Level 2 investment.

Venture Capital and Buyout Partnerships – This investment category is comprised of interests in limited partnerships that invest primarily in privately-held companies. Due to the private nature of the partnership investments, pricing inputs are not readily observable. Asset valuations are developed by the general partners that manage the partnerships. These valuations are based on the application of public market multiples to private company cash flows, market transactions that provide valuation information for comparable companies, and other methods. The fair value recorded by the Plan is calculated using each partnership's NAV.

Real Estate Partnerships – Most of the Plan's real estate investments are primarily interests in private real estate investment trusts, partnerships, limited liability companies, and similar structures. Valuations for the holdings in this category are not based on readily observable inputs and are primarily derived from property appraisals. The fair value recorded by the Plan is calculated using the NAV for each investment.

Collective Trust and Other Funds – Collective trust and other funds are comprised of shares or units in commingled funds and limited liability companies that are not publicly traded. The underlying assets in these entities (U.S. stock funds, non-U.S. stock funds, commodity funds, hedge funds, and short term investment funds) are publicly traded on exchanges and price quotes for the assets held by these funds are readily available. The fair value recorded by the Plan is calculated using NAV for each investment.

As of December 31, 2017, the pension plan assets measured at fair value on a recurring basis were as follows:

Millions	*Quoted Prices in Active Markets for Identical Inputs (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Plan assets at fair value:				
Temporary cash investments	$ 27	$	$ -	$ 27
Registered investment companies [a]	4		-	4
Federal government securities		182	-	182
Bonds and debentures		389	-	389
Corporate stock	1,171	8	-	1,179
Total plan assets at fair value	$ 1,202	$ 579	$ -	$ 1,781
Plan assets at NAV:				
Registered investment companies [b]				329
Venture capital and buyout partnerships				358
Real estate partnerships				226
Collective trust and other funds				1,552
Total plan assets at NAV				$ 2,465
Other assets [c]				(22)
Total plan assets				$ 4,224

[a] Registered investment companies measured at fair value include stock investments.
[b] Registered investment companies measured at NAV include bond investments.
[c] Other assets include accrued receivables, net payables, and pending broker settlements.

As of December 31, 2016, the pension plan assets measured at fair value on a recurring basis were as follows:

Millions	*Quoted Prices in Active Markets for Identical Inputs (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Plan assets at fair value:				
Temporary cash investments	$ 27	$ -	$ -	$ 27
Registered investment companies [a]	17	-	-	17
Federal government securities	-	142	-	142
Bonds and debentures	-	357	-	357
Corporate stock	1,059	8	-	1,067
Total plan assets at fair value	$ 1,103	$ 507	$ -	$ 1,610
Plan assets at NAV:				
Registered investment companies [b]				280
Venture capital and buyout partnerships				283
Real estate partnerships				212
Collective trust and other funds				1,346
Total plan assets at NAV				$ 2,121
Other assets [c]				17
Total plan assets				$ 3,748

[a] Registered investment companies measured at fair value include stock and real estate investments.
[b] Registered investment companies measured at NAV include bond investments.
[c] Other assets include accrued receivables and pending broker settlements.

For the years ended December 31, 2017 and 2016, there were no significant transfers in or out of Levels 1, 2, or 3.

The Master Trust's investments in limited partnerships and similar structures (used to invest in private equity and real estate) are valued at fair value based on their proportionate share of the partnerships' fair value as recorded in the limited partnerships' audited financial statements. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements. At December 31, 2017 and 2016, the Master Trust had future commitments for additional contributions to private equity partnerships totaling $359 million and $392 million, respectively, and to real estate partnerships and funds totaling $67 million and $32 million, respectively.

Other Retirement Programs

401(k)/Thrift Plan – For non-union employees hired prior to January 1, 2018, and eligible union employees for whom we make matching contributions, we provide a defined contribution plan (401(k)/thrift plan). We match 50 cents for each dollar contributed by employees up to the first 6% of compensation contributed. Our plan contributions were $19 million in 2017, $19 million in 2016, and $20 million in 2015. For non-union employees hired on or after January 1, 2018, we will match dollar-for-dollar, up to the first 6% of compensation contributed, in addition to contributing an annual amount of 3% of the employee's annual base salary.

Railroad Retirement System – All Railroad employees are covered by the Railroad Retirement System (the System). Contributions made to the System are expensed as incurred and amounted to approximately $672 million in 2017, $671 million in 2016, and $749 million in 2015.

Collective Bargaining Agreements – Under collective bargaining agreements, we participate in multi-employer benefit plans that provide certain postretirement health care and life insurance benefits for eligible union employees. Premiums paid under these plans are expensed as incurred and amounted to $60 million in 2017, $50 million in 2016, and $46 million in 2015.

7. Other Income

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

Millions	***2017***	*2016*	*2015*
Rental income [a]	**$ 178**	$ 96	$ 96
Net gain on non-operating asset dispositions [b] [c]	**111**	94	144
Interest income	**16**	11	5
Non-operating environmental costs and other	**(15)**	(9)	(19)
Total	**$ 290**	$ 192	$ 226

[a] 2017 includes $65 million related to a favorable litigation settlement.
[b] 2017 includes $26 million and $57 million related to a real estate sale in the first quarter and in the third quarter, respectively.
[c] 2016 includes $17 million and $50 million related to a real estate sale in the first quarter and second quarter, respectively.

8. Income Taxes

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

Millions		***2017***		*2016*		*2015*
Current tax expense:						
Federal	**$**	**1,750**	$	1,518	$	1,901
State		**235**		176		210
Foreign		**2**		8		8
Total current tax expense		**1,987**		1,702		2,119
Deferred and other tax expense:						
Federal		**(5,260)**		692		644
State		**183**		139		121
Foreign		**10**		-		-
Total deferred and other tax expense [a]		**(5,067)**		831		765
Total income tax expense	**$**	**(3,080)**	$	2,533	$	2,884

[a] 2017 includes a $(5,935) million adjustment to income tax expense resulting from the Tax Cuts and Jobs Act. Of this amount, $(5,965) million is a federal income tax benefit and $30 million is a state income tax expense.

For the years ended December 31, reconciliations between statutory and effective tax rates are as follows:

Tax Rate Percentages	***2017***	*2016*	*2015*
Federal statutory tax rate	**35.0 %**	35.0 %	35.0 %
State statutory rates, net of federal benefits	**3.1**	3.1	3.1
Adjustment for Tax Cuts and Jobs Act	**(77.8)**	-	-
Other deferred tax adjustments	**0.4**	-	-
Tax credits	**0.1**	(0.5)	(0.5)
Other	**(1.2)**	(0.2)	0.1
Effective tax rate	**(40.4)%**	37.4 %	37.7 %

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that are reported in different periods for financial reporting and income tax purposes. The majority of our deferred tax assets relate to deductions that already have been claimed for financial reporting purposes but not for tax purposes. The majority of our deferred tax liabilities relate to differences between the tax bases and financial reporting amounts of our land and depreciable property, due to accelerated tax depreciation (including bonus depreciation), revaluation of assets in purchase accounting transactions, and differences in capitalization methods.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act made significant changes to federal tax law, including a reduction in the federal income tax rate from 35% to 21% effective January 1, 2018, 100% bonus depreciation for certain capital expenditures, stricter limits on deductions for interest and certain executive compensation, and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. As a result of our initial analysis of the Tax Act and existing implementation guidance, we remeasured our deferred tax assets and liabilities and computed our transition tax liability net of offsetting foreign tax credits. This resulted in a $5.9 billion reduction in our income tax expense in 2017. We also recorded a $212 million reduction to our operating expense related to income tax adjustments at equity-method affiliates.

The SEC provided guidance in SAB 118 on accounting for the tax effects of the Tax Act (See Note 3). In accordance with that guidance, some of the income tax effects recorded in 2017 are provisional, including those related to our analysis of 100% bonus depreciation for certain capital expenditures, stricter limits on deductions for certain executive compensation, the one-time transition tax, and the reduction to our operating expense related to income tax adjustments at equity-method affiliates. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates.

On July 6, 2017, the State of Illinois increased its corporate income tax rate effective July 1, 2017. In the third quarter of 2017, we increased our deferred tax expense by $33 million to reflect the increased tax rate.

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

Millions		***2017[a]***		*2016*
Deferred income tax liabilities:				
Property	**$**	**(11,262)**	$	(16,687)
Other		**(197)**		(346)
Total deferred income tax liabilities		**(11,459)**		(17,033)
Deferred income tax assets:				
Accrued wages		**46**		75
Accrued casualty costs		**147**		231
Stock compensation		**46**		69
Retiree benefits		**141**		222
Credits		**1**		145
Other		**142**		295
Total deferred income tax assets	**$**	**523**	$	1,037
Net deferred income tax liability	**$**	**(10,936)**	$	(15,996)

[a] 2017 amounts reflect the provisional impact of the Tax Act.

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized based on management's judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset. In 2017 and 2016, there were no valuation allowances.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

A reconciliation of changes in unrecognized tax benefits liabilities/(assets) from the beginning to the end of the reporting period is as follows:

Millions		***2017***		*2016*		*2015*
Unrecognized tax benefits at January 1	**$**	**125**	$	94	$	151
Increases for positions taken in current year		**38**		31		38
Increases for positions taken in prior years		**51**		10		13
Decreases for positions taken in prior years		**(56)**		(20)		(87)
Refunds from/(payments to) and settlements with taxing authorities		**64**		4		(13)
Increases/(decreases) for interest and penalties		**-**		6		(5)
Lapse of statutes of limitations		**(43)**		-		(3)
Unrecognized tax benefits at December 31	**$**	**179**	$	125	$	94

We recognize interest and penalties as part of income tax expense. Total accrued liabilities for interest and penalties were $8 million at both December 31, 2017, and 2016. Total interest and penalties recognized as part of income tax expense (benefit) were $(3) million for 2017, $5 million for 2016, and $(3) million for 2015.

The statute of limitations has run for all years prior to 2014 and UPC is not currently under examination by the Internal Revenue Service (IRS) for any of its open years. In 2017, UPC amended its 2013 income tax returns, primarily to claim deductions resulting from the resolution of prior year IRS examinations. We have not received any communication from the IRS related to these amended returns.

In 2016, UPC amended its 2011 and 2012 income tax returns to claim deductions resulting from the resolution of IRS examinations for years prior to 2011. The IRS and Joint Committee on Taxation reviewed these amended returns. In the third quarter of 2017, we received a refund of $62 million, consisting of $60 million of tax and $2 million of interest.

In the third quarter of 2015, UPC and the IRS signed a closing agreement resolving all tax matters for tax years 2009-2010. The settlement had an immaterial effect on our income tax expense. In connection with the settlement, UPC paid $10 million in the fourth quarter of 2015.

Several state tax authorities are examining our state income tax returns for years 2010 through 2015.

We do not expect our unrecognized tax benefits to change significantly in the next 12 months.

The portion of our unrecognized tax benefits that relates to permanent changes in tax and interest would reduce our effective tax rate, if recognized. The remaining unrecognized tax benefits relate to tax positions for which only the timing of the benefit is uncertain. Recognition of the tax benefits with uncertain timing would reduce our effective tax rate only through a reduction of accrued interest and penalties. The unrecognized tax benefits that would reduce our effective tax rate are as follows:

Millions		***2017***		*2016*		*2015*
Unrecognized tax benefits that would reduce the effective tax rate	**$**	**83**	$	31	$	31
Unrecognized tax benefits that would not reduce the effective tax rate		**96**		94		63
Total unrecognized tax benefits	**$**	**179**	$	125	$	94

9. Earnings Per Share

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

Millions, Except Per Share Amounts		***2017***		*2016*		*2015*
Net income	**$**	**10,712**	$	4,233	$	4,772
Weighted-average number of shares outstanding:						
Basic		**798.4**		832.4		866.2
Dilutive effect of stock options		**1.8**		1.5		1.5
Dilutive effect of retention shares and units		**1.5**		1.5		1.7
Diluted		**801.7**		835.4		869.4
Earnings per share – basic	**$**	**13.42**	$	5.09	$	5.51
Earnings per share – diluted	**$**	**13.36**	$	5.07	$	5.49

Common stock options totaling 1.6 million, 2.0 million, and 1.1 million for 2017, 2016, and 2015, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options exceeded the average market price of our common stock for the respective periods, and the effect of their inclusion would be anti-dilutive.

10. Accumulated Other Comprehensive Income/(Loss)

Reclassifications out of accumulated other comprehensive income/(loss) were as follows (net of tax):

Millions	*Defined benefit plans*	*Foreign currency translation*	*Total*
Balance at January 1, 2017	$ (1,132)	$ (140)	$ (1,272)
Other comprehensive income/(loss) before reclassifications	2	28	30
Amounts reclassified from accumulated other comprehensive income/(loss) [a]	101	-	101
Net year-to-date other comprehensive income/(loss), net of taxes of $(61) million	103	28	131
Balance at December 31, 2017	$ (1,029)	$ (112)	$ (1,141)
Balance at January 1, 2016	$ (1,103)	$ (92)	$ (1,195)
Other comprehensive income/(loss) before reclassifications	(3)	(48)	(51)
Amounts reclassified from accumulated other comprehensive income/(loss) [a]	(26)	-	(26)
Net year-to-date other comprehensive income/(loss), net of taxes of $49 million	(29)	(48)	(77)
Balance at December 31, 2016	$ (1,132)	$ (140)	$ (1,272)

[a] The accumulated other comprehensive income/(loss) reclassification components are 1) prior service cost/(benefit) and 2) net actuarial loss which are both included in the computation of net periodic pension cost. See Note 6 Retirement Plans for additional details.

11. Accounts Receivable

Accounts receivable includes freight and other receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. At December 31, 2017, and 2016, our accounts receivable were reduced by $3 million and $5 million, respectively. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Consolidated Statements of Financial Position. At both December 31, 2017, and 2016, receivables classified as other assets were reduced by allowances of $17 million.

Receivables Securitization Facility – The Railroad maintains a $650 million, 3-year receivables securitization facility (the Receivables Facility), maturing in July 2019. Under the Receivables Facility, the Railroad sells most of its eligible third-party receivables to Union Pacific Receivables, Inc. (UPRI), a consolidated, wholly-owned, bankruptcy-remote subsidiary that may subsequently transfer, without recourse, an undivided interest in accounts receivable to investors. The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI.

The amount outstanding under the Receivables Facility was $500 million and $0 at December 31, 2017, and December 31, 2016. The Receivables Facility was supported by $1.1 billion and $1.0 billion of accounts receivable as collateral at December 31, 2017, and December 31, 2016, respectively, which, as a retained interest, is included in accounts receivable, net in our Consolidated Statements of Financial Position.

The outstanding amount the Railroad is allowed to maintain under the Receivables Facility, with a maximum of $650 million, may fluctuate based on the availability of eligible receivables and is directly affected by business volumes and credit risks, including receivables payment quality measures such as default and dilution ratios. If default or dilution ratios increase one percent, the allowable outstanding amount under the Receivables Facility would not materially change.

The costs of the Receivables Facility include interest, which will vary based on prevailing benchmark and commercial paper rates, program fees paid to participating banks, commercial paper issuance costs, and fees of participating banks for unused commitment availability. The costs of the Receivables Facility are included in interest expense and were $6 million, $7 million, and $5 million for 2017, 2016, and 2015, respectively.

12. Properties

The following tables list the major categories of property and equipment, as well as the weighted-average estimated useful life for each category (in years):

Millions, Except Estimated Useful Life As of December 31, 2017	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,258	$ N/A	$ 5,258	N/A
Road:				
Rail and other track material	16,327	5,929	10,398	43
Ties	10,132	2,881	7,251	33
Ballast	5,406	1,509	3,897	34
Other roadway [a]	18,972	3,482	15,490	47
Total road	50,837	13,801	37,036	N/A
Equipment:				
Locomotives	9,686	3,697	5,989	19
Freight cars	2,255	983	1,272	24
Work equipment and other	936	267	669	19
Total equipment	12,877	4,947	7,930	N/A
Technology and other	1,105	460	645	11
Construction in progress	736	-	736	N/A
Total	$ 70,813	$ 19,208	$ 51,605	N/A

Millions, Except Estimated Useful Life As of December 31, 2016	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Estimated Useful Life*
Land	$ 5,220	$ N/A	$ 5,220	N/A
Road:				
Rail and other track material	15,845	5,722	10,123	40
Ties	9,812	2,736	7,076	33
Ballast	5,242	1,430	3,812	34
Other roadway [a]	18,138	3,226	14,912	47
Total road	49,037	13,114	35,923	N/A
Equipment:				
Locomotives	9,692	3,939	5,753	20
Freight cars	2,243	972	1,271	24
Work equipment and other	905	232	673	19
Total equipment	12,840	5,143	7,697	N/A
Technology and other	974	412	562	11
Construction in progress	987	-	987	N/A
Total	$ 69,058	$ 18,669	$ 50,389	N/A

[a] Other roadway includes grading, bridges and tunnels, signals, buildings, and other road assets.

Property and Depreciation – Our railroad operations are highly capital intensive, and our large base of homogeneous, network-type assets turns over on a continuous basis. Each year we develop a capital program for the replacement of assets and for the acquisition or construction of assets that enable us to enhance our operations or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria. Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards) for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We currently have more than 60 depreciable asset classes, and we may increase or decrease the number of asset classes due to changes in technology, asset strategies, or other factors.

We determine the estimated service lives of depreciable railroad assets by means of depreciation studies. We perform depreciation studies at least every three years for equipment and every six years for track assets (i.e., rail and other track material, ties, and ballast) and other road property. Our depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of our asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

For rail in high-density traffic corridors, we measure estimated service lives in millions of gross tons per mile of track. It has been our experience that the lives of rail in high-density traffic corridors are closely correlated to usage (i.e., the amount of weight carried over the rail). The service lives also vary based on rail weight, rail condition (e.g., new or secondhand), and rail type (e.g., straight or curve). Our depreciation studies for rail in high-density traffic corridors consider each of these factors in determining the estimated service lives. For rail in high-density traffic corridors, we calculate depreciation rates annually by dividing the number of gross ton-miles carried over the rail (i.e., the weight of loaded and empty freight cars, locomotives and maintenance of way equipment transported over the rail) by the estimated service lives of the rail measured in millions of gross tons per mile. For all other depreciable assets, we compute depreciation based on the estimated service lives of our assets as determined from the analysis of our depreciation studies. Changes in the estimated service lives of our assets and their related depreciation rates are implemented prospectively.

Under group depreciation, the historical cost (net of salvage) of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. The historical cost of certain track assets is estimated by multiplying the current replacement cost of track assets by a historical index factor derived from (i) inflation indices published by the Bureau of Labor Statistics and (ii) the estimated useful lives of the assets as determined by our depreciation studies. The indices were selected because they closely correlate with the major costs of the properties comprising the applicable track asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, we continually monitor the estimated service lives of our assets and the accumulated depreciation associated with each asset class to ensure our depreciation rates are appropriate. In addition, we determine if the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by our depreciation studies. Any deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the applicable classes of assets.

For retirements of depreciable railroad properties that do not occur in the normal course of business, a gain or loss may be recognized if the retirement meets each of the following three conditions: (i) is unusual, (ii) is material in amount, and (iii) varies significantly from the retirement profile identified through our depreciation studies. A gain or loss is recognized in other income when we sell land or dispose of assets that are not part of our railroad operations.

When we purchase an asset, we capitalize all costs necessary to make the asset ready for its intended use. However, many of our assets are self-constructed. A large portion of our capital expenditures is for replacement of existing track assets and other road properties, which is typically performed by our employees, and for track line expansion and other capacity projects. Costs that are directly attributable to capital projects (including overhead costs) are capitalized. Direct costs that are capitalized as part of self-constructed assets include material, labor, and work equipment. Indirect costs are capitalized if they clearly relate to the construction of the asset.

Normal repairs and maintenance are expensed as incurred, while costs incurred that extend the useful life of an asset, improve the safety of our operations or improve operating efficiency are capitalized. These costs are allocated using appropriate statistical bases. Total expense for repairs and maintenance incurred was $2.5 billion for 2017, $2.3 billion for 2016, and $2.5 billion for 2015.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

13. Accounts Payable and Other Current Liabilities

Millions		***Dec. 31, 2017***		*Dec. 31, 2016*
Accounts payable	**$**	**1,013**	$	955
Income and other taxes payable		**547**		472
Accrued wages and vacation		**384**		387
Interest payable		**220**		212
Accrued casualty costs		**194**		185
Equipment rents payable		**110**		101
Other		**671**		570
Total accounts payable and other current liabilities	**$**	**3,139**	$	2,882

14. Financial Instruments

Short-Term Investments – The Company’s short-term investments consist of time deposits and government agency securities. These investments are considered level 2 investments and are valued at amortized cost, which approximates fair value ($90 million of time deposits as of December 31, 2017). All short-term investments have a maturity of less than one year and are classified as held-to-maturity. There were no transfers out of Level 2 during the year ended December 31, 2017.

Fair Value of Financial Instruments – The fair value of our short- and long-term debt was estimated using a market value price model, which utilizes applicable U.S. Treasury rates along with current market quotes on comparable debt securities. All of the inputs used to determine the fair market value of the Corporation’s long-term debt are Level 2 inputs and obtained from an independent source. At December 31, 2017, the fair value of total debt was $18.2 billion, approximately $1.3 billion more than the carrying value. At December 31, 2016, the fair value of total debt was $15.9 billion, approximately $0.9 billion more than the carrying value. The fair value of the Corporation’s debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. At both December 31, 2017, and 2016, approximately $155 million of debt securities contained call provisions that allow us to retire the debt instruments prior to final maturity at par, without the payment of fixed call premiums. The fair value of our cash equivalents approximates their carrying value due to the short-term maturities of these instruments.

15. Debt

Total debt as of December 31, 2017, and 2016, is summarized below:

Millions		***2017***		*2016*
Notes and debentures, 1.8% to 7.9% due through 2067	**$**	**15,096**	$	13,547
Capitalized leases, 3.1% to 8.4% due through 2028		**892**		1,105
Equipment obligations, 2.6% to 6.7% due through 2031		**1,018**		1,069
Term loans - floating rate, due in 2018		**250**		100
Mortgage bonds, 4.8% due through 2030		**57**		57
Medium-term notes, 9.3% to 10.0% due through 2020		**18**		23
Receivables Securitization (Note 11)		**500**		-
Unamortized discount and deferred issuance costs		**(887)**		(894)
Total debt		**16,944**		15,007
Less: current portion		**(800)**		(758)
Total long-term debt	**$**	**16,144**	$	14,249

Debt Maturities – The following table presents aggregate debt maturities as of December 31, 2017, excluding market value adjustments:

Millions		
2018	$	806
2019		1,125
2020		1,021
2021		677
2022		917
Thereafter		13,285
Total principal		17,831
Unamortized discount and deferred issuance costs		(887)
Total debt	$	16,944

Equipment Encumbrances – Equipment with a carrying value of approximately $2.0 billion and $2.3 billion at December 31, 2017, and 2016, respectively, served as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire or refinance such railroad equipment.

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

Credit Facilities – At December 31, 2017, we had $1.7 billion of credit available under our revolving credit facility, which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during 2017. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon credit ratings for our senior unsecured debt. The facility matures in May 2019 under a five-year term and requires UPC to maintain a debt-to-net-worth coverage ratio.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At December 31, 2017, the debt-to-net-worth coverage ratio allowed us to carry up to $49.7 billion of debt (as defined in the facility), and we had $17.0 billion of debt (as defined in the facility) outstanding at that date. Under our current financial plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a $125 million cross-default provision and a change-of-control provision.

During 2017, we did not issue or repay any commercial paper, and at December 31, 2017, and 2016, we had no commercial paper outstanding. Our revolving credit facility supports our outstanding commercial paper balances, and, unless we change the terms of our commercial paper program, our aggregate issuance of commercial paper will not exceed the amount of borrowings available under the facility.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant (discussed in the Credit Facilities section above) that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $16.4 billion and $12.4 billion at December 31, 2017, and 2016, respectively.

Shelf Registration Statement and Significant New Borrowings – In 2016, the Board of Directors reauthorized the issuance of up to $4.0 billion of debt securities. Under our shelf registration, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

During 2017, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

Date	*Description of Securities*
April 5, 2017	$500 million of 3.000% Notes due April 15, 2027
	$500 million of 4.000% Notes due April 15, 2047
September 19, 2017	$500 million of 3.600% Notes due September 15, 2037
	$500 million of 4.100% Notes due September 15, 2067

We used the net proceeds from the offerings for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions. At December 31, 2017, we had remaining authority to issue up to $1.55 billion of debt securities under our shelf registration.

Receivables Securitization Facility – As of December 31, 2017, and 2016, we recorded $500 million and $0, respectively, of borrowings under our Receivables Facility, as secured debt. (See further discussion of our receivables securitization facility in Note 11).

16. Variable Interest Entities

We have entered into various lease transactions in which the structure of the leases contain variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions (principally involving railroad equipment and facilities) and have no other activities, assets or liabilities outside of the lease transactions. Within these lease arrangements, we have the right to purchase some or all of the assets at fixed prices. Depending on market conditions, fixed-price purchase options available in the leases could potentially provide benefits to us; however, these benefits are not expected to be significant.

We maintain and operate the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the railroad industry. As such, we have no control over activities that could materially impact the fair value of the leased assets. We do not hold the power to direct the activities of the VIEs and, therefore, do not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, we do not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs.

We are not considered to be the primary beneficiary and do not consolidate these VIEs because our actions and decisions do not have the most significant effect on the VIE's performance and our fixed-price purchase options are not considered to be potentially significant to the VIEs. The future minimum lease payments associated with the VIE leases totaled $1.9 billion as of December 31, 2017.

17. Leases

We lease certain locomotives, freight cars, and other property. The Consolidated Statements of Financial Position as of December 31, 2017, and 2016 included $1,635 million, net of $953 million of accumulated depreciation, and $1,997 million, net of $1,121 million of accumulated depreciation, respectively, for properties held under capital leases. A charge to income resulting from the depreciation for assets held under capital leases is included within depreciation expense in our Consolidated Statements of Income. Future minimum lease payments for operating and capital leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2017, were as follows:

Millions	*Operating Leases*	*Capital Leases*
2018	$ 398	$ 173
2019	359	156
2020	297	164
2021	259	168
2022	221	147
Later years	1,115	271
Total minimum lease payments	$ 2,649	$ 1,079
Amount representing interest	N/A	(187)
Present value of minimum lease payments	N/A	$ 892

Approximately 97% of capital lease payments relate to locomotives. Rent expense for operating leases with terms exceeding one month was $480 million in 2017, $535 million in 2016, and $590 million in 2015. When cash rental payments are not made on a straight-line basis, we recognize variable rental expense on a straight-line basis over the lease term. Contingent rentals and sub-rentals are not significant.

18. Commitments and Contingencies

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

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use an actuarial analysis to measure the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 95% of the recorded liability is related to asserted claims and approximately 5% is related to unasserted claims at December 31, 2017. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from approximately $285 million to $310 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

Millions		***2017***		*2016*		*2015*
Beginning balance	**$**	**290**	$	318	$	335
Current year accruals		**77**		75		89
Changes in estimates for prior years		**(7)**		(29)		(3)
Payments		**(75)**		(74)		(103)
Ending balance at December 31	**$**	**285**	$	290	$	318
Current portion, ending balance at December 31	**$**	**66**	$	62	$	63

In conjunction with the liability update performed in 2017, we also reassessed our estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2017, and 2016. Any changes to recorded insurance recoveries are included in the above table in the Changes in estimates for prior years category.

Asbestos – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We assess our potential liability using a statistical analysis of resolution costs for asbestos-related claims. This liability is updated annually and excludes future defense and processing costs. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The ratio of future claims by alleged disease would be consistent with historical averages adjusted for inflation.
- The number of claims filed against us will decline each year.
- The average settlement values for asserted and unasserted claims will be equivalent to historical averages.
- The percentage of claims dismissed in the future will be equivalent to historical averages.

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 16% of the recorded liability related to asserted claims and approximately 84% related to unasserted claims at December 31, 2017. Because of the uncertainty surrounding the ultimate outcome of asbestos-related claims, it is reasonably possible that future costs to settle these claims may range from approximately $99 million to $105 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other.

Our asbestos-related liability activity was as follows:

Millions		***2017***		*2016*		*2015*
Beginning balance	**$**	**111**	$	120	$	126
Accruals/(Credits)		**(1)**		12		-
Payments		**(11)**		(21)		(6)
Ending balance at December 31	**$**	**99**	$	111	$	120
Current portion, ending balance at December 31	**$**	**9**	$	8	$	6

In conjunction with the liability update performed in 2017, we also reassessed our estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2017, and 2016. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified 315 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 33 sites that are the subject of actions taken by the U.S. government, 21 of which are currently on the Superfund National Priorities List.

Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we perform, with assistance of our consultants, environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. Our environmental liability is not discounted to present value due to the uncertainty surrounding the timing of future payments.

Our environmental liability activity was as follows:

Millions		***2017***		*2016*		*2015*
Beginning balance	**$**	**212**	$	190	$	182
Accruals		**45**		84		61
Payments		**(61)**		(62)		(53)
Ending balance at December 31	**$**	**196**	$	212	$	190
Current portion, ending balance at December 31	**$**	**57**	$	55	$	52

The environmental liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

Insurance – The Company has a consolidated, wholly-owned captive insurance subsidiary (the captive), that provides insurance coverage for certain risks including FELA claims and property coverage which are subject to reinsurance. The captive entered into annual reinsurance treaty agreements that insure workers compensation, general liability, auto liability and FELA risk. The captive cedes a portion of its FELA exposure through the treaty and assumes a proportionate share of the entire risk. The captive receives direct premiums, which are netted against the Company's premium costs in other expenses in the Consolidated Statements of Income. The treaty agreements provide for certain protections against the risk of treaty participants' non-performance, and we do not believe our exposure to treaty participants' non-performance is material at this time. In the event the Company leaves the reinsurance program, the Company is not relieved of its primary obligation to the policyholders for activity prior to the termination of the treaty agreements. We record both liabilities and reinsurance receivables using an actuarial analysis based on historical experience in our Consolidated Statements of Financial Position.

Guarantees – At December 31, 2017, and 2016, we were contingently liable for $33 million and $43 million in guarantees, respectively. The fair value of these obligations as of both December 31, 2017, and 2016 was $0. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Indemnities – We are contingently obligated under a variety of indemnification arrangements, although in some cases the extent of our potential liability is limited, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

19. Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of December 31, 2017, we repurchased a total of $23.2 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in 2017 under this repurchase program and shares repurchased in 2016 under our previous repurchase program.

	Number of Shares Purchased		*Average Price Paid*	
	2017	*2016*	***2017***	*2016*
First quarter	**7,531,300**	9,315,807	**$ 106.55**	$ 76.49
Second quarter	**7,788,283**	7,026,100	**109.10**	85.66
Third quarter	**11,801,755**	9,088,613	**106.69**	93.63
Fourth quarter	**9,231,510**	9,624,667	**119.37**	97.60
Total	**36,352,848**	35,055,187	**$ 110.40**	$ 88.57

Management's assessments of market conditions and other pertinent factors guide the timing and volume of all repurchases. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From January 1, 2018, through February 8, 2018, we repurchased 2.6 million shares at an aggregate cost of approximately $349 million.

20. Related Parties

UPRR and other North American railroad companies jointly own TTX Company (TTX). UPRR has a 36.79% economic and voting interest in TTX while the other North American railroads own the remaining interest. In accordance with ASC 323 *Investments - Equity Method and Joint Venture*, UPRR applies the equity method of accounting to our investment in TTX.

TTX is a railcar pooling company that owns railcars and intermodal wells to serve North America's railroads. TTX assists railroads in meeting the needs of their customers by providing railcars in an efficient, pooled environment. All railroads have the ability to utilize TTX railcars through car hire by renting railcars at stated rates.

UPRR had $1.2 billion and $877 million recognized as investments related to TTX in our Consolidated Statements of Financial Position as of December 31, 2017, and 2016, respectively. TTX car hire expenses of $388 million in 2017, $368 million in 2016, and $376 million in 2015 are included in equipment and other rents in our Consolidated Statements of Income. In addition, UPRR had accounts payable to TTX of $69 million and $61 million at December 31, 2017, and 2016, respectively.

21. Selected Quarterly Data (Unaudited)

Millions, Except Per Share Amounts

2017	*Mar. 31*	*Jun. 30*	*Sep. 30*	*Dec. 31*
Operating revenues	$ 5,132	$ 5,250	$ 5,408	$ 5,450
Operating income	1,793	2,005	2,012	2,251
Net income	1,072	1,168	1,194	7,278
Net income per share:				
Basic	1.32	1.45	1.50	9.29
Diluted	1.32	1.45	1.50	9.25

Millions, Except Per Share Amounts

2016	*Mar. 31*	*Jun. 30*	*Sep. 30*	*Dec. 31*
Operating revenues	$ 4,829	$ 4,770	$ 5,174	$ 5,168
Operating income	1,687	1,660	1,960	1,965
Net income	979	979	1,131	1,144
Net income per share:				
Basic	1.16	1.17	1.36	1.40
Diluted	1.16	1.17	1.36	1.39

Per share net income for the four quarters combined may not equal the per share net income for the year due to rounding.

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

None.

Item 9A. Controls and Procedures

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

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2017. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*. Based on our assessment, management believes that, as of December 31, 2017, the Corporation's internal control over financial reporting is effective based on those criteria.

The Corporation's independent registered public accounting firm has issued an attestation report on the effectiveness of the Corporation's internal control over financial reporting. This report appears on the next page.

February 8, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Union Pacific Corporation
Omaha, Nebraska

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Union Pacific Corporation and Subsidiary Companies (the "Corporation") as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Corporation as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Table of Contents at Part IV, Item 15 (collectively referred to as the "financial statements") and our report dated February 9, 2018 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 9, 2018

Item 9B. **Other Information**

None.

PART III

Item 10. **Directors, Executive Officers, and Corporate Governance**

(a) Directors of Registrant.

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

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

(b) Executive Officers of Registrant.

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

(c) Section 16(a) Compliance.

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

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

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

Item 11. **Executive Compensation**

Information concerning compensation received by our directors and our named executive officers is presented in the Compensation Discussion and Analysis, Summary Compensation Table, Grants of Plan-Based Awards in Fiscal Year 2017, Outstanding Equity Awards at 2017 Fiscal Year-End, Option Exercises and Stock Vested in Fiscal Year 2017, Pension Benefits at 2017 Fiscal Year-End, Nonqualified Deferred Compensation at 2017 Fiscal Year-End, Potential Payments Upon Termination or Change in Control and Director Compensation in Fiscal Year 2017 segments of the Proxy Statement and is incorporated herein by reference. Additional information regarding compensation of directors, including Board committee members, is set forth in the By-Laws of UPC and the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, both of which are included as exhibits to this report. Information regarding the Compensation and Benefits Committee is set forth in the Compensation Committee Interlocks and Insider Participation and Compensation Committee Report segments of the Proxy Statement and is incorporated herein by reference.

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

Information as to the number of shares of our equity securities beneficially owned by each of our directors and nominees for director, our named executive officers, our directors and executive officers as a group, and certain beneficial owners is set forth in the Security Ownership of Certain Beneficial Owners and Management segment of the Proxy Statement and is incorporated herein by reference.

The following table summarizes the equity compensation plans under which UPC common stock may be issued as of December 31, 2017:

	(a)	(b)	(c)
Plan Category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights*	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
Equity compensation plans approved by security holders	7,345,104 [1]	$ 83.35 [2]	72,151,415
Total	7,345,104	$ 83.35	72,151,415

[1] Includes 1,715,240 retention units that do not have an exercise price. Does not include 1,780,322 retention shares that have been issued and are outstanding.
[2] Does not include the retention units or retention shares described above in footnote 1.

Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>

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

Information regarding the independence of our directors is set forth in the Director Independence segment of the Proxy Statement and is incorporated herein by reference.

Item 14. <u>Principal Accountant Fees and Services</u>

Information concerning the fees billed by our independent registered public accounting firm and the nature of services comprising the fees for each of the two most recent fiscal years in each of the following categories: (i) audit fees, (ii) audit-related fees, (iii) tax fees, and (iv) all other fees, is set forth in the Independent Registered Public Accounting Firm's Fees and Services segment of the Proxy Statement and is incorporated herein by reference.

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

(1) Financial Statements

The financial statements filed as part of this filing are listed on the index to the Financial Statements and Supplementary Data, Item 8, on page 44.

(2) Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

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

(3) Exhibits

Exhibits are listed in the exhibit index beginning on page 87. The exhibits include management contracts, compensatory plans and arrangements required to be filed as exhibits to the Form 10-K by Item 601 (10) (iii) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 9th day of February, 2018.

UNION PACIFIC CORPORATION

By /s/ Lance M. Fritz
Lance M. Fritz,
Chairman, President and
Chief Executive Officer
Union Pacific Corporation

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 9th day of February, 2018, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER
AND DIRECTOR:

By /s/ Lance M. Fritz
Lance M. Fritz,
Chairman, President and
Chief Executive Officer
Union Pacific Corporation

PRINCIPAL FINANCIAL OFFICER:

By /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.,
Executive Vice President and
Chief Financial Officer

PRINCIPAL ACCOUNTING OFFICER:

By /s/ Todd M. Rynaski
Todd M. Rynaski,
Vice President and Controller

DIRECTORS:

Andrew H. Card, Jr.*
Erroll B. Davis, Jr.*
David B. Dillon*
Deborah C. Hopkins*
Jane H. Lute*

Michael R. McCarthy*
Michael W. McConnell*
Thomas F. McLarty III*
Bhavesh V. Patel*
Steven R. Rogel*
Jose H. Villarreal*

* By James J. Theisen, Jr.
James J. Theisen, Jr., Attorney-in-fact

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,	***2017***	*2016*	*2015*
Allowance for doubtful accounts:			
Balance, beginning of period	**$ 22**	$ 16	$ 21
Charges/(reduction) to expense	**1**	23	1
Net recoveries/(write-offs)	**(3)**	(17)	(6)
Balance, end of period	**$ 20**	$ 22	$ 16
Allowance for doubtful accounts are presented in the Consolidated Statements of Financial Position as follows:			
Current	**$ 3**	$ 5	$ 5
Long-term	**17**	17	11
Balance, end of period	**$ 20**	$ 22	$ 16
Accrued casualty costs:			
Balance, beginning of period	**$ 716**	$ 736	$ 757
Charges to expense	**167**	202	227
Cash payments and other reductions	**(199)**	(222)	(248)
Balance, end of period	**$ 684**	$ 716	$ 736
Accrued casualty costs are presented in the Consolidated Statements of Financial Position as follows:			
Current	**$ 194**	$ 185	$ 181
Long-term	**490**	531	555
Balance, end of period	**$ 684**	$ 716	$ 736

Exhibit No.	Description
Filed with this Statement	
10(a)	Form of Performance Stock Unit Agreement dated February 8, 2018.
10(b)	Form of Stock Unit Agreement for Executives dated February 8, 2018.
10(c)	Form of Non-Qualified Stock Option Agreement for Executives dated February 8, 2018.
10(d)	Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective as of January 1, 2009, including all amendments adopted through January 1, 2018.
10(e)	Supplemental Pension Plan for Officers and Managers (409A Non-Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended and restated in its entirety, effective as of January 1, 1989, including all amendments adopted through January 1, 2018.
12	Ratio of Earnings to Fixed Charges.
21	List of the Corporation's significant subsidiaries and their respective states of incorporation.
23	Independent Registered Public Accounting Firm's Consent.
24	Powers of attorney executed by the directors of UPC.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Lance M. Fritz.
31(b)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Lance M. Fritz and Robert M. Knight, Jr.
101	eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation Linkbase Document). The following financial and related information from Union Pacific Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 (filed with the SEC on February 9, 2018), is formatted in XBRL and submitted electronically herewith: (i) Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016, and 2015, (iii) Consolidated Statements of Financial Position at December 31, 2017 and December 31, 2016, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015, (v) Consolidated Statements of Changes in Common Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015, and (vi) the Notes to the Consolidated Financial Statements.

Incorporated by Reference

3(a)	Restated Articles of Incorporation of UPC, as amended and restated through June 27, 2011, and as further amended May 15, 2014, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
3(b)	By-Laws of UPC, as amended, effective November 19, 2015, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated November 19, 2015.
4(a)	Indenture, dated as of December 20, 1996, between UPC and Wells Fargo Bank, National Association, as successor to Citibank, N.A., as Trustee, is incorporated herein by reference to Exhibit 4.1 to UPC's Registration Statement on Form S-3 (No. 333-18345).
4(b)	Indenture, dated as of April 1, 1999, between UPC and The Bank of New York, as successor to JP Morgan Chase Bank, formerly The Chase Manhattan Bank, as Trustee, is incorporated herein by reference to Exhibit 4.2 to UPC's Registration Statement on Form S-3 (No. 333-75989).
4(c)	Form of 3.000% Note due 2027 is incorporated by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated April 5, 2017.
4(d)	Form of 4.000% Note due 2047 is incorporated by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated April 5, 2017.
4(e)	Form of 3.600% Note due 2037 is incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated September 19, 2017.
4(f)	Form of 4.100% Note due 2067 is incorporated herein by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated September 19, 2017.
	Certain instruments evidencing long-term indebtedness of UPC are not filed as exhibits because the total amount of securities authorized under any single such instrument does not exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such instrument upon request by the Commission.
10(f)	Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
10(g)	Supplemental Pension Plan for Officers and Managers (409A Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended February 1, 2013, and March 1, 2013 is incorporated herein by reference to Exhibit 10(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
10(h)	Union Pacific Corporation Key Employee Continuity Plan, as amended February 6, 2014, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013.

10(i)	Union Pacific Corporation Executive Incentive Plan, effective May 5, 2005, amended and restated effective January 1, 2009, is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(j)	Deferred Compensation Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
10(k)	Deferred Compensation Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, as amended December 17, 2013, is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013.
10(l)	Union Pacific Corporation 2000 Directors Plan, effective as of April 21, 2000, as amended November 16, 2006, January 30, 2007 and January 1, 2009 is incorporated herein by reference to Exhibit 10(j) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(m)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Non-Grandfathered Component), effective as of January 1, 2009 is incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(n)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Grandfathered Component), as amended and restated in its entirety, effective as of January 1, 2009 is incorporated herein by reference to Exhibit 10(l) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(o)	Union Pacific Corporation 2013 Stock Incentive Plan, effective May 16, 2013, is incorporated herein by reference to Exhibit 4.3 to the Corporation's Form S-8 dated May 17, 2013.
10(p)	UPC 2004 Stock Incentive Plan amended March 1, 2013, is incorporated herein by reference to Exhibit 10(g) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
10(q)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding Company, Inc., Union Pacific Merger Co. and Southern Pacific Rail Corporation (SP) is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(r)	Agreement, dated September 25, 1995, among UPC, UPRR, Missouri Pacific Railroad Company (MPRR), SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33 64707).
10(s)	Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR, SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33 64707).

10(t)	Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(c) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2012.
10(u)	Form of Stock Unit Agreement for Executives is incorporated herein by reference to Exhibit 10(b) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2012.
10(v)	Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(c) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2013.
10(w)	Form of Stock Unit Agreement for Executives is incorporated herein by reference to Exhibit 10(b) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2013.
10(x)	Form of 2015 Long Term Plan Stock Unit Agreement is incorporated herein by reference to Exhibit 10(a) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2014.
10(y)	Form of 2016 Long Term Plan Stock Unit Agreement is incorporated herein by reference to Exhibit 10(a) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015.
10(z)	Form of 2017 Long Term Plan Stock Unit Agreement is incorporated herein by reference to Exhibit 10(a) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2016.
10(aa)	Form of Non-Qualified Stock Option Agreement for Directors is incorporated herein by reference to Exhibit 10(d) to the Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(bb)	Executive Incentive Plan (2005) – Deferred Compensation Program, dated December 21, 2005 is incorporated herein by reference to Exhibit 10(g) to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2005.
99	Form of U.S. $1,700,000,000 5-Year Revolving Credit Agreement dated as of May 21, 2014, is incorporated herein by reference to Exhibit 99(a) to the Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

UNION PACIFIC CORPORATION
GRANT NOTICE FOR 2013 STOCK INCENTIVE PLAN
PERFORMANCE STOCK UNITS

FOR GOOD AND VALUABLE CONSIDERATION, Union Pacific Corporation (the "Company"), hereby grants to Participant named below the number of Stock Units specified below (the "Award"), upon the terms and subject to the conditions set forth in this Grant Notice, the Union Pacific Corporation 2013 Stock Incentive Plan (the "Plan"), the Standard Terms and Conditions (the "Standard Terms and Conditions") adopted under such Plan and described in this Grant Notice, and the Union Pacific Corporation Long Term Plan (the "Long Term Plan") approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee"), each as amended from time to time. Each Stock Unit subject to this Award represents the right to receive one share of the Company's common stock, par value $2.50 (the "Common Stock"), subject to the conditions set forth in this Grant Notice, the Plan, the Standard Terms and Conditions, and the Long Term Plan. This Award is granted pursuant to the Plan and the Long Term Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:	FIRST_NAME LAST_NAME ID: EMPLOYEE_ID
Grant Date:	2/8/2018
Grant Number:	OPTION_NUMBER
Maximum Number of Stock Units subject to the Award: **The Stock Unit Target Award (amount of stock units granted at Target is half the amount shown).** The amount of stock units shown is the "maximum" number of shares that the Participant is eligible to receive in accordance with the program design shown in the Long Term Plan Summary. The actual number of shares paid, if any, depends on the achievement level of the applicable performance criteria.	X,XXX
Restriction Period:	3 years
Restriction Period Commencement Date:	2/8/2018
Restriction Period Termination Date:	2/8/2021

By electronically accepting this Award, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan, the Standard Terms and Conditions, and the Long Term Plan (including, but not limited to, the Committee's discretionary authority under the Long Term Plan to determine the number of Stock Units payable with respect to the Award). The Participant also hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Stock Units via Company website or other electronic delivery.

THE PARTICIPANT WILL BE DEEMED TO HAVE ACCEPTED THE AWARD AND THE STANDARD TERMS AND CONDITIONS IF THE PARTICIPANT DOES NOT OBJECT IN WRITING WITHIN NINETY (90) DAYS FOLLOWING DELIVERY OF THIS GRANT NOTICE AND THE STANDARD TERMS AND CONDITIONS.

UNION PACIFIC CORPORATION
STANDARD TERMS AND CONDITIONS FOR
PERFORMANCE STOCK UNITS

These Standard Terms and Conditions apply to the Award of performance stock units granted pursuant to the Union Pacific Corporation 2013 Stock Incentive Plan (the "Plan"), which are evidenced by a Grant Notice that specifically refers to these Standard Terms and Conditions. In addition to these Standard Terms and Conditions, the performance stock units shall be subject to the terms of the Plan and the Long Term Plan, each as amended from time to time, which are incorporated into these Standard Terms and Conditions by reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

PERFORMANCE STOCK UNITS

1. TERMS OF PERFORMANCE STOCK UNITS

Union Pacific Corporation, a Utah corporation (the "Company"), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the "Grant Notice") an award of a target number of performance stock units that may be earned at between 0% and 200% of the specified target level (the "Award" or the "Stock Units") specified in the Grant Notice. Each Stock Unit represents the right to receive (i) one share of the Company's common stock, $2.50 par value per share (the "Common Stock") and (ii) a payment in cash equal to the amount of dividends that would have been payable on one share of Common Stock had the Participant owned such Common Stock from the Grant Date specified in the Grant Notice through the payment date for such Stock Units ("Dividend Equivalent Payments"), in each case to the extent that the applicable Performance Criteria described below have been satisfied. The Award is subject to the terms and conditions set forth in the Grant Notice, these Standard Terms and Conditions, the Plan and the Long Term Plan, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING OF PERFORMANCE STOCK UNITS

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable until the end of the Restriction Period, unless otherwise provided under these Standard Terms and Conditions. After the end of the Restriction Period, subject to termination or acceleration as provided in these Standard Terms and Conditions, the Plan and the Long Term Plan, and to the extent the Performance Criteria described below have been satisfied, the Award (including related Dividend Equivalent Payments) shall become vested as of the Restriction Period Termination Date set forth in the Grant Notice with respect to that number of Stock Units determined by the Committee to be paid pursuant to the Award. Unless the Committee shall determine otherwise, a period in which the Participant is on a leave of absence during the Restriction Period in accordance with a leave of absence policy adopted by the Company shall count toward satisfaction of the Restriction Period.

3. PERFORMANCE CRITERIA

The "Performance Criteria" are average annual Return on Invested Capital ("ROIC") and relative Operating Income Growth ("OIG"). The definition and calculation of annual ROIC and relative OIG shall be determined in accordance with the Long Term Plan.

The Participant may earn Stock Units at the conclusion of the Restriction Period (or such earlier time as may be provided in Section 6) based on the Company's satisfaction of the Performance Criteria in accordance with the ROIC targets and payout schedule and relative OIG modifier approved by the Committee. The Participant may earn up to two times the Stock Unit Target Award as shown on the Grant Notice based on the average of all three fiscal years (2018, 2019 and 2020) of ROIC performance achieved and the relative OIG modifier (which is based on the Company's OIG performance over the three fiscal year period as compared to the OIG performance over that period of the constituent companies of the S&P 500 Industrials Index as set forth in the Long Term Plan). Notwithstanding the foregoing, the Committee retains the discretion under the Long Term Plan to determine the number of Stock Units payable with respect to the Award.

4. DIVIDEND EQUIVALENT PAYMENTS

The Participant is not entitled to receive cash dividends on the Stock Units, but will receive Dividend Equivalent Payments in an amount equal to the value of the cash dividends that would have been paid (based on the record date for such dividends) on the number of shares of Common Stock equal to the number of Stock Units which are earned (as determined by the Committee) based on the achievement of the applicable Performance Criteria as if such shares had been outstanding between the Grant Date and the payment date of such shares of Common Stock. Dividend Equivalent Payments shall not be adjusted for interest, earnings or assumed reinvestment. Except as provided in the immediately following paragraph, Dividend Equivalent Payments shall be paid to the Participant at the time the earned shares of Common Stock to which those Dividend Equivalent Payments relate are delivered (or would be delivered in the absence of a deferral election made by the Participant as described in Section 6(vi)) under Section 6(i) – (v), as applicable. Distribution of Dividend Equivalent Payments shall be subject to the Company's collection of all tax withholding obligations applicable to such distribution. No Dividend Equivalent Payment shall be paid or distributed on Stock Units (or shares underlying the Stock Units) that are forfeited or that otherwise do not vest and are not issued or issuable under the Award.

If the Participant has elected to defer receipt of earned Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), Dividend Equivalent Payments with respect to such earned and deferred Stock Units which relate to dividends paid on and after the date of the deferral of such Stock Units (i.e., the date that the Stock Units would have been payable to the Participant under the Plan had such Stock Units not been deferred under the Company's Deferred Compensation Plan) shall be reinvested as part of the Award Account under the Company's Deferred Compensation Plan, and shall be deferred for payment at the same time as the Award Account is paid under the terms of the Company's Deferred Compensation Plan.

Notwithstanding the foregoing, the Company may delay payment of a Dividend Equivalent Payment as described in Section 6(vii) hereof.

5. RESTRICTIONS

Unless provided otherwise by the Committee, the following restrictions apply to the Stock Units:

(i) The Participant shall be entitled to delivery of the shares of Common Stock underlying the Stock Units as specified in Section 6 hereof;

(ii) None of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of;

(iii) All of the Stock Units shall be forfeited and all of the Participant's rights to such Stock Units and the right to receive Common Stock (and related Dividend Equivalent Payments) shall terminate without further obligation on the part of the Company in the event of the Participant's Separation from Service with the Company without having a right to delivery of shares of Common Stock under Section 6 hereof; and

(iv) Any Stock Units not earned as of the Restriction Period Termination Date shall be forfeited and all of the Participant's rights to such Stock Units, including any Dividend Equivalent Payments, shall terminate without further obligation on the part of the Company.

6. ACCELERATION/LAPSE OF RESTRICTION PERIOD

Unless provided otherwise by the Committee and subject to Sections 6(vi) and 6(vii) hereof, the Stock Units shall be treated as follows:

(i) Following the end of the Restriction Period and provided the Participant has remained continuously employed by the Company through the Restriction Period Termination Date and absent any Change of Control before the Restriction Period Termination Date in which the acquiring or surviving company in the transaction does not assume or continue the outstanding Stock Units, shares of Common Stock equal to the number of Stock Units which are earned (as determined by the Committee) based on the achievement of the applicable Performance Criteria shall be delivered to the Participant (through the Participant's account at the Company's third party stock plan administrator, if applicable) free of all restrictions. The payment of the Stock Units under this Section 6(i) shall be made to the Participant within thirty (30) days of the Restriction Period Termination Date.

(ii) If the Participant: (A) has a Separation from Service with the Company due to (1) death or (2) retiring after having attained age 62 with 10 years of service under the provisions of the Company's pension plan ("Retirement") (including a Separation from Service described in Section 6(iv) hereof on or after the date the Participant satisfies the age and service criteria for Retirement); or (B) is determined to be disabled under the provisions of an applicable long-term disability plan of the Company ("Disability") (each a "Lapse Event"), prior to the Restriction Period Termination Date and prior to a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue the outstanding Stock Units, the Participant, the Participant's estate or the Participant's beneficiary, as applicable (each a "Payee"), shall be entitled to receive shares of Common Stock equal to the number of Stock Units which are earned (as determined by the Committee) based on the average of all three fiscal years (2018, 2019 and 2020) of the applicable ROIC performance achieved (and, with respect to fiscal year 2020, the relative OIG modifier) prorated based on the number of fiscal years in the Restriction Period during which the Participant remained continuously employed by the Company until September 30th of that year (*e.g.*, if the Participant's Lapse Event occurs on or after September 30, 2018, then the Payee would be entitled to receive payment for 33 1/3% of the earned Stock Units; if the Participant's Lapse Event occurs on or after September 30, 2019, then the Payee would be entitled to receive payment for 66 2/3% of the earned Stock Units; and if the Participant's Lapse Event occurs on or after September 30, 2020, then the Payee would be entitled to receive payment for 100% of the earned Stock Units).

The payment of the Stock Units earned under this Section 6(ii) shall be made within thirty (30) days of the Restriction Period Termination Date, but in no event later than the last day of the calendar year that includes the Restriction Period Termination Date. A Participant who has a Lapse Event and subsequently returns to employment with the Company before the end of the Restriction Period shall not be eligible to earn additional Stock Units beyond those described in this Section 6(ii).

(iii) Upon the occurrence of a Change in Control, prior to the termination of the Participant's employment for any reason, in which the acquiring or surviving company in the transaction does not assume or continue the outstanding Stock Units and such Change in Control occurs prior to the Restriction Period Termination Date, shares of Common Stock equal to the number of Stock Units which are earned (as determined by the Committee) based on achievement of the applicable Performance Criteria through the end of each fiscal year ending prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to the Participant (through the Participant's account at the Company's third party administrator, if applicable) free of all restrictions. No additional Stock Units granted as part of the Award may be earned following the Change in Control. Shares of Common Stock to which the Participant is entitled pursuant to this Section 6(iii) shall be delivered as soon as practicable following the date on which the Change in Control occurs, but in no event later than two and one-half (2½) months following the end of the calendar year that includes the date on which the Change in Control occurs.

(iv) If the Participant incurs a Separation from Service because such Participant's employment is involuntarily terminated by the Company (other than a termination as a result of the Participant's Disability, cause or gross misconduct as determined by the Committee), within twenty-four (24) months following a Change in Control in which the acquiring or surviving company in the transaction assumes or continues the outstanding Stock Units and such Separation from Service occurs prior to the Restriction Period Termination Date and prior to the Participant having satisfied the age and service criteria for Retirement prior to such Separation from Service, shares of Common Stock equal to the number of Stock Units which are earned (as determined by the Committee) based on achievement of the applicable Performance Criteria through the end of each fiscal year ending prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to the Participant (through the Participant's account at the Company's third party administrator, if applicable) free of all restrictions. The payment of the Stock Units under this Section 6(iv) shall be made as soon as practicable following the Participant's Separation from Service, but in no event later than two and one-half (2½) months following the end of the calendar year that includes the date on which the Separation from Service occurs.

(v) Except as otherwise provided in this Section 6, all of the Stock Units shall be forfeited and all of the Participant's rights to such Stock Units shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company (such continuous employment shall, for this purpose, include a period of time during which the Participant is absent from active employment in accordance with a leave of absence policy adopted by the Company) until the earlier of the Restriction Period Termination Date or a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue the outstanding Stock Units. Notwithstanding the foregoing, the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who ceases to be so continuously employed and has a Separation from Service prior to the earlier of the Restriction Period Termination Date or such Change in Control to retain some or all of the Stock Units which are earned (as determined by the Committee) based on achievement of the applicable Performance Criteria through the end of the fiscal year ending prior to the year in which the Participant incurs such Separation from Service. In such event, the payment of the Stock Units under this Section 6(v) shall be as soon as practicable following the date on which the Committee authorizes such payment, but in no event later than two and one-half (2½) months following the end of the calendar year that includes the date on which the Participant's Separation from Service occurs.

(vi) Notwithstanding the foregoing, the Participant may elect to defer receipt of payment of shares underlying the Stock Units to the extent and according to the terms, if any, provided by the Deferred Compensation Plan. If the Participant does so elect to defer payment of shares underlying the Stock Units, such payments will be made in accordance with the Deferred Compensation Plan and with any payments of Dividend Equivalent Payments made in accordance with the provisions of Section 4.

(vii) Notwithstanding the foregoing, (A) the Company shall not be obligated to deliver any shares of Common Stock during any period when the Company determines that the delivery of shares hereunder would violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legend that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements and (B) the date on which shares are delivered to the Participant (and any Dividend Equivalent Payment thereon) may include a delay to provide the Company such time as it determines appropriate to calculate and address tax withholding and/or other administrative matters; provided, however, that delivery of shares of Common Stock underlying the Stock Units (including any Dividend Equivalent Payments) for Stock Units that are determined to be exempt from the requirements of Internal Revenue Code § 409A shall in all events be made at a time that satisfies the "short-term deferral" exception described in Treas. Reg. section 1.409A-1(b)(4) and for Stock Units subject to Internal Revenue Code section 409A shall in all events be made at a time that satisfies Treas. Reg. 1.409A-2(b)(7).

PROTECTION OF CONFIDENTIALITY

By electronically accepting the Award and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

7. CONFIDENTIAL INFORMATION; TRADE SECRETS

The Participant acknowledges that the Company regards certain information relating to its business and operations as confidential. This includes all confidential and proprietary information concerning the assets, business or affairs of the Company or any customers thereof ("Confidential Information"). The Participant's electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

8. TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS

The Participant acknowledges that he or she developed or has had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. The Participant agrees that any unauthorized disclosures by him or her to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct.

9. AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION

The Participant agrees that he or she will not, unless he or she receives prior written consent from the senior human resources officer or such other person designated by the Company (hereinafter collectively referred to as the "Sr. HR Officer"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person, whether or not a competitor of the Company, any Confidential Information or Trade Secrets, or (ii) retain or take with him or her when he or she leaves the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

10. PRIOR NOTICE OF EMPLOYMENT, ETC

(i) The Participant acknowledges that if he or she become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Section 12, this would create a substantial risk that he or she would, intentionally or unintentionally, disclose or rely upon the Company's Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. The Participant further acknowledges that such disclosures would be particularly damaging if made shortly after he or she leaves the Company. Therefore, by electronically accepting the Award and these Standard Terms and Conditions, the Participant agrees that for a period of one-year after he or she leaves the Company, before accepting any employment or affiliation with another railroad he or she will give written notice to the Sr. HR Officer of his or her intention to accept such employment or affiliation. The Participant also agrees to confer in good faith with the Sr. HR Officer concerning whether his or her proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets.

(ii) If the Sr. HR Officer and the Participant are unable to reach agreement on this issue, he or she agrees to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. The Participant also agrees that he or she will not begin to work for another person or entity engaged in the Business of the Company as defined in Section 12, until the Sr. HR Officer or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

11. FAILURE TO COMPLY

The Participant agrees that, if he or she fails to comply with any of the promises that he or she made in Section 9 or 10 above, he or she will be required to immediately deliver to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) and any related Dividend Equivalent Payments which he or she received at any time from 180 days prior to the earlier of (i) the date when he or she leaves the Company or (ii) the date he or she fails to comply with any such promise made in Section 9 or 10, to 180 days after the date when the Company learns that he or she has not complied with any such promise. The Participant agrees that he or she will deliver such shares of Common Stock (or the cash equivalent) and any related Dividend Equivalent Payments to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock and any related Dividend Equivalent Payments against any amount that might be owed to him or her by the Company. The Participant acknowledges that the Company would not have awarded the Participant the shares of Common Stock and any related Dividend Equivalent Payments granted to him or her under the Award absent the Participant's agreement to be bound by the promises made in Sections 9 and 10 above.

NO DIRECT COMPETITION

By electronically accepting the Award and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

12. NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION

The Participant agrees that for a period of one year following his or her departure from the Company, he or she will not (directly or in association with others) call on or solicit any of the Company's customers with whom he or she had personal contact while he or she was employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. The Participant further agrees that for the same time period, he or she will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market in which the Company conducts its Business. For purposes of these Standard Terms and Conditions, the term "Business" means the transportation of goods in interstate commerce and related services in or through or for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by the way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services and any other activity of the Company or any of its affiliates. This Section 12 is not intended to prevent the Participant from engaging in any activity that is not the same as or competitive with the Business. The Participant acknowledges that the Company would not have awarded him or her the shares of Common Stock and any related Dividend Equivalent Payments granted under the Award absent his or her agreement to be bound by the promises made in this Section 12.

13. ACKNOWLEDGMENT; INJUNCTIVE RELIEF

The Participant acknowledges that he or she has carefully read and considered all these Standard Terms and Conditions, including the restraints imposed upon him or her pursuant to Sections 9, 10 and 12. The Participant also agrees that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent him or her from obtaining other suitable employment during the period in which he or she are bound by such restraints. The Participant further acknowledges that, were he or she to breach any of the covenants contained in Sections 9, 10 and 12, the damage to the Company would be irreparable. The Participant therefore agrees that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 11 and 14, shall be entitled to injunctive relief against his or her breach or threaten breach of said covenants. The Participant and the Company further agree that, in the event that any provision of Sections 9, 10 and 12 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

14. VIOLATION OF PROMISES

The Participant agrees that if he or she violates any of his or her promises in Section 12, then he or she will be required to immediately deliver to the Company any shares of Common Stock (or the fair market value thereof) and any related Dividend Equivalent Payments granted to him or her by the Grant Notice which he or she received at any time from 180 days prior to the date when he or she leaves the Company to 180 days after the date when the Company learns that he or she has not complied with the promises he or she made in Section 12. The Participant agrees that he or she will deliver such shares of Common Stock (or the fair market value thereof) and any related Dividend Equivalent Payments to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock and any related Dividend Equivalent Payments against any amount that might be owed to him or her by the Company.

GENERAL

15. ARBITRATION

The Participant agrees and the Company agrees that any controversy, claim, or dispute arising out of or relating to this Award or the breach of any of these terms and conditions, or arising out of or relating to his or her employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to his or her breach of any of the employee covenants set forth in Paragraphs 7, 8, 9, 10 or 12 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. The Participant and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which the Participant or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and the Participant and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 7, 8, 9, 10 or 12 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of these Standard Terms and Conditions or the Participant's employment relationship with the Company or any of its affiliates. The Participant and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to the Participant, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator's compensation shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the law provides otherwise.

16. SEVERABILITY

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

17. CHOICE OF LAW; JURISDICTION

All questions pertaining to the construction, regulation, validity, and effect of these Standard Terms and Conditions shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and the Participant hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to these Standard Terms and Conditions. Sections 10(ii) and 12 shall not apply to employees who are subject to California law.

18. AMENDMENTS

The Plan and these Standard Terms and Conditions may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

19. RESTRICTIONS ON RESALES OF SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued in respect of vested Stock Units, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

20. INCOME TAXES

The Company shall not deliver shares in respect of any Stock Units unless and until the Participant has made satisfactory arrangements to satisfy all applicable tax withholding obligations. Unless the Participant pays the tax withholding obligations to the Company by cash or check in connection with the delivery of the Common Stock and any related Dividend Equivalent Payments, withholding may be effected, at the Company's option, by withholding Common Stock issuable in connection with the vesting of the Stock Units (provided that shares of Common Stock may be withheld only to the extent that such tax withholding will not result in adverse accounting treatment for the Company) or withholding any related Dividend Equivalent Payments. The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the delivery of the Stock Units from any amounts payable by it to the Participant (including, without limitation, future cash wages).

21. NON-TRANSFERABILITY OF AWARD

The Participant understands, acknowledges and agrees that, except as otherwise provided in the Plan, the Stock Units may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of prior to the payment of the Common Stock to the Participant as provided in Section 6 hereof.

22. RESTATEMENTS OF FINANCIAL RESULTS

By electronically accepting this Award, the Participant agrees that he or she will return such shares of Common Stock (or the fair market value thereof) and any related Dividend Equivalent Payments to the Company as determined by the Committee in its exclusive discretion, which shall be final, conclusive and binding upon the Company and the Participant, in the event of a restatement of the Company's financial results and to the extent that such restated financial results would have entitled the Participant to a lesser award of Common Stock under the Performance Criteria.

23. LIMITATION OF INTEREST IN SHARES SUBJECT TO RESTRICTED STOCK UNITS

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan, the Long Term Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person upon vesting of the Stock Units. Nothing in the Plan, the Long Term Plan, the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

24. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions, the Plan and the Long Term Plan constitute the entire understanding between the Participant and the Company regarding the Stock Units. Any prior agreements, commitments or negotiations concerning the Stock Units are superseded.

UNION PACIFIC CORPORATION
GRANT NOTICE FOR 2013 STOCK INCENTIVE PLAN
STOCK UNITS

FOR GOOD AND VALUABLE CONSIDERATION, Union Pacific Corporation (the “Company”), hereby grants to Participant named below the number of Stock Units specified below (the “Award”), upon the terms and subject to the conditions set forth in this Grant Notice, the Union Pacific Corporation 2013 Stock Incentive Plan (the “Plan”), the Standard Terms and Conditions (the “Standard Terms and Conditions”) adopted under such Plan described in this Grant Notice, and, as applicable, the Union Pacific Corporation Key Employee Continuity Plan (the “Key Employee Continuity Plan”), each as amended from time to time. Each Stock Unit subject to this Award represents the right to receive one share of the Company’s common stock, par value $2.50 (the “Common Stock”), subject to the conditions set forth in this Grant Notice, the Plan and the Standard Terms and Conditions. This Award is granted pursuant to the Plan and, as applicable, the Key Employee Continuity Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:	FIRST_NAME LAST_NAME ID: EMPLOYEE_ID
Grant Date:	2/8/2018
Grant Number:	OPTION_NUMBER
Number of Stock Units subject to the Award:	X,XXX
Restriction Period:	4 years
Restriction Period Commencement Date:	2/8/2018
Restriction Period Termination Date:	2/8/2022

By electronically accepting this Award, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan, the Standard Terms and Conditions and, if applicable, the Key Employee Continuity Plan (including, but not limited to, the Key Employee Continuity Plan’s requirement that the Participant execute a general release of employment-related claims). The Participant also hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Stock Units via Company website or other electronic delivery.

THE PARTICIPANT WILL BE DEEMED TO HAVE ACCEPTED THE AWARD AND THE STANDARD TERMS AND CONDITIONS IF THE PARTICIPANT DOES NOT OBJECT IN WRITING WITHIN NINETY (90) DAYS FOLLOWING DELIVERY OF THIS GRANT NOTICE AND THE STANDARD TERMS AND CONDITIONS.

UNION PACIFIC CORPORATION
STANDARD TERMS AND CONDITIONS FOR
STOCK UNITS

These Standard Terms and Conditions apply to the Award of stock units granted pursuant to the Union Pacific Corporation 2013 Stock Incentive Plan (the "Plan"), which are evidenced by a Grant Notice that specifically refers to these Standard Terms and Conditions. In addition to these Standard Terms and Conditions, the stock units shall be subject to the terms of the Plan and, if applicable, the Key Employee Continuity Plan, which are incorporated into these Standard Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

STOCK UNITS

1. TERMS OF STOCK UNITS

Union Pacific Corporation, a Utah corporation (the "Company"), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the "Grant Notice") an award of a number of stock units (the "Award" or the "Stock Units") specified in the Grant Notice. Each Stock Unit represents the right to receive (i) one share of the Company's common stock, $2.50 par value per share (the "Common Stock") and (ii) a payment in cash equal to the amount of dividends that would have been payable on one share of Common Stock from time to time ("Dividend Equivalent Payments"), upon the terms and subject to the conditions set forth in the Grant Notice, these Standard Terms and Conditions, the Plan and, if applicable, the Key Employee Continuity Plan, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING OF STOCK UNITS

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until otherwise vested pursuant to the terms of the Grant Notice and these Standard Terms and Conditions, the terms of the Plan and, if applicable, the Key Employee Continuity Plan. After the end of the Restriction Period, subject to termination or acceleration as provided in these Standard Terms and Conditions, the Plan and, if applicable, the Key Employee Continuity Plan, the Award shall become vested as of the Restriction Period Termination Date described in the Grant Notice with respect to that number of Stock Units as set forth in the Grant Notice. Unless the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee") shall determine otherwise, a period of time in which the Participant is on a leave of absence during the Restriction Period in accordance with a leave of absence policy adopted by the Company or a Subsidiary shall count toward satisfaction of the Restriction Period.

3. DIVIDEND EQUIVALENT RIGHTS

The Participant will have the rights of a shareholder only after shares of Common Stock have been issued to the Participant following the Restriction Period Termination Date as described in the Grant Notice (or such earlier date as otherwise provided in Section 5(i) or Section 5(iii) hereof) and satisfaction of all other conditions to the issuance of those shares. Stock Units shall not entitle the Participant to any rights of a shareholder of Common Stock and there are no voting rights with respect to the Stock Units. During the Restriction Period and during any period following the end of the Restriction Period in which delivery of shares of Common Stock is: (i) deferred pursuant to the Company's Deferred Compensation Plan; or (ii) delayed in accordance with Section 5(i) hereof; unless otherwise determined by the Committee, the Participant shall be entitled to receive Dividend Equivalent Payments. Such Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that (i) if the Participant has elected to defer receipt of the Stock

Units in accordance with the terms of the Company's Deferred Compensation Plan, Dividend Equivalent Payments with respect to such deferred Stock Units which relate to dividends paid on and after the date of the deferral of such Stock Units (i.e., the date that the Stock Units would have been payable to the Participant under the Plan had such Stock Units not been deferred under the Company's Deferred Compensation Plan) shall be reinvested as part of the Award Account under the Company's Deferred Compensation Plan, and shall be deferred for payment at the same time as the Award Account is paid under the terms of the Company's Deferred Compensation Plan; and (ii) the Company may delay payment of a Dividend Equivalent Payment if the Company reasonably anticipates that its deduction with respect to such payment would not be permitted by application of Internal Revenue Code section 162(m). A Dividend Equivalent Payment that is delayed as described in clause (ii) of the immediately preceding sentence (or if such Dividend Equivalent Payment is invested in additional Stock Units at the Company's discretion, the shares of Common Stock underlying such additional Stock Units), shall be paid to the Participant as soon as reasonably practicable following the date the Company anticipates that its deduction with respect to the payment of the Dividend Equivalent Payment would no longer be restricted due to the application of Internal Revenue Code section 162(m). Except as provided above, a Participant's right to receive Dividend Equivalent Payments shall terminate without further obligation on the part of the Company at the earliest of the Participant's Separation from Service with the Company or a Subsidiary, payment of the Common Stock under Section 5 hereof or at the Restriction Period Termination Date, except that:

(A) in the event the Participant remains continuously employed with the Company or a Subsidiary until September 30, 2018, and is age 62 with 10 years of vesting service under the provisions of the Company's or a Subsidiary's qualified pension plan at any time during the Restriction Period during the Participant's period of continuous employment (satisfaction of both the September 30, 2018 continuous employment requirement and age and service requirements is known as "Retirement Status"), such Participant shall be entitled to receive Dividend Equivalent Payments in accordance with this Section 3 hereof until the earlier of the Restriction Period Termination Date or payment of the Common Stock under Section 5 hereof, notwithstanding any Separation from Service with the Company or a Subsidiary on or after attaining Retirement Status; and

(B) in the event the Participant remains continuously employed with the Company or a Subsidiary, but is on a leave of absence during the Restriction Period in accordance with a leave of absence policy adopted by the Company or a Subsidiary, such Participant shall be entitled to receive Dividend Equivalent Payments in accordance with this Section 3 hereof during the period of such leave of absence until the earlier of the date that is the end of such leave of absence, the Restriction Period Termination Date or payment of the Common Stock under Section 5 hereof, notwithstanding any Separation from Service with the Company or a Subsidiary as a result of such leave of absence.

4. ACCELERATION/LAPSE OF RESTRICTION PERIOD

Unless provided otherwise by the Committee, the Stock Units shall be treated as follows in connection with the Participant's Separation from Service:

(i) If the Participant has a Separation from Service prior to the Restriction Period Termination Date by reason of the Participant's death, the Stock Units shall immediately vest, all restrictions applicable to such Stock Units shall lapse and such Stock Units shall be paid in full to the Participant's beneficiary or estate, as the case may be, in accordance with Section 5 hereof.

(ii) In the event the Participant is determined to be disabled under the provisions of the Company's or a Subsidiary's long-term disability plan, the Stock Units shall immediately vest, all restrictions applicable to such Stock Units shall lapse and such Stock Units shall be paid in full in accordance with Section 5 hereof.

(iii) If the Participant incurs a Separation from Service because such Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of disability, cause or gross misconduct as determined by the Committee), within two (2) years following a Change in Control (as defined in the Plan), the Stock Units shall immediately vest and the remaining restrictions with respect to the Stock Units, including any remaining Restriction Period, shall lapse and such Stock Units shall be paid in full in accordance with Section 5 hereof.

(iv) In the event of a Change in Control prior to the Restriction Period Termination Date in which the acquiring or surviving company in the transaction does not assume or continue the Stock Units upon the Change in Control, the Restriction Period and all other restrictions applicable to such Stock Units shall lapse immediately prior to the Change in Control and such Stock Units shall be paid in accordance with Section 5 hereof.

(v) In the event the Participant has attained Retirement Status (within the meaning of Section 3(A) hereof) at any time during the Restriction Period that is on or after September 30, 2018 and during the Participant's period of continuous employment, the Restriction Period shall lapse on the date the Participant attains Retirement Status and such Stock Units shall be paid in accordance with Section 5 hereof.

(vi) Notwithstanding the foregoing paragraphs (i) through (v), if the Participant is an Eligible Employee (within the meaning of the Key Employee Continuity Plan) in the Key Employee Continuity Plan and incurs a Severance within the meaning of the Key Employee Continuity Plan, the Participant's Stock Units shall vest and be paid in accordance with the terms and conditions of the Key Employee Continuity Plan, including without limitation the requirement that the Participant execute an appropriate general release of employment-related claims.

(vii) Except as otherwise provided in this Section 4 hereof, all of the Stock Units shall be forfeited and all of the Participant's rights to such Stock Units and the right to receive Common Stock shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary (such continuous employment shall, for this purpose, include a period of time during which the Participant is absent from active employment in accordance with a leave of absence policy adopted by the Company or a Subsidiary) for the entire Restriction Period. Notwithstanding the foregoing, the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who ceases to be so continuously employed and has a Separation from Service prior to the Restriction Period Termination Date to retain some or all of the Stock Units. In such event, the Restriction Period and all other restrictions with respect to the retained Stock Units shall lapse, and such Stock Units shall be paid in accordance with Section 5 hereof.

5. PAYMENT OF STOCK UNITS

(i) Subject to Section 25 of the Plan and Sections 4, 5(ii) and 5(iii) hereof, vested Stock Units shall be settled by the delivery to the Participant (through the Participant's account at the Company's designated third party stock administrator) or the Participant's beneficiary or estate, as the case may be, of one share of Common Stock per vested Stock Unit:

(A) except as provided in (B) below, within 30 days of the first to occur of the Restriction Period Termination Date or the Participant's right to payment arising under Section 4(i), 4(ii), 4(iii), 4(iv) or 4(vii) hereof;

(B) if the Participant's Stock Units are determined to constitute "deferred compensation" subject to Internal Revenue Code section 409A, such Stock Units shall be paid to the Participant within thirty (30) days of the Restriction Period Termination Date in the event that the Participant's right to payment:

(1) under Section 4(ii) or Section 4(iv) hereof arises before the Restriction Period Termination Date and after the date the Restriction Period lapses in accordance with Section 4(v) hereof;

(2) arises under Section 4(iii) hereof; or

(3) arises under Section 4(vii) hereof.

Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any shares of Common Stock during any period in which the Company reasonably anticipates that the delivery of shares hereunder would: (A) violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legend that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements; or (B) result in the reduction or elimination of the Company's deduction under Internal Revenue Code section 162(m) with respect to such delivery of shares, and (ii) the date on which shares are delivered to the Participant (and any Dividend Equivalent Payment thereon) may include a delay to provide the Company such time as it determines appropriate to calculate and address tax withholding and to address other administrative matters; provided, however, that delivery of shares of Common Stock underlying Stock Units (and any Dividend Equivalent Payments on such Stock Units, or if such Dividend Equivalent Payments are invested in additional Stock Units at the Company's discretion, the shares of Common Stock underlying such additional Stock Units) for Stock Units and Dividend Equivalent Payments that are determined to be exempt from the requirements of Internal Revenue Code § 409A shall in all events be made at a time that satisfies the "short-term deferral" exception described in Treas. Reg. section 1.409A-1(b)(4) and for Stock Units and Dividend Equivalent Payments subject to Internal Revenue Code section 409A shall in all events be made at a time that satisfies Treas. Reg. 1.409A-2(b)(7).

(ii) Notwithstanding the foregoing, the Participant may elect to defer receipt of payment of Common Stock underlying the Stock Units pursuant to the terms of, and in accordance with the provisions of, the Company's Deferred Compensation Plan. If the Participant elects to defer payment of Common Stock underlying the Stock Units, such payment will be made in accordance with the Company's Deferred Compensation Plan.

(iii) Notwithstanding the foregoing, if the Participant is an Eligible Employee (within the meaning of the Key Employee Continuity Plan) in the Key Employee Continuity Plan and incurs a Severance within the meaning of the Key Employee Continuity Plan, the payment of Common Stock underlying the Stock Units shall be paid in accordance with Section 2.4 of the Key Employee Continuity Plan, provided the Participant has executed a general release of employment-related claims in the form prescribed by the Key Employee Continuity Plan.

PROTECTION OF CONFIDENTIALITY

By electronically accepting the Award and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

6. CONFIDENTIAL INFORMATION; TRADE SECRETS

The Participant acknowledges that the Company regards certain information relating to its business and operations as confidential. This includes all confidential and proprietary information concerning the assets, business or affairs of the Company or any Subsidiary or any customers thereof ("Confidential Information"). The Participant's electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

7. TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS

The Participant acknowledges that he or she developed or have had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting the Grant Notice and these Standard terms and Conditions, the Participant agrees that any unauthorized disclosures by him or her to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct.

8. AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION

The Participant agrees that he or she will not, unless he or she receives prior written consent from the senior human resources officer or such other person designated by the Company (hereinafter collectively referred to as the "Sr. HR Officer"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person, whether or not a competitor of the Company, any Confidential Information or Trade Secrets, or (ii) retain or take with him or her when he or she leaves the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

9. PRIOR NOTICE OF EMPLOYMENT, ETC

(i) The Participant acknowledges that if he or she become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Section 11 (“Entity”), this would create a substantial risk that he or she would, intentionally or unintentionally, disclose or rely upon the Company’s Confidential Information or Trade Secrets for the benefit of the other Entity to the detriment of the Company. The Participant further acknowledges that such disclosures would be particularly damaging if made shortly after he or she leaves the Company. Therefore, by electronically accepting the Grant Notice and these Standard Terms and Conditions, the Participant agrees that for a period of one-year after he or she leaves the Company, before accepting any employment or affiliation with another Entity he or she will give written notice to the Sr. HR Officer of his or her intention to accept such employment or affiliation. The Participant also agrees to confer in good faith with the Sr. HR Officer concerning whether his or her proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets.

(ii) If the Sr. HR Officer and the Participant are unable to reach agreement on this issue, he or she agrees to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. The Participant also agrees that he or she will not begin to work for another person or entity engaged in the Business of the Company as defined in Section 11, until the Sr. HR Officer or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company’s Confidential Information or Trade Secrets.

10. FAILURE TO COMPLY

The Participant agrees that, if he or she fails to comply with any of the promises that he or she made in Section 8 or 9 above, he or she will be required to immediately deliver to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which he or she received at any time from 180 days prior to the earlier of (i) the date when he or she leaves the Company or (ii) the date he or she fails to comply with any such promise made in Section 8 or 9, to 180 days after the date when the Company learns that he or she has not complied with any such promise. The Participant agrees that he or she will deliver such shares of Common Stock (or the cash equivalent) to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to him or her by the Company. The Participant acknowledges that the Company would not have awarded the Participant the shares of Common Stock granted to him or her under the Grant Notice absent the Participant's agreement to be bound by the promises made in Sections 8 and 9 above.

NO DIRECT COMPETITION

By electronically accepting the Award and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

11. NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION

The Participant agrees that for a period of one year following his or her departure from the Company, he or she will not (directly or in association with others) call on or solicit any of the Company's customers with whom he or she had personal contact while he or she was employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. The Participant further agrees that for the same time period, he or she will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market in which the Company conducts its Business. For purposes of these Standard Terms and Conditions, the term "Business" means the transportation of goods in interstate commerce and related services in or through or for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by the way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services and any other activity of the Company or any of its affiliates. This Section 11 is not intended to prevent the Participant from engaging in any activity that is not the same as or competitive with the Business. The Participant acknowledges that the Company would not have awarded him or her the shares of Common Stock granted under the Grant Notice absent his or her agreement to be bound by the promises made in this Section 11.

12. ACKNOWLEDGMENT; INJUNCTIVE RELIEF

The Participant acknowledges that he or she has carefully read and considered all these Standard Terms and Conditions, including the restraints imposed upon him or her pursuant to Sections 8, 9 and 11. The Participant also agrees that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent him or her from obtaining other suitable employment during the period in which he or she are bound by such restraints. The Participant further acknowledges that, were he or she to breach any of the covenants contained in Sections 8, 9 and 11, the damage to the Company would be irreparable. The Participant therefore agrees that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 10 and 13, shall be entitled to injunctive relief against his or her breach or threaten breach of said covenants. The Participant and the Company further agree that, in the event that any provision of Sections 8, 9 and 11 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

13. VIOLATION OF PROMISES

The Participant agrees that if he or she violates any of his or her promises in Section 11, then he or she will be required to immediately deliver to the Company any shares of Common Stock (or the fair market value thereof) granted to him or her by the Grant Notice which he or she received at any time from 180 days prior to the date when he or she leaves the Company to 180 days after the date when the Company learns that he or she has not complied with the promises he or she made in Section 11. The Participant agrees that he or she will deliver such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to him or her by the Company.

GENERAL

14. ARBITRATION

The Participant agrees and the Company agrees that any controversy, claim, or dispute arising out of or relating to this Agreement or the breach of any of these terms and conditions, or arising out of or relating to his or her employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to his or her breach of any of the employee covenants set forth in Paragraphs 6, 7, 8, 9 or 11 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. The Participant and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which the Participant or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and the Participant and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 6, 7, 8, 9 or 11 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of these Standard Terms and Conditions or the Participant's employment relationship with the Company or any of its affiliates. The Participant and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to the Participant, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator's compensation shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the law provides otherwise.

15. SEVERABILITY

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

16. CHOICE OF LAW; JURISDICTION

All questions pertaining to the construction, regulation, validity, and effect of these Standard Terms and Conditions shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and the Participant hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to these Standard Terms and Conditions. Sections 9(ii) and 11 shall not apply to employees who are subject to California law.

17. AMENDMENTS

The Plan and these Standard Terms and Conditions may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

18. RESTRICTIONS ON RESALES OF SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued in respect of vested Stock Units, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

19. INCOME TAXES

The Company shall not deliver shares in respect of any Stock Units unless and until the Participant has made satisfactory arrangements to satisfy all applicable tax withholding obligations. Unless the Participant pays the tax withholding obligations to the Company by cash or check in connection with the delivery of the Common Stock, withholding may be effected, at the Company's option, by withholding Common Stock issuable in connection with the vesting of the Stock Units (provided that shares of Common Stock may be withheld only to the extent that such tax withholding will not result in adverse accounting treatment for the Company). The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the delivery of the Stock Units from any amounts payable by it to the Participant (including, without limitation, future cash wages).

20. NON-TRANSFERABILITY OF AWARD

The Participant understands, acknowledges and agrees that, except as otherwise provided in the Plan, the Stock Units may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of prior to the payment of the Common Stock to the Participant as provided in Section 5 hereof.

21. LIMITATION OF INTEREST IN SHARES SUBJECT TO STOCK UNITS

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan, the Key Employee Continuity Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person upon vesting of the Stock Units. Nothing in the Plan, in the Key Employee Continuity Plan, in the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

22. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions, the Plan and, as applicable, the Key Employee Continuity Plan constitute the entire understanding between the Participant and the Company regarding the Stock Units. Any prior agreements, commitments or negotiations concerning the Stock Units are superseded.

UNION PACIFIC CORPORATION
GRANT NOTICE FOR 2013 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION

FOR GOOD AND VALUABLE CONSIDERATION, Union Pacific Corporation (the “Company”), hereby grants to Participant named below the nonqualified stock option (the “Option”) to purchase any part or all of the number of shares of its common stock, par value $2.50 (the “Common Stock”), that are covered by this Option, as specified below, at the Exercise Price per share specified below and upon the terms and subject to the conditions set forth in this Grant Notice, the Union Pacific Corporation 2013 Stock Incentive Plan (the “Plan”) and the Standard Terms and Conditions (the “Standard Terms and Conditions”) adopted under such Plan, and provided to the Participant, each as amended from time to time. This Option is granted pursuant to the Plan and is subject to and qualified in its entirety by the Standard Terms and Conditions.

Name of Participant:	FIRST_NAME LAST_NAME ID: EMPLOYEE_ID	
Grant Date:	2/8/2018	
Grant Number:	OPTION_NUMBER	
Number of Shares of Common Stock covered by Option:	X,XXX	
Exercise Price Per Share:	$XXX.XX	
Expiration Date:	2/8/2028	
Vesting Schedule:	<u>Shares</u>	<u>Vest Date</u>
	X,XXX	2/4/2019
	X,XXX	2/4/2020
	X,XXX	2/4/2021

This Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

By electronically accepting this Option, the Participant acknowledges that he or she has received and read, and agrees that this Option shall be subject to, the terms of this Grant Notice, the Plan and the Standard Terms and Conditions. The Participant also hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the Option via Company website or other electronic delivery.

THE PARTICIPANT WILL BE DEEMED TO HAVE ACCEPTED THE OPTION AND THE STANDARD TERMS AND CONDITIONS IF THE PARTICIPANT DOES NOT OBJECT IN WRITING WITHIN NINETY (90) DAYS FOLLOWING DELIVERY OF THIS GRANT NOTICE AND THE STANDARD TERMS AND CONDITIONS.

UNION PACIFIC CORPORATION
STANDARD TERMS AND CONDITIONS FOR
NONQUALIFIED STOCK OPTION

These Standard Terms and Conditions apply to the Option granted pursuant to the Union Pacific Corporation 2013 Stock Incentive Plan (the "Plan"), which is identified as nonqualified stock option and is evidenced by a Grant Notice that specifically refers to these Standard Terms and Conditions. In addition to these Terms and Conditions, the Option shall be subject to the terms of the Plan, which are incorporated into these Standard Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

OPTION

1. TERMS OF OPTION

Union Pacific Corporation (the "Company"), has granted to the Participant named in the Grant Notice provided to said Participant herewith (the "Grant Notice") a nonqualified stock option (the "Option") to purchase up to the number of shares of the Company's common stock (the "Common Stock"), set forth in the Grant Notice. The exercise price per share and the other terms and conditions of the Option are set forth in the Grant Notice, these Standard Terms and Conditions (as amended from time to time), and the Plan. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. NONQUALIFIED STOCK OPTION

The Option is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted accordingly.

3. EXERCISE OF OPTION

The Option shall not be exercisable as of the Grant Date set forth in the Grant Notice. After the Grant Date, to the extent not previously exercised, and subject to termination or acceleration as provided in these Standard Terms and Conditions and the Plan, the Option shall be exercisable only to the extent it becomes vested, as described in the Grant Notice, these Standard Terms and Conditions and/or the terms of the Plan, to purchase up to that number of shares of Common Stock as set forth in the Grant Notice, provided that (except as may be provided otherwise in Section 4 below) the Participant remains employed with the Company and does not experience a termination of employment.

The exercise price (the "Exercise Price") of the Option is set forth in the Grant Notice. The Company shall not be obligated to issue any shares of Common Stock until the Participant shall have paid the total Exercise Price for that number of shares of Common Stock. To exercise the Option (or any part thereof), the Participant shall deliver to the Company appropriate notice specifying the number of whole shares of Common Stock the Participant wishes to purchase accompanied by valid payment in the form of (i) a check, (ii) an attestation form confirming the Participant's current ownership of whole shares of Common Stock equal in value to the total Exercise Price for that number of shares of Common Stock, and/or (iii) an authorization to sell shares equal in value to the total Exercise Price for that number of shares of Common Stock. Notices and authorizations shall be delivered and all checks shall be payable to the Company's third party stock plan administrator, or as otherwise directed by the Company.

Fractional shares may not be exercised. Shares of Common Stock will be issued as soon as practicable after exercise. Notwithstanding the above, for administrative or other reasons, including, but not limited to the Company's determination that exercisability of the Option would violate any federal, state or other applicable laws, the Company may from time to time suspend the ability of the Participant to exercise an Option for limited periods of time, which suspensions shall not change the period in which the Option is exercisable, except as otherwise provided in the Plan.

4. EXPIRATION OF OPTION

Except as otherwise may be provided by the Committee consistent with the terms of the Plan, the Option shall expire and cease to be exercisable as of the earlier of (a) the Expiration Date set forth in the Grant Notice or (b) the date specified below in Sections 4A. through 4G., as applicable.

A. If the Participant's termination of employment is by reason of death or the Participant is determined to be disabled under the provisions of the Company's or a Subsidiary's long-term disability plan, then any vesting period with respect to the Option shall be deemed to be satisfied and the Option shall become fully vested and exercisable (by the Participant or the Participant's estate, beneficiary or legal representative, as the case may be) at the date of such termination of employment or the first day on which the Participant is determined to be disabled under such long-term disability plan, as the case may be, until the date that is five (5) years following the date of such termination of employment or the first day of disability as determined under such long-term disability plan, as the case may be.

B. If the Participant remains continuously employed with the Company or a Subsidiary until September 30, 2018, (which shall include a period of time during which the Participant is absent from active employment in accordance with a leave of absence policy adopted by the Company or a Subsidiary), and retires at or after attaining age 62 with 10 years of vesting service under the provisions of the Company's or a Subsidiary's qualified pension plan ("62/10 Status"), then the Option shall be exercisable in accordance with and at the times it becomes vested, as described in the Grant Notice, notwithstanding the Participant's termination of employment with the Company or a Subsidiary, until the date that is five (5) years following the date of such termination of employment.

C. If the Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of disability, cause or gross misconduct) within two (2) years following a Change in Control (as defined in the Plan), any vesting period with respect to the Option shall be deemed to be satisfied and the Participant may exercise the Option upon the date of such termination of employment, and the Option shall remain exercisable until the date that is three (3) years following the date of such termination of employment (or until the date that is five (5) years following the date of such termination of employment, in the case of a termination of employment by reason of the Participant's death or a termination of employment described in Section 4B. or Section 4D. hereof). Furthermore, the Option exercise period shall be as described in Section 4A. in the event the Participant is determined to be disabled under the provisions of the Company's or a Subsidiary's long-term disability plan prior to the Participant's termination of employment described in this Section 4C.

D. If the Participant terminates employment and at the time of such termination of employment the Participant is eligible (age 65 or at least age 55 with 10 years of vesting service) to begin receiving pension payments immediately (whether or not such Participant actually begins to receive payments) from a qualified pension plan sponsored by the Company or a Subsidiary, the Participant may exercise any portion of the Option that is vested and exercisable at the time of the Participant's termination of employment until the date that is five (5) years following the date of such termination of employment.

E. In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue the Option upon the Change in Control, any vesting period with respect to the Option shall be deemed to be satisfied and the Option shall become fully vested and exercisable (provided that the Option may be canceled upon the consummation of the Change in Control without payment of any additional consideration if the exercise price of the Option is less than the consideration per Share payable to shareholders of the Company in such Change in Control) and the Participant may exercise the Option not assumed or continued until the date that is five (5) years following the date of such Change in Control. If the Participant terminates employment following such Change in Control for a reason described in 4F., any unexercised portion of the Option shall be immediately forfeited and canceled as of the date of such termination of employment.

F. Notwithstanding any other provision of this Section 4, if the Participant's employment is terminated by the Company for deliberate, willful or gross misconduct, the unexercised portion of the Option, whether or not then vested and exercisable, shall be immediately forfeited and canceled as of the date of such termination of employment.

G. Except as otherwise provided in this Section 4 hereof: (i) the Participant may exercise any portion of the Option that is vested and exercisable at the time of the Participant's termination of employment until the date that is three (3) months following the date of such termination of employment; and (ii) any portion of the Option that is not vested and exercisable at the time of such termination of employment shall be forfeited and canceled as of the date of such termination of employment.

PROTECTION OF CONFIDENTIALITY

By electronically accepting the Option and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

5. CONFIDENTIAL INFORMATION; TRADE SECRETS

The Participant acknowledges that the Company regards certain information relating to its business and operations as confidential. This includes all confidential and proprietary information concerning the assets, business or affairs of the Company or any Subsidiary or any customers thereof ("Confidential Information"). The Participant's electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

6. TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS

The Participant acknowledges that he or she developed or have had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting the Grant Notice and these Standard terms and Conditions, the Participant agrees that any unauthorized disclosures by him or her to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct.

7. AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION

The Participant agrees that he or she will not, unless he or she receives prior written consent from the senior human resources officer or such other person designated by the Company (hereinafter collectively referred to as the "Sr. HR Officer"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person, whether or not a competitor of the Company, any Confidential Information or Trade Secrets, or (ii) retain or take with him or her when he or she leaves the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

8. PRIOR NOTICE OF EMPLOYMENT, ETC

(i) The Participant acknowledges that if he or she become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Section 10 (“Entity”), this would create a substantial risk that he or she would, intentionally or unintentionally, disclose or rely upon the Company’s Confidential Information or Trade Secrets for the benefit of the other Entity to the detriment of the Company. The Participant further acknowledges that such disclosures would be particularly damaging if made shortly after he or she leaves the Company. Therefore, by electronically accepting the Grant Notice and these Standard Terms and Conditions, the Participant agrees that for a period of one-year after he or she leaves the Company, before accepting any employment or affiliation with another Entity he or she will give written notice to the Sr. HR Officer of his or her intention to accept such employment or affiliation. The Participant also agrees to confer in good faith with the Sr. HR Officer concerning whether his or her proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets.

(ii) If the Sr. HR Officer and the Participant are unable to reach agreement on this issue, he or she agrees to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. The Participant also agrees that he or she will not begin to work for another person or entity engaged in the Business of the Company as defined in Section 10, until the Sr. HR Officer or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company’s Confidential Information or Trade Secrets.

9. FAILURE TO COMPLY

The Participant agrees that, if he or she fails to comply with any of the promises that he or she made in Section 7 or 8 above, (a) the Option, to the extent then unexercised, whether vested or unvested, will be immediately forfeited and cancelled and (b) the Participant will be required to immediately deliver to the Company an amount (in cash or in shares of Common Stock) equal to the market value (on the date of exercise) of any shares of Common Stock acquired on exercise of the Option less the exercise price paid for such shares to the extent such shares were acquired by the Participant upon exercise of the Option at any time from 180 days prior to the earlier of (i) the date when he or she leaves the Company or (ii) the date he or she fails to comply with any such promise that hr or she made in Section 7 or 8, to 180 days after the date when the Company learns that the Participant has not complied with any such promise. The Participant agrees that he or she will deliver such shares of Common Stock (or the cash equivalent) to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to him or her by the Company. The Participant acknowledges that the Company would not have awarded the Participant the shares of Common Stock granted to him or her under the Grant Notice absent the Participant’s agreement to be bound by the promises made in Sections 7 and 8 above.

By electronically accepting the Option and these Standard Terms and Conditions, the Participant acknowledges and agrees to the following.

10. NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION

The Participant agrees that for a period of one year following his or her departure from the Company, he or she will not (directly or in association with others) call on or solicit any of the Company's customers with whom he or she had personal contact while he or she was employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. The Participant further agrees that for the same time period, he or she will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market in which the Company conducts its Business. For purposes of these Standard Terms and Conditions, the term "Business" means the transportation of goods in interstate commerce and related services in or through or for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by the way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services and any other activity of the Company or any of its affiliates. This Section 10 is not intended to prevent the Participant from engaging in any activity that is not the same as or competitive with the Business. The Participant acknowledges that the Company would not have awarded him or her the shares of Common Stock granted under the Grant Notice absent his or her agreement to be bound by the promises made in this Section 10.

11. ACKNOWLEDGMENT; INJUNCTIVE RELIEF

The Participant acknowledges that he or she has carefully read and considered all these Standard Terms and Conditions, including the restraints imposed upon him or her pursuant to Sections 7, 8 and 10. The Participant also agrees that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent him or her from obtaining other suitable employment during the period in which he or she are bound by such restraints. The Participant further acknowledges that, were he or she to breach any of the covenants contained in Sections 7, 8 and 10, the damage to the Company would be irreparable. The Participant therefore agrees that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 9 and 12, shall be entitled to injunctive relief against his or her breach or threaten breach of said covenants. The Participant and the Company further agree that, in the event that any provision of Sections 7, 8 and 10 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

12. VIOLATION OF PROMISES

The Participant agrees that if he or she violates any of his or her promises in Section 10 above, (a) the Option, to the extent then unexercised, whether vested or unvested, will be immediately forfeited and cancelled and (b) the Participant will be required to immediately deliver to the Company an amount (in cash or in shares of Common Stock) equal to the market value (on the date of exercise) of any shares of Common Stock acquired on exercise of the Option less the exercise price paid for such shares to the extent such shares were acquired by him or her upon exercise of the Option at any time from 180 days prior to the date when he or she leaves the Company to 180 days after the date when the Company learns that he or she has not complied with any such promise. The Participant agrees that he or she will deliver such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. The Participant further agrees that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to him or her by the Company.

GENERAL

13. ARBITRATION

The Participant agrees and the Company agrees that any controversy, claim, or dispute arising out of or relating to this Agreement or the breach of any of these terms and conditions, or arising out of or relating to his or her employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to his or her breach of any of the employee covenants set forth in Paragraphs 5, 6, 7, 8 or 10 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. The Participant and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which the Participant or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and the Participant and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 5, 6, 7, 8 or 10 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of these Standard Terms and Conditions or the Participant's employment relationship with the Company or any of its affiliates. The Participant and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to the Participant, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator's compensation shall be borne equally by the Participant and the Company unless otherwise mutually agreed or unless the law provides otherwise.

14. SEVERABILITY

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

15. CHOICE OF LAW; JURISDICTION

All questions pertaining to the construction, regulation, validity, and effect of these Standard Terms and Conditions shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and the Participant hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to these Standard Terms and Conditions. Sections 8(ii) and 10 shall not apply to employees who are subject to California law.

16. AMENDMENTS

The Plan and these Standard Terms and Conditions may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

17. RESTRICTIONS ON RESALES OF SHARES ACQUIRED PURSUANT TO OPTION EXERCISE

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued as a result of the exercise of the Option, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other optionholders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

18. INCOME TAXES

The Company shall not deliver shares of Common Stock in respect of the exercise of any Option unless and until the Participant has made satisfactory arrangements to satisfy all applicable tax withholding obligations. Unless the Participant pays the tax withholding obligations to the Company by cash or check in connection with the exercise of the Option, tax withholding may be effected, at the Company's option, by withholding Common Stock issuable in connection with the exercise of the Option (provided that shares of Common Stock may be withheld only to the extent that such tax withholding will not result in adverse accounting treatment for the Company). The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the exercise of the Option from any amounts payable by it to the Participant (including, without limitation, future cash wages).

19. NON-TRANSFERABILITY OF OPTION

Except as permitted under the Plan, the Participant may not assign or transfer the Option to anyone other than by will or the laws of descent and distribution and the Option shall be exercisable only by the Participant during his or her lifetime or, following a Participant's death, by the Participant's beneficiary. The Company may cancel the Participant's Option if the Participant attempts to assign or transfer it in a manner inconsistent with this Section 19.

20. LIMITATION OF INTEREST IN SHARES SUBJECT TO OPTION

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person upon exercise of the Option or any part of it. Nothing in the Plan, in the Grant Notice, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

21. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Option. Any prior agreements, commitments or negotiations concerning the Option are superseded.

SUPPLEMENTAL THRIFT PLAN (409A Non-Grandfathered Component) of

UNION PACIFIC CORPORATION

(Effective as of January 1, 2009, including all amendments adopted through January 1, 2018)

ARTICLE ONE

Scope of Plan and Definitions

1.1 **Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, or because of contributions to a C Account as described herein, the Company intends to maintain the Plan as an “excess benefit plan” as that term is defined in Section 3(36) of ERISA and Treas. Reg. section 1.409A-2(a)(7)(iii). The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan was effective January 1, 2009, unless expressly provided otherwise herein, and was since amended, and is now further amended and restated effective January 1, 2018 as set forth herein.

1.2 **Applicability** - The Supplemental Thrift Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were not, as of December 31, 2004, both credited to a Participant’s Account and fully vested or as to which the Participant had a vested right in accordance with the terms of the Supplemental Thrift Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). With respect to any other amounts credited to a Participant’s account under the Supplemental Thrift Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Supplemental Thrift Plan known as the “Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated effective January 1, 2009.” Prior to January 1, 2009, with respect to all amounts credited under the Supplemental Thrift Plan that were subject to section 409A of the Code, the Supplemental Thrift Plan was administered in good faith compliance with section 409A of the Code.

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

(a) “Account” shall mean the entries maintained on the books of the Company which represent a Participant’s interest under the Plan. The term “Account” shall refer, as the context indicates, to one or all of the following:

(1) “A Account” shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1, valued in accordance with Section 2.6 and adjusted for payments made pursuant to Article Four.

(2) "B Account" shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.2, valued in accordance with Section 2.6 and adjusted for payments made pursuant to Article Four.

(3) "C Account" shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.4, valued in accordance with Section 2.6 and adjusted for payments made pursuant to Article Four.

Under no circumstances shall a Participant's Account be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Supplemental Thrift Plan were credited or as to which the Participant had a vested right as of December 31, 2004 and were fully vested as of that date.

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

(c) "Compensation" shall mean the fixed and basic salary or wage paid by the Company or any Affiliated Company to an Employee during a Plan Year, exclusive of (1) overtime, (2) bonuses, (3) fees, (4) retainers, (5) incentive payments, lump-sum merit awards or any other form of extra remuneration, (6) cash payments received under the Long-Term Disability Plan of Union Pacific, and (7) any amounts that the Employee receives with respect to periods when he is not an Eligible Employee. Notwithstanding the above, Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Thrift Plan or pursuant to the Union Pacific Flexible Benefits Program and prior to giving effect to any Compensation reduction agreement hereunder. Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Union Pacific Transportation Spending Account Program.

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

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

(f) "Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component), effective as of January 1, 2009 as set forth and restated herein, and as it may hereafter be amended from time to time.

(g) "Separation from Service" shall mean a separation from service as defined in the regulations promulgated under Section 409A of the Code.

(h) "Supplemental Thrift Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan, effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Thrift Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Supplemental Thrift Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component).

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

1.4 **<u>Terms Defined in the Thrift Plan</u>** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "After-Tax Employee Contribution"; "Elective Contribution"; "Board of Directors"; "Code"; "Company"; "Employee"; "ERISA"; "Matching Contribution"; "Named Fiduciary-Plan Administration"; "Non-Elective Contribution"; and "Plan Year."

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

ARTICLE TWO

<u>Contributions and Credits</u>

2.1 **<u>Elective Deferrals and Credits</u>**

(a) An Eligible Employee may, with respect to any Plan Year, elect to make deferrals to be credited under the Plan by filing a Compensation reduction agreement with the Named Fiduciary-Plan Administration on such form and at such time in advance as may be prescribed by the Named Fiduciary-Plan Administration for such purpose. Such agreement shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Compensation by the percentage elected by the Eligible Employee, with such percentage being not less than the minimum deferral percentage permitted under the Thrift Plan and not more than the maximum deferral percentage permitted under the Thrift Plan, commencing as of the date determined pursuant to subparagraph (c)(1) below. The Company shall credit such amount to the Eligible Employee's A Account under the Plan.

(b) Any election made by an Eligible Employee to defer Compensation made pursuant to paragraph (a) above must be made prior to the beginning of the calendar year in which the Eligible Employee performs the services for which the Compensation is payable. An Eligible Employee's election shall remain in effect until the earlier of: 1) when his status as an Eligible Employee ends; or 2) December 31 of the Plan Year to which the election pertains.

(c) At an Eligible Employee's election, his deferrals under paragraph (a) above shall:

(1) commence at the earlier of when (A) the Eligible Employee's Compensation for the Plan Year to which such election applies equals the limitation set forth in Section 401(a)(17) of the Code or (B) the percentage of Compensation the Eligible Employee elected to contribute under the Thrift Plan has resulted in annual additions on behalf of the Eligible Employee (including such additions attributable to Matching

Contributions and Non-Elective Contributions under the Thrift Plan as in effect on the first day of such Plan Year) equal to the limit set forth in Section 415 of the Code; and

(2) equal the percentage of the Eligible Employee's Compensation for the period following the commencement date of such deferral determined pursuant to subparagraph (c)(1) above as elected by the Eligible Employee pursuant to paragraph (a) above.

2.2 **<u>Supplemental Matching Credits</u>** - The Company shall credit an Eligible Employee's B Account with an amount equal to the Matching Contribution that would have been allocated to the Eligible Employee under the Thrift Plan with respect to the deferral being credited to the Eligible Employee's A Account pursuant to Section 2.1.

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

2.4 **<u>Supplemental Non-Elective Contribution Credits</u> -** Effective January 1, 2018, with respect to an Eligible Employee who is eligible to receive (prior to taking into account the limitations of Sections 5.04 and 2.22(e) of the Thrift Plan) an allocation of Non-Elective Contribution under the terms of the Thrift Plan for a Plan Year and who the Named Fiduciary-Plan Administration has designated as eligible to participate in the Plan on or before the last day of such Plan Year, the Company shall credit an Eligible Employee's C Account for a Plan Year with an amount equal to the result of (a) minus (b) where:

(a) is the annual Non-Elective Contribution for the Plan Year computed as described in and subject to the conditions of Section 4.09 of the Thrift Plan, but determined without regard to the limitation described in Section 5.04 of the Thrift Plan, and including in such computation any amounts of Compensation that were excluded from consideration for the Eligible Employee as a result of the limitation described in Section 2.22(e) of the Thrift Plan; and

(b) is the Non-Elective Contribution actually determined to be contributed and allocated to the Eligible Employee for such Plan Year under the terms of the Thrift Plan.

2.5 **Timing of Supplemental Non-Elective Contribution Credits -** Credit for a Plan Year under Section 2.4 shall be made as of the same date that the Eligible Employee's Non-Elective Contribution is allocated to the Eligible Employee's account under the Thrift Plan for the Plan Year. No credit under Section 2.4 shall be made with respect to a Plan Year in which the Eligible Employee is not eligible to receive (prior to taking into account the limitations of Sections 5.04 and 2.22(e) of the Thrift Plan) an allocation of Non-Elective Contribution under the Thrift Plan.

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

(a) except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof, provided that investment elections for purposes of the Plan may differ from those made by such Participant under the Thrift Plan; or

(b) except as provided in (c) below, after a Participant's accounts under the Thrift Plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan (effective August 8, 2007, without regard to a provision, if any, in such transferee plan permitting participants in such transferee plan to participate in the Vanguard Advisers Managed Account Program), provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or

(c) effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

ARTICLE THREE

Vesting

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

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

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

ARTICLE FOUR

Payments

4.1 **Payments on Separation from Service** -

(a) **(1)** A Participant who fails to make a timely election described in subparagraph (b)(1) or (2), as applicable, shall be deemed to have elected to receive the value of his A and B Accounts at the time of his Separation from Service in a single lump-sum payment in cash. Subject to Section 4.3, such payment shall be made as soon as administratively practicable following the completion of the first valuation of a Participant's A and B Accounts pursuant to Section 2.6 which coincides with or next follows the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Services occurs or, if later, ninety (90) days after such Separation from Service.

(2) A Participant who fails to make a timely election described in subparagraph (b)(4) shall be deemed to have elected, subject to Section 4.3, to receive the value of his Account in January of the next year following his Separation from Service in a single lump-sum payment in cash.

(b) **(1)** A Participant who has an Account in the Plan as of any time during the 2008 calendar year may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-Plan Administration, to have his A and B Accounts paid to him in one of the forms specified in paragraph (c) below, provided such Participant's Separation from Service occurs after December 31, 2008. Such election must be made no later than December 31, 2008 and shall apply to the Participant's entire A and B Accounts payable at the Participant's Separation from Service after December 31, 2008, subject to paragraph (d) below.

(2) A Participant who is not eligible to make an election under subparagraph (b)(1) above and who has an Account in the Plan as of any time prior to January 1, 2018, may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-

Plan Administration to have his A and B Accounts paid to him in one of the forms specified in paragraph (c) below. Such election must be made no later than the December 31 immediately preceding the calendar year in which his initial deferral election under Section 2.1 becomes effective and shall apply to the Participant's entire A and B Accounts payable at the Participant's Separation from Service, subject to paragraph (d) below.

(3) A Participant who has an Account in the Plan as of any time prior to January 1, 2018 and who is credited with an amount in his C Account shall receive, subject to Section 4.3, the value of his C Account in January of the next year following his Separation from Service in a single lump-sum payment in cash.

(4) A Participant who has never had an Account in the Plan as of any time prior to January 1, 2018 may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-Plan Administration to have his Account paid to him in one of the forms specified in paragraph (e) below. Such election must be made no later than the earlier of: (i) December 31 immediately preceding the calendar year in which the Participant's initial deferral election under Section 2.1 becomes effective; or (ii) the thirtieth (30^{th}) day following the end of the calendar year for which the Participant is first credited with an amount to his C Account in accordance with Section 2.4, and shall apply to the Participant's entire Account (i.e., each of his A, B and C Accounts, as applicable) payable at the Participant's Separation from Service, subject to paragraph (f) below.

(c) Subject to Section 4.3, a Participant who is eligible to make an election under either subparagraph (b)(1) or (b)(2) above, may elect to have his A and B Accounts paid to him in accordance with one of the following forms:

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

(2) Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant), beginning (i) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service, or (ii) if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's A and B Accounts by the number of installments remaining to be made; or

(3) A single lump-sum distribution payable in January of a year following the Participant's Separation of Service that is not earlier than two (2) years, and not later than fifteen (15) years following the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's A and B Accounts at such specified date.

(d) A Participant who has made the election described in subparagraph (b)(1) or (2), as applicable, or the deemed election described in subparagraph (a)(1) may elect in writing to change the form of payment and/or the payment commencement date in accordance with the following rules:

(1) When a Participant's existing form of payment:

(A) is described in subparagraphs (a)(1), (c)(1) or (c)(2) above, a Participant may elect to receive the Participant's A and B Accounts in any form set forth in paragraph (c) above; and

(B) is described in subparagraph (c)(3) above, a Participant may elect to receive the Participant's A and B Accounts in the form described in subsection (c)(2) above or change the date as of which the Participant will be paid a single lump-sum under subparagraph (c)(3) above.

(2) A Participant's election to modify a prior election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.

(3) Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the form of payment and/or the date on which his payments will commence must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. No such election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

(4) In the case of a Participant who desires to (A) change the form of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.

(5) For purposes of this paragraph (d),

(A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant; and

(B) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.

(e) Subject to Section 4.3, a Participant who is eligible to make an election under subparagraph (b)(4) above, may elect to have his Account paid to him in accordance with one of the following forms:

(1) A single lump-sum distribution as provided in subparagraph (a)(2) payable in the January of the next year following such Separation from Service;

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

(3) A single lump-sum distribution payable in January of a year following the Participant's Separation of Service that is not earlier than two (2) years, and not later than fifteen (15) years following the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Account at such specified date.

(f) A Participant who has made the election described in subparagraph (b)(4) or the deemed election described in subparagraph (a)(2) may elect in writing to change the form of payment and/or the payment commencement date in accordance with the following rules:

(1) When a Participant's existing form of payment:

(A) is described in subparagraphs (a)(2), (e)(1) or (e)(2) above, a Participant may elect to receive the Participant's Account in any form set forth in paragraph (e) above; and

(B) is described in subparagraph (e)(3) above, a Participant may elect to receive the Participant's Account in the form described in subsection (e)(2) above or change the date as of which the Participant will be paid a single lump-sum under subparagraph (e)(3) above.

(2) A Participant's election to modify a prior election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.

(3) Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the form of payment and/or the date on which his payments will commence must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. No such election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

(4) In the case of a Participant who desires to (A) change the form of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.

(5) For purposes of this paragraph (f),

(A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant; and

(B) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.

(g) On the death of a Participant who has not received payment of his full Account under subparagraphs (a), (c) or (e), the Named Fiduciary-Plan Administration shall cause the unpaid balance of the Participant's Account to be paid in a single lump-sum payment to such Participant's Beneficiaries. Such payment shall be made as soon as administratively practicable following completion of the first valuation of the Participant's Account pursuant to Section 2.6 which coincides with or next follows the Participant's date of death, but in no event later than the end of the calendar year following the calendar year in which the Participant's date of death occurs.

(h) If a Participant returns to employment with the Company after having had a Separation from Service, the value of his Account that is attributable to a prior period of employment shall be paid (or continue to be paid) to the Participant in accordance with his election or deemed election under Section 4.1 without regard to the Participant's reemployment. Contributions to his Account following such reemployment after a Separation from Service shall be paid in accordance with the Participant's previous election or deemed election made (or deemed to be made) in accordance with the applicable provision(s) of Section 4.1. Upon such reemployment, the Participant shall be permitted to change such election as provided by and in accordance with Section 4.1(d) or Section 4.1(f), as applicable.

4.2 <u>**No Payments Prior to Separation From Service**</u> – Under no circumstances shall a Participant receive any payment from the Plan prior to his Separation from Service.

4.3 <u>**Specified Employee Restriction**</u> – Notwithstanding anything in the Plan to the contrary, no payment shall be made to a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee's Separation from Service; provided however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time prescribed by Section 4.1(g).

4.4 <u>**Deferrals from or Credits Related to STD Payments Subsequent to Separation from Service**</u>

(a) To the extent that a Participant's deferral election under Section 2.1 applies to Compensation paid to him following a Separation from Service that consists of short-term disability benefits under a short-term disability plan of the Company or an Affiliated Company, the amount credited to his A and B Accounts from such deferral for a calendar year, valued in accordance with Section 2.6, shall be paid to such Participant in a single lump-sum payment in cash in January of the next year following such deferral.

(b) To the extent that an amount credited to a Participant's C Account in accordance with Section 2.4 applies to Compensation paid to him following a Separation from Service that consists of short-term disability benefits under a short-term disability plan of the Company or an Affiliated Company, such amount credited to his C Account for a calendar year, valued in accordance with Section 2.6, shall be paid to such Participant in a single lump-sum payment in cash in January of the next year following the year in which the short-term disability benefits are paid to the Participant.

4.5 <u>**Responsibility for Payments**</u> – All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

ARTICLE FIVE

Administration

5.1 **Responsibilities and Powers of the Named Fiduciary-Plan Administration** - The Named Fiduciary-Plan Administration shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Named Fiduciary-Plan Administration shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Named Fiduciary-Plan Administration, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries.

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

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

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

ARTICLE SIX

Amendment and Termination

6.1 **Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, may make (a) all technical, administrative, regulatory and compliance amendments to the Plan, (b) any amendment to the Plan necessary or appropriate to conform the Plan to changes in the Thrift Plan, and (c) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as he or she deems necessary or appropriate. Notwithstanding anything to the contrary above, no amendment shall operate to reduce the accrued benefit of any individual who is a Participant at the time the amendment is adopted.

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

ARTICLE SEVEN

General Provisions

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

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

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

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

Plan Administration.

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

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

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

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

7.9 <u>**Construction**</u> - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.

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

SUPPLEMENTAL PENSION PLAN

(409A NON-GRANDFATHERED COMPONENT)

For Officers and Managers

of

Union Pacific Corporation

and

Affiliates

(As amended and restated in its entirety

effective as of January 1, 1989, including all amendments

adopted through January 1, 2018)

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ARTICLE ONE

Scope of Supplemental Plan and Definitions

1.1 Introduction. This "Supplemental Plan (409A Non-Grandfathered Component)," amended through January 1, 2009, since amended and now further amended effective January 1, 2018, and as it may hereafter be amended from time to time, establishes the rights to specified benefits for certain officers and managers or highly compensated employees who retire or otherwise terminate their Employment on or after January 1, 2005. The rights of any such individual who retired or otherwise terminated Employment prior to January 1, 2005 shall be subject to the terms of the Supplemental Plan as in effect at the date of retirement or termination, except to the extent otherwise provided herein. This Supplemental Plan is intended to be a non-qualified supplemental retirement plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA.

1.2 Applicability. The Supplemental Plan was bifurcated into two components, effective January 1, 2009. One such component, known as the "Supplemental Pension Plan (409A Grandfathered Component) for Officers and Managers of Union Pacific Corporation, effective January 1, 1989," is applicable solely to those benefits that were both accrued and fully vested as of December 31, 2004 in accordance with the terms of the Supplemental Plan as in effect on December 31, 2004, which terms were not materially modified after October 3, 2004. With respect to all other amounts accrued under the Supplemental Plan, the rights of the Participant shall be governed by the terms of this Supplemental Plan (409A Non-Grandfathered Component).

1.3 Definitions. As used in this Supplemental Plan (409A Non-Grandfathered Component), the following terms have the meanings set forth below, unless a different meaning is plainly required by the context:

(a) "Additional Disability Pay Benefit" means the benefit provided for in Section 2.4(b). The Additional Disability Pay Benefit is intended to constitute "disability pay" that is exempt from the requirements of Section 409A of the Code, as described in Section 1.409A-1(a)(5) of the Treasury Regulations.

(b) "Administrator" shall have, on and after February 1, 2013, the same meaning as "Named Fiduciary-Plan Administration" as such term is defined in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates. Prior to February 1, 2013, "Administrator" means the Senior Vice President-Human Resources of Union Pacific or, if there is no such Senior Vice President - Human Resources, such person or persons appointed by the Board of Directors of Union Pacific or, in the absence of any such appointment, Union Pacific, who shall administer this Supplemental Plan.

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

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

(e) "Early Supplemental Pension Retirement Date" means the date of a Participant's Separation from Service after he becomes vested in his Supplemental Plan (409A Non-Grandfathered Component) benefit under Section 4.2, before his Normal Retirement Date, and after either attaining age 55 and completing 10 years of Vesting Service or attaining age 65, determined after taking into account (i) additional service credited under Section 1.3(s) and/or (ii) additional years of age, not exceeding five (5), as may be approved by the Chief Executive Officer of Union Pacific prior to the Participant's Separation from Service or as may be credited to the Participant pursuant to Section 2.7, Section 2.8 or Section 2.10; provided, however that such date does not qualify as an Early Retirement Date under the terms of the Pension Plan. Notwithstanding the foregoing, any additional years of age awarded under this Section 1.3(e) shall affect only a Participant's eligibility for an Early Supplemental Pension, and not the actual commencement date of such benefit.

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

(g) "Effective Date" means January 1, 1989, the effective date of this document; provided, however, that when a provision of this Supplemental Plan (409A Non-Grandfathered Component) states an effective date other than January 1, 1989, such stated special effective date shall apply as to that provision.

(h) "Final Average Compensation" means Final Average Compensation as determined under Article II of the Pension Plan as of the date of the Participant's Separation from Service.

(i) "Incentive Compensation" means:

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

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

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

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

but only to the extent that such incentive compensation or retention stock (or retention units) is not taken into account in computing the Participant's Final Average Compensation for reasons other than: (A) the annual compensation limit under section 401(a)(17) of the Code, (B) the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan, (C) the eligibility freeze set forth in Section 3.02 of the Pension Plan, or (D) the Credited Service freeze set forth in Section 4.04 of the Pension Plan. Awards of Incentive Compensation shall be taken into account at the time such awards would have been paid but for the Participant's election, to forego or defer payment under a plan of the Company or an Affiliated Company; provided, however, that for purposes of calculating a Participant's benefit under this Supplemental Plan (409A Non-Grandfathered Component) no more than the three highest awards of Incentive Compensation shall be counted in the Participant's highest 36 consecutive months of Compensation determined as of the Participant's Separation from Service taking all Incentive Compensation into account.

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

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

(i) whose Total Credited Service under Section 1.3(s) includes years that are not taken into account as Credited Service under the Pension Plan (including years not taken into account due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan);

(ii) who has Incentive Compensation within the 120-calendar-month period immediately preceding:

(A) with respect to a Participant who is not an Active Participant under the Pension Plan after December 31, 2017, the date prior to January 1, 2018 on which the Participant ceases to be a Covered Employee; and

(B) with respect to a Participant who is an Active Participant under the Pension Plan on or after January 1, 2018, the date on or after January 1, 2018 on which the Participant ceases to be an Active Participant under the Pension Plan, after taking into account Section 3.02(e)(1) or (2) (as may be applicable) of the Pension Plan;

(iii) whose Final Average Compensation is not fully recognized under the Pension Plan solely due to application of the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan, as determined as of the date of the Participant's Separation from Service;

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

(v) who is credited with additional years of age as described in Section 1.3(e)(ii), and

who has been designated by the Administrator as eligible to participate in the Supplemental Plan.

Notwithstanding anything in this Supplemental Plan to the contrary, no person who was not an Active Participant under the Pension Plan on December 31, 2017 shall be eligible to participate in the Supplemental Plan after December 31, 2017. No person who was not an Active Participant under the Pension Plan on December 31, 2017 and who, subsequent to that date, first becomes, or returns to service as, a Covered Employee (whether by returning to Employment following a Separation from Service, transfer or otherwise, and without regard to whether he has commenced a previously accrued Supplemental Plan benefit) shall be eligible to participate in the Supplemental Plan for purposes of benefit accrual with respect to such service after December 31, 2017.

In the event of the death or incompetency of a Participant, the term shall mean the Participant's personal representative or guardian for whatever amounts remain payable to the Participant under the terms of the Supplemental Plan.

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

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

(n) "Rehired Supplemental Pension" means the pension provided for in Section 2.5.

(o) "Separation from Service" means the date as of which the Company and the Participant reasonably anticipate that no further services would be performed, or that the level of bona fide services the Participant would perform after such date would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by the Participant over the immediately preceding thirty-six (36) month period. There shall be no Separation from Service during a Participant's bona fide leave of absence so long as such leave does not exceed six (6) months or such longer period as the Participant may retain a right to reemployment with the Company under applicable statute or by contract. The term Separation from Service shall be interpreted in the same manner as a separation from service under Section 409A of the Code.

(p) "Supplemental Plan" means the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates, as amended and restated effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Plan is comprised of the following components, each of which is set forth in a separate document: (1) the Supplemental Pension Plan (409A Non-Grandfathered Component) for Officers and Managers of

Union Pacific Corporation and Affiliates, and (2) the Supplemental Pension Plan (409A Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates.

(q) "Surviving Spouse" means:

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

(ii) where payments to the Participant have begun under the Supplemental Plan prior to the Participant's death:

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

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

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

(r) "Surviving Spouse's Pension" means the pension provided for in Section 2.6.

(s) "Total Credited Service" means:

(i) all years of Credited Service (and portions thereof) as set forth in the Article IV of the Pension Plan, which are credited with respect to the Participant under the Pension Plan (taking into account, as applicable, the Credited Service freeze set forth in Section 4.04 of the Pension Plan), other than Credited Service accruing during a Participant's approved unpaid leave of absence (for the avoidance of doubt, for reasons other than Total Disability) that is after the Participant's Separation from Service, plus Credited Service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan;

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

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

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

(t) "Total Offset Service" means (i) all years of "offset service" (including portions thereof) as set forth in Article V of the Pension Plan, including years of offset service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(s)(ii), (iii) or (iv). For the avoidance of doubt, Total Offset Service includes Credited Service described in Section 5.01(b)(2) of the Pension Plan used to determine a Participant's governmental offset under the Pension Plan.

(u) "Union Pacific" means Union Pacific Corporation, or any successor to that corporation.

(v) "Vesting Service" means (i) all years of Vesting Service (including portions thereof) as set forth in Article IV of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(s)(ii), (iii) or (iv).

(w) Except as otherwise expressly provided herein, all other capitalized terms shall have the respective meanings set forth in the definition provisions of Article II of the Pension Plan.

Amount and Payment of Pension

2.1 Normal Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service at his or her Normal Retirement Age under the Pension Plan shall be entitled to receive a Normal Supplemental Pension (or a Rehire Supplemental Pension, as applicable), in the form of a single life annuity commencing on the Participant's Normal Retirement Date, equal to the result of (a) minus (b) minus (c), where:

(a) is the annual Accrued Benefit payable at Normal Retirement Date computed on the basis of the formula provided in Section 5.01 of the Pension Plan as of the date of the Participant's Separation from Service, determined without regard to the limitation described in Section 5.02 of the Pension Plan, and including under such formula any amounts of Final Average Compensation that were excluded from consideration for the Participant under the Pension Plan and all Incentive Compensation payable to the Participant within the 120-calendar-month period immediately preceding:

(i) with respect to a Participant who is not an Active Participant under the Pension Plan after December 31, 2017, the date prior to January 1, 2018 on which the Participant ceases to be a Covered Employee; and

(ii) with respect to a Participant who is an Active Participant under the Pension Plan on or after January 1, 2018, the date on or after January 1, 2018 on which the Participant ceases to be an Active Participant under the Pension Plan, after taking into account Section 3.02(e)(1) or (2) (as may be applicable) of the Pension Plan,

and, in all cases, utilizing Total Credited Service up to 40 years in place of Credited Service under Article IV of the Pension Plan and Total Offset Service up to 40 years in place of "offset service" under Article V of the Pension Plan;

(b) is the annual nonforfeitable Accrued Benefit payable at Normal Retirement Date actually determined to be due under the terms of the Pension Plan as of the date of the Participant's Separation from Service; and

(c) is the annual nonforfeitable Normal Supplemental Pension payable at Normal Retirement Date actually determined under the Supplemental Plan (409A Grandfathered Component).

For purposes of determining benefits under the Supplemental Plan (409A Non-Grandfathered Component), any actuarial adjustments for a delay in the commencement of payment beyond the Normal Retirement Date or otherwise that apply under the Pension Plan in calculating the benefit described in (b), above, shall also apply to calculate the benefit described in (a), above.

2.2 Early Supplemental Pension.

(a) Participant Retires on Early Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service on an Early Retirement Date under the Pension Plan shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55. The Early

Supplemental Pension shall be computed in the same manner as the Normal Supplemental Pension, but with the amounts described in Section 2.1 adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan (whether or not the Participant's Pension Plan benefit or Supplemental Plan (409A Grandfathered Component) benefit starts on that date), taking into account any additional years of age described in Section 1.3(e)(ii) solely for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Early Supplemental Pension under the Supplemental Plan (409A Non-Grandfathered Component) shall be increased by the difference, if any, between (i) the amount of the benefit computed under the immediately preceding sentence attributable to the Participant's Normal Supplemental Pension under the terms of the Supplemental Plan (409A Grandfathered Component) as described in Section 2.1(c) and (ii) such amount that would have been payable from the Supplemental Plan (409A Grandfathered Component) at the Participant's early benefit start date under the Supplemental Plan (409A Non-Grandfathered Component) (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date).

(b) Participant Retires on Early Supplemental Pension Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service on an Early Supplemental Pension Retirement Date shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55. The Early Supplemental Pension shall be computed in the same manner as described in Section 2.2(a), above, except that, for purposes of determining the Early Supplemental Pension as described in Section 2.2(a):

(i) the amount described in Sections 2.1(a) and 2.1(c) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date), taking into account any additional years of age described in Section 1.3(e)(ii) solely for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a); and

(ii) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Pension Plan benefit starts on that date); and

(iii) if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Early Supplemental Pension under the Supplemental Plan (409A Non-Grandfathered Component) shall be increased by the difference, if any, between (i) the amount of the benefit computed under Section 2.2(a) attributable to the Participant's Normal Supplemental Pension under the terms of the Supplemental Plan (409A Grandfathered Component) as described in Section 2.1(c) and (ii) such amount that would have been payable from the Supplemental Plan (409A Grandfathered Component) at the Participant's early benefit start date under the Supplemental Plan (409A Non-Grandfathered Component) (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts that date).

2.3 Postponed Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service after his Normal Retirement Age shall be entitled to a Postponed Supplemental Pension, in the form of a single life annuity commencing at the Postponed Retirement Date, which is equal to the Normal Supplemental Pension, computed in accordance with Section 2.1 based on his Total Credited Service, Total Offset Service, etc. as of the Participant's Postponed Retirement Date (instead of his Normal Retirement Date).

2.4 Disabled Participants.

(a) Disability Supplemental Retirement Benefit. In the event that a Participant becomes a Disabled Participant under the Pension Plan (and therefore is deemed to have had a Separation from Service under the Pension Plan), the Participant shall receive a Normal Supplemental Pension, Early Supplemental Pension, or Postponed Supplemental Pension, as determined under Section 2.1, 2.2, 2.3 or 4.2, as applicable, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Disability Date under the Pension Plan or the Participant's attainment of age 55; provided that such Disabled Participant has had a Separation from Service under the Supplemental Plan (409A Non-Grandfathered Component). Such benefit shall be based on the Participant's Supplemental Plan (409A Non-Grandfathered Component) benefit accrued through his or her Disability Date.

(b) Additional Disability Pay. To the extent that a Disabled Participant accrues a benefit under this Supplemental Plan (409A Non-Grandfathered Component) in excess of the amount described in Section 2.4(a) (due to the continued crediting of service and deemed Compensation for Disabled Participants), such additional benefit shall be paid at the same time and in the same form as the Participant's Pension Plan benefit, as described in Section 6.05 of the Pension Plan. Such Additional Disability Pay Benefit may include, by way of example, any early retirement subsidy with respect to the Supplemental Plan benefit described in Section 2.4(a) that the Disabled Participant accrues after his or her Disability Date.

2.5 Rehired Employees. The following provisions shall apply to any Participant who returns to Employment with the Company after having had a Separation from Service.

(a) Any Supplemental Pension determined under the terms of this Supplemental Plan (409A Non-Grandfathered Component) that is attributable to a prior period of Employment shall continue to be paid to the Participant without regard to the Participant's reemployment (even if the Participant's Pension Plan benefit and Supplemental Plan (409A Grandfathered Component) benefit are suspended during such reemployment).

(b) A rehired Participant shall be entitled to a Rehire Supplemental Pension, as determined in the same manner as a Supplemental Pension under Sections 2.1, 2.2, 2.3, 2.4(a) or 4.2, as applicable, based on the Participant's Final Average Compensation, Incentive Compensation, Total Credited Service and Total Offset Service during his or her aggregated periods of Employment, but offset further by the annual nonforfeitable Supplemental Pension actually determined under the Supplemental Plan (409A Non-Grandfathered Component) as of the

Participant's prior Separation from Service. Notwithstanding the foregoing, a Participant shall not be entitled to accrue a benefit with respect to any period of Employment that follows a rehire occurring on or after January 1, 2018, unless the Participant's Separation from Service was the result of the Participant becoming a Disabled Participant and the Participant returns to Employment as a Covered Employee at such time as the Employer may reasonably require after ceasing to suffer from a Total Disability.

(c) Subject to the last sentence of Section 2.5(b), in the event that the Participant is entitled to receive more than one Rehire Supplemental Pension under this Supplemental Plan (409A Non-Grandfathered Component) (as a result of more than two Separations from Service), the provisions of Section 2.5(b) shall be applied as if all prior periods of the Participant's Employment were aggregated into a single prior period of Employment.

(d) In the event that a Disabled Participant who is entitled to an Additional Disability Pay Benefit under Section 2.4(b) returns to Employment with the Company, the Rehire Supplemental Pension determined under Section 2.5(b) shall not take into account the Additional Disability Pay Benefit (except for purposes of vesting, eligibility for an early retirement subsidy, or the calculation of the 40 year limit in Section 2.1).

2.6 Surviving Spouse's Pension (Post-Retirement Automatic Survivor Annuity).

(a) The Surviving Spouse of a Participant who dies while receiving a Normal or Postponed Supplemental Pension or an Early Supplemental Pension determined under Section 2.2(a), relating to a Separation from Service on a date that qualifies as an Early Retirement Date under the terms of the Pension Plan, and, if applicable, an Additional Disability Pay Benefit, shall be entitled to a Surviving Spouse's Pension equal to one-half of the single life annuity amount of the Normal, Early, or Postponed Supplemental Pension (including the Additional Disability Pay Benefit, if applicable) payable to such deceased Participant under the Supplemental Plan (409A Non-Grandfathered Component). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Surviving Spouse's Pension shall be increased by an amount equal to one-half of the amount of the benefit computed under Section 2.1(c) adjusted for payment as of any early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date) and adjusted as of any postponed benefit start date according to any actuarial adjustments for a delay in the commencement of payment of the Participant's benefit beyond the Normal Retirement Date or otherwise that apply to the calculation of such a delayed benefit payment (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date). Such Surviving Spouse's Pension shall be payable to such Spouse in equal monthly payments for life, commencing on the first day of the month immediately following the death of such Participant.

(b) The Surviving Spouse of a Participant who dies while receiving an Early Supplemental Pension determined under Section 2.2(b), relating to a Separation from Service on an Early Supplemental Pension Retirement Date (i.e., a date that does not qualify as an Early Retirement Date under the terms of the Pension Plan), and, if applicable, an Additional Disability Pay Benefit, shall be entitled to a Surviving Spouse's Pension. The Surviving Spouse's Pension shall be payable in equal monthly payments for the Surviving Spouse's life, commencing on the first day of the month immediately following the Participant's death, which shall equal one-half of the single life annuity amount calculated for the Participant under Section 2.2(b) (including the Additional Disability Pay Benefit, if applicable), as of the Participant's early benefit start date under this Supplemental Plan (409A Non-Grandfathered Component). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Surviving Spouse's Pension shall be increased by an amount equal to one-half of the amount of the benefit computed under the Section 2.1(c) adjusted for payment as of any early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date).

(c) The Surviving Spouse's Pension described in this Section 2.6 is payable in addition to any other death benefit that may be payable to the Surviving Spouse or other beneficiary of the Participant under the form of payment in which the Participant's Supplemental Pension is paid pursuant to Article Three. However, in no event shall the Surviving Spouse who is entitled to the Surviving Spouse's Pension, if also designated as the Participant's beneficiary under a joint and survivor annuity payable under the Supplemental Plan, receive a total benefit from the Supplemental Plan that is more than 100% of the retirement income otherwise payable to the Participant under the Supplemental Plan.

2.7 Change in Control. A Participant who is affected by a Change in Control shall have his eligibility for and amount of Supplemental Plan benefits determined pursuant to the terms of the Union Pacific Corporation Key Employee Continuity Plan adopted November 16, 2000, as may be amended from time to time.

2.8 Additional Age and Service for Certain Participants.

(a) Participant Ike Evans shall be deemed to have attained an age two (2) years, six (6) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years, six (6) months service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(b) Participant Stan McLaughlin shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(c) Participant John Holm, shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(d) Participant Jerry Everett shall be deemed to have attained an age two (2) years, three (3) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii); and

(e) Participant Mike Ring shall be deemed to have attained an age three (3) years, six (6) months older than his actual age, up to a maximum age 65.

(f) The age and service credited as provided in Section 2.8(a)-(e) results in an additional deferral of compensation for purposes of the American Jobs Creation Act of 2004 ("AJCA"), and such additional deferral of compensation is subject to the terms of the AJCA.

2.9 Six Month Delay for Specified Employees. Notwithstanding any provision of this Supplemental Plan (409A Non-Grandfathered Component) to the contrary, no payment shall be made to a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until the first day of the seventh month following such specified employee's Separation from Service; provided, however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time(s) otherwise prescribed by this Supplemental Plan (409A Non-Grandfathered Component); and provided further that this Section 2.9 shall not apply to the Additional Disability Pay Benefit. Payments suspended during such six-month period shall be accumulated and paid to the specified employee (without interest) in the seventh month following the specified employee's Separation from Service.

2.10 2017 Benefit Enhancement. Effective September 30, 2017, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of subsection (a). These enhancements shall be taken into account in determining the Participant's Normal Supplemental Pension, Early Supplemental Pension or Postponed Supplemental Pension as described in Section 2.1, 2.2 or 2.3, respectively.

(a) The requirements of this subsection (a) are satisfied by a Covered Employee who:

(1) is a Covered Employee under the Pension Plan on August 16, 2017;

(2) had 2016 Compensation, as defined in Section 2.18(c) of the Pension Plan, in excess of $120,000;

(3) is at least age 55 with at least 10 years of Vesting Service, as defined in Section 2.75 of the Pension Plan or has attained age 65, each determined as of September 30, 2017;

(4) is eligible for and is selected by the Company to participate in the Union Pacific 2017 Workforce Reduction Program ("2017 WRP") and has a Separation from Service with the Company on the date selected by the Company, which date shall not occur after September 30, 2017; and

(5) executes all documents required by the terms of the 2017 WRP, including a waiver and general release of any and all employment-related rights or claims (other than claims for benefits under the Supplemental Pension Plan or Pension Plan) that the Participant may have against the Company, any Affiliated Company, the Supplemental Plan, the Pension Plan and their respective officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver and general release within the time period prescribed by the Company.

(b) Each Covered Employee described in subsection (a) shall:

(1) receive up to an additional 60 months in the aggregate, which shall be applied as follows:

(A) First, to increase the Covered Employee's deemed age, up to a maximum of age 65; and

(B) Second, if any such months remain, to increase the Covered Employee's years and months of service for purposes of calculating Total Credited Service and Total Offset Service, up to a maximum of 40 years of service; and

(2) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Pension Plan (409A Non-Grandfathered Component).

Manner of Payment

3.1 Normal Form of Payment for Retirement. Except as provided in Sections 3.2 and 3.3, if a Participant has a Separation from Service on a Normal Retirement Date, an Early Retirement Date, an Early Supplemental Pension Retirement Date, or a Postponed Retirement Date under Section 2.1, 2.2 or 2.3, payment of the Supplemental Pension shall be made to a Participant on his or her benefit start date in the form of a single life annuity payable in equal monthly installments to the Participant for his or her lifetime.

3.2 Optional Forms of Payment for Retirement. Notwithstanding Section 3.1, a Participant may elect to receive payment of the Supplemental Pension in one of the following forms in lieu of the applicable normal form set forth in Section 3.1.

(a) A single life annuity payable in equal monthly installments to the Participant for his lifetime;

(b) A single life annuity payable in equal monthly installments to the Participant for his lifetime, with 120 payments guaranteed. If a Participant dies before he or she has received 120 monthly payments, then any balance of guaranteed payments shall be paid in a single sum to the Participant's Beneficiary within 90 days following the Participant's death. A Participant's designation of a Beneficiary to receive the balance of the guaranteed payments may be made or changed until the earlier of the Participant' death or the expiration of the guaranteed period; or

(c) A joint and survivor annuity with any individual Beneficiary designated by the Participant, payable in equal monthly installments for the Participant's lifetime and with 25%, 50%, 75% or 100%, as elected by the Participant, of the amount of such monthly installment payable after the death of the Participant to the designated Beneficiary of such Participant, if then living, for the life of such designated Beneficiary. A Participant's designation of a Beneficiary under a joint and survivor annuity may not be changed on or after the benefit start date for the Supplemental Pension. If a Participant's Beneficiary dies before the benefit start date for the Supplemental Pension, but after the Participant has elected a joint and survivor annuity, the election shall automatically be revoked and the Supplemental Pension shall be paid in the form set forth in Section 3.1. Notwithstanding the foregoing, the percentage payable to the Participant's Beneficiary (unless the Beneficiary is the Participant's spouse) after the Participant's death may not exceed the applicable percentage from the table set forth in Appendix C of the Pension Plan.

The election described in this Section 3.2 must be made in writing, in the form prescribed by the Administrator, at least six (6) months before, and no later than the tax year of the Participant immediately preceding, the benefit start date for the Supplemental Pension. Any optional form of benefit described in this Section 3.2 shall be the actuarial equivalent of the normal form of benefit described in Section 3.1, disregarding the value of any subsidized survivor annuity benefit, and based on the actuarial equivalence factors set forth in Appendix A of the Pension Plan.

3.3 Payments For Certain Retirements Under Section 2.2(b). If a Participant has a Separation from Service on an Early Supplemental Pension Retirement Date, and at such Separation from Service either is not vested in or is not eligible to start a pension under the Pension Plan, payment of his Supplemental Pension shall be made in the form of a single life annuity. The Participant is not eligible to elect payment of his Supplemental Pension in any other form.

3.4 Special Payments.

(a) Michael A. Paras. The amount of the Supplemental Pension payable to Michael A. Paras under Article Two shall be paid on its scheduled payment date in the form of a single sum payment determined by converting the single life annuity into a single sum payment using (1) an interest rate that is equal to the adjusted first, second, and third segment rates applied under rules similar to the rules of Section 430(h)(2)(C) of the Code for the month before the date of distribution or such other time as the Secretary of the Treasury may prescribe, as described in Section 417(e)(3) of the Code and as published from time to time by the Secretary of the Treasury and (2) the mortality table referred to in Revenue Ruling 2007-67 (or such other mortality table as may subsequently be in effect) for Benefit Payment Dates occurring on or after January 1, 2009.

(b) Jeff M. Crandall. The amount of the Supplemental Pension payable to Jeff M. Crandall under Article Two shall be paid on its scheduled payment date in the form of a single sum payment determined by converting the joint and survivor annuity into a single sum payment using (1) an interest rate that is equal to the adjusted first, second, and third segment rates applied under rules similar to the rules of Section 430(h)(2)(C) of the Code for the month before the date of distribution or such other time as the Secretary of the Treasury may prescribe, as described in Section 417(e)(3) of the Code and as published from time to time by the Secretary of the Treasury and (2) the mortality table referred to in Revenue Ruling 2007-67 (or such other mortality table as may subsequently be in effect) for Benefit Payment Dates occurring on or after January 1, 2009; provided that Jeff M. Crandall is not entitled to receive any payment from a nonqualified deferred compensation plan required to be aggregated with the Supplemental Plan (409A Non-Grandfathered Component) under the regulations promulgated under Section 409A of the Code and the amount of the single sum payment does not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code.

c. Arnold R. Robinson. Notwithstanding Section 3.1, the benefit payable to Arnold R. Robinson under Article Two hereof shall be paid on its scheduled payment date in the form of a single sum payment, the amount of which shall be determined by converting the single life annuity (including for this purpose, the benefit described in Section 2.6(a)) into to a single sum payment by using the applicable interest rate and mortality assumptions of Section 2.05(c) of the Pension Plan and treating such scheduled payment date as the “Benefit Payment Date” for purposes of Section 2.05(c) of the Pension Plan; provided that Arnold R. Robinson is not entitled to receive any payment from another nonqualified deferred compensation plan required to be aggregated with the Supplemental Plan (409A Non-Grandfathered Component) under the regulations promulgated under Section 409A of the Code and the amount of the single sum payment does not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code for the 2017 calendar year.

Vesting

4.1 Termination Prior to Vesting.

(a) Except as provided in Section 2.7, a Participant who has a Separation from Service before Early or Normal Retirement Date, and before completion of 5 years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.3(s)(ii) or credited under Section 2.7) shall not be entitled to any benefit under this Supplemental Plan (409A Non-Grandfathered Component); provided, however, that the Chief Executive Officer of Union Pacific may reduce the required years of actual Vesting Service to 3 if the Chief Executive Officer of Union Pacific determines that such change would not be disadvantageous to the Company in the case of any Participant. The Chief Executive Officer of Union Pacific shall make such determination by the date the Participant terminates Employment.

(b) If a Participant described in Section 4.1(a) returns to Employment and subsequently becomes vested in the Supplemental Plan (409A Non-Grandfathered Component) benefit that was forfeited under Section 4.1(a), such benefit shall commence on the first day of the month following the later of the date the Participant becomes vested or the Participant's attainment of age 55 (even if the Participant is still in the Employment of the Company on such date by reason of his or her reemployment).

4.2 Termination After Vesting. Except as provided in Section 2.7 or Articles Five and Eleven, a Participant who has a Separation from Service before Normal or Early Retirement Date and before Early Supplemental Pension Retirement Date but after (i) completing 5 (or 3, if applicable) years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.3(s)(ii) or credited under Section 2.7) shall be entitled to receive, commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55, the Normal Supplemental Pension computed under Section 2.1 as of the date the Participant had a Separation from Service.

In determining any Supplemental Pension to be paid to the Participant commencing prior to Normal Retirement Date, (I) the amounts described in Sections 2.1(a) and 2.1(c) shall be adjusted for early payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (taking into account any additional years of age described in Section 1.3(e)(ii) for purposes of adjusting both the gross and offset portions of the benefit, and regardless of whether the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date), and (II) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Pension Plan benefit starts on that date).

4.3 Form of Vested Benefit.

(a) Benefits Payable Under Supplemental Plan and Pension Plan. If a Participant is entitled to benefits under both the Supplemental Plan (409A Non-Grandfathered Component) and the Pension Plan, the Supplemental Pension determined under Section 4.2 shall be paid:

(i) to the Participant, if he or she is not married, on his or her benefit start date in the form of a single life annuity payable in equal monthly installments to the Participant for his or her lifetime; or

(ii) to the Participant, if he or she is married, on his or her benefit start date in the form of a joint and survivor annuity with the Participant's spouse (determined as of the benefit start date) as the beneficiary, payable in equal monthly installments for the Participant's lifetime and with 50% of the amount of such monthly installment payable after the death of the Participant to such spouse, if then living, for the life of such spouse.

Notwithstanding the foregoing, the Participant may elect, in lieu of the normal form of benefit set forth in Section 4.3(a)(i) or (ii), as applicable, to be paid in any of the forms described in Section 3.2, and shall be subject to adjustment for form of payment and the same Beneficiary designation applicable to the Participant's Pension Plan benefit.

(b) No Benefits Payable Under Pension Plan. In the event a Participant is entitled to a benefit from the Supplemental Plan (409A Non-Grandfathered Component) but is not vested in a benefit under the Pension Plan, the Participant shall receive payment of his Supplemental Pension determined under Section 4.2 in the automatic form of payment described in Section 8.02 of the Pension Plan, as adjusted for form of payment and the same Beneficiary designation applicable to the Participant's Pension Plan benefit, that would have applied to the Participant had he been eligible for and started payment under the Pension Plan on the same day.

Certain Employee Transfers

5.1 Transfers into Supplemental Plan from Resources Supplemental Plan. If any employee who is a participant in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates is transferred on or before October 15, 1996 to the Company and becomes a Participant after such transfer, such employee shall retain no rights in the other supplemental pension plan and shall receive all benefits to which entitled under this Supplemental Plan (409A Non-Grandfathered Component), based upon Total Credited Service and Total Offset Service which shall include, as to such employee, any service which would have been used in determining the Participant’s benefits under such other supplemental pension plan.

5.2 Transfers to Resources Supplemental Plan. If a Participant is transferred on or before October 15, 1996 to an Affiliated Company participating in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates and becomes a participant in the supplemental pension plan of the Affiliated Company after such transfer, such former Participant shall retain no rights in this Supplemental Plan if such other supplemental pension plan has provisions that substantially conform to the transfer provisions for the protection of transferees that are contained in Section 5.1.

5.3 No Duplication of Benefits. There shall under no circumstances be any duplication of benefits under this Supplemental Plan or any supplemental pension plan of an Affiliated Company or former Affiliated Company by reason of the same period of employment.

Pre-Retirement Survivor's Benefit

6.1 Eligibility. The Surviving Spouse of a Participant who either (a) has a Separation from Service due to death, or (b) (i) has a Separation from Service other than due to death after becoming entitled to a Supplemental Pension under Article Two or Article Four, and (ii) dies prior to the commencement of payment of the Supplemental Pension shall receive the benefit determined pursuant to Section 6.2.

6.2 Surviving Spouse's Benefit.

(a) Subsidized Death Benefits.

(i) Except as provided in subsection (ii), the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies:

(A) before his or her Separation from Service and before Early or Normal Retirement Date under the terms of the Pension Plan;

(B) before his or her Separation from Service and after Early or Normal Retirement Date under the terms of the Pension Plan; or

(C) after his or her Separation from Service, providing such Separation from Service occurred after Early or Normal Retirement Date under the terms of the Pension Plan,

shall be a monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension such Participant would have received (assuming, for a Participant described in Section 6.1(a), the Participant had vested) in the form of a single life annuity, if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan (409A Non-Grandfathered Component) to the contrary, the Surviving Spouse's benefit with respect to a Participant described in (A), above, shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(ii) The benefit payable to the Surviving Spouse of a Participant described in Section 6.1, who dies other than under circumstances described in Section 6.2(a)(i) or 6.2(a)(iii) but after becoming eligible for an Early Supplemental Pension under Section 2.2 based on an Early Supplemental Pension Retirement Date, shall be an annuity payable for the Surviving Spouse's life calculated as follows. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b) as if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

(iii) In addition to any other benefit due to the Surviving Spouse under this Supplemental Plan (409A Non-Grandfathered Component), if a Participant dies while a Disabled Participant but before Early or Normal Retirement Date under the terms of the Pension Plan (as determined for purposes of the Additional Disability Pay Benefit), the Surviving Spouse shall be entitled to an additional monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Additional Disability Pay Benefit such Disabled Participant would have received (assuming the Disabled Participant had vested) in the form of a single life annuity, if the Disabled Participant had survived (but accrued no additional benefits after death) and started his Additional Disability Pay Benefit on the date the Supplemental Plan (409A Non-Grandfathered Component) benefits described in this Section 6.2(a)(iii) begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan (409A Non-Grandfathered Component) to the contrary, the Surviving Spouse's benefit described in this Section 6.2(a)(iii) shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(b) Non-Subsidized Death Benefits. The benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies under circumstances other than those described in Section 6.2(a) shall be an annuity payable for the Surviving Spouse's life with monthly payments equal to 50% of the monthly Supplemental Pension the Participant would have received in the form of a Qualified Joint and Survivor Annuity determined as if the Participant had survived (and accrued no additional benefits after his death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

6.3 Timing of Surviving Spouse's Benefit. The benefit to which a Surviving Spouse of a Participant shall be entitled pursuant to Section 6.2(a) or (b) shall be paid monthly to such Surviving Spouse, commencing as of the first day of the month following the later of the Participant's death or the date the Participant would have attained age 55. Payments to the Surviving Spouse shall end with the payment made for the month in which the Surviving Spouse dies.

Funding

The Company’s obligations hereunder shall constitute a general, unsecured obligation of the Company payable solely out of its general assets, and no Participant or former Participant shall have any right to any specific assets of the Company. To the extent that any Participant or former Participant acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. The Board of Directors of Union Pacific may, but shall not be required to, authorize Union Pacific to establish a trust to hold assets to be used to discharge the Company’s obligations hereunder, provided that such trust shall not confer upon Participants or former Participants any rights other than the rights of unsecured general creditors of the Company.

Administration

8.1 Responsibilities and Powers of Administrator. Except for the responsibilities and powers elsewhere herein given specifically to the Board of Directors of Union Pacific, the Administrator shall have all responsibilities for the operation and administration of the Supplemental Plan and shall have all powers and discretionary authority necessary to carry out those responsibilities hereunder. Without limiting the generality of the foregoing, the Administrator shall have full power and discretionary authority to:

(a) keep and maintain such accounts and records with respect to Participants and former Participants as are deemed necessary or proper;

(b) determine all questions of the eligibility for participation and benefits and of the status and rights of Participants, former Participants, and any other person hereunder, make all required factual determinations, interpret and construe the Supplemental Plan in connection therewith and correct defects, resolve ambiguities therein and supply omissions thereto;

(c) adopt from time to time mortality and other tables and interest rates upon which all actuarial calculations shall be based, including the determination of the appropriate factors for the adjustment of pension payments; and

(d) adopt from time to time rules and regulations governing this Supplemental Plan.

The Administrator shall carry out all responsibilities and exercise all powers in accordance with the terms of the Supplemental Plan. The determination of the Administrator as to any questions involving the responsibilities hereunder shall be final, conclusive and binding on all persons.

8.2 Certification and Payment of Benefits. The Administrator shall compute the amount and manner of payment of benefits to which the Participants, former or retired Participants, Surviving Spouses and beneficiaries become entitled. All payments of benefits shall be made directly by the Company upon the instructions of the Administrator.

8.3 Reports to Board of Directors. As the Administrator deems necessary or proper or as the Board of Directors of Union Pacific may require, but in any event at least once during each calendar year, the Administrator shall report to such Board on the operation and administration of the Supplemental Plan and on any other matter concerning the Supplemental Plan deemed advisable or required by such Board.

8.4 Designation and Delegation. The Administrator may designate other persons to carry out such of the responsibilities hereunder for the operating and administration of the Supplemental Plan as the Administrator deems advisable and delegate to the persons so designated such of the powers as the Administrator deems necessary to carry out such responsibilities. Such designation and delegation shall be subject to such terms and conditions as the Administrator deems necessary or proper. Any action or determination made or taken in carrying out responsibilities hereunder by the persons so designated by the Administrator shall have the same force and effect for all purposes as if such action or determinations had been made or taken by the Administrator.

8.5 Outside Services. The Administrator may engage counsel and such clerical, medical, financial, actuarial, accounting and other specialized services as is deemed necessary or desirable for the operation and administration of the Supplemental Plan. The Administrator and persons so designated shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

8.6 Expenses. All expenses, including any fees for outside services under Section 8.5, incurred by the Administrator and by persons designated by the Administrator under Section 8.4 in the operation and administration of the Supplemental Plan shall be paid by the Company. Neither the Administrator nor any other person who is an employee of the Company or an Affiliated Company shall receive any compensation solely for services in carrying out any responsibility hereunder.

8.7 Bonding. No bond or other security shall be required of the Administrator or of any person designated under Section 8.4.

8.8 Liability. The Administrator and persons designated by him under Section 8.4 shall use ordinary care and diligence in the performance of their duties. The Company shall indemnify and defend the Administrator and each other person so designated under Section 8.4 against any and all claims, loss, damages, expense (including reasonable counsel fees), and liability arising from any action or failure to act or other conduct in their official capacity, except when the same is due to the gross negligence or willful misconduct of the Administrator or other persons.

8.9 Finality of Actions. Any action required of Union Pacific, the Company, the Board of Directors of Union Pacific, or the Chief Executive Officer of Union Pacific (the “CEO”) under this Supplemental Plan, or made by the Administrator acting on their behalf, shall be made in the Company’s, the Board’s or the CEO’s sole discretion, not in a fiduciary capacity and need not be uniformly applied to similarly situated persons. Any such action shall be final, conclusive and binding on all persons interested in the Supplemental Plan.

Amendment or Termination

9.1 Amendment or Termination. The Board of Directors of Union Pacific, acting by written resolution, reserves the right to modify, alter, amend or terminate the Supplemental Plan from time to time and to modify, withdraw or terminate the Supplemental Plan, to any extent that it may deem advisable; provided, that no such modification, alteration, amendment or termination shall impair any rights which have accrued to Participants hereunder to the date of such modification, alteration, amendment or termination. Notwithstanding the foregoing, (i) prior to March 1, 2013 the Senior Vice President - Human Resources of Union Pacific; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or Union Pacific with similar authority, may make all technical, administrative, regulatory and compliance amendments to the Supplemental Plan, and any other amendment that will not significantly increase the cost of the Supplemental Plan to the Company, as he or she shall deem necessary or appropriate.

General Provisions

10.1 Certain Rights Reserved. Nothing herein contained shall confer upon any Employee or other person the right (a) to continue in Employment or service of the Company or affect any right that the Company may have to terminate the Employment or service of (or to demote or to exclude from future participation in the Supplemental Plan) any such Employee or other person at any time for any reason, (b) to participate in the Supplemental Plan, or (c) to receive an annual base salary of any particular amount.

10.2 Alienability of Benefits.

(a) Payments under the Supplemental Plan may not be assigned, transferred, pledged or hypothecated, and to the extent permitted by law, no such payments shall be subject to legal process or attachment for the payment of any claims against any person entitled to receive the same. Compliance with the provisions and conditions of any domestic relations order assigning a portion of a Participant's benefit to an alternate payee (as defined in Section 414(p)(8) of the Code) ("Alternate Payee") relating to an individual's Supplemental Plan benefits, which the Administrator (i) has determined is a lawful order of a domestic relations court and (ii) has approved as consistent with the terms of the Supplemental Plan (a "DRO" or "Approved DRO"), shall not be considered a violation of this provision. An Approved DRO must identify the Alternate Payee and this Supplemental Pension Plan (409A Non-Grandfathered Component) as the plan to which the DRO applies, describe the amount payable to the Alternate Payee (or the formula by which such amount may be determined), and must not provide for any type or form of benefit not provided under the Supplemental Plan (409A Non-Grandfathered Component), require the Supplemental Plan (409A Non-Grandfathered Component) to provide increased benefits (determined on the basis of actuarial value) or require the payment of benefits to an Alternate Payee which are required to be paid to another Alternate Payee in accordance with another previously Approved DRO.

(b) The benefit assigned to an Alternate Payee in accordance with an Approved DRO shall be paid in the form of (i) an actuarially-equivalent (using factors set forth in the Pension Plan) single life annuity payable in equal monthly installments to the Alternate Payee for his or her lifetime, or (ii) subject to Section 10.2(d), a designated dollar amount or percentage of each periodic payment to the Participant from the Supplemental Plan (409A Non-Grandfathered Component) as, when and if payable. No other forms of payment to an Alternate Payee are available.

(c) Payment of the Alternate Payee's benefit shall commence as follows:

(i) if the Alternate Payee's benefit under the Supplemental Plan (409A Non-Grandfathered Component) is payable in the form of a single life annuity for the lifetime of the Alternate Payee, as of the first day of any month specified in the DRO or elected by the Alternate Payee in accordance with terms of the DRO; provided, however, that payment of such benefit shall not commence prior to the later of: (A) the first day of the month next following the date the Participant attains Earliest Retirement Age (as defined in Section 414(p)(4)(B) of the Code); or (B) the first day of the month next following the month in which the Administrator makes the determination, as described in Section 10.2(a) above, that the domestic relations order is an Approved DRO and is able to determine the amount payable to the Alternate Payee.

Furthermore payment of such benefit shall commence not later than the later of: (X) the Participant's Normal Retirement Date; or (Y) the first day of the month next following the month in which the Administrator makes the determination, as described in Section 10.2(a) above, that the domestic relations order is an Approved DRO and is able to determine the amount payable to the Alternate Payee.

(ii) if the DRO assigns a benefit to the Alternate Payee of a designated dollar amount or percentage of each periodic payment to the Participant from the Supplemental Plan (409A Non-Grandfathered Component) as, when and if payable, such benefit shall commence on the later of: (A) the date on which payments to the Participant from the Supplemental Plan (409A Non-Grandfathered Component) commence; or (B) the first day of the month coinciding with or next following the date specified in the DRO; provided, however, in no case shall payment of such benefit commence prior to the first day of the month next following the month in which the Administrator makes the determination, as described in Section 10.2(a) above, that the domestic relations order is an Approved DRO and is able to determine the amount payable to the Alternate Payee. Subject to Section 10.2(d), payments under the form described in this Section 10.2(c)(ii) shall cease as of the payment due for the month in which the death of the Participant or Alternate Payee occurs, whichever occurs first, or as of such earlier date specified in the DRO.

(d) No Alternate Payee shall have the right with respect to any benefit payable by reason of a DRO to designate a beneficiary with respect to amounts becoming payable under the Supplemental Plan (409A Non-Grandfathered Component), except in the case of a DRO assigning a benefit to the Alternate Payee of a designated dollar amount or percentage of each periodic payment to the Participant from the Supplemental Plan (409A Non-Grandfathered Component), but only to the extent that such beneficiary could be an Alternate Payee with respect to the Participant's benefit.

10.3 Payment Due an Incompetent. If it shall be found that any person to whom a payment is due hereunder is unable to care for that person's affairs because of physical or mental disability, as determined by a licensed physician, the Administrator shall have the authority to cause the payments becoming due such person to be made to the legally appointed guardian of any such person or to the spouse, brother, sister, or other person as it shall determine. Payments made pursuant to such power shall operate as a complete discharge of the Company's obligations.

10.4 Governing Law. The Supplemental Plan shall be construed and enforced in accordance with the laws of the State of Nebraska (without regard to the legislative or judicial conflict of laws rules of any state), except to the extent superseded by any federal law.

10.5 Successors. This Supplemental Plan shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidated or otherwise) to all or substantially all of the business and/or assets of the Company in the same manner and to the same extent that the Company would be bound to perform if no such succession had taken place.

10.6 Titles and Headings Not To Control. The titles and Articles of the Supplemental Plan and the headings of Sections and subsections of the Supplemental Plan are placed herein for convenience of reference only and, as such, shall have no force and effect in the interpretation of the Supplemental Plan.

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.

10.8 Determination and Withholding of Taxes. The Administrator shall have full authority to satisfy the responsibility of Union Pacific or any Affiliated Company to withhold taxes with respect to a Participant or former Participant, including FICA taxes, by withholding such taxes from any distributions under the Plan to the Participant or former Participant or his beneficiary or estate. The Administrator shall also have full authority, with or without the consent of the Participant of former Participant, to withhold from the individual's compensation from any and all sources, any FICA or other taxes applicable to benefits accrued under the Supplemental Plan.

10.9 Interpretation. This Supplemental Plan (409A Non-Grandfathered Component) is intended to satisfy the requirements of Section 409A of the Code, shall be interpreted in a manner consistent with such intent, and has been operated in reasonable good faith compliance with the requirements of Section 409A during the period of January 1, 2005 through December 31, 2008.

Transfers to Non-Covered Employment

11.1 Notwithstanding any other provision of this Supplemental Plan (409A Non-Grandfathered Component) to the contrary, if a Participant is transferred to the employment of an Affiliated Company that has not adopted the Supplemental Plan (“non-covered employment”), upon the approval of the Chief Executive Officer of Union Pacific, any benefits to which such Participant (or his Surviving Spouse or other beneficiary) would be entitled under the Pension Plan, the Supplemental Plan (409A Non-Grandfathered Component), or both, by treating such Participant’s non-covered employment as if it were service covered by such Plans and by aggregating such service with the Participant’s other service covered by the Plans shall be provided to the Participant under this Section 11.1 to the extent that such benefits exceed the aggregate of (a) the Participant’s benefits under the Pension Plan, (b) the Participant’s benefits under the Supplemental Plan (409A Non-Grandfathered Component) determined without regard to this Section 11.1, and (c) the Participant’s benefits under any pension plan of the Affiliated Company that are based on the Participant’s non-covered employment and/or employment otherwise covered by the Pension and Supplemental Plans.

Claims Procedure

12.1 Application for Benefits. Each Participant, former Participant, Surviving Spouse or other beneficiary, or alternate payee under a domestic relations order believing himself or herself eligible for a benefit under this Supplemental Plan shall apply for such benefit by completing and filing with the Administrator an application for benefits on a form supplied by the Administrator.

12.2 Claims. The following provisions are effective on and after January 1, 2002:

(a) Claim for Benefits. A claim for Supplemental Plan benefits may be filed by:

(i) any person (or his duly authorized representative) who has applied for and/or received benefits from the Supplemental Plan pursuant to Section 12.1 and who believes that the amount and/or form of benefits provided (including no benefits) or any change in or termination or reduction of benefits previously provided results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law); or

(ii) any Employee or other individual (or his duly authorized representative) who believes himself to be entitled to benefits from the Supplemental Plan.

A claim for benefits must be filed with the Administrator, in writing and in accordance with such other requirements as may be prescribed by the Administrator. Any claim shall be processed as follows:

(A) When a claim for benefits has been filed by the claimant (or his duly authorized representative), such claim for benefits shall be evaluated and the claimant shall be notified by the Administrator of the approval or denial within a reasonable period of time, but not later than 90 days after the receipt of such claim unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period and shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the claim was received).

(B) A claimant shall be given written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the claimant shall be given written notice which shall contain (I) the specific reasons for the denial, (II) references to the specific Supplemental Plan provisions upon which the denial is based, (III) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, (IV) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, (V) the claimant’s rights to seek review of the denial and time limits and other aspects of the Supplemental Plan’s claim review procedures, and (VI) a statement of the claimant’s right to bring a civil action under ERISA section 502(a) following an adverse determination upon review.

(b) Review of Claim Denial. If a claim for benefits is denied, in whole or in part, the claimant (or his duly authorized representative) shall have the right to request that the Administrator review the denial, provided that the claimant files in accordance with such requirements as may be prescribed by the Administrator a written request for review with the Administrator within 60 days after the date on which the claimant received written notification of the denial. A claimant (or his duly authorized representative) may review relevant documents, records and other information relevant to the claim (or receive copies free of charge) and may submit to the Administrator with the written request for review documents, records, written comments and other information relevant to the claim for benefits, which shall be considered upon review whether or not such information and other items were available when the claim was originally determined. Requests for review not timely filed shall be barred. A timely request for claim review shall be processed as follows:

(i) Within a reasonable period of time, but not later than 60 days after a request for review is received, the review shall be made and the claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review. If an extension is needed, the claimant shall be given a written notification within such initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). However, if the period for deciding the claim has been extended under this paragraph (i) due to a claimant's failure to provide information necessary to decide a claim, the period for making a decision on review shall be tolled from the date the claimant is sent written notice of the extension until the date on which the claimant responds to the request for information (or such earlier date as may be prescribed by the Administrator in accordance with applicable law and regulations).

(ii) The decision on review shall be forwarded to the claimant in writing and shall include (A) specific reasons for the decision, (B) references to the specific Plan provisions upon which the decision is based, (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, and (D) a statement of the claimant's right to bring an action under ERISA section 502(a). A decision on review shall be final and binding on all persons for all purposes.

(c) Exhaustion of Claims Review Process. A claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to his filing a claim for benefits and exhausting his rights to review under this Section 12.3.

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RATIO OF EARNINGS TO FIXED CHARGES
Union Pacific Corporation and Subsidiary Companies

Millions, Except for Ratios	***2017***	*2016*	*2015*	*2014*	*2013*
Fixed charges:					
Interest expense including amortization of debt discount	**$ 719**	$ 698	$ 622	$ 561	$ 526
Portion of rentals representing an interest factor	**75**	83	93	101	121
Total fixed charges	**$ 794**	$ 781	$ 715	$ 662	$ 647
Earnings available for fixed charges:					
Net income	**$ 10,712**	$ 4,233	$ 4,772	$ 5,180	$ 4,388
Equity earnings net of distributions	**(283)**	(83)	(63)	(59)	(57)
Income taxes	**(3,080)**	2,533	2,884	3,163	2,660
Fixed charges	**794**	781	715	662	647
Earnings available for fixed charges	**$ 8,143**	$ 7,464	$ 8,308	$ 8,946	$ 7,638
Ratio of earnings to fixed charges	**10.3**	9.6	11.6	13.5	11.8

Exhibit 21

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

Name of Corporation	State of Incorporation
Union Pacific Railroad Company	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 333-10797, Registration Statement No. 333-88709, Registration Statement No. 333-42768, Registration Statement No. 333-106707, Registration Statement No. 333-106708, Registration Statement No. 333-105714, Registration Statement No. 333-105715, Registration Statement No. 333-116003, Registration Statement No. 333- 132324, Registration Statement No. 333-155708, Registration Statement No. 333-170209, Registration Statement No. 333-170208, and Registration No. 333-188671 on Form S-8, Registration Statement No. 333-214407 on Form S-4, and Registration Statement No. 333-201958 on Form S-3 of our reports dated February 9, 2018, relating to the consolidated financial statements and financial statement schedule of Union Pacific Corporation and Subsidiary Companies (the Corporation), and the effectiveness of the Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Union Pacific Corporation for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 9, 2018

UNION PACIFIC CORPORATION
Powers of Attorney

Each of the undersigned directors of Union Pacific Corporation, a Utah corporation (the Company), do hereby appoint each of Lance M. Fritz, Rhonda S. Ferguson, and James J. Theisen, Jr. his or her true and lawful attorney-in-fact and agent, to sign on his or her behalf the Company's Annual Report on Form 10-K, for the year ended December 31, 2017, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney as of February 8, 2018.

/s/ Andrew H. Card, Jr.
Andrew H. Card, Jr.

/s/ Erroll B. Davis, Jr.
Erroll B. Davis, Jr.

/s/ David B. Dillon
David B. Dillon

/s/ Deborah C. Hopkins
Deborah C. Hopkins

/s/ Jane H. Lute
Jane H. Lute

/s/ Michael R. McCarthy
Michael R. McCarthy

/s/ Michael W. McConnell
Michael W. McConnell

/s/ Thomas F. McLarty III
Thomas F. McLarty III

/s/ Bhavesh V. Patel
Bhavesh V. Patel

/s/ Steven R. Rogel
Steven R. Rogel

/s/ Jose H. Villarreal
Jose H. Villarreal

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Lance M. Fritz, certify that:

1. I have reviewed this annual report on Form 10-K of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2018

/s/ Lance M. Fritz
Lance M. Fritz
Chairman, President and
Chief Executive Officer

Exhibit 31(b)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robert M. Knight, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Union Pacific Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2018

/s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Lance M. Fritz, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Lance M. Fritz
Lance M. Fritz
Chairman, President and
Chief Executive Officer
Union Pacific Corporation

February 9, 2018

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer
Union Pacific Corporation

February 9, 2018

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.