

**UNION PACIFIC CORPORATION**  
**Tax Basis Information**

October 18, 1996

To Union Pacific Corporation Shareholders:

On October 15, 1996, certificates representing whole shares of common stock of Union Pacific Resources Group Inc. ("Resources") were distributed as a special dividend on the shares of Union Pacific Corporation ("Union Pacific") common stock that you held as of September 26 1996. If your distribution included a fractional share of Resources common stock, we also included a check representing the net proceeds from the sale of such fractional share on your behalf.

We are now pleased to provide you with additional Federal income tax information with respect to the distribution.

**Tax Basis**

Information for determining the tax basis in your shares of Union Pacific common stock and Resources common stock is set forth below. The information should be generally helpful in preparing your Federal income tax returns. We therefore urge you to keep this document for future reference. You should review the subject matter with your own tax advisor at the appropriate time.

In order to compute the tax basis in your shares of Union Pacific common stock and Resources common stock, you must first determine your tax basis in the shares of Union Pacific common stock you held immediately prior to the distribution. The pre-distribution tax basis must then be allocated between your shares of Union Pacific common stock and Resources common stock in proportion to their relative fair market values at the time of distribution. Based upon the average of the high and low trading prices for shares of Union Pacific common stock and Resources common stock on October 15, 1996 (the date of the distribution), as reported by *The Wall Street Journal* for New York Stock Exchange Composite Transactions, the following is an acceptable method for allocating the tax basis in your shares of Union Pacific common stock held immediately prior to the distribution between your Union Pacific common stock and your Resources common stock received in the distribution:

- To determine the tax basis in your Union Pacific common stock held after the distribution, multiply your pre-distribution tax basis in those shares by 67.24%.
- To determine the tax basis in your shares of Resources common stock received in the distribution (including any fractional share), multiply the pre-distribution tax basis in your shares of Union Pacific common stock by 32.76%.

If you owned more than one lot or block of Union Pacific common stock having different tax basis, the tax basis allocation described in this document should be computed separately for each such lot or block.

**Example:**

The preceding computation may be illustrated as follows:

Dr. Desoto owns 100 shares of Union Pacific common stock, which she acquired for investment purposes in a single lot in 1994, with a tax basis of \$5,000.00 or \$50.00 per share. Based on the distribution ratio of 0.846946 share of Resources common stock for each share of Union Pacific common stock, she was entitled to receive 84.6946 shares of Resources common stock.

Dr. Desoto's tax basis in her Union Pacific common stock after the distribution is \$3,362 (her pre-distribution basis of \$5,000.00 times 0.6724), or approximately \$33.62 per share.

Dr. DeSoto's tax basis in the 84.6946 shares of Resources common stock which she received in the distribution is \$1,638 (her pre-distribution basis in her Union Pacific common stock of \$5,000.00 times 0.3276), or approximately \$19.34 per share.

The tax basis in the fractional share of Resources common stock Dr. DeSoto was entitled to receive was \$13.43 (per-share basis of \$19.34 times 0.6946 share). Since the net proceeds from the sale of that fraction on her behalf was \$19.07, she recognized a taxable gain of \$5.64 (\$19.07 minus \$13.43) that she should report as a long-term capital gain on her 1996 Federal income tax return.

**Worksheet**

You may complete the following worksheet to determine the results in your own situation. If you have more than one lot or block of Union Pacific common stock with different tax basis, you may want to copy the worksheet and complete it separately for each lot or block.

<b>Worksheet</b>		
<b>Union Pacific Shares</b>		
\$ _____ X 0.6724		= \$ _____
Pre-distribution basis in your Union Pacific shares		Post-distribution basis in your Union Pacific shares
\$ _____ +	_____	= \$ _____
Post-distribution basis in your Union Pacific shares	Number of your Union Pacific shares	Your post-distribution basis per Union Pacific share
<b>Resources Shares</b>		
\$ _____ X 0.3276		= \$ _____
Pre-distribution basis in your Union Pacific shares		Basis in your Resources shares
\$ _____ +	_____	= \$ _____
Basis in your Resources shares	Number of your Resources shares shares (including any fraction)	Your basis per Resources share
If the number of Resources shares that you were entitled to receive included a fraction, complete the following:		
\$ _____ X	_____	= \$ _____
Your basis per Resources share	Your fractional Resources share	Basis in your fractional Resources share
\$ _____	_____	= \$ _____
Net proceeds from the sale of your Resources fractional share	Basis in your fractional Resources share	Taxable gain or (loss) to be reported on your 1996 Federal income tax return

**Income Tax Reporting**

The Internal Revenue Service requires that you sign and attach to your 1996 Federal income tax return a statement setting forth certain prescribed information regarding the distribution. The last page of this document is a sample statement that, after consulting with your tax advisor, you may want to use for that purpose.

If you received a check in payment of fractional share proceeds, a Form 1099B will be issued for payments in excess of \$20 and mailed to you in January 1997. A form 1099B will not be issued for payments of \$20 or less, although any such payment that you receive must be reported on your 1996 Federal income tax return.

The information contained herein represents our understanding of existing Federal income tax law and does not constitute tax advice. A more detailed description of the Federal income tax consequences of the distribution can be found at pages 3-4 of the Information statement dated September 30, 1996, which you should have received prior to the distribution. We suggest that you consult with your own tax advisor, particularly if you purchased your Union Pacific common stock at different prices or acquired them by gift or bequest.

#### **Questions**

You may direct any questions concerning the foregoing tax basis information or any other aspect of the Resources distribution to Harris Trust and Savings Bank, the Transfer Agent for the Union Pacific and Resources, at (800) 317-2512 on weekdays between 9:30 a.m. and 6:00 p.m. (Eastern Time).

**UNION PACIFIC CORPORATION**

**UNION PACIFIC RESOURCES GROUP INC.  
STOCK PRICES  
OCTOBER 1996**

DATE	VOLUME	HIGH	LOW	CLOSE	FMV
1	1458	28.125	27.500	27.625	27.8125
2	1002	27.750	27.500	27.750	27.6250
3	2955	27.875	27.625	27.750	27.7500
4	3808	28.125	27.750	28.000	27.9375
7	5032	28.625	28.125	28.500	28.3750
8	8179	29.500	28.875	29.375	29.1875
9	7034	29.375	28.875	29.000	29.1250
10	3077	29.000	28.500	28.625	28.7500
11	2561	28.625	28.375	28.625	28.5000
14	4974	28.875	28.500	28.750	28.6875
15	<b>28274</b>	<b>28.875</b>	<b>28.375</b>	<b>28.625</b>	<b>28.6250</b>
16	32628	28.375	27.500	27.875	27.9375
17	25868	27.875	27.000	27.500	27.4375
18	26162	27.500	27.000	27.125	27.2500
21	50103	27.500	26.750	27.500	27.1250
22	33315	28.000	27.375	27.750	27.6900
23	13578	27.750	27.000	27.375	27.3800
24	18623	27.125	26.750	26.750	27.0000
25	13251	26.875	26.125	26.125	26.5625
28	19159	26.500	25.750	26.500	26.1250
29	29542	27.625	26.125	27.500	26.9375
30	34831	28.125	27.375	28.000	27.7500
31	17020	28.125	27.500	27.500	27.8125

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