

Announcement of Constrained Markets in California for Mutual Commitment Program Customers

Dear Intermodal Customer,

Union Pacific is experiencing a significant increase in demand for domestic container capacity in both Northern and Southern California. It is anticipated that demand will increase further in the next two weeks. Action is being taken to reposition additional containers and increase train capacity to meet the needs of committed shippers. Therefore, in accordance with terms of the Mutual Commitment Program (MCP), UP is declaring the Northern California and Southern California markets as constrained.

Beginning the week of Sunday, September 23rd, UP will assess surcharges for weekly shipment volume above the Surge Volume Allowance calculated for each shipper. Collection of these charges is necessary to offset part of the additional cost of repositioning extra equipment into California. UP anticipates that demand will moderate early in October, causing California markets to no longer be constrained.

Within the next day or two customers will receive an updated report showing the weekly Base Load Volume for each MCP Agreement in the Northern and Southern California markets. The Base Load Volume calculation will be based on the terms of each MCP Agreement, with the final week ending Saturday September 15, 2012.

UP will be reducing Volume Surcharges approximately 20% and 25% from previously-expected levels for the duration of peak season. Specific Volume Surcharge amounts will be communicated to customers individually beginning today.

Customers are reminded to provide current weekly volume forecasts for shippers that are expecting volumes surges in the upcoming weeks. Customers are also reminded that all available street capacity should be used to support Committed shippers prior to making a request for supplemental capacity from UP.

If you have any questions, please don't hesitate to contact your Intermodal Sales Representative. We thank you for your business and look forward to a successful peak shipping season.