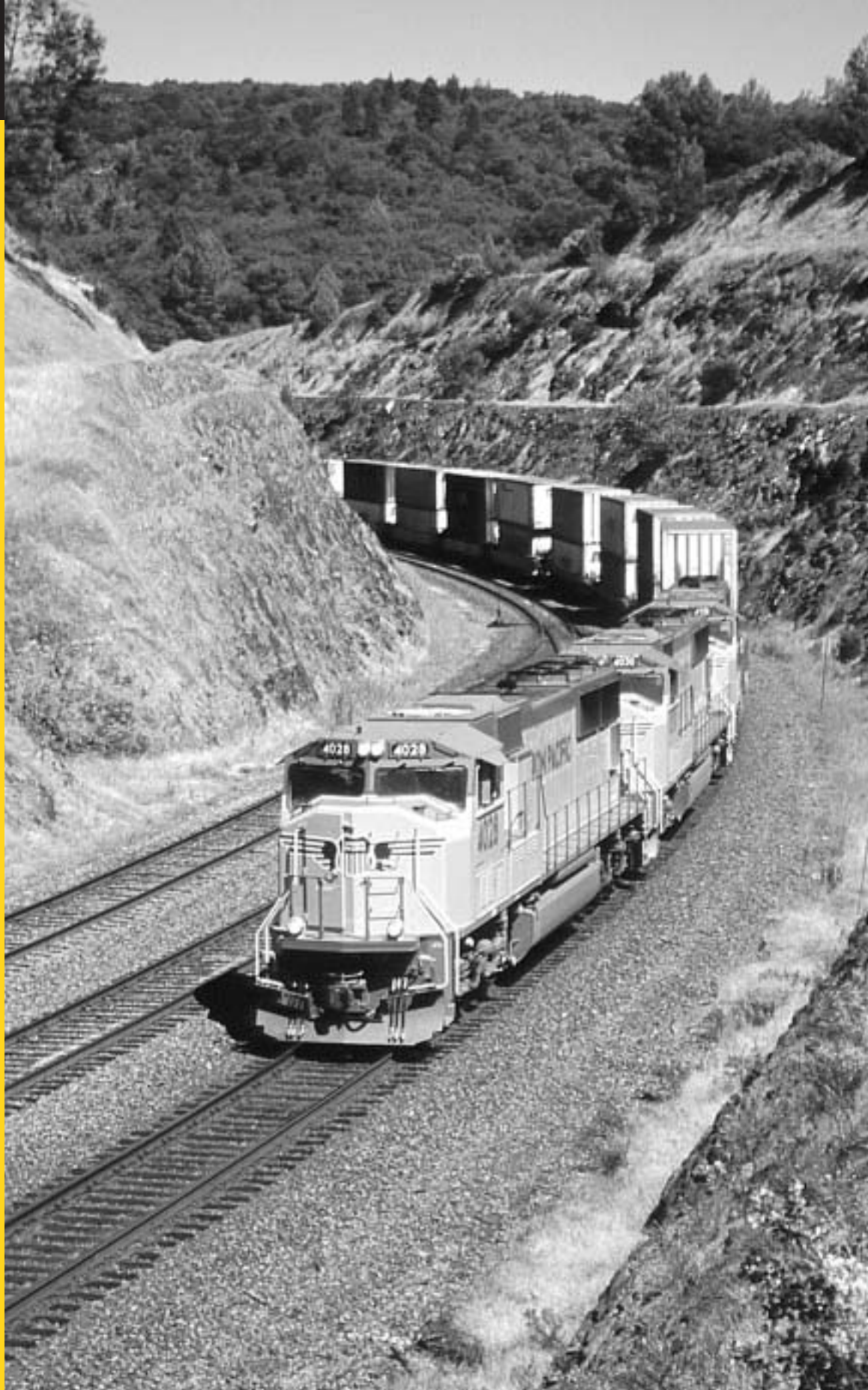


Rochelle Intermodal Facility



L A Y I N G T R A C K S F O R F U T U R E G R O W T H

Rail: A PARTNER IN INTERNATIONAL T

Railroads are vital to the United States' economic success in international trade. Automobile parts, appliances, construction materials, food and farm products, clothing, computers, and medical supplies all travel by rail to destinations worldwide. Today's intermodal transportation systems help deliver these products quickly and cost-effectively to consumers around the globe.

With international trade growing to more than 25 percent of the U.S. economy, intermodal transportation is expanding as well. The efficiency of intermodal shipping helps to keep transportation costs to a minimum, allowing U.S. businesses to better compete in the global economy.

To help facilitate the movement of goods worldwide, Union Pacific Railroad plans to develop a new intermodal transportation facility in Rochelle, Illinois. The new, state-of-the-art intermodal facility will use the latest technology and computer systems to efficiently transfer cargo containers between trains and trucks.

Efficient handling of shipped goods

Intermodal shipping involves moving freight by more than one method or "mode" of transportation without repackaging. For example, the same containers loaded by a Rochelle farmer or business onto a truck can be transferred to trains at the Rochelle Intermodal Facility, then travel to a marine terminal for transfer onto a ship for delivery to destinations worldwide.

Intermodal transportation is more cost-effective and better for the environment than long-haul trucking. It gets finished products to consumers and raw materials to producers in a matter of days. It's the fastest growing segment of the rail freight industry, due to increased global trade and the economic advantage to shippers in reducing the cost of transporting goods. UP handles more than 2.3 million containers per year and the demand will continue to increase 4 percent per year for the foreseeable future.

At an intermodal facility

The transfer of the standardized cargo containers occurs at intermodal facilities. The facilities are strategically located near rail lines and interstate highways that provide convenient access for trains and trucks. At intermodal facilities, the container transfers are handled safely with proficiency and speed. Trucks gain access to the facilities with computerized access cards. Containers are transferred in just a few minutes. Trucks typically are back on the road within 15 to 20 minutes. Built with quality in mind, intermodal facilities are clean, safe, and well lit. Traffic moves very smoothly to and from the highway, minimizing congestion.

Expansion in northern Illinois region

Union Pacific Railroad is developing a new intermodal facility in Rochelle, Illinois, 75 miles west of Chicago and 25 miles south of Rockford. The Chicago region is the third largest handler of international freight in the world. Only Hong Kong and Singapore handle more intermodal freight than the Chicago area. Dozens of major companies in the northern Illinois area rely on intermodal rail freight to ship and receive their raw materials and finished goods. UP's intermodal facilities in the Chicago area are operating at full capacity, and a new facility is needed to help keep area businesses successful and to strengthen the northern Illinois region as a major transfer point for cargo.

Rochelle to grow with intermodal

Rochelle, also known as Hub City because of its proximity to two major rail lines and Interstates 88 and 39, is superbly situated to accommodate the growing need for intermodal transportation in the northern Illinois region.

The Rochelle Intermodal Facility can benefit existing distribution businesses that are large employers in the area. It also will attract new distribution business and other commercial and industrial activity. Rochelle and surrounding communities can become a place where new businesses want to locate because of the Rochelle Intermodal Facility, which will provide access to cost-effective transportation to regional, national and worldwide markets.

UP has acquired approximately 1,200 acres of land southwest of Rochelle and is working with city officials to design an intermodal facility that is in keeping with

the community's vision of the project. Regional and community leaders have been interested in developing an intermodal transportation facility near Rochelle for several years. A regional steering committee produced a feasibility study to identify sites for such a development, as well as to analyze its impacts and benefits.

The project will be a source of construction employment and long-term operational employment. It will add more than \$500,000 in annual tax revenue to area taxing bodies. As important, the Rochelle Intermodal Facility will be a catalyst for economic development, laying the tracks for a strong future for Rochelle.



Union Pacific Railroad—North America's largest

Union Pacific Corporation is one of America's leading transportation companies. Its principal operating company, Union Pacific Railroad, is the largest railroad in North America, covering 23 states across the western two-thirds of the United States. A strong focus on quality and a strategically advantageous route structure enables the company to serve customers in critical and fast growing markets. With competitive long-haul routes between all West Coast ports and eastern gateways and as the only railroad to serve all six major gateways to Mexico, Union Pacific has the premier rail franchise in North America. It is the leading carrier of low-sulfur coal used in electrical power generation and it has broad coverage of the large chemical-producing areas along the Gulf Coast. The corporation also owns Overnite Transportation, a nationwide less-than-truckload carrier, and Fenix, a group of technology companies.

ROCHELLE INTERMODAL FACILITY

Economic Impact

The development of an intermodal transportation facility by the Union Pacific Railroad in Rochelle, Illinois, will bring many economic benefits to the greater northern Illinois region. Direct and indirect taxes generated by the new Intermodal Facility from both facility operations and staffing are expected to yield \$42.6 million from 2001 through 2010. An additional \$72.6 million in tax revenue could be generated by business expansion spurred-on by the new Intermodal Facility.

About 1,500 construction jobs will be created during the construction process. Once the facility is complete, 150 new jobs will be created at the facility involving operational positions in areas including logistics and technology. An additional 200 jobs in the drayage industry will be created to service the facility. The payroll for area citizens is estimated to be \$20.7 million annually.

The Rochelle Intermodal Facility also will help existing businesses in the region remain competitive in the global marketplace with access to a transportation center that can take their products to the West Coast and on to the Far East at competitive prices.

Additionally, the facility will attract a variety of new businesses. In the Midwest Regional Intermodal Feasibility Study commissioned by the Regional Steering Committee, economic development activities at existing intermodal rail facilities were reviewed. In cities where intermodal rail facilities were located, the immediate areas also experienced the development of:

1. **Public and private warehouse and distribution centers** – Close proximity to an intermodal rail facility minimizes the cargo dray distance.
2. **Origin and destination drayage companies** – Very dependent on the core railroad system, these firms play a key link between shippers and retailers.
3. **Equipment maintenance companies** – These firms provide repair service to truck, terminal and rail industries.
4. **Manufacturing companies** – Close proximity to rail facilities helps to reduce the cost of shipping their products to retailers and receiving raw materials.
5. **Processing companies** – Close proximity helps to reduce shipping costs.

A study conducted by Insight Research Corporation, a nationally recognized economic consultant, estimated that firms attracted by the Intermodal Facility would create 1,600 new jobs by 2010. These new jobs will have a payroll of \$44 million. The study also concluded that potential expansion at private manufacturing, service and distribution facilities could spur investment of \$140 million for buildings and another \$140 million in equipment purchases.

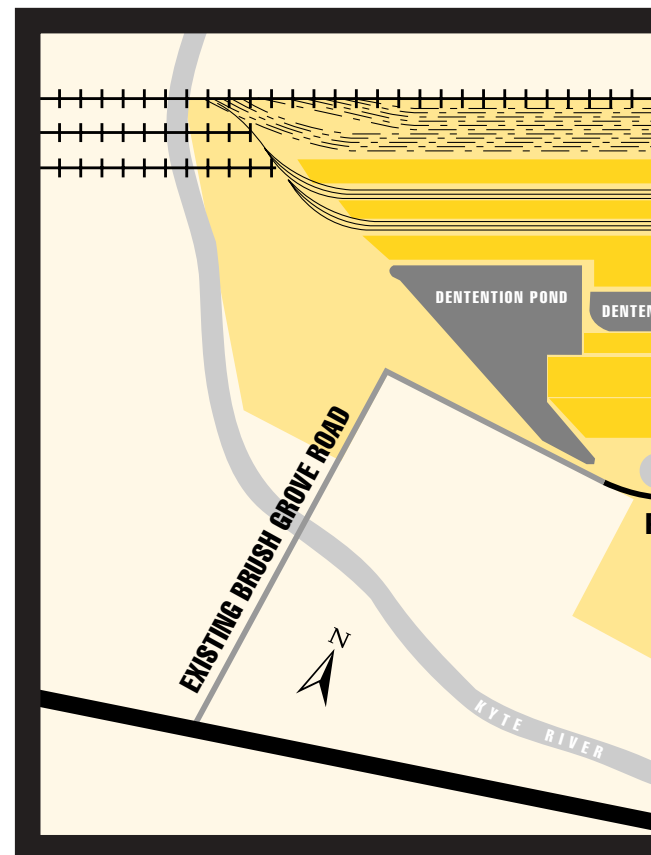
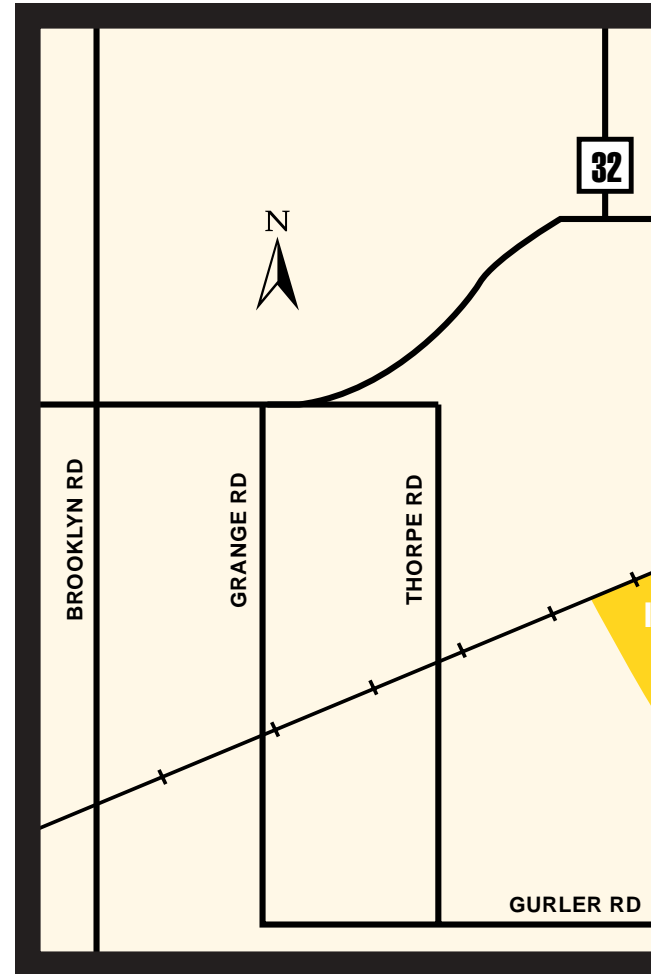
About the site

Union Pacific has been working with the community to design a project in keeping with the City's vision of an intermodal development. Plans call for the City of Rochelle to annex the site. The Rochelle Intermodal Facility will encompass about 1,200 acres of land west of Rochelle, south of state highway 38 and north of the I-88 Tollway. A portion of the existing Brush Grove Road south of the Union Pacific tracks must be vacated to accommodate site development.

Much of the land proposed for the new development is farmed wetland. Great care was taken in designing the facility to deal with area flooding concerns. The new facility was designed to meet the strict requirements of the Ogle County Comprehensive Stormwater Management Ordinance. On-site wet detention basins will store stormwater to be released at a controlled rate. Site design criteria demonstrate that stormwater runoff from the site properties will actually be less than existing conditions.



The Harriman Dispatching Center, located in Omaha, Nebraska, is one of the largest and most technologically advanced dispatching facilities in the country. At any given time, approximately 2,500 freight trains operate over UP's 38,654-mile network. In addition, more than 200 daily passenger trains, including Amtrak and commuter operations in Illinois and California, are dispatched from the Harriman Dispatching Center. Dispatchers are aided by the latest computer technology that continually reviews train movements and helps dispatchers plan and execute train movements.



Roads

The City of Rochelle will build a new road off State Hwy. 251 west to the intermodal site and extending past the site to connect with Brush Grove Road. Grant funds and funds from the Union Pacific will pay for this road. No local tax dollars will be used.

This new road will connect with State Highway 251 approximately 800 feet north of Interstate 88. As a result, no trucks entering or leaving the facility will go into the city. Trucks will be routed directly off and onto the tollway.

The City also has proposed to construct a new “Jack Dame Road” connecting State Highway 38 to the new intermodal site access road leading to state Hwy. 251. The new “Jack Dame Road” will further improve area traffic flow and facilitate industrial development. State grant funds and Union Pacific will pay for this work.

Access to the intermodal facility is managed via a computerized control system. Following a quick check-in, containers are transferred to or from the trucks in a matter of minutes, and the trucks are back on the road within 15-20 minutes, compared to the industry average of 45 minutes. UP’s efficient process minimizes congestion and back-ups.

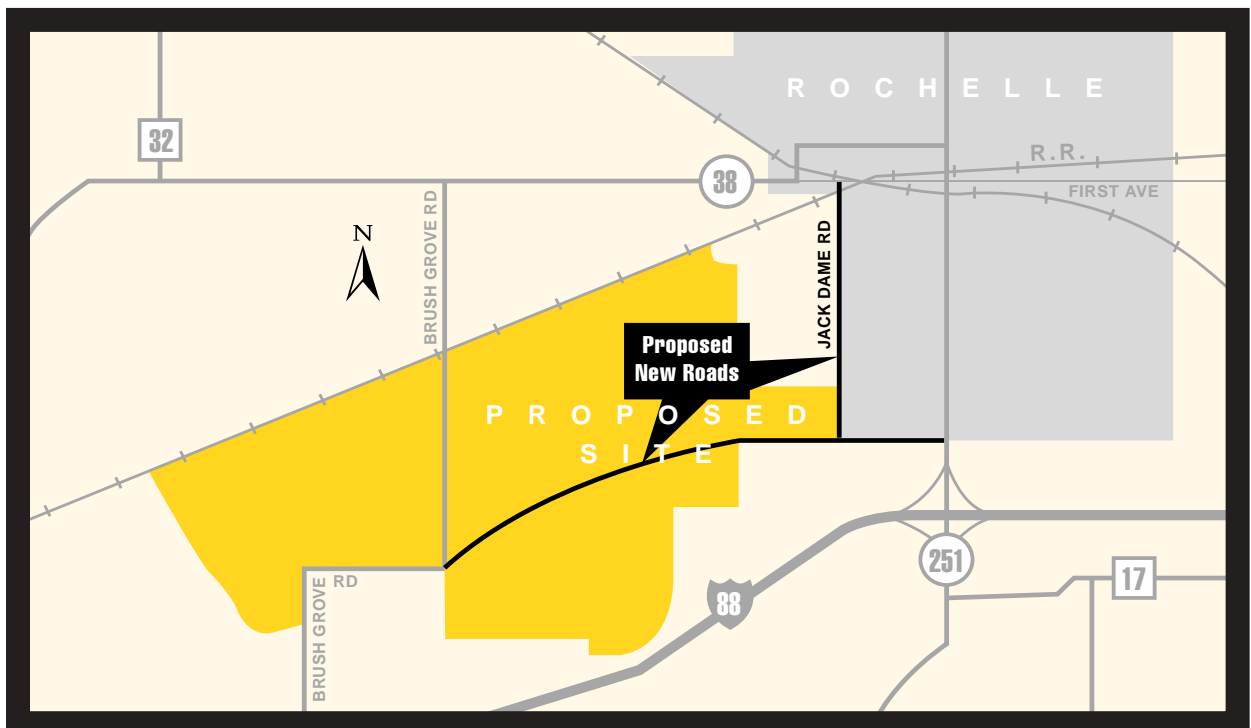
While the Rochelle Intermodal Facility will

accommodate significant activity, it may go largely unnoticed by area residents. The site design has significant buffers between developed intermodal facilities and neighboring properties.

A Traffic Planning Study conducted by the engineering firm of Gewalt Hamilton concluded “...the roadways can accommodate intermodal facility traffic.” Key reasons for these conclusions are:

- The site’s location in direct proximity to I-88 and I-39 will offer excellent site accessibility.
- Two “area-wide” roadway expansions are planned to orient traffic to I-88 and I-39. First, the Brush Grove Road extension will link the Intermodal Facility to Illinois 251, just north of the I-88 interchange. Second, the new Jack Dame Road will link Illinois 38 to Illinois 251.
- Project-related improvements on Illinois 251, such as new turn lanes and traffic signals, will ensure that Intermodal Facility traffic will move safely and efficiently without congestion.

The study was conducted assuming operation of the new facility at full capacity.



Environmentally positive

An intermodal facility in Rochelle would allow Union Pacific trains to originate and terminate in Rochelle without going the additional distance to Chicago. The new intermodal facility would have a positive effect on the environment through reduced use of diesel fuel, reduced emissions, reduced traffic congestion and reduced wear and tear on highways.

Overall, rail is better for the environment than long-haul trucking. Trains are more fuel-efficient than diesel-fueled trucks, making intermodal shipping a better use of natural resources.

Regional shippers' use of the Rochelle Intermodal Facility would significantly decrease the distances traveled by trucks hauling containers. This reduction

in distance would significantly reduce vehicle emissions, which is an important air quality issue in the region. By decreasing the transit distance, hundreds of metric tons of pollutants (including hydrocarbons, carbon monoxide and nitrogen oxides) could be eliminated each year.

Reduced trucking miles also alleviate traffic congestion and reduce the wear and tear on the roadways. Construction of a new intermodal facility in Rochelle will reduce the average roundtrip trucking distance for regional shippers. This reduction in trucking miles will save regional shippers money and time, thus benefiting the local economy.

P R O J E C T T I M E L I N E

Receive permits from Army Corps of Engineers, Illinois DNR and Ogle County	Summer & Fall 2001
Begin site work, including installation of temporary access road.	Mid-November 2001
Apply for site annexation to the City of Rochelle	December 2001
Site annexed to the City of Rochelle. Complete temporary road construction. Begin lead track construction	Early 2002
Complete lead track and switching construction. Complete detention basins and landscape berms. Begin gate and control systems construction	Late 2002
Project completion	Fall 2003

Construction Process and Timeline

The process for developing a Union Pacific intermodal facility in Rochelle, Illinois, is under way. Site grading in preparation for stormwater detention and track work began in November 2001.

Union Pacific worked cooperatively with landowners to acquire the needed property for the intermodal facility. Parcels totaling approximately 1,200 acres have been purchased. UP also is working with the City of Rochelle to annex this property into the City, providing Rochelle with

a significant source of additional revenue.

Necessary permits from the Army Corps of Engineers, Illinois Department of Natural Resources and Ogle County have been received.

The City of Rochelle has amended the zoning code to regulate intermodal development. This will help ensure that the development is in keeping with the City's vision of the project.

With all approvals, UP broke ground in late 2001 to begin about 24 months of construction.

