Cost of Capital Study
2007 Assessment Year

Railroad Industry

Equity:

Yield Capitalization	**Class One**
CAPM ex post	10.12%
CAPM ex ante	9.55%
Dividend Growth Models	
ValueLine, based on Dividends Growth	14.50%
ValueLine, based on Earnings Growth	16.12%
Standard & Poor's, based on Earnings Growth	16.40%
Yield Equity Component	**12.00%**

Debt:

Debt Rate	**6.50%**

Industry Market Capital Structure

Equity	**76%**	x	12.00%	=		9.12%
Debt	**24%**	x	6.50%	=	1.56%	
Marginal Tax Rate (35%)			(1-.35)	x	1.56%	1.01%
	100%					
WACC						**10.13%**

Washington State Department of Revenue

Support for Guideline Companies

Railroad Industry

2007 Assessment Year

Industry Overall						**Book Values**		
Company Name	**Ticker**	**Beta**	**P/E Ratio (tr)**	**Div'd Yield**	**Long Term Debt**	**Pref Stock**	**Com Stock**
Burlington Northern Santa Fe	BNI	0.95	15.70	1.30%	6,912,000,000	-	27,392,748,261
Canadian National Railway	CNI	0.95	14.60	1.60%	4,632,000,000	-	23,428,636,000
Union Pacific Corp.	UNP	0.90	16.60	1.40%	6,657,000,000	-	24,637,567,097
Norfolk Southern Corp.	NSC	1.05	13.20	1.90%	6,141,000,000	-	19,837,323,647
CSX Corporation	CSX	0.95	16.80	1.30%	5,362,000,000	-	15,539,650,000
Canadian Pacific Railway	CP	0.90	15.10	1.20%	2,419,600,000	-	8,445,723,333
	Mean	**0.95**	**15.33**	**1.45%**	**5,353,933,333**	**-**	**19,880,274,723**
		Book Capital Structure			**21.2%**	**0.0%**	**78.8%**

Source: ValueLine

Notes: 1) Average Stock Price = 4th 1/4 High/Low common stock price averages.
2) CNI and CP figures are in US dollars.

Support for Capital Structure
(based on Market Value)
Railroad Industry
2007 Assessment Year

				Market Values						
Company Name	**Ticker**	**$Stock$ Average**	**Common Shares**	**Common $ Stock $**	**%**	**Preferred $ Stock $**	**%**	**Long Term $ Debt $**	**%**	**$ Total $ Debt & Equity,**
Burlington Northern Santa Fe	BNI	76.31	358,958,852	27,392,748,261	78.4%	-	0.0%	7,544,224,813	21.59%	34,936,973,074
Canadian National Railway	CNI	45.72	512,400,000	23,428,636,000	82.0%	-	0.0%	5,152,205,003	18.03%	28,580,841,003
Union Pacific Corp.	UNP	91.35	269,719,931	24,637,567,097	78.0%	-	0.0%	6,958,852,277	22.02%	31,596,419,374
Norfolk Southern Corp.	NSC	49.98	396,892,000	19,837,323,647	74.7%	-	0.0%	6,720,458,247	25.31%	26,557,781,893
CSX Corporation	CSX	35.72	435,000,000	15,539,650,000	73.1%	-	0.0%	5,714,129,873	26.89%	21,253,779,873
Canadian Pacific Railway	CP	54.31	155,500,000	8,445,723,333	72.0%	-	0.0%	3,290,414,040	28.04%	11,736,137,373
Mean:					**76.4%**		**0.0%**		**23.6%**	
Weighted Mean:				119,281,648,338	**77.1%**	-	**0.0%**	35,380,284,252	**22.9%**	154,661,932,590
Median:					**76.3%**		**0.0%**		**23.7%**	
				Say	**76.0%**		**0.0%**		**24.0%**	

Sources: ValueLine.

Notes: 1) Market value of operating leases is based on annual rents divided by the embedded debt rate (see Bond Analysis page).
2) CNI and CP figures are in US dollars (converted from Canadian to US dollars at .85).
3) Market value of debt is derived from the book value of debt per Value Line times the Market to Book ratio shown on the Bond Analysis page.
4) Long Term Debt includes Capitalized Leases.

Washington State Department of Revenue

Support for Market Multiples

Railroad Industry

2007 Assessment Year

Industry Overall

Company Name	Ticker	$Stock$ Price	Rev's per share	Multiple	Cash Flow per share	Multiple	Earnings per share	Multiple	Div'ds Decl'd	Multiple	Book Value per share	Multiple
Burlington Northern Santa Fe	BNI	$ 76.31	$ 41.87	1.82	$ 9.20	8.29	$ 5.04	15.14	$ 0.90	84.79	$ 29.05	2.63
Canadian National Railway	CNI	$ 45.72	$ 12.95	3.53	$ 4.55	10.05	$ 2.96	15.45	$ 0.56	81.65	$ 16.40	2.79
Union Pacific Corp.	UNP	$ 91.35	$ 57.70	1.58	$ 11.65	7.84	$ 5.91	15.46	$ 1.20	76.12	$ 54.50	1.68
Norfolk Southern Corp.	NSC	$ 49.98	$ 24.00	2.08	$ 5.90	8.47	$ 3.58	13.96	$ 0.68	73.50	$ 24.45	2.04
CSX Corporation	CSX	$ 35.72	$ 22.00	1.62	$ 4.80	7.44	$ 2.22	16.09	$ 0.33	108.25	$ 20.55	1.74
Canadian Pacific Railway	CP	$ 54.31	$ 25.35	2.14	$ 6.55	8.29	$ 3.40	15.97	$ 0.64	84.86	$ 26.85	2.02
	Mean:			2.13		8.40		15.35		84.86		2.15
	Median:			1.95		8.29		15.45		83.22		2.03
	Std. Dev.			0.72		0.89		0.77		12.35		0.46
			Say	**2.0**		**8.35**		**15.4**		**80.0**		**2.00**

Source: ValueLine

Notes: 1) Average Stock Price = 4th 1/4 High/Low common stock price averages.
2) CNI and CP figures are in US dollars.

Support for Yield Capitalization Equity Component
Capital Asset Pricing Model
Railroad Industry
2007 Assessment Year

Ke = Rf + B x Rp

(ex post)

	Where:	**Class One**	
Ke =	**Cost of Equity**	**10.12%**	to page 1
Rf =	risk free rate	4.80%	
Rp =	risk premium	5.60%	
B =	Beta	0.95	

Rp =	**Risk Premium**		**5.6%**
			to above
	Ibbotson SBBI, Market Report Dec 2006, Table 7 page 16		
	Ibbotson, SBBI, Large Co. (Geometric mean)	10.4% Rm	

Rf =	**Risk Free Rate**		**4.8%**
			to above
	Ibbotson SBBI, Risk Premia Over Time Report 2007, Table C1 page 5 (1926-2006).		
	Long Term (20 years) US Treasury Bond Yield	4.9%	
	Value Line Investment Survey, Selected Yields January 5, 2007, page 4941		
	US Treasury Securities year end data		
	5 year	4.64%	
	10 year	4.65%	
	30 year	4.78%	
	30 year Zero	4.74%	
	Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)		
	Treasury Constant Maturities		
	5 year	4.56%	
	10 year	4.60%	
	20 year	4.82%	
	20 year TIPS	2.33%	
	Inflation Indication	2.49%	

Support for Yield Capitalization Equity Component
Capital Asset Pricing Model
Railroad Industry
2007 Assessment Year

Ke = Rf + B x Rp

(ex ante)

	Where:	Class One	
Ke =	**Cost of Equity**	**9.55%**	to page 1
Rf =	risk free rate	4.80%	
Rp =	risk premium	5.00%	
B =	Beta	0.95	

Rp = Risk Premium **5.0 %**

to above

Roger J. Grabowski and David W. King

Equity Risk Premium: What Consultants Need to Know
about Recent Research - 2005 Update

Dr. Aswath Damodoran

http://pages.stern.nyu.edu/~adamodar/

John Graham and Cambell Harvey

Expectations of Equity Risk Premium, Volatility and Asymmetry, 2003
(The Graham and Harvey is the US Corportate officer survey of 2.9-4.7%)

Rf = Risk Free Rate **4.8 %**

to above

Ibbotson SBBI, Risk Premia Over Time Report 2006, Table C1 page 5

Long Term (20 years) US Treasury Bond Yield 4.9%

Value Line Investment Survey, Selected Yields January 5, 2007, page 4941

US Treasury Securities year end data

5 year	4.64%
10 year	4.65%
30 year	4.78%
30 year Zero	4.74%

Federal Reserve Statistical Release
(http://www.federalreserve.gov/Releases/H15/Current/)

Treasury Constant Maturities

5 year	4.56%
10 year	4.60%
20 year	4.82%
20 year TIPS	2.33%
Inflation Indication	2.49%

Implied Premiums for US Market

http://pages.stern.nyu.edu/~adamodar/

These implied premiums are calculated using the S&P 500.

Year	*Earnings Yield*	*Dividend Yield*	*S&P 500*	*Earnings*	*Dividends*	*Change in Earnings*	*Change in Dividends*	*T.Bill Rate*	*T.Bond Rate*	*Bond-Bill*	*Smoothed Growth*	*Implied Premium (DDM)*	*Analyst Growth Estimate*	*Implied Premium (FCFE)*
1960	5.34%	3.41%	58.11	3.1	1.98			0.0266	2.76%	0.10%	2.45%			
1961	4.71%	2.85%	71.55	3.37	2.04	8.60%	2.91%	2.13%	2.35%	0.22%	2.41%	2.92%		2.92%
1962	5.81%	3.40%	63.1	3.67	2.15	8.79%	5.21%	2.73%	3.85%	1.12%	4.05%	3.56%		3.56%
1963	5.51%	3.13%	75.02	4.13	2.35	12.75%	9.45%	3.12%	4.14%	1.02%	4.96%	3.38%		3.38%
1964	5.62%	3.05%	84.75	4.76	2.58	15.23%	10.08%	3.54%	4.21%	0.67%	5.13%	3.31%		3.31%
1965	5.73%	3.06%	92.43	5.3	2.83	11.20%	9.42%	3.93%	4.65%	0.72%	5.46%	3.32%		3.32%
1966	6.74%	3.59%	80.33	5.41	2.88	2.23%	1.96%	4.76%	4.64%	-0.12%	4.19%	3.68%		3.68%
1967	5.66%	3.09%	96.47	5.46	2.98	0.85%	3.37%	4.21%	5.70%	1.49%	5.25%	3.20%		3.20%
1968	5.51%	2.93%	103.86	5.72	3.04	4.81%	2.09%	5.21%	6.16%	0.95%	5.32%	3.00%		3.00%
1969	6.63%	3.52%	92.06	6.1	3.24	6.66%	6.49%	6.58%	7.88%	1.30%	7.55%	3.74%		3.74%
1970	5.98%	3.46%	92.15	5.51	3.19	-9.72%	-1.61%	6.53%	6.50%	-0.03%	4.78%	3.41%		3.41%
1971	5.46%	3.10%	102.09	5.57	3.16	1.15%	-0.74%	4.39%	5.89%	1.50%	4.57%	3.09%		3.09%
1972	5.23%	2.70%	118.05	6.17	3.19	10.76%	0.71%	3.84%	6.41%	2.57%	5.21%	2.72%		2.72%
1973	8.16%	3.70%	97.55	7.96	3.61	28.93%	13.24%	6.93%	6.90%	-0.03%	8.30%	4.30%		4.30%
1974	13.64%	5.43%	68.56	9.35	3.72	17.48%	3.14%	8.00%	7.40%	-0.60%	6.42%	5.59%		5.59%
1975	8.55%	4.14%	90.19	7.71	3.73	-17.54%	0.30%	5.80%	7.76%	1.96%	5.99%	4.13%		4.13%
1976	9.07%	3.93%	107.46	9.75	4.22	26.39%	13.10%	5.08%	6.81%	1.73%	8.19%	4.55%		4.55%
1977	11.43%	5.11%	95.1	10.87	4.86	11.53%	15.07%	5.12%	7.78%	2.66%	9.52%	5.92%		5.92%
1978	12.11%	5.39%	96.11	11.64	5.18	7.07%	6.60%	7.18%	9.15%	1.97%	8.48%	5.72%		5.72%
1979	13.48%	5.53%	107.94	14.55	5.97	25.01%	15.23%	10.38%	10.33%	-0.05%	11.70%	6.45%		6.45%
1980	11.04%	4.74%	135.76	14.99	6.44	3.01%	7.81%	11.24%	12.43%	1.19%	11.01%	5.03%		5.03%
1981	12.39%	5.57%	122.55	15.18	6.83	1.31%	6.08%	14.71%	13.98%	-0.73%	11.42%	5.73%		5.73%
1982	9.83%	4.93%	140.64	13.82	6.93	-8.95%	1.58%	10.54%	10.47%	-0.07%	7.96%	4.90%		4.90%
1983	8.06%	4.32%	164.93	13.29	7.12	-3.84%	2.76%	8.80%	11.80%	3.00%	9.09%	4.31%		4.31%
1984	10.07%	4.68%	167.24	16.84	7.83	26.69%	9.85%	9.85%	11.51%	1.66%	11.02%	5.11%		5.11%
1985	7.42%	3.88%	211.28	15.68	8.2	-6.91%	4.74%	7.72%	8.99%	1.27%	7.89%	4.03%	6.75%	3.84%
1986	5.96%	3.38%	242.17	14.43	8.19	-7.93%	-0.15%	6.16%	7.22%	1.06%	5.54%	3.36%	6.96%	3.58%
1987	6.49%	3.71%	247.08	16.04	9.17	11.10%	11.99%	5.47%	8.86%	3.39%	9.66%	4.18%	8.58%	3.99%
1988	8.20%	3.68%	277.72	22.77	10.22	42.02%	11.49%	6.35%	9.14%	2.79%	9.76%	4.12%	7.67%	3.77%
1989	6.80%	3.32%	353.4	24.03	11.73	5.52%	14.80%	8.37%	7.93%	-0.44%	9.58%	3.85%	7.46%	3.51%
1990	6.58%	3.74%	330.22	21.73	12.35	-9.58%	5.26%	7.81%	8.07%	0.26%	7.39%	3.92%	7.19%	3.89%
1991	4.58%	3.11%	417.09	19.1	12.97	-12.08%	5.03%	7.00%	6.70%	-0.30%	6.34%	3.27%	7.81%	3.48%
1992	4.16%	2.90%	435.71	18.13	12.64	-5.12%	-2.59%	5.30%	6.68%	1.38%	4.67%	2.83%	9.83%	3.55%
1993	4.25%	2.72%	466.45	19.82	12.69	9.37%	0.41%	3.50%	5.79%	2.29%	4.73%	2.74%	8.00%	3.17%
1994	5.89%	2.91%	459.27	27.05	13.36	36.45%	5.34%	5.00%	7.82%	2.82%	7.23%	3.06%	7.17%	3.55%
1995	5.74%	2.30%	615.93	35.35	14.17	30.70%	6.00%	3.50%	5.57%	2.07%	5.65%	2.44%	6.50%	3.29%

1996	4.83%	2.01%	740.74	35.78	14.89	1.20%	5.10%	5.00%	6.41%	1.41%	6.13%	2.11%	7.92%	3.20%
1997	4.08%	1.60%	970.43	39.56	15.52	10.57%	4.25%	5.35%	5.74%	0.39%	5.45%	1.67%	8.00%	2.73%
1998	3.11%	1.32%	1229.23	38.23	16.2	-3.35%	4.37%	4.33%	4.65%	0.32%	4.60%	1.38%	7.20%	2.26%
1999	3.07%	1.14%	1469.25	45.17	16.71	18.13%	3.16%	5.37%	6.44%	1.07%	5.75%	1.20%	12.50%	2.05%
2000	3.94%	1.23%	1320.28	52	16.27	15.13%	-2.65%	5.73%	5.11%	-0.62%	3.71%	1.65%	12.00%	2.87%
2001	3.85%	1.37%	1148.09	44.23	15.74	-14.94%	-3.24%	1.80%	5.05%	3.25%	3.56%	1.73%	10.30%	3.62%
2002	5.37%	1.83%	879.82	47.24	16.08	6.81%	2.15%	1.20%	3.81%	2.61%	3.57%	2.29%	8.00%	4.10%
2003	4.87%	1.61%	1111.91	54.15	17.88	14.63%	11.19%	1.00%	4.25%	3.25%	5.35%	2.12%	11.00%	3.69%
2004	5.53%	1.60%	1211.92	67.01	19.407	23.75%	8.54%	2.18%	4.22%	2.04%	4.90%	2.02%	8.50%	3.65%
2005	5.47%	1.79%	1248.29	68.32	22.38	1.95%	15.32%	4.31%	4.39%	0.08%	6.16%	2.20%	8.00%	4.08%
2006	5.78%	1.77%	1418.3	81.96	25.05	19.96%	11.93%	4.88%	4.70%	-0.18%	5.93%	1.97%	12.50%	4.16%

Last updated January 5, 2007

Beta Calculation for CAPM
Railroad Industry
2007 Assessment Year

Industry Overall		**ValueLine**
Burlington Northern Santa Fe	BNI	0.95
Canadian National Railway	CNI	0.95
Union Pacific Corp.	UNP	0.90
Norfolk Southern Corp.	NSC	1.05
CSX Corporation	CSX	0.95
Canadian Pacific Railway	CP	0.90
	Mean:	**0.95**
	Median:	**0.95**
	Say	**0.95**

source: ValueLine

Support for Yield Capitalization Equity Component
Railroad Industry
2007 Assessment Year

Dividend Growth Model
(based on Value line Dividend Growth)

Ke = D1 / Po + G

where:

Ke =	Cost of Equity
D1 =	Expected Dividends
Po =	Current Price
G =	Sustainable Growth

Industry Overall

Company Name	Ticker	Stock Price (Po)	Expected Dividend (D1)	Dividend Yield (D1/P0)	Dividends Growth (G)	Ke
Burlington Northern Santa Fe	BNI	76.312	1.00	1.31%	9.50%	10.81%
Canadian National Railway	CNI	45.723	0.64	1.40%	16.00%	17.40%
Union Pacific Corp.	UNP	91.345	1.20	1.31%	4.50%	5.81%
Norfolk Southern Corp.	NSC	49.982	0.75	1.50%	15.00%	16.50%
CSX Corporation	CSX	35.723	0.40	1.12%	16.00%	17.12%
Canadian Pacific Railway	CP	54.313	0.74	1.36%	12.00%	13.36%
			Median:			**14.93%**
			Mean:			**13.50%**
					Say	**14.5%**

Source: ValueLine & Yahoo Financial.

Notes:
1) Average Stock Price = 4th 1/4 High/Low common stock price averages.
2) CNI and CP figures are in US dollars.

Support for Yield Capitalization Equity Component
Railroad Industry
2007 Assessment Year

Dividend Growth Model
(based on Value line Earnings Growth)

Ke = D1 / Po + G

where:

Ke =	Cost of Equity
D1 =	Expected Dividends
Po =	Current Price
G =	Sustainable Growth

Industry Overall

Company Name	Ticker	Stock Price (Po)	Expected Dividend (D1)	Dividend Yield (D1/P0)	Earnings Growth (G)	Ke
Burlington Northern Santa Fe	BNI	76.312	1.000	1.31%	16.00%	17.31%
Canadian National Railway	CNI	45.723	0.640	1.40%	13.50%	14.90%
Union Pacific Corp.	UNP	91.345	1.200	1.31%	13.00%	14.31%
Norfolk Southern Corp.	NSC	49.982	0.750	1.50%	16.00%	17.50%
CSX Corporation	CSX	35.723	0.400	1.12%	16.00%	17.12%
Canadian Pacific Railway	CP	54.313	0.740	1.36%	14.00%	15.36%
			Median:			**16.24%**
			Mean:			**16.08%**
					Say	**16.12%**

Source: ValueLine & Yahoo Financial.

Notes:
1) Average Stock Price = 4th 1/4 High/Low common stock price averages.
2) CNI and CP figures are in US dollars.
3) Earnings projection is 5 year annual rate of change according to Value Line.

Support for Yield Capitalization Equity Component
Railroad Industry
2007 Assessment Year

Dividend Growth Model
(based on S&P Earnings Growth estimates)

Ke = D1 / Po + G

where:

Ke = Cost of Equity
D1 = Expected Dividends
Po = Current Price
G = Sustainable Growth

Industry Overall

Company Name	Ticker	Stock Price (Po)	Expected Dividend (D1)	Dividend Yield (D1/P0)	S&P Earnings Growth (G)	# of Analyst	Ke
Burlington Northern Santa Fe	BNI	76.312	1.000	1.31%	15.00%	13	16.31%
Canadian National Railway	CNI	45.723	0.640	1.40%	15.00%	10	16.40%
Union Pacific Corp.	UNP	91.345	1.200	1.31%	15.00%	14	16.31%
Norfolk Southern Corp.	NSC	49.982	0.750	1.50%	16.00%	11	17.50%
CSX Corporation	CSX	35.723	0.400	1.12%	17.00%	13	18.12%
Canadian Pacific Railway	CP	54.313	0.740	1.36%	13.00%	9	14.36%
			Median:				**16.36%**
			Mean:				**16.50%**
						Say	**16.4%**

source: ValueLine, Yahoo Financial & Standard & Poor's earnings guide 1/2007 (S&P projected 5 year growth rate.)

Notes:
1) Average Stock Price = 4th 1/4 High/Low common stock price averages.
2) CNI and CP figures are in US dollars.
3) Earnings growth rate is from the January 2007 S&P Earnings Guide and is the annualized compounded growth rate projected for the next five years.

Support for Debt Rating and Debt Yield Rate

Railroad Industry

2007 Assessment Year

Industry Overall	---- Ratings --------------			
Company	Ticker	Mergents	S&P	Weighted Average YTM
Burlington Northern Santa Fe	BNI	Baa1	BBB+	5.98%
Canadian National Railway	CNI	A3	A -	5.46%
Union Pacific Corp.	UNP	Baa2	BBB	5.15%
Norfolk Southern Corp.	NSC	Baa1	BBB+	6.20%
CSX Corporation	CSX	Baa2	BBB	5.09%
Canadian Pacific Railway	CP	no listing	BBB	5.58%
Overall Average Debt Rating		**Baa2**	**BBB**	**5.58%**

Above rates from company Weighted Average
Yield to Maturity debt rates (see bond analysis page).

Standard & Poor's Bond Guide
January 2007 - Page 3 - US Industrial 20 yr bond yield chart

Rating	AAA	AA	A	BBB
Year end	5.30%	5.50%	5.70%	6.50%
Average	**5.30%**	**5.50%**	**5.70%**	**6.50%**

Mergents Bond Record
January 2007, Page 188 Corporates by rating

Corporate	Aaa	Aa	A	Baa
October	5.51%	5.74%	5.94%	6.42%
November	5.33%	5.57%	5.76%	6.20%
December	5.29%	5.58%	5.78%	6.22%
Average	**5.38%**	**5.63%**	**5.83%**	**6.28%**

Industrials	Aaa	Aa	A	Baa
October	5.51%	5.68%	5.90%	6.60%
November	5.33%	5.52%	5.72%	6.36%
December	5.29%	5.53%	5.75%	6.38%
Average	**5.38%**	**5.58%**	**5.79%**	**6.45%**

Debt Yield Rate
6.50%

Railroad Bond analysis (12-31-2006)

Company	type	Call	coupon	maturity	Price 12/31/2006	Issued	current yield	yield to maturity	Rating	Market Value	Mkt:Book	debt service	embedded rate	average yield to maturity company	Market
Burlington Northern Santa Fe	Nts	Z100	7.875	2007	100.63	$ 300,000,000	7.83%	9.16%	BBB+	$ 301,890,000	100.63%	23,625,000		0.006013	0.1443%
Burlington Northern Santa Fe	Nts		6.125	2009	101.57	$ 200,000,000	6.03%	5.01%	BBB+	$ 203,140,000	101.57%	12,250,000		0.002193	0.0531%
Burlington Northern Santa Fe	Nts	Z100	6.75	2011	105.56	$ 400,000,000	6.39%	4.98%	BBB+	$ 422,240,000	105.56%	27,000,000		0.004357	0.1096%
Burlington Northern Santa Fe	Nts	Z100	5.9	2012	102.39	$ 300,000,000	5.76%	5.29%	BBB+	$ 307,170,000	102.39%	17,700,000		0.003471	0.0847%
Burlington Northern Santa Fe	Nts	Z100	4.3	2013	94.04	$ 250,000,000	4.57%	5.59%	BBB+	$ 235,100,000	94.04%	10,750,000		0.003056	0.0685%
Burlington Northern Santa Fe	Deb	NC	6.875	2016	108.99	$ 175,000,000	6.31%	5.52%	BBB+	$ 190,732,500	108.99%	12,031,250		0.002114	0.0549%
Burlington Northern Santa Fe	Mtg N		8.15	2020	120.87	$ 2,510,000	6.74%	5.76%	BBB+	$ 3,033,837	120.87%	204,565		0.000032	0.0009%
Burlington Northern Santa Fe	DEB		8.125	2020	119.65	$ 300,000,000	6.79%	5.86%	BBB+	$ 358,950,000	119.65%	24,375,000		0.003848	0.1098%
Burlington Northern R.R.	Mtg K	NC	6.55	2020	105.97	$ 3,980,000	6.18%	5.86%	BBB+	$ 4,217,606	105.97%	260,690		0.000051	0.0013%
Burlington Northern R.R.	Mtg L	NC	3.8	2020	81.08	$ 6,200,000	4.69%	5.99%	BBB+	$ 5,026,960	81.08%	235,600		0.000081	0.0016%
Burlington Northern R.R.	Mtg O	NC	6.55	2020	105.97	$ 15,400,000	6.18%	5.86%	BBB+	$ 16,319,380	105.97%	1,008,700		0.000197	0.0050%
Burlington Northern R.R.	Mtg P	NC	8.15	2020	120.77	$ 5,570,000	6.75%	5.77%	BBB+	$ 6,726,889	120.77%	453,955		0.000070	0.0020%
Burlington Northern	DEB	NC	8.75	2022	127.78	$ 200,000,000	6.85%	5.85%	BBB+	$ 255,560,000	127.78%	17,500,000		0.002561	0.0780%
Burlington Northern Santa Fe	Deb	NC	7	2025	112.44	$ 350,000,000	6.23%	5.85%	BBB+	$ 393,540,000	112.44%	24,500,000		0.004475	0.1200%
Burlington Northern Santa Fe	Deb	Z100	6.875	2027	110.08	$ 200,000,000	6.25%	5.99%	BBB+	$ 220,160,000	110.08%	13,750,000		0.002618	0.0687%
Burlington Northern Santa Fe	M-T Nts	NC	6.1	2027	102.15	$ 100,000,000	5.97%	5.91%	BBB+	$ 102,150,000	102.15%	6,100,000		0.001293	0.0315%
Burlington Northern Santa Fe	Deb	Z100	6.7	2028	108.78	$ 200,000,000	6.16%	5.95%	BBB+	$ 217,560,000	108.78%	13,400,000		0.002602	0.0675%
Burlington Northern Santa Fe	DEB	NC	6.75	2029	109.77	$ 200,000,000	6.15%	5.93%	BBB+	$ 219,540,000	109.77%	13,500,000		0.002596	0.0679%
Burlington Northern Santa Fe	DEB	NC	7.082	2029	113.08	$ 200,000,000	6.26%	5.98%	BBB+	$ 226,160,000	113.08%	14,164,000		0.002618	0.0706%
Burlington Northern Santa Fe	DEB	Z100	7.95	2030	122.25	$ 275,000,000	6.50%	6.11%	BBB+	$ 336,187,500	122.25%	21,862,500		0.003673	0.1070%
Burlington Northern Santa Fe	DEB		6.2	2036	103.02	$ 300,000,000	6.02%	5.98%	BBB+	$ 309,060,000	103.02%	18,600,000		0.003922	0.0963%
Burlington Northern Santa Fe	DEB	NC	7.29	2036	117.65	$ 200,000,000	6.20%	5.98%	BBB+	$ 235,300,000	117.65%	14,580,000		0.002618	0.0734%
Burlington Northern Santa Fe	M-T Nts	NC	6.53	2037	106.64	$ 175,000,000	6.12%	6.04%	BBB+	$ 186,620,000	106.64%	11,427,500		0.002313	0.0588%
Burlington Northern R.R.	Mtg M	Z100	3.2	2045	56.42	$ 13,000,000	5.67%	6.23%	BBB+	$ 7,334,600	56.42%	416,000		0.000177	0.0024%
Burlington Northern Santa Fe	DEB	Z100	7.25	2097	113.05	$ 200,000,000	6.41%	6.41%	BBB+	$ 226,100,000	113.05%	14,500,000		0.002804	0.0756%
25						**$ 4,571,660,000**	**Percent**			**$ 4,989,819,272**	**109.15%**	**$ 314,194,760**	**6.87%**	**5.98%**	
Canadian National Ry	Notes	Z100	6.375	2011	104.32	$ 400,000,000	6.11%	5.00%	A-	$ 417,280,000	104.32%	25,500,000		0.013557	0.1088%
Canadian National Ry	Notes	Z100	6.8	2018	110.91	$ 200,000,000	6.13%	5.41%	A-	$ 221,820,000	110.91%	13,600,000		0.007337	0.0626%
Canadian National Ry	Deb	NC	7.625	2023	120.11	$ 150,000,000	6.35%	5.64%	A-	$ 180,165,000	120.11%	11,437,500		0.005740	0.0530%
Canadian National Ry	Notes	Z100	6.9	2028	113.75	$ 475,000,000	6.07%	5.74%	A-	$ 540,312,500	113.75%	32,775,000		0.018490	0.1618%
Canadian National Ry	Secured	Puttable	6.45	2036	112.43	$ 250,000,000	5.74%	5.57%	A-	$ 281,075,000	112.43%	16,125,000		0.009440	0.0816%
5						**$ 1,475,000,000**	**Percent of book**			**$ 1,640,652,500**	**111.23%**	**$ 99,437,500**	**6.74%**	**5.46%**	
CSX Corp	M-T Nts	NC	6.59	2008	100.89	$ 50,000,000	6.53%	4.75%	BBB	$ 50,445,000	100.89%	3,295,000		0.001014	0.0125%
CSX Corp	M-T Nts	NC	6.5	2008	100.84	$ 40,000,000	6.45%	4.76%	BBB	$ 40,336,000	100.84%	2,600,000		0.000814	0.0100%
CSX Corp	Nts	NC	6.25	2008	101.40	$ 400,000,000	6.16%	3.38%	BBB	$ 405,600,000	101.40%	25,000,000		0.005776	0.0715%
CSX Corp	Nts	Z100	4.875	2009	98.90	$ 200,000,000	4.93%	5.66%	BBB	$ 197,800,000	98.90%	9,750,000		0.004838	0.0584%
CSX Corp	Deb	Z100	6.75	2011	104.99	$ 500,000,000	6.43%	5.16%	BBB	$ 524,950,000	104.99%	33,750,000		0.011016	0.1411%
CSX Corp	Notes	Z100	6.3	2012	103.62	$ 400,000,000	6.08%	5.37%	BBB	$ 414,480,000	103.62%	25,200,000		0.009185	0.1161%
CSX Corp	Notes	Z100	5.3	2014	98.70	$ 200,000,000	5.37%	5.54%	BBB	$ 197,400,000	98.70%	10,600,000		0.004738	0.0571%
CSX Corp	Deb	NC	8.625	2022	128.95	$ 200,000,000	6.69%	5.65%	BBB	$ 257,900,000	128.95%	17,250,000		0.004827	0.0760%
CSX Corp	Deb	NC	8.1	2022	123.44	$ 150,000,000	6.56%	5.68%	BBB	$ 185,160,000	123.44%	12,150,000		0.003643	0.0549%
CSX Corp	MT Notes C	Z100	6.8	2028	109.80	$ 200,000,000	6.19%	5.96%	BBB	$ 219,600,000	109.80%	13,600,000		0.005093	0.0682%
10						**$ 2,340,000,000**	**Percent of book**			**$ 2,493,671,000**	**106.57%**	**$ 153,195,000**	**6.55%**	**5.09%**	
Norfolk Southern	Notes	NC	7.35	2007	100.69	$ 750,000,000	7.30%	8.76%	BBB+	$ 755,175,000	100.69%	55,125,000		0.012757	0.3450%
Norfolk Southern	Sr Nts	Z100	6.2	2009	101.88	$ 400,000,000	6.09%	4.87%	BBB+	$ 407,520,000	101.88%	24,800,000		0.003783	0.1035%
Norfolk Southern	Sr Nts	Z100	8.625	2010	110.49	$ 300,000	7.81%	4.12%	BBB+	$ 331,470	110.49%	25,875		0.000002	0.0001%

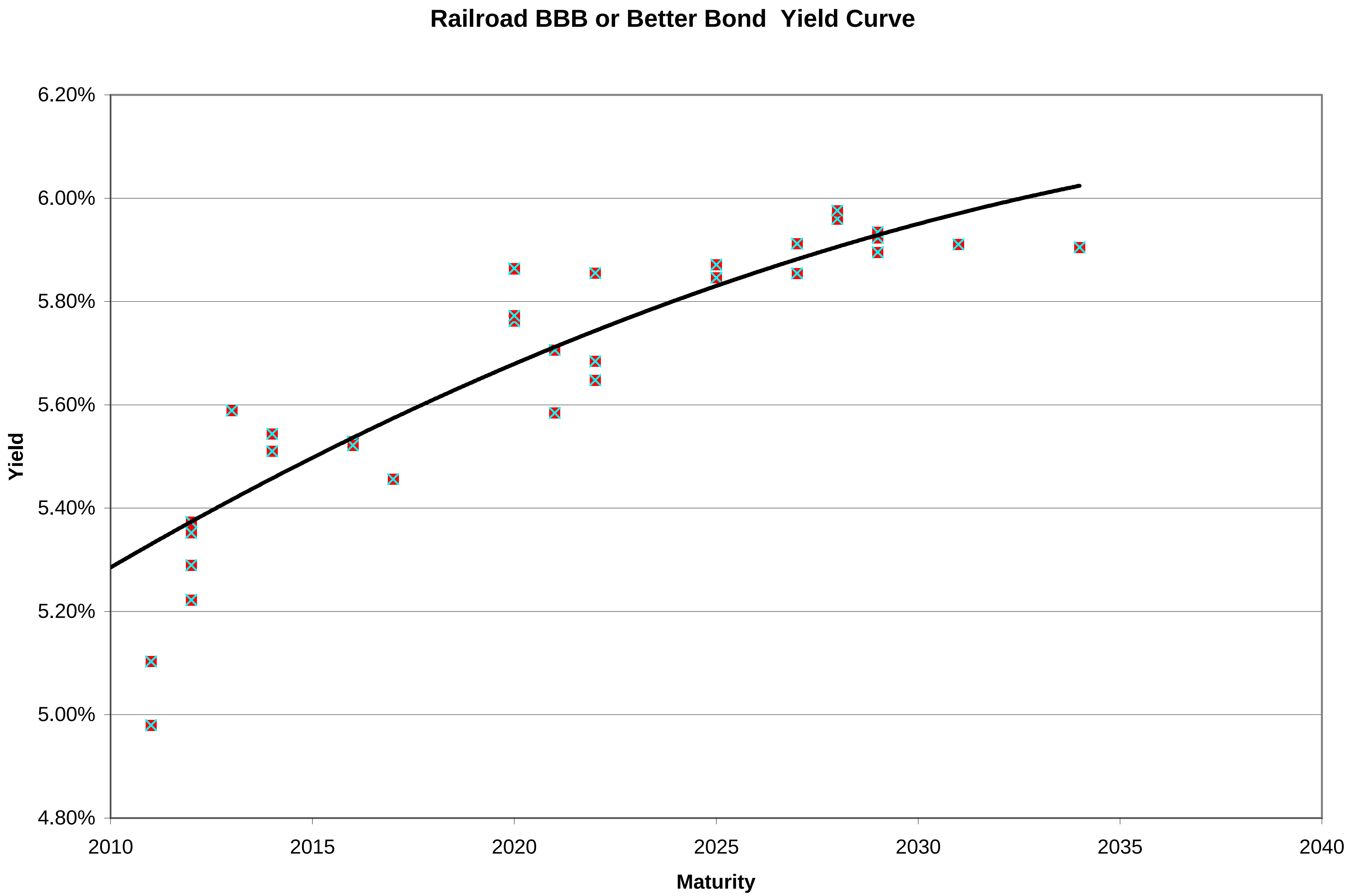
Norfolk Southern	Notes	Z100	6.75	2011	105.16	$ 300,000,000	6.42%	5.10%	BBB+	$ 315,480,000	105.16%	20,250,000		0.002973	0.0839%
Norfolk Southern	Notes	Z100	7.7	2017	116.30	$ 550,000,000	6.62%	5.46%	BBB+	$ 639,650,000	116.30%	42,350,000		0.005827	0.1820%
Norfolk Southern	Notes	NC	9	2021	130.44	$ 83,400,000	6.90%	5.71%	BBB+	$ 108,786,960	130.44%	7,506,000		0.000924	0.0324%
Norfolk Southern	Notes	Z100	5.59	2025	96.98	$ 366,000,000	5.76%	5.87%	BBB+	$ 354,946,800	96.98%	20,459,400		0.004172	0.1087%
Norfolk Southern	Notes	Z100	7.8	2027	122.28	$ 450,000,000	6.38%	5.85%	BBB+	$ 550,260,000	122.28%	35,100,000		0.005115	0.1680%
Norfolk Southern	Notes	Z100	5.64	2029	96.61	$ 350,000,000	5.84%	5.92%	BBB+	$ 338,135,000	96.61%	19,740,000		0.004025	0.1044%
Norfolk Southern	Notes	Z100	7.25	2031	116.79	$ 500,000,000	6.21%	5.91%	BBB+	$ 583,950,000	116.79%	36,250,000		0.005738	0.1800%
Norfolk Southern	Notes	Z100	7.05	2037	115.11	$ 750,000,000	6.12%	5.95%	BBB+	$ 863,325,000	115.11%	52,875,000		0.008667	0.2679%
Norfolk Southern	Notes	Z100	7.9	2097	123.92	$ 350,000,000	6.38%	6.37%	BBB+	$ 433,720,000	123.92%	27,650,000		0.004329	0.1441%
Norfolk Southern	SR Notes	Z100	6	2105	94.78	$ 300,000,000	6.33%	6.33%	BBB+	$ 284,340,000	94.78%	18,000,000		0.003688	0.0939%
13						**$ 5,149,700,000**	**Percent of book**			**$ 5,635,620,230**	**109.44%**	**360,131,275**	**6.99%**	**6.20%**	
Union Pacific Corp	Notes	Z100	5.75	2007	100.05	$ 300,000,000	5.75%	5.85%	BBB	$ 300,150,000	100.05%	17,250,000		0.004501	0.0916%
Union Pacific Corp	Notes	NC	6.625	2008	101.16	$ 300,000,000	6.55%	4.23%	BBB	$ 303,480,000	101.16%	19,875,000		0.003255	0.0670%
Union Pacific Corp	Notes	NC	7.25	2008	103.19	$ 250,000,000	7.03%	0.83%	BBB	$ 257,975,000	103.19%	18,125,000		0.000532	0.0112%
Union Pacific Corp	Notes	NC	7.375	2009	105.27	$ 150,000,000	7.01%	3.70%	BBB	$ 157,905,000	105.27%	11,062,500		0.001423	0.0305%
Union Pacific Corp	Notes	NC	3.875	2009	97.03	$ 250,000,000	3.99%	6.00%	BBB	$ 242,575,000	97.03%	9,687,500		0.003849	0.0760%
Union Pacific Corp	Notes	Z100	6.65	2011	104.51	$ 400,000,000	6.36%	5.21%	BBB	$ 418,040,000	104.51%	26,600,000		0.005341	0.1135%
Union Pacific Corp	Notes	Z100	6.125	2012	103.02	$ 300,000,000	5.95%	5.35%	BBB	$ 309,060,000	103.02%	18,375,000		0.004117	0.0863%
Union Pacific Corp	Notes	Z100	6.5	2012	105.01	$ 350,000,000	6.19%	5.22%	BBB	$ 367,535,000	105.01%	22,750,000		0.004686	0.1001%
Union Pacific Corp	Deb	NC	5.375	2014	99.28	$ 250,000,000	5.41%	5.51%	BBB	$ 248,200,000	99.28%	13,437,500		0.003532	0.0713%
Union Pacific Corp	Deb	NC	7	2016	109.77	$ 250,000,000	6.38%	5.53%	BBB	$ 274,425,000	109.77%	17,500,000		0.003544	0.0791%
Union Pacific Corp	Deb	NC	7.125	2028	113.38	$ 250,000,000	6.28%	5.98%	BBB	$ 283,450,000	113.38%	17,812,500		0.003831	0.0883%
Union Pacific Corp	Deb	Z100	6.625	2029	108.77	$ 600,000,000	6.09%	5.89%	BBB	$ 652,620,000	108.77%	39,750,000		0.009069	0.2006%
Union Pacific Corp	Deb	Z100	6.25	2034	104.57	$ 250,000,000	5.98%	5.90%	BBB	$ 261,425,000	104.57%	15,625,000		0.003785	0.0805%
13						**$ 3,900,000,000**	**Percent of book**			**$ 4,076,840,000**	**104.53%**	**247,850,000**	**6.36%**	**5.15%**	
Canadian Pacific	Deb	NC	9.45	2021	135.99	$ 250,000,000	6.95%	5.58%	BBB	$ 339,975,000	135.99%	23,625,000	9.45%	0.055838	0.0990%
						$ 250,000,000				**$ 339,975,000**	**135.99%**	**23,625,000**	**9.45%**	**5.58%**	
Totals						**$ 17,686,360,000**		**108.43%**		**$ 19,176,578,002**		**$ 1,198,433,535**	**6.78%**		**5.70%**
						Issued		**Overall Market to Book Ratio**		**Market Value**		**Debt Service**	**Embeded Rate**		**Market Rate**

Data sorted by Quality/maturity/yield

Railroad Bond analysis - BBB and Higher S&P Company Ratings

Company	type	Call	coupon	maturity	Price 12/31/2006	Issued	current yield	yield to maturity	Company CR Rating	Market Value	Mkt:Book	debt service
Canadian National Ry	**Notes**	**Z100**	**6.375**	**2011**	**104.32**	**$ 400,000,000**	**6.11%**	**5.00%**	**A-**	**$ 417,280,000**	**104.32%**	**25,500,000**
Canadian National Ry	**Notes**	**Z100**	**6.8**	**2018**	**110.91**	**$ 200,000,000**	**6.13%**	**5.41%**	**A-**	**$ 221,820,000**	**110.91%**	**13,600,000**
Canadian National Ry	**Secured**	**Puttable**	**6.45**	**2036**	**112.43**	**$ 250,000,000**	**5.74%**	**5.57%**	**A-**	**$ 281,075,000**	**112.43%**	**16,125,000**
Canadian National Ry	**Deb**	**NC**	**7.625**	**2023**	**120.11**	**$ 150,000,000**	**6.35%**	**5.64%**	**A-**	**$ 180,165,000**	**120.11%**	**11,437,500**
Canadian National Ry	**Notes**	**Z100**	**6.9**	**2028**	**113.75**	**$ 475,000,000**	**6.07%**	**5.74%**	**A-**	**$ 540,312,500**	**113.75%**	**32,775,000**
Union Pacific Corp	**Notes**	**NC**	**7.25**	**2008**	**103.19**	**$ 250,000,000**	**7.03%**	**0.83%**	**BBB**	**$ 257,975,000**	**103.19%**	**18,125,000**
CSX Corp	**Nts**	**NC**	**6.25**	**2008**	**101.40**	**$ 400,000,000**	**6.16%**	**3.38%**	**BBB**	**$ 405,600,000**	**101.40%**	**25,000,000**
Union Pacific Corp	**Notes**	**NC**	**7.375**	**2009**	**105.27**	**$ 150,000,000**	**7.01%**	**3.70%**	**BBB**	**$ 157,905,000**	**105.27%**	**11,062,500**
Union Pacific Corp	**Notes**	**NC**	**6.625**	**2008**	**101.16**	**$ 300,000,000**	**6.55%**	**4.23%**	**BBB**	**$ 303,480,000**	**101.16%**	**19,875,000**
CSX Corp	**M-T Nts**	**NC**	**6.59**	**2008**	**100.89**	**$ 50,000,000**	**6.53%**	**4.75%**	**BBB**	**$ 50,445,000**	**100.89%**	**3,295,000**

CSX Corp	M-T Nts	NC	6.5	2008	100.84	$	40,000,000	6.45%	4.76%	BBB	$	40,336,000	100.84%	2,600,000			
CSX Corp	Deb	Z100	6.75	2011	104.99	$	500,000,000	6.43%	5.16%	BBB	$	524,950,000	104.99%	33,750,000			
Union Pacific Corp	Notes	Z100	6.65	2011	104.51	$	400,000,000	6.36%	5.21%	BBB	$	418,040,000	104.51%	26,600,000			
Union Pacific Corp	Notes	Z100	6.5	2012	105.01	$	350,000,000	6.19%	5.22%	BBB	$	367,535,000	105.01%	22,750,000			
Union Pacific Corp	Notes	Z100	6.125	2012	103.02	$	300,000,000	5.95%	5.35%	BBB	$	309,060,000	103.02%	18,375,000			
CSX Corp	Notes	Z100	6.3	2012	103.62	$	400,000,000	6.08%	5.37%	BBB	$	414,480,000	103.62%	25,200,000			
Union Pacific Corp	Deb	NC	5.375	2014	99.28	$	250,000,000	5.41%	5.51%	BBB	$	248,200,000	99.28%	13,437,500			
Union Pacific Corp	Deb	NC	7	2016	109.77	$	250,000,000	6.38%	5.53%	BBB	$	274,425,000	109.77%	17,500,000			
CSX Corp	Notes	Z100	5.3	2014	98.70	$	200,000,000	5.37%	5.54%	BBB	$	197,400,000	98.70%	10,600,000			
Canadian Pacific	Deb	NC	9.45	2021	135.99	$	250,000,000	6.95%	5.58%	BBB	$	339,975,000	135.99%	23,625,000			
CSX Corp	Deb	NC	8.625	2022	128.95	$	200,000,000	6.69%	5.65%	BBB	$	257,900,000	128.95%	17,250,000			
CSX Corp	Nts	Z100	4.875	2009	98.90	$	200,000,000	4.93%	5.66%	BBB	$	197,800,000	98.90%	9,750,000			
CSX Corp	Deb	NC	8.1	2022	123.44	$	150,000,000	6.56%	5.68%	BBB	$	185,160,000	123.44%	12,150,000			
Union Pacific Corp	Notes	Z100	5.75	2007	100.05	$	300,000,000	5.75%	5.85%	BBB	$	300,150,000	100.05%	17,250,000			
Union Pacific Corp	Deb	Z100	6.625	2029	108.77	$	600,000,000	6.09%	5.89%	BBB	$	652,620,000	108.77%	39,750,000			
Union Pacific Corp	Deb	Z100	6.25	2034	104.57	$	250,000,000	5.98%	5.90%	BBB	$	261,425,000	104.57%	15,625,000			
CSX Corp	MT Notes (	Z100	6.8	2028	109.80	$	200,000,000	6.19%	5.96%	BBB	$	219,600,000	109.80%	13,600,000			
Union Pacific Corp	Deb	NC	7.125	2028	113.38	$	250,000,000	6.28%	5.98%	BBB	$	283,450,000	113.38%	17,812,500			
Union Pacific Corp	Notes	NC	3.875	2009	97.03	$	250,000,000	3.99%	6.00%	BBB	$	242,575,000	97.03%	9,687,500			
Norfolk Southern	Sr Nts	Z100	8.625	2010	110.49	$	300,000	7.81%	4.12%	BBB+	$	331,470	110.49%	25,875			
Norfolk Southern	Sr Nts	Z100	6.2	2009	101.88	$	400,000,000	6.09%	4.87%	BBB+	$	407,520,000	101.88%	24,800,000			
Burlington Northern Santa Fe	Nts	Z100	6.75	2011	105.56	$	400,000,000	6.39%	4.98%	BBB+	$	422,240,000	105.56%	27,000,000			
Burlington Northern Santa Fe	Nts		6.125	2009	101.57	$	200,000,000	6.03%	5.01%	BBB+	$	203,140,000	101.57%	12,250,000			
Norfolk Southern	Notes	Z100	6.75	2011	105.16	$	300,000,000	6.42%	5.10%	BBB+	$	315,480,000	105.16%	20,250,000			
Burlington Northern Santa Fe	Nts	Z100	5.9	2012	102.39	$	300,000,000	5.76%	5.29%	BBB+	$	307,170,000	102.39%	17,700,000			
Norfolk Southern	Notes	Z100	7.7	2017	116.30	$	550,000,000	6.62%	5.46%	BBB+	$	639,650,000	116.30%	42,350,000			
Burlington Northern Santa Fe	Deb	NC	6.875	2016	108.99	$	175,000,000	6.31%	5.52%	BBB+	$	190,732,500	108.99%	12,031,250			
Burlington Northern Santa Fe	Nts	Z100	4.3	2013	94.04	$	250,000,000	4.57%	5.59%	BBB+	$	235,100,000	94.04%	10,750,000			
Norfolk Southern	Notes	NC	9	2021	130.44	$	83,400,000	6.90%	5.71%	BBB+	$	108,786,960	130.44%	7,506,000			
Burlington Northern Santa Fe	Mtg N		8.15	2020	120.87	$	2,510,000	6.74%	5.76%	BBB+	$	3,033,837	120.87%	204,565			
Burlington Northern R.R.	Mtg P	NC	8.15	2020	120.77	$	5,570,000	6.75%	5.77%	BBB+	$	6,726,889	120.77%	453,955			
Burlington Northern Santa Fe	Deb	NC	7	2025	112.44	$	350,000,000	6.23%	5.85%	BBB+	$	393,540,000	112.44%	24,500,000			
Norfolk Southern	Notes	Z100	7.8	2027	122.28	$	450,000,000	6.38%	5.85%	BBB+	$	550,260,000	122.28%	35,100,000			
Burlington Northern	DEB	NC	8.75	2022	127.78	$	200,000,000	6.85%	5.85%	BBB+	$	255,560,000	127.78%	17,500,000			
Burlington Northern R.R.	Mtg K	NC	6.55	2020	105.97	$	3,980,000	6.18%	5.86%	BBB+	$	4,217,606	105.97%	260,690			
Burlington Northern R.R.	Mtg O	NC	6.55	2020	105.97	$	15,400,000	6.18%	5.86%	BBB+	$	16,319,380	105.97%	1,008,700			
Burlington Northern Santa Fe	DEB		8.125	2020	119.65	$	300,000,000	6.79%	5.86%	BBB+	$	358,950,000	119.65%	24,375,000			
Norfolk Southern	Notes	Z100	5.59	2025	96.98	$	366,000,000	5.76%	5.87%	BBB+	$	354,946,800	96.98%	20,459,400			
Norfolk Southern	Notes	Z100	7.25	2031	116.79	$	500,000,000	6.21%	5.91%	BBB+	$	583,950,000	116.79%	36,250,000			
Burlington Northern Santa Fe	M-T Nts	NC	6.1	2027	102.15	$	100,000,000	5.97%	5.91%	BBB+	$	102,150,000	102.15%	6,100,000			
Norfolk Southern	Notes	Z100	5.64	2029	96.61	$	350,000,000	5.84%	5.92%	BBB+	$	338,135,000	96.61%	19,740,000			
Burlington Northern Santa Fe	DEB	NC	6.75	2029	109.77	$	200,000,000	6.15%	5.93%	BBB+	$	219,540,000	109.77%	13,500,000			
Burlington Northern Santa Fe	Deb	Z100	6.7	2028	108.78	$	200,000,000	6.16%	5.95%	BBB+	$	217,560,000	108.78%	13,400,000			
Norfolk Southern	Notes	Z100	7.05	2037	115.11	$	750,000,000	6.12%	5.95%	BBB+	$	863,325,000	115.11%	52,875,000			
Burlington Northern Santa Fe	DEB		6.2	2036	103.02	$	300,000,000	6.02%	5.98%	BBB+	$	309,060,000	103.02%	18,600,000			
Burlington Northern Santa Fe	DEB	NC	7.29	2036	117.65	$	200,000,000	6.20%	5.98%	BBB+	$	235,300,000	117.65%	14,580,000			
Burlington Northern Santa Fe	DEB	NC	7.082	2029	113.08	$	200,000,000	6.26%	5.98%	BBB+	$	226,160,000	113.08%	14,164,000			
Burlington Northern Santa Fe	Deb	Z100	6.875	2027	110.08	$	200,000,000	6.25%	5.99%	BBB+	$	220,160,000	110.08%	13,750,000			
Burlington Northern R.R.	Mtg L	NC	3.8	2020	81.08	$	6,200,000	4.69%	5.99%	BBB+	$	5,026,960	81.08%	235,600			
Burlington Northern Santa Fe	M-T Nts	NC	6.53	2037	106.64	$	175,000,000	6.12%	6.04%	BBB+	$	186,620,000	106.64%	11,427,500			
Burlington Northern Santa Fe	DEB	Z100	7.95	2030	122.25	$	275,000,000	6.50%	6.11%	BBB+	$	336,187,500	122.25%	21,862,500			
Burlington Northern R.R.	Mtg M	Z100	3.2	2045	56.42	$	13,000,000	5.67%	6.23%	BBB+	$	7,334,600	56.42%	416,000			
Norfolk Southern	SR Notes	Z100	6	2105	94.78	$	300,000,000	6.33%	6.33%	BBB+	$	284,340,000	94.78%	18,000,000			
Norfolk Southern	Notes	Z100	7.9	2097	123.92	$	350,000,000	6.38%	6.37%	BBB+	$	433,720,000	123.92%	27,650,000			
Burlington Northern Santa Fe	DEB	Z100	7.25	2097	113.05	$	200,000,000	6.41%	6.41%	BBB+	$	226,100,000	113.05%	14,500,000			
Norfolk Southern	Notes	NC	7.35	2007	100.69	$	750,000,000	7.30%	8.76%	BBB+	$	755,175,000	100.69%	55,125,000			
Burlington Northern Santa Fe	Nts	Z100	7.875	2007	100.63	$	300,000,000	7.83%	9.16%	BBB+	$	301,890,000	100.63%	23,625,000			


Railroad BBB or Better Bond Yield Curve
6.20%
6.00%
5.80%
5.60%
5.40%
5.20%
5.00%
4.80%
Yield
2010
2015
2020
2025
2030
2035
2040
Maturity

Support for Equity Component of Direct Capitalization Rates

Railroad Industry

2007 Assessment Year

Company Name	Ticker	$Stock$ Average	2006 Earnings	2006 Ratio	Projected Earnings	Projected Ratio	2006 Cash Flow	2006 Cash Ratio	Projected Cash Flow	
Burlington Northern Santa Fe	BNI	76.312	5.040	6.60%	5.650	7.40%	8.430	11.05%	9.200	12.06%
Canadian National Railway	CNI	45.723	2.960	6.47%	3.250	7.11%	4.150	9.08%	4.550	9.95%
Union Pacific Corp.	UNP	91.345	5.910	6.47%	6.600	7.23%	10.300	11.28%	11.650	12.75%
Norfolk Southern Corp.	NSC	49.982	3.580	7.16%	3.950	7.90%	5.550	11.10%	5.900	11.80%
CSX Corporation	CSX	35.723	2.220	6.21%	2.550	7.14%	4.400	12.32%	4.800	13.44%
Canadian Pacific Railway	CP	54.313	3.400	6.26%	3.800	7.00%	6.150	11.32%	6.550	12.06%
	Mean:			6.53%		7.30%		11.02%		12.01%
	Median:			6.47%		7.18%		11.19%		12.06%
			Say	**6.5%**		**7.3%**		**11.0%**		**12.0%**

sources: Actual earnings - ValueLine
Estimated Earnings - Value line / Q4 average stock price
Cash flow - ValueLine / Q4 average stock price

Note: Value Line cash flow is based on earnings plus depreciation, where earnings equals net income (after income tax and interest, but excluding non-recurring items).

Federal reserve T Bill Data as of 12-31-2006

http://www.federalreserve.gov/Releases/H15/data.htm

5 year t bills monthly	10 year t bills monthly	20 year t bills monthly	20 year t bills monthly TIPS - Inflation protected	Spread	6 mo moving ave
01/2005, 3.71	01/2005, 4.22	01/2005, 4.77	01/2005, 1.98	2.79	2.79
02/2005, 3.77	02/2005, 4.17	02/2005, 4.61	02/2005, 1.85	2.76	2.78
03/2005, 4.17	03/2005, 4.50	03/2005, 4.89	03/2005, 1.95	2.94	2.81
04/2005, 4.00	04/2005, 4.34	04/2005, 4.75	04/2005, 1.87	2.88	2.84
05/2005, 3.85	05/2005, 4.14	05/2005, 4.56	05/2005, 1.82	2.74	2.83
06/2005, 3.77	06/2005, 4.00	06/2005, 4.35	06/2005, 1.80	2.55	2.78
07/2005, 3.98	07/2005, 4.18	07/2005, 4.48	07/2005, 2.00	2.48	2.73
08/2005, 4.12	08/2005, 4.26	08/2005, 4.53	08/2005, 2.02	2.51	2.68
09/2005, 4.01	09/2005, 4.20	09/2005, 4.51	09/2005, 1.93	2.58	2.62
10/2005, 4.33	10/2005, 4.46	10/2005, 4.74	10/2005, 2.09	2.65	2.59
11/2005, 4.45	11/2005, 4.54	11/2005, 4.83	11/2005, 2.16	2.67	2.57
12/2005, 4.39	12/2005, 4.47	12/2005, 4.73	12/2005, 2.14	2.59	2.58
01/2006, 4.35	01/2006, 4.42	01/2006, 4.65	01/2006, 2.05	2.60	2.60
02/2006, 4.57	02/2006, 4.57	02/2006, 4.73	02/2006, 2.01	2.72	2.64
03/2006, 4.72	03/2006, 4.72	03/2006, 4.91	03/2006, 2.17	2.74	2.66
04/2006, 4.90	04/2006, 4.99	04/2006, 5.22	04/2006, 2.43	2.79	2.69
05/2006, 5.00	05/2006, 5.11	05/2006, 5.35	05/2006, 2.48	2.87	2.72
06/2006, 5.07	06/2006, 5.11	06/2006, 5.29	06/2006, 2.54	2.75	2.75
07/2006, 5.04	07/2006, 5.09	07/2006, 5.25	07/2006, 2.52	2.73	2.77
08/2006, 4.82	08/2006, 4.88	08/2006, 5.08	08/2006, 2.31	2.77	2.78
09/2006, 4.67	09/2006, 4.72	09/2006, 4.93	09/2006, 2.31	2.62	2.76
10/2006, 4.69	10/2006, 4.73	10/2006, 4.94	10/2006, 2.38	2.56	2.72
11/2006, 4.58	11/2006, 4.60	11/2006, 4.78	11/2006, 2.23	2.55	2.66
12/2006, 4.53	12/2006, 4.56	12/2006, 4.78	12/2006, 2.26	2.52	2.63

Yahoo Financial Data

Stock Pricing History Report

"BURLINGTON NORTHERN SANTA FE"
Symbol: BNI
CUSIP Number: 12189T10
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low	
05-Dec	78.90	71.89	
05-Nov	79.34	73.70	
05-Oct	81.74	72.30	
	4th Quarter Average		76.31

"CSX CORPORATION"
Pricing History Report

Symbol: CSX
CUSIP Number: 12640810
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low	
05-Dec	37.89	33.55	
05-Nov	37.40	34.69	
05-Oct	38.30	32.51	
	4th Quarter Average		35.72

"CANADIAN NATIONAL RAILWAY COMPANY"
Pricing History Report

Symbol: CNI
CUSIP Number: 13637510
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low
05-Dec	47.99	42.68
05-Nov	48.78	45.97
05-Oct	48.15	40.77

4th Quarter Average 45.72

"CANADIAN PACIFIC RAILWAY"
Pricing History Report

Symbol: CP
CUSIP Number:
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low
05-Dec	56.49	52.12
05-Nov	57.31	53.89
05-Oct	57.32	48.75

4th Quarter Average 54.31

"NORFOLK SOUTHERN CORPORATION"
Pricing History Report

Symbol: NSC
CUSIP Number: 65584410
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low
05-Dec	51.98	48.62
05-Nov	53.86	47.56
05-Oct	55.07	42.80

4th Quarter Average 49.98

"UNION PACIFIC CORPORATION"
Pricing History Report

Symbol: UNP
CUSIP Number: 90781810
Exchange: New York
Type: Common

Currency: Currency as Reported
Monthly Prices From: 10/31/2005 to 12/31/2005
Adjusted for stock dividends and stock splits as of 1/22/2005

Date	High	Low
05-Dec	96.16	89.89
05-Nov	92.95	89.01
05-Oct	93.79	86.27

4th Quarter Average 91.35

Historical Summary

Railroad Industry

2007 Assessment Year

CLASS ONE RAILROADS

		2007 - All Railroads	2006	2005	2004	2003	2002
Equity							
Yield Capitalization							
	CAPM Ex Post	10.12%	11.35%	11.64%	10.92%	11.84%	12.29%
	CAPM Ex Ante	9.55%	9.35%	11.30%	11.15%	10.65%	na
Dividend Growth Models							
	Value Line, based on Dividends Growth	14.50%	13.80%	13.00%	10.00%	nmf	nmf
	Value Line, based on Earnings Growth	16.12%	nmf	13.40%	11.50%	12.50%	12.50%
	Standard & Poor's based on earnings growth	16.40%	nmf	14.00%	12.90%	13.00%	13.50%
	Yield Equity Component	12.00%	11.50%	12.50%	12.00%	12.50%	12.50%

Debt		2007	2006	2005	2004	2003	2002
	Debt Rate	6.50%	5.80%	6.00%	6.50%	6.50%	8.00%

Industry Market Capital Structure		2007	2006	2005	2004	2003	2002
	Equity	76.00%	70.00%	67.00%	65.00%	65.00%	65.00%
	Debt	24.00%	30.00%	33.00%	35.00%	35.00%	35.00%

Weighted Average Cost of Capital		2007	2006	2005	2004	2003	2002
	WACC	**10.13%**	**9.20%**	**10.40%**	**10.08%**	**10.40%**	**10.93%**

Historical Summary

Railroad Industry

2007 Assessment Year

NON-CLASS ONE RAILROADS

	2007	2006	2005	2004	2003	2002
Equity						
Yield Capitalization						
CAPM Ex Post	na	12.41%	12.40%	11.66%	11.84%	12.29%
CAPM Ex Ante	na	10.10%	11.95%	11.77%	10.65%	na
Dividend Growth Models						
Value Line, based on Dividends Growth	na	nmf	nmf	nmf	nmf	nmf
Value Line, based on Earnings Growth	na	nmf	nmf	nmf	14.00%	14.00%
Standard & Poor's based on earnings growth	na	nmf	nmf	14.50%	16.00%	16.00%
Yield Equity Component		12.40%	13.00%	13.00%	14.00%	14.00%

Debt	2007	2006	2005	2004	2003	2002
Debt Rate	na	6.30%	7.00%	8.00%	8.00%	9.90%

Industry Market Capital Structure	2007	2006	2005	2004	2003	2002
Equity	na	75.00%	74.00%	65.00%	65.00%	60.00%
Debt	na	25.00%	26.00%	35.00%	35.00%	40.00%

Weighted Average Cost of Capital	2007	2006	2005	2004	2003	2002
WACC	na	**10.30%**	**11.40%**	**11.25%**	**11.90%**	**12.36%**

Railroad Data 2006 for 2007 Assessment Year

Value Line data - 3-9-2007

Description	Ticker	current yr Revenue per share	2006 Cash Flow	Projected 2007 Cash flow per share	2006Earnings per share	2007 Earnings per share	2006 Dividends per share	P/E Ratio (trailing)	Dividend Yield
									from Value Line
Class One									
Burlington Northern Santa Fe	BNI	$41.87	$8.43	$9.20	$5.04	$5.65	$0.90	15.70	1.30%
Canadian National Railway	CNI	$12.95	$4.15	$4.55	$2.96	$3.25	$0.56	14.60	1.60%
Union Pacific Corp.	UNP	$57.70	$10.30	$11.65	$5.91	$6.60	$1.20	16.60	1.40%
Norfolk Southern Corp.	NSC	$24.00	$5.55	$5.90	$3.58	$3.95	$0.68	13.20	1.90%
CSX Corporation	CSX	$22.00	$4.40	$4.80	$2.22	$2.55	$0.33	16.80	1.30%
Canadian Pacific Railway	CP	$25.35	$6.15	$6.55	$3.40	$3.80	$0.64	15.10	1.20%

NOTES:
CNI and CP, all figures are in US dollars.

Ticker	Book Value LT Debt	Book Value of Preferred	Book Value of Common per share	Book Value of Common	Shares outstanding	Mkt Value of Preferred	Mkt Value of Debt (% of book value)	Capital spending per share	Beta
BNI	$6,912,000,000	$0	$29.05	$27,392,748,261	358,958,852	$0	109.15%	$5.63	0.95
CNI	$4,632,000,000	$0	$16.40	$23,428,636,000	512,400,000	$0	111.23%	$2.05	0.95
UNP	$6,657,000,000	$0	$54.50	$24,637,567,097	269,719,931	$0	104.53%	$10.05	0.90
NSC	$6,141,000,000	$0	$24.45	$19,837,323,647	396,892,000	$0	109.44%	$2.50	1.05
CSX	$5,362,000,000	$0	$20.55	$15,539,650,000	435,000,000	$0	106.57%	$3.75	0.95
CP	$2,419,600,000	$0	$26.85	$8,445,723,333	155,500,000	$0	135.99%	$4.40	0.90

Ticker	Expected Dividends	Dividend Growth	Earnings Growth	Value Line Proj. Earnings Growth	S&P Proj. Earnings Growth	S&P # of Analyst	Mergents Bond Rating	S&P Bond Rating	Embedded Debt Rate	S&P Projected Earnings per share 2007	Value Line Operating Leases - annual rents	SEC 10-K Operating Lease Obligations 2007
				annualized 5 year	annualized 5 year					mean		
BNI	$1.00	9.50%	12.10%	16.00%	15.00%	13	Baa1	BBB+	6.87%	$5.68	413,000,000	640,000,000
CNI	$0.64	16.00%	9.80%	13.50%	15.00%	10	A3	A -	6.74%	$3.39	202,000,000	218,000,000
UNP	$1.20	4.50%	11.68%	13.00%	15.00%	14	Baa2	BBB	6.36%	$6.68	491,000,000	624,000,000
NSC	$0.75	15.00%	10.34%	16.00%	16.00%	11	Baa1	BBB+	6.99%	$3.99	144,000,000	166,000,000
CSX	$0.40	16.00%	14.86%	16.00%	17.00%	13	Baa2	BBB	6.55%	$2.54	no listed	252,000,000
CP	$0.74	12.00%	11.76%	14.00%	13.00%	9	no listing	BBB	9.45%	$3.87	136,000,000	133,200,000

(instructions: any data entered on this page will flow to the applicable worksheets)

Industry: Railroad Industry
Assessment Year: 2007 Assessment Year

Guideline Companies: Name	Ticker	Stock Price (4th 1/4 average)	Revenues Per Share	Cash Flow Per Share	Earnings Per Share	Dividends Per Share
Burlington Northern Santa Fe	BNI	76.312	41.870	8.43	5.04	0.90
Canadian National Railway	CNI	45.723	12.950	4.15	2.96	0.56
Union Pacific Corp.	UNP	91.345	57.700	10.30	5.91	1.20
Norfolk Southern Corp.	NSC	49.982	24.000	5.55	3.58	0.68
CSX Corporation	CSX	35.723	22.000	4.40	2.22	0.33
Canadian Pacific Railway	CP	54.313	25.350	6.15	3.40	0.64
	source:	Yahoo	Valueline	Valueline	Valueline	Valueline