Cost of Capital Study
2008 Assessment Year

Railroad Industry

Equity:

	Class One	Reference
Yield Capitalization		Page
CAPM ex post	10.12%	5
CAPM ex ante	9.90%	6
Dividend Growth Models		
ValueLine, based on Dividends Growth	17.00%	9
ValueLine, based on Earnings Growth	15.60%	9
Dividend Growth - ROE	12.50%	9
Standard & Poor's, based on Earnings Growth	17.00%	8
Yield Equity Component	**12.20%**	

Debt:

Debt Rate	**6.50%**	10

Industry Market Capital Structure

							Reference
Equity	**78%**	x	12.20%	=		9.52%	3
Debt	**22%**	x	6.50%	=	1.43%		3
Marginal Tax Rate			38.00%	x		0.89%	
	100%						
WACC						**10.40%**	

Support for Guideline Companies

Railroad Industry

2008 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 Corp.	BNI	1.05	17.50	1.40%	7,735,000,000	-	31,700,000,000
Canadian National Railway	CNI	1.10	16.10	1.70%	5,363,000,000	-	26,700,000,000
Union Pacific Corp.	UNP	1.00	18.70	1.40%	7,697,000,000	-	33,900,000,000
Norfolk Southern Corp.	NSC	1.15	15.00	2.10%	5,764,000,000	-	21,400,000,000
CSX Corp.	CSX	1.10	19.30	1.10%	6,470,000,000	-	21,500,000,000
Canadian Pacific Railway	CP	1.05	17.40	1.30%	4,146,200,000	-	11,500,000,000
	Mean	**1.08**	**17.33**	**1.50%**	**6,195,866,667**	-	**24,450,000,000**
		Book Capital Structure			**20.2%**	**0.0%**	**79.8%**

Source: ValueLine

Notes: CNI and CP figures are in US dollars.

Support for Capital Structure

(based on Market Value)
Railroad Industry
2008 Assessment Year

Company Name	Ticker	$Stock$ Average	Common Shares	Market Values: Common $ Stock $	%	Preferred $ Stock $	%	Long Term $ Debt $	%	$ Total $ Debt & Equity,
Burlington Northern Santa Fe Corp.	BNI	84.65	347,700,000	29,432,805,000	78.3%	-	0.0%	8,162,218,522	21.71%	37,595,023,522
Canadian National Railway	CNI	51.41	486,000,000	24,982,830,000	81.3%	-	0.0%	5,745,754,583	18.70%	30,728,584,583
Union Pacific Corp.	UNP	124.81	263,000,000	32,825,906,667	80.6%	-	0.0%	7,919,047,760	19.44%	40,744,954,426
Norfolk Southern Corp.	NSC	51.22	389,000,000	19,922,635,000	76.4%	-	0.0%	6,156,005,936	23.61%	26,078,640,936
CSX Corp.	CSX	43.21	407,000,000	17,585,791,667	72.2%	-	0.0%	6,778,353,564	27.82%	24,364,145,231
Canadian Pacific Railway	CP	67.15	153,300,000	10,293,839,500	68.0%	-	0.0%	4,838,041,989	31.97%	15,131,881,489
Mean:					**76.1%**		**0.0%**		**23.9%**	
Weighted Mean:				135,043,807,833	**77.3%**	-	**0.0%**	39,599,422,354	**22.7%**	174,643,230,188
Median:					**77.3%**		**0.0%**		**22.7%**	
				Say	**78.0%**		**0.0%**		**22.0%**	

Sources: ValueLine data except stock prices Yahoo Finance.

1) CNI and CP figures are in US dollars.
2) 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.
3) Long Term Debt includes Capitalized Leases.

Support for Market Multiples
Railroad Industry
2008 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	Capital Spending per share	Multiple
Burlington Northern Santa Fe Corp.	BNI	$ 84.65	$ 45.45	1.86	$ 9.95	8.51	$ 5.22	16.22	$ 1.14	74.25	$ 35.90	2.36	$ 6.47	13.08
Canadian National Railway	CNI	$ 51.41	$ 16.25	3.16	$ 5.40	9.52	$ 3.40	15.12	$ 0.84	61.20	$ 20.95	2.45	$ 2.85	18.04
Union Pacific Corp.	UNP	$ 124.81	$ 61.90	2.02	$ 13.35	9.35	$ 6.91	18.06	$ 1.35	92.45	$ 62.25	2.01	$ 12.15	10.27
Norfolk Southern Corp.	NSC	$ 51.22	$ 24.25	2.11	$ 6.25	8.19	$ 3.73	13.73	$ 0.96	53.35	$ 25.00	2.05	$ 3.45	14.84
CSX Corp.	CSX	$ 43.21	$ 24.65	1.75	$ 5.65	7.65	$ 2.73	15.83	$ 0.54	80.02	$ 21.35	2.02	$ 4.35	9.93
Canadian Pacific Railway	CP	$ 67.15	$ 30.70	2.19	$ 8.00	8.39	$ 4.32	15.54	$ 0.90	74.61	$ 35.60	1.89	$ 5.85	11.48
	Mean:			2.18		8.60		15.75		72.65		2.13		12.94
	Median:			2.06		8.45		15.69		74.43		2.04		12.28
	Std. Dev.			0.51		0.71		1.42		13.83		0.22		3.10
			Say	**2.10**		**8.50**		**15.7**		**74.0**		**2.10**		**12.60**

Sources: ValueLine data except stock prices Yahoo Finance.

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

2008 Assessment Year

Ex Post

Ke = Rf + B (Rm-Rf)

Ke = Cost of Equity			**10.12%**
			to page 1
Rf =	risk free rate	4.5%	
Rp =	risk premium	5.2%	
B =	Beta	1.08	page 8

Rp = Risk Premium			**5.2%**
			to above
Ibbotson SBBI, Market Report Dec 2007, Table 7 page 18			
Ibbotson, SBBI, Large Co.		10.4%	Rm
	less	5.2%	Average historical Rf return

Rf = Risk Free Rate		**4.5%**
		to above
Ibbotson Risk Premia Over Time Report 2008, Table C1 page 5		
Long Term (20 years) US Treasury Bond Yield	4.5%	
Value Line Investment Survey, Selected Yields January 4, 2008, page 4353		
	(12/26/2007)	
US Treasury Securities year end data		
5 year	3.70%	
10 year	4.28%	
30 year	4.67%	
30 year Zero	4.70%	
Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)		
Treasury Constant Maturities		
5 year	3.45%	
10 year	4.04%	
20 year	4.50%	
10 year TIPS	2.00%	
Inflation Indication	2.50%	

Support for Yield Capitalization Equity Component
Capital Asset Pricing Model

Railroad Industry

2008 Assessment Year

Ex Ante

Ke = Rf + B (Rp)

Ke =	**Cost of Equity**			**9.90%**
				to page 1
Rm =	rate of return	9.5%		
Rf =	risk free rate	4.5%		
Rp =	risk premium	5.0%		
B =	Beta	1.08		page 8

Rp =	**Risk Premium**			**5.0%**
				to above
	Shannon P. Pratt and Roger J. Grabowski			
	Capital Applications and Examples Third Edition page 113 (rates are for beginning of 2007)	3.5% - 6%	range	
		5%	est. equity Rp	
	Dr. Aswath Damodaran	4.37%		
	http://pages.stern.nyu.edu/~adamodar/			
	2007 Implied Risk Premium			
	John Graham and Campbell Harvey	3.21%	Nov. 2006	
	The Equity Risk Premium in January 2007:	3.47%	10 yr. av.	
	Evidence from the Global CEO Outlook Survey	2.39% - 4.65%	10 yr. av. range	

Rf =	**Risk Free Rate**			**4.5%**
				to above
	Ibbotson Risk Premia Over Time Report 2008, Table C1 page 5			
	Long Term (20 years) US Treasury Bond Yield		4.5%	
	Value Line Investment Survey, Selected Yields January 4, 2008, page 4353		(12/26/2007)	
	US Treasury Securities year end data			
		5 year	3.70%	
		10 year	4.28%	
		30 year	4.67%	
		30 year Zero	4.70%	
	Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)			
	Treasury Constant Maturities			
		5 year	3.45%	
		10 year	4.04%	
		20 year	4.50%	
		20 year TIPS	2.00%	
		Inflation Indication	2.50%	

Implied Premiums for US Market

These implied premiums are calculated using the S&P 500.   Source: http://pages.stern.nyu.edu/~adamodar/

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%
2007	5.96%	1.89%	1468.36	87.51	27.73	6.77%	10.70%	3.31%	4.02%	0.71%	5.03%	2.06%	5.00%	4.37%

Last updated January 5, 2008

Beta Calculation for CAPM
Railroad Industry
2008 Assessment Year

Industry Overall		ValueLine
Burlington Northern Santa Fe Corp.	BNI	1.05
Canadian National Railway	CNI	1.10
Union Pacific Corp.	UNP	1.00
Norfolk Southern Corp.	NSC	1.15
CSX Corp.	CSX	1.10
Canadian Pacific Railway	CP	1.05
	Mean:	**1.08**
	Median:	**1.08**
	Say	**1.08**

Source: ValueLine (March 3, 2008)

Support for Yield Capitalization Equity Component

Railroad Industry

2008 Assessment Year

Dividend Growth Model

(based on Standard & Poors 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)	S&P Earnings Growth (G)	Ke
Burlington Northern Santa Fe Corp.	BNI	84.650	1.400	1.65%	14.00%	15.65%
Canadian National Railway	CNI	51.405	0.920	1.79%	16.00%	17.79%
Union Pacific Corp.	UNP	124.813	1.760	1.41%	20.00%	21.41%
Norfolk Southern Corp.	NSC	51.215	1.200	2.34%	14.00%	16.34%
CSX Corp.	CSX	43.208	0.600	1.39%	16.00%	17.39%
Canadian Pacific Railway	CP	67.148	0.900	1.34%	15.00%	16.34%
			Median:			**16.87%**
			Mean:			**17.49%**
					Say	**17.00%**

Source: Yahoo Finance for stock prices, S&P for 5-year earnings growth and Value Line for other data.

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 annualized rate per S&P Earnings Guide.

Cost of Capital Study

2008 Assessment Year

Dividend Growth Model (DGM or DCF)

DGM or DCF Model ==> $K_e = \frac{D_1}{P_0} + g$

K_e = Cost of Equity
D_1 = Expected Dividends (next year's)
P_0 = Current Price (fourth quarter average)
g = Sustainable Growth
b = 100% minus % of All Dividends to Net Profit

Industry: Railroads

					Value Line 5 yr. proj.	Value Line 5 yr. proj.	% retained		% retained x ROE	dividend growth	dividend growth earnings	dividend growth ROE
	Stock	Stock Price	Expected Dividend	Dividend Yield	Annual Dividend Growth	Annual Earnings Growth				(Dividends)	(Earnings)	g=(b * ROE)
Company Name	Symbol	P0	D1	(D_1 / P_0)	g	g	b	ROE	g=(b * ROE)	K_e	K_e	K_e
Burlington Northern Santa Fe Corp.	BNI	$ 84.65	$ 1.40	1.65%	13.00%	12.00%	78.00%	16.50%	12.87%	14.65%	13.65%	14.52%
Canadian National Railway	CNI	$ 51.41	$ 0.92	1.79%	20.50%	13.00%	75.00%	17.50%	13.13%	22.29%	14.79%	14.91%
Union Pacific Corp.	UNP	$ 124.81	$ 1.76	1.41%	4.50%	13.00%	79.00%	11.50%	9.09%	5.91%	14.41%	10.50%
Norfolk Southern Corp.	NSC	$ 51.22	$ 1.20	2.34%	15.00%	14.50%	76.00%	14.00%	10.64%	17.34%	16.84%	12.98%
CSX Corp.	CSX	$ 43.21	$ 0.60	1.39%	19.00%	16.50%	79.00%	13.00%	10.27%	20.39%	17.89%	11.66%
Canadian Pacific Railway	CP	$ 67.15	$ 0.90	1.34%	16.50%	15.00%	80.00%	13.00%	10.40%	17.84%	16.34%	11.74%
			Mean:	1.65%	14.75%	14.00%	77.83%	14.25%	11.07%	**16.40%**	**15.65%**	**12.72%**
			Median:	1.53%	15.75%	13.75%	78.50%	13.50%	10.52%	**17.59%**	**15.57%**	**12.36%**
									say	**17.00%**	**15.60%**	**12.50%**

Source: Value Line, except stock prices are from Yahoo.com.

Support for Debt Rating and Debt Yield Rate

Railroad Industry

2008 Assessment Year

Industry Overall	---- Ratings --------------				
Company	**Ticker**	**Mergents**	**S&P**	**Weighted Average YTM**	
Burlington Northern Santa Fe Corp.	BNI	Baa1	BBB	6.72%	
Canadian National Railway	CNI	A3	A -	6.74%	
Union Pacific Corp.	UNP	Baa2	BBB	6.41%	
Norfolk Southern Corp.	NSC	Baa1 (Moodys)	BBB +	6.93%	
CSX Corp.	CSX	Baa3	BBB -	6.55%	
Canadian Pacific Railway	CP	Baa3	BBB	8.83%	
Overall Average Debt Rating		**Baa**	**BBB**	**7.03%**	**Average**
				6.73%	**Median**

Above rates from embedded
company debt rates (see bond analysis page).

Mergents Bond Record
January 2008, Page 210 Corporates by rating (30 yr.)

Corporate	**Aaa**	**Aa**	**A**	**Baa**
October	5.66%	5.94%	6.13%	6.48%
November	5.44%	5.78%	5.97%	6.40%
December	5.49%	5.91%	6.19%	6.65%
Average	**5.53%**	**5.88%**	**6.10%**	**6.51%**

Industrials	**Aaa**	**Aa**	**A**	**Baa**
October	5.66%	5.84%	6.14%	6.60%
November	5.44%	5.67%	5.97%	6.51%
December	5.49%	5.78%	6.22%	6.78%
Average	**5.53%**	**5.76%**	**6.11%**	**6.63%**

Debt Yield Rate
6.50%

Railroad Bond analysis

12/31/07														average yield to	average yield to maturity
Company	type	Call	coupon	maturity	Price 12/31/2007	Issued	current yield	yield to maturity	Company S&P Rating	Market Value	Mkt:Book	debt service	embedded rate	company	Market
Burlington Northern Santa Fe	Nts		6.125	2009	101.31	$ 200,000,000	6.05%	3.44%	BBB	$ 202,620,000	101.31%	12,250,000		0.0016%	0.0388%
Burlington Northern Santa Fe	Nts	Z100	6.75	2011	105.63	$ 400,000,000	6.39%	4.33%	BBB	$ 422,520,000	105.63%	27,000,000		0.0083%	0.1018%
Burlington Northern Santa Fe	Nts	Z100	5.9	2012	103.37	$ 300,000,000	5.71%	4.83%	BBB	$ 310,110,000	103.37%	17,700,000		0.0052%	0.0834%
Burlington Northern Santa Fe	Nts	Z100	4.3	2013	95.38	$ 250,000,000	4.51%	5.49%	BBB	$ 238,450,000	95.38%	10,750,000		0.0041%	0.0729%
Burlington Northern Santa Fe	Deb	NC	6.875	2016	107.67	$ 175,000,000	6.39%	5.59%	BBB	$ 188,422,500	107.67%	12,031,250		0.0020%	0.0587%
Burlington Northern Santa Fe	Mtg N		8.15	2020	119.70	$ 2,510,000	6.81%	5.76%	BBB	$ 3,004,470	119.70%	204,565		0.0000%	0.0010%
Burlington Northern Santa Fe	DEB		8.125	2020	116.74	$ 300,000,000	6.96%	6.06%	BBB	$ 350,220,000	116.74%	24,375,000		0.0065%	0.1182%
Burlington Northern R.R.	Mtg K	NC	6.55	2020	105.60	$ 3,980,000	6.20%	5.87%	BBB	$ 4,202,880	105.60%	260,690		0.0000%	0.0014%
Burlington Northern R.R.	Mtg L	NC	3.8	2020	81.96	$ 6,200,000	4.64%	6.02%	BBB	$ 5,081,520	81.96%	235,600		0.0000%	0.0017%
Burlington Northern R.R.	Mtg O	NC	6.55	2020	105.60	$ 15,400,000	6.20%	5.87%	BBB	$ 16,262,400	105.60%	1,008,700		0.0000%	0.0053%
Burlington Northern R.R.	Mtg P	NC	8.15	2020	119.60	$ 5,570,000	6.81%	5.77%	BBB	$ 6,661,720	119.60%	453,955		0.0000%	0.0021%
Burlington Northern	DEB	NC	8.75	2022	125.29	$ 200,000,000	6.98%	5.97%	BBB	$ 250,580,000	125.29%	17,500,000		0.0029%	0.0833%
Burlington Northern Santa Fe	Deb	NC	7	2025	107.56	$ 350,000,000	6.51%	6.25%	BBB	$ 376,460,000	107.56%	24,500,000		0.0091%	0.1311%
Burlington Northern Santa Fe	Deb	Z100	6.875	2027	104.83	$ 200,000,000	6.56%	6.42%	BBB	$ 209,660,000	104.83%	13,750,000		0.0031%	0.0750%
Burlington Northern Santa Fe	M-T Nts	NC	6.1	2027	97.56	$ 100,000,000	6.25%	6.33%	BBB	$ 97,560,000	97.56%	6,100,000		0.0008%	0.0344%
Burlington Northern Santa Fe	Deb	Z100	6.7	2028	104.09	$ 200,000,000	6.44%	6.33%	BBB	$ 208,180,000	104.09%	13,400,000		0.0030%	0.0734%
Burlington Northern Santa Fe	DEB	NC	6.75	2029	104.73	$ 200,000,000	6.45%	6.33%	BBB	$ 209,460,000	104.73%	13,500,000		0.0030%	0.0739%
Burlington Northern Santa Fe	DEB	NC	7.082	2029	108.36	$ 200,000,000	6.54%	6.34%	BBB	$ 216,720,000	108.36%	14,164,000		0.0030%	0.0765%
Burlington Northern Santa Fe	DEB	Z100	7.95	2030	118.38	$ 275,000,000	6.72%	6.36%	BBB	$ 325,545,000	118.38%	21,862,500		0.0057%	0.1153%
Burlington Northern Santa Fe	DEB		6.2	2036	97.25	$ 300,000,000	6.38%	6.42%	BBB	$ 291,750,000	97.25%	18,600,000		0.0069%	0.1042%
Burlington Northern Santa Fe	DEB	NC	7.29	2036	111.59	$ 200,000,000	6.53%	6.38%	BBB	$ 223,180,000	111.59%	14,580,000		0.0030%	0.0794%
Burlington Northern Santa Fe	M-T Nts	NC	6.53	2037	101.71	$ 175,000,000	6.42%	6.40%	BBB	$ 177,992,500	101.71%	11,427,500		0.0023%	0.0634%
Burlington Northern R.R.	Mtg M	Z100	3.2	2045	56.65	$ 13,000,000	5.65%	6.24%	BBB	$ 7,364,500	56.65%	416,000		0.0000%	0.0026%
Burlington Northern Santa Fe	DEB	Z100	7.25	2097	109.81	$ 200,000,000	6.60%	6.60%	BBB	$ 219,620,000	109.81%	14,500,000		0.0032%	0.0807%
Burlington Northern Santa Fe	DEB	Z100	6.15	2037	97.21	$ 650,000,000	6.33%	6.36%	BBB	$ 631,865,000	97.21%	39,975,000		0.0321%	0.2240%
25						$ 4,921,660,000	Percent			$ 5,193,492,490	105.52%	$ 330,544,760	6.72%	0.11%	
Canadian National Ry	Notes	Z100	6.375	2011	104.85	$ 400,000,000	6.08%	4.29%	A -	$ 419,400,000	104.85%	25,500,000		0.000273	0.1001%
Canadian National Ry	Notes	Z100	6.8	2018	108.00	$ 200,000,000	6.30%	5.69%	A -	$ 216,000,000	108.00%	13,600,000		0.000091	0.0684%
Canadian National Ry	Deb	NC	7.625	2023	114.17	$ 150,000,000	6.68%	6.12%	A -	$ 171,255,000	114.17%	11,437,500		0.000055	0.0584%
Canadian National Ry	Notes	Z100	6.9	2028	109.64	$ 475,000,000	6.29%	6.05%	A -	$ 520,790,000	109.64%	32,775,000		0.000543	0.1753%
Canadian National Ry	Secured	Puttable	6.45	2036	101.13	$ 250,000,000	6.38%	6.36%	A -	$ 252,825,000	101.13%	16,125,000		0.000158	0.0896%
5						$ 1,475,000,000	Percent of book			$ 1,580,270,000	107.14%	$ 99,437,500	6.74%	0.11%	
CSX Corp	M-T Nts	NC	6.59	2008	100.15	$ 50,000,000	6.58%	6.90%	BBB -	$ 50,075,000	100.15%	3,295,000		0.000004	0.0192%
CSX Corp	M-T Nts	NC	6.5	2008	100.13	$ 40,000,000	6.49%	6.76%	BBB -	$ 40,052,000	100.13%	2,600,000		0.000003	0.0151%
CSX Corp	Nts	NC	6.25	2008	100.88	$ 400,000,000	6.20%	8.04%	BBB -	$ 403,520,000	100.88%	25,000,000		0.000323	0.1808%
CSX Corp	Nts	Z100	4.875	2009	100.27	$ 200,000,000	4.86%	4.32%	BBB -	$ 200,540,000	100.27%	9,750,000		0.000043	0.0482%
CSX Corp	Deb	Z100	6.75	2011	104.93	$ 500,000,000	6.43%	4.62%	BBB -	$ 524,650,000	104.93%	33,750,000		0.000290	0.1349%
CSX Corp	Notes	Z100	6.3	2012	102.38	$ 400,000,000	6.15%	5.53%	BBB -	$ 409,520,000	102.38%	25,200,000		0.000222	0.1262%
CSX Corp	Notes	Z100	5.3	2014	98.34	$ 200,000,000	5.39%	5.66%	BBB -	$ 196,680,000	98.34%	10,600,000		0.000057	0.0620%
CSX Corp	Deb	NC	8.625	2022	123.04	$ 200,000,000	7.01%	6.08%	BBB -	$ 246,080,000	123.04%	17,250,000		0.000061	0.0833%
CSX Corp	Deb	NC	8.1	2022	118.35	$ 150,000,000	6.84%	6.07%	BBB -	$ 177,525,000	118.35%	12,150,000		0.000034	0.0600%
CSX Corp	MT Notes C	Z100	6.8	2028	101.44	$ 200,000,000	6.70%	6.67%	BBB -	$ 202,880,000	101.44%	13,600,000		0.000067	0.0753%
10						$ 2,340,000,000	Percent of book			$ 2,451,522,000	104.77%	$ 153,195,000	6.55%	0.11%	
Norfolk Southern	Sr Nts	Z100	6.2	2009	102.10	$ 400,000,000	6.07%	1.94%	BBB +	$ 408,400,000	102.10%	24,800,000		0.000041	0.0441%
Norfolk Southern	Sr Nts	Z100	8.625	2010	109.39	$ 300,000	7.88%	2.19%	BBB +	$ 328,170	109.39%	25,875		0.000000	0.0000%
Norfolk Southern	Notes	Z100	6.75	2011	107.15	$ 300,000,000	6.30%	3.70%	BBB +	$ 321,450,000	107.15%	20,250,000		0.000045	0.0663%
Norfolk Southern	Notes	Z100	7.7	2017	113.24	$ 550,000,000	6.80%	5.69%	BBB +	$ 622,820,000	113.24%	42,350,000		0.000230	0.1974%
Norfolk Southern	Notes	NC	9	2021	120.40	$ 83,400,000	7.48%	6.56%	BBB +	$ 100,413,600	120.40%	7,506,000		0.000006	0.0367%
Norfolk Southern	Notes	Z100	5.59	2025	96.65	$ 366,000,000	5.78%	5.91%	BBB +	$ 353,739,000	96.65%	20,459,400		0.000106	0.1165%
Norfolk Southern	Notes	Z100	7.8	2027	119.18	$ 450,000,000	6.54%	6.05%	BBB +	$ 536,310,000	119.18%	35,100,000		0.000164	0.1807%

Norfolk Southern	**Notes**	**Z100**	**5.64**	**2029**	**91.81**	**$ 350,000,000**	**6.14%**	**6.37%**	**BBB +**	**$ 321,335,000**	**91.81%**	**19,740,000**		**0.000104**	**0.1139%**
Norfolk Southern	**Notes**	**Z100**	**7.25**	**2031**	**110.67**	**$ 500,000,000**	**6.55%**	**6.35%**	**BBB +**	**$ 553,350,000**	**110.67%**	**36,250,000**		**0.000212**	**0.1956%**
Norfolk Southern	**Notes**	**Z100**	**7.05**	**2037**	**108.37**	**$ 750,000,000**	**6.51%**	**6.40%**	**BBB +**	**$ 812,775,000**	**108.37%**	**52,875,000**		**0.000481**	**0.2899%**
Norfolk Southern	**Notes**	**Z100**	**7.9**	**2097**	**115.78**	**$ 350,000,000**	**6.82%**	**6.82%**	**BBB +**	**$ 405,230,000**	**115.78%**	**27,650,000**		**0.000112**	**0.1539%**
Norfolk Southern	**SR Notes**	**Z100**	**6**	**2105**	**87.59**	**$ 300,000,000**	**6.85%**	**6.85%**	**BBB +**	**$ 262,770,000**	**87.59%**	**18,000,000**		**0.000082**	**0.1003%**
12						**$ 4,399,700,000**	**Percent of book**			**$ 4,698,920,770**	**106.80%**	**305,006,275**	**6.93%**	**0.16%**	
Union Pacific Corp	**Notes**	**NC**	**6.625**	**2008**	**100.11**	**$ 300,000,000**	**6.62%**	**6.39%**	**BBB**	**$ 300,330,000**	**100.11%**	**19,875,000**		**0.000094**	**0.1069%**
Union Pacific Corp	**Notes**	**NC**	**7.25**	**2008**	**101.80**	**$ 250,000,000**	**7.12%**	**10.95%**	**BBB**	**$ 254,500,000**	**101.80%**	**18,125,000**		**0.000112**	**0.1551%**
Union Pacific Corp	**Notes**	**NC**	**7.375**	**2009**	**105.43**	**$ 150,000,000**	**7.00%**	**-3.22%**	**BBB**	**$ 158,145,000**	**105.43%**	**11,062,500**		**(0.000012)**	**-0.0284%**
Union Pacific Corp	**Notes**	**NC**	**3.875**	**2009**	**99.14**	**$ 250,000,000**	**3.91%**	**5.67%**	**BBB**	**$ 247,850,000**	**99.14%**	**9,687,500**		**0.000058**	**0.0782%**
Union Pacific Corp	**Notes**	**Z100**	**6.65**	**2011**	**103.95**	**$ 400,000,000**	**6.40%**	**4.93%**	**BBB**	**$ 415,800,000**	**103.95%**	**26,600,000**		**0.000129**	**0.1142%**
Union Pacific Corp	**Notes**	**Z100**	**6.125**	**2012**	**104.24**	**$ 300,000,000**	**5.88%**	**4.78%**	**BBB**	**$ 312,720,000**	**104.24%**	**18,375,000**		**0.000070**	**0.0833%**
Union Pacific Corp	**Notes**	**Z100**	**6.5**	**2012**	**105.70**	**$ 350,000,000**	**6.15%**	**4.70%**	**BBB**	**$ 369,950,000**	**105.70%**	**22,750,000**		**0.000094**	**0.0967%**
Union Pacific Corp	**Deb**	**NC**	**5.375**	**2014**	**98.28**	**$ 250,000,000**	**5.47%**	**5.75%**	**BBB**	**$ 245,700,000**	**98.28%**	**13,437,500**		**0.000059**	**0.0787%**
Union Pacific Corp	**Deb**	**NC**	**7**	**2016**	**108.26**	**$ 250,000,000**	**6.47%**	**5.62%**	**BBB**	**$ 270,650,000**	**108.26%**	**17,500,000**		**0.000057**	**0.0847%**
Union Pacific Corp	**Deb**	**NC**	**7.125**	**2028**	**108.86**	**$ 250,000,000**	**6.55%**	**6.32%**	**BBB**	**$ 272,150,000**	**108.86%**	**17,812,500**		**0.000064**	**0.0958%**
Union Pacific Corp	**Deb**	**Z100**	**6.625**	**2029**	**101.91**	**$ 600,000,000**	**6.50%**	**6.45%**	**BBB**	**$ 611,460,000**	**101.91%**	**39,750,000**		**0.000379**	**0.2198%**
Union Pacific Corp	**Deb**	**Z100**	**6.25**	**2034**	**97.84**	**$ 250,000,000**	**6.39%**	**6.42%**	**BBB**	**$ 244,600,000**	**97.84%**	**15,625,000**		**0.000066**	**0.0875%**
12						**$ 3,600,000,000**	**Percent of book**			**$ 3,703,855,000**	**102.88%**	**230,600,000**	**6.41%**	**0.12%**	
Canadian Pacific, Ltd	**Deb**	**NC**	**9.45**	**2021**	**123.11**	**$ 250,000,000**	**7.68%**	**6.67%**	**BBB**	**$ 307,775,000**	**123.11%**	**23,625,000**		**0.000868**	**0.1143%**
Canadian Pacific Railway	**Deb**	**NC**	**4**	**2049**	**66.50**	**$ 32,000,000**	**6.02%**	**6.31%**	**BBB**	**$ 21,280,000**	**66.50%**	**1,280,000**		**0.000013**	**0.0075%**
2						**$ 282,000,000**	**Percent of book**			**$ 329,055,000**	**116.69%**	**24,905,000**	**8.83%**	**0.09%**	
Kansas City Southern	**Sr Notes**	**NC**	**7.25**	**2009**	**100.12**	**$ 200,000,000**	**7.24%**	**7.00%**	**0**	**$ 200,240,000**	**100.12%**	**14,500,000**	**7.25%**	**0.08%**	**0.0780%**
Totals						**$ 17,018,360,000**		**105.52%**		**$ 17,957,115,260**		**$ 1,143,688,535**	**6.72%**		**5.79%**
						Issued		**Overall Market to Book Ratio**		**Market Value**		**Debt Service**	**WAYTM Embeded Rate**		**WAYTM Market Rate**

SORTED BY QUALITY, MATURITY & YIELD-to-MATURITY (copied from above data)

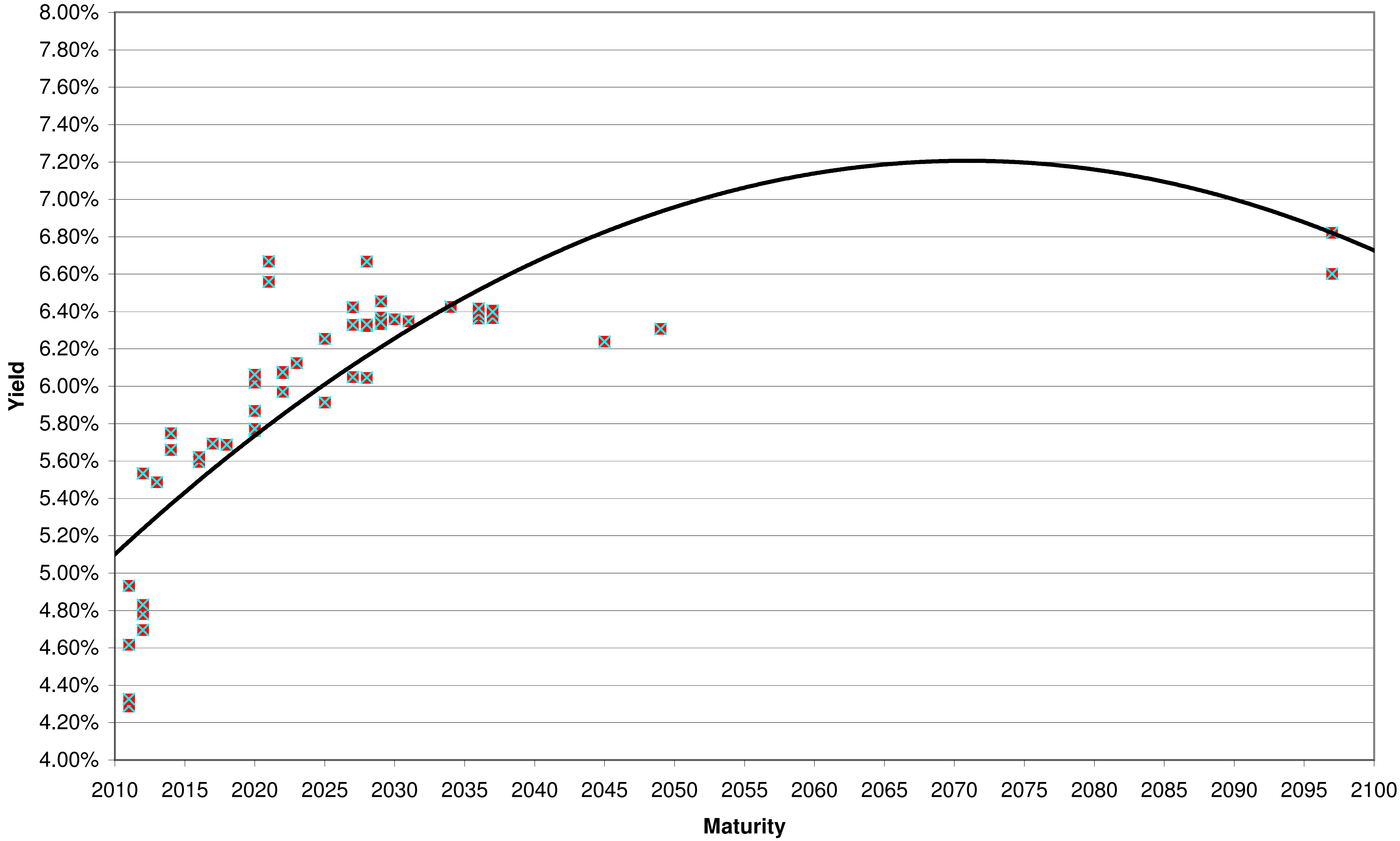
December 31, 2007

Railroad Bond analysis - S&P Company Ratings

Company	type	Call	coupon	maturity	Price 12/31/2007	Issued	current yield	yield to maturity	Company S&P Rating
Canadian National Ry	Notes	Z100	6.375	2011	104.85	$ 400,000,000	6.08%	4.29%	A-
Canadian National Ry	Notes	Z100	6.8	2018	108.00	$ 200,000,000	6.30%	5.69%	A-
Canadian National Ry	Deb	NC	7.625	2023	114.17	$ 150,000,000	6.68%	6.12%	A-
Canadian National Ry	Notes	Z100	6.9	2028	109.64	$ 475,000,000	6.29%	6.05%	A-
Canadian National Ry	Secured	Puttable	6.45	2036	101.13	$ 250,000,000	6.38%	6.36%	A-
Norfolk Southern	Notes	Z100	6.75	2011	107.15	$ 300,000,000	6.30%	3.70%	BBB+
Norfolk Southern	Notes	Z100	7.7	2017	113.24	$ 550,000,000	6.80%	5.69%	BBB+
Norfolk Southern	Notes	NC	9	2021	120.40	$ 83,400,000	7.48%	6.56%	BBB+
Norfolk Southern	Notes	Z100	5.59	2025	96.65	$ 366,000,000	5.78%	5.91%	BBB+

Norfolk Southern	Notes	Z100	7.8	2027	119.18	$	450,000,000	6.54%	6.05%	BBB+						
Norfolk Southern	Notes	Z100	5.64	2029	91.81	$	350,000,000	6.14%	6.37%	BBB+						
Norfolk Southern	Notes	Z100	7.25	2031	110.67	$	500,000,000	6.55%	6.35%	BBB+						
Norfolk Southern	Notes	Z100	7.05	2037	108.37	$	750,000,000	6.51%	6.40%	BBB+						
Norfolk Southern	Notes	Z100	7.9	2097	115.78	$	350,000,000	6.82%	6.82%	BBB+						
Norfolk Southern	SR Notes	Z100	6	2105	87.59	$	300,000,000	6.85%	6.85%	BBB+						
Union Pacific Corp	Notes	NC	6.625	2008	100.11	$	300,000,000	6.62%	6.39%	BBB						
Union Pacific Corp	Notes	NC	7.25	2008	101.80	$	250,000,000	7.12%	10.95%	BBB						
Union Pacific Corp	Notes	NC	7.375	2009	105.43	$	150,000,000	7.00%	-3.22%	BBB						
Burlington Northern Santa Fe	Nts		6.125	2009	101.31	$	200,000,000	0.06046	0.034376	BBB						
Union Pacific Corp	Notes	NC	3.875	2009	99.14	$	250,000,000	3.91%	5.67%	BBB						
Burlington Northern Santa Fe	Nts	Z100	6.75	2011	105.63	$	400,000,000	6.39%	4.33%	BBB						
Union Pacific Corp	Notes	Z100	6.65	2011	103.95	$	400,000,000	6.40%	4.93%	BBB						
Union Pacific Corp	Notes	Z100	6.5	2012	105.70	$	350,000,000	6.15%	4.70%	BBB						
Union Pacific Corp	Notes	Z100	6.125	2012	104.24	$	300,000,000	5.88%	4.78%	BBB						
Burlington Northern Santa Fe	Nts	Z100	5.9	2012	103.37	$	300,000,000	5.71%	4.83%	BBB						
Burlington Northern Santa Fe	Nts	Z100	4.3	2013	95.38	$	250,000,000	4.51%	5.49%	BBB						
Union Pacific Corp	Deb	NC	5.375	2014	98.28	$	250,000,000	5.47%	5.75%	BBB						
Burlington Northern Santa Fe	Deb	NC	6.875	2016	107.67	$	175,000,000	6.39%	5.59%	BBB						
Union Pacific Corp	Deb	NC	7	2016	108.26	$	250,000,000	6.47%	5.62%	BBB						
Burlington Northern Santa Fe	Mtg N		8.15	2020	119.70	$	2,510,000	6.81%	5.76%	BBB						
Burlington Northern R.R.	Mtg P	NC	8.15	2020	119.60	$	5,570,000	6.81%	5.77%	BBB						
Burlington Northern R.R.	Mtg K	NC	6.55	2020	105.60	$	3,980,000	6.20%	5.87%	BBB						
Burlington Northern R.R.	Mtg O	NC	6.55	2020	105.60	$	15,400,000	6.20%	5.87%	BBB						
Burlington Northern R.R.	Mtg L	NC	3.8	2020	81.96	$	6,200,000	4.64%	6.02%	BBB						
Burlington Northern Santa Fe	DEB		8.125	2020	116.74	$	300,000,000	6.96%	6.06%	BBB						
Canadian Pacific, Ltd	Deb	NC	9.45	2021	123.11	$	250,000,000	7.68%	6.67%	BBB						
Burlington Northern	DEB	NC	8.75	2022	125.29	$	200,000,000	6.98%	5.97%	BBB						
Burlington Northern Santa Fe	Deb	NC	7	2025	107.56	$	350,000,000	6.51%	6.25%	BBB						
Burlington Northern Santa Fe	M-T Nts	NC	6.1	2027	97.56	$	100,000,000	6.25%	6.33%	BBB						
Burlington Northern Santa Fe	Deb	Z100	6.875	2027	104.83	$	200,000,000	6.56%	6.42%	BBB						
Union Pacific Corp	Deb	NC	7.125	2028	108.86	$	250,000,000	6.55%	6.32%	BBB						
Burlington Northern Santa Fe	Deb	Z100	6.7	2028	104.09	$	200,000,000	6.44%	6.33%	BBB						
Burlington Northern Santa Fe	DEB	NC	6.75	2029	104.73	$	200,000,000	6.45%	6.33%	BBB						
Burlington Northern Santa Fe	DEB	NC	7.082	2029	108.36	$	200,000,000	6.54%	6.34%	BBB						
Union Pacific Corp	Deb	Z100	6.625	2029	101.91	$	600,000,000	6.50%	6.45%	BBB						
Burlington Northern Santa Fe	DEB	Z100	7.95	2030	118.38	$	275,000,000	6.72%	6.36%	BBB						
Union Pacific Corp	Deb	Z100	6.25	2034	97.84	$	250,000,000	6.39%	6.42%	BBB						
Burlington Northern Santa Fe	DEB	NC	7.29	2036	111.59	$	200,000,000	6.53%	6.38%	BBB						
Burlington Northern Santa Fe	DEB		6.2	2036	97.25	$	300,000,000	6.38%	6.42%	BBB						
Burlington Northern Santa Fe	DEB	Z100	6.15	2037	97.21	$	650,000,000	6.33%	6.36%	BBB						
Burlington Northern Santa Fe	M-T Nts	NC	6.53	2037	101.71	$	175,000,000	6.42%	6.40%	BBB						
Burlington Northern R.R.	Mtg M	Z100	3.2	2045	56.65	$	13,000,000	5.65%	6.24%	BBB						
Canadian Pacific Railway	Deb	NC	4	2049	66.50	$	32,000,000	6.02%	6.31%	BBB						
Burlington Northern Santa Fe	DEB	Z100	7.25	2097	109.81	$	200,000,000	6.60%	6.60%	BBB						
CSX Corp	M-T Nts	NC	6.5	2008	100.13	$	40,000,000	6.49%	6.76%	BBB-						
CSX Corp	M-T Nts	NC	6.59	2008	100.15	$	50,000,000	6.58%	6.90%	BBB-						
CSX Corp	Nts	NC	6.25	2008	100.88	$	400,000,000	6.20%	8.04%	BBB-						
CSX Corp	Nts	Z100	4.875	2009	100.27	$	200,000,000	4.86%	4.32%	BBB-						
CSX Corp	Deb	Z100	6.75	2011	104.93	$	500,000,000	6.43%	4.62%	BBB-						
CSX Corp	Notes	Z100	6.3	2012	102.38	$	400,000,000	6.15%	5.53%	BBB-						
CSX Corp	Notes	Z100	5.3	2014	98.34	$	200,000,000	5.39%	5.66%	BBB-						
CSX Corp	Deb	NC	8.1	2022	118.35	$	150,000,000	6.84%	6.07%	BBB-						
CSX Corp	Deb	NC	8.625	2022	123.04	$	200,000,000	7.01%	6.08%	BBB-						
CSX Corp	MT Notes C	Z100	6.8	2028	101.44	$	200,000,000	6.70%	6.67%	BBB-						
Norfolk Southern	Sr Nts	Z100	6.2	2009	102.10	$	400,000,000	6.07%	1.94%	B+						
Kansas City Southern	Sr Notes	NC	7.25	2009	100.12	$	200,000,000	7.24%	7.00%	B+						
Norfolk Southern	Sr Nts	Z100	8.625	2010	109.39	$	300,000	7.88%	2.19%	B+						

Railroad Bond Yield Curve



Support for Equity Component of Direct Capitalization Rates
Railroad Industry
2008 Assessment Year

Company Name	Ticker	$Stock$ Average	2007 Earnings	2007 Ratio	Projected Earnings	Projected Ratio	2007 Cash Flow	2007 Cash Flow Ratio	Projected Cash Flow	Projected Cash Flow Ratio
Burlington Northern Santa Fe Corp	BNI	84.650	5.220	6.17%	6.000	7.09%	9.110	10.76%	9.950	11.75%
Canadian National Railway	CNI	51.405	3.400	6.61%	3.700	7.20%	4.950	9.63%	5.400	10.50%
Union Pacific Corp.	UNP	124.813	6.910	5.54%	7.850	6.29%	12.200	9.77%	13.350	10.70%
Norfolk Southern Corp.	NSC	51.215	3.730	7.28%	4.000	7.81%	5.750	11.23%	6.250	12.20%
CSX Corp.	CSX	43.208	2.730	6.32%	3.150	7.29%	5.200	12.03%	5.650	13.08%
Canadian Pacific Railway	CP	67.148	4.320	6.43%	4.750	7.07%	7.550	11.24%	8.000	11.91%
	Mean:			6.39%		7.12%		10.78%		11.69%
	Median:			6.38%		7.14%		10.99%		11.83%
			Say	**6.38%**		**7.14%**		**10.90%**		**11.75%**

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 12-31-2007

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
01/2007, 4.75	01/2007, 4.76	01/2007, 4.95	01/2007, 2.42	2.53	2.59
02/2007, 4.71	02/2007, 4.72	02/2007, 4.93	02/2007, 2.38	2.55	2.56
03/2007, 4.48	03/2007, 4.56	03/2007, 4.81	03/2007, 2.27	2.54	2.54
04/2007, 4.59	04/2007, 4.69	04/2007, 4.95	04/2007, 2.35	2.60	2.55
05/2007, 4.67	05/2007, 4.75	05/2007, 4.98	05/2007, 2.45	2.53	2.55
06/2007, 5.03	06/2007, 5.10	06/2007, 5.29	06/2007, 2.67	2.62	2.56
07/2007, 4.88	07/2007, 5.00	07/2007, 5.19	07/2007, 2.62	2.57	2.57
08/2007, 4.43	08/2007, 4.67	08/2007, 5.00	08/2007, 2.47	2.53	2.57
09/2007, 4.20	09/2007, 4.52	09/2007, 4.84	09/2007, 2.30	2.54	2.57
10/2007, 4.20	10/2007, 4.53	10/2007, 4.83	10/2007, 2.26	2.57	2.56
11/2007, 3.67	11/2007, 4.15	11/2007, 4.56	11/2007, 1.99	2.57	2.57
12/2007, 3.49	12/2007, 4.10	12/2007, 4.57	12/2007, 2.08	2.49	2.55

Source: Yahoo Finance (yahoo.com)

Stock Pricing History Report
4th quarter 2007

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	89.16	80.64
November	87.89	80.77
October	88.65	80.79

4th Quarter Average 84.65

"CSX CORPORATION"
Pricing History Report

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	45.45	40.83
November	44.88	40.17
October	46.49	41.43

4th Quarter Average 43.21

"CANADIAN NATIONAL RAILWAY COMPANY"
Pricing History Report

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	52.17	46.19
November	55.65	45.78
October	57.42	51.22

4th Quarter Average 51.41

"CANADIAN PACIFIC RAILWAY"
Pricing History Report

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	68.69	61.80
November	70.49	60.17
October	74.38	67.36

4th Quarter Average 67.15

"NORFOLK SOUTHERN CORPORATION"
Pricing History Report

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	53.99	48.08
November	51.78	48.48
October	54.58	50.38

4th Quarter Average 51.22

"UNION PACIFIC CORPORATION"
Pricing History Report

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

Currency: Currency as Reported
Monthly Prices From: 10/01/2007 to 12/31/2007
Adjusted for stock dividends and stock splits as of 1/01/2008

Month Of Quarter	High	Low
December	137.56	121.36
November	128.89	121.00
October	130.00	110.07

4th Quarter Average 124.81

Railroad Data 2007 for 2008 Assessment Year

Value Line 3-8-2008

Description	Ticker	current yr Revenue per share	2007 Cash Flow	Projected 2008 Cash flow per share	2007 Earnings per share	2008 Earnings per share	2007 Dividends per share	P/E Ratio (trailing)	Dividend Yield
									from Value Line
Class One									
Burlington Northern Santa Fe Corp.	BNI	$45.45	$9.11	$9.95	$5.22	$6.00	$1.14	17.50	1.40%
Canadian National Railway	CNI	$16.25	$4.95	$5.40	$3.40	$3.70	$0.84	16.10	1.70%
Union Pacific Corp.	UNP	$61.90	$12.20	$13.35	$6.91	$7.85	$1.35	18.70	1.40%
Norfolk Southern Corp.	NSC	$24.25	$5.75	$6.25	$3.73	$4.00	$0.96	15.00	2.10%
CSX Corp.	CSX	$24.65	$5.20	$5.65	$2.73	$3.15	$0.54	19.30	1.10%
Canadian Pacific Railway	CP	$30.70	$7.55	$8.00	$4.32	$4.75	$0.90	17.40	1.30%

Data entered on this page will flow to the applicable worksheets.

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

Sources:
Value Line except debt ratings, S&P earnings growth, market value of debt and embedded debt rate.

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	**Market Value of Debt** (Percentage of book value)	Capital spending per share	Beta
BNI	$7,735,000,000	$0	$35.90	$31,700,000,000	347,700,000	$0	105.52%	$6.47	1.05
CNI	$5,363,000,000	$0	$20.95	$26,700,000,000	486,000,000	$0	107.14%	$2.85	1.10
UNP	$7,697,000,000	$0	$62.25	$33,900,000,000	263,000,000	$0	102.88%	$12.15	1.00
NSC	$5,764,000,000	$0	$25.00	$21,400,000,000	389,000,000	$0	106.80%	$3.45	1.15
CSX	$6,470,000,000	$0	$21.35	$21,500,000,000	407,000,000	$0	104.77%	$4.35	1.10
CP	$4,146,200,000	$0	$35.60	$11,500,000,000	153,300,000	$0	116.69%	$5.85	1.05

Data entered on this page will flow to the applicable worksheets.

Ticker	Expected Dividends	Annual Dividend Growth	Earnings Growth	Value Line Proj. Earnings Growth	S&P Proj. Earnings Growth	Mergents Credit Rating	S&P Credit Rating	Embedded Debt Rate	Value Line Operating Leases - annual rents	SEC 10-K Operating Lease Obligations 2007
		(Value Line 5 yr. projected)		annualized 5 year	annualized 5 year					
BNI	$1.40	13.00%	14.94%	12.00%	14.00%	Baa1	BBB	6.72%	$ 699,000,000	
CNI	$0.92	20.50%	8.82%	13.00%	16.00%	A3	A -	6.74%	$ 184,000,000	
UNP	$1.76	4.50%	13.60%	13.00%	20.00%	Baa2	BBB	6.41%	$ 624,000,000	
NSC	$1.20	15.00%	7.24%	14.50%	14.00%	na	BBB +	6.93%	$ 166,000,000	
CSX	$0.60	19.00%	15.38%	16.50%	16.00%	Baa3	BBB -	6.55%	na	
CP	$0.90	16.50%	9.95%	15.00%	15.00%	Baa3	BBB	8.83%	$ 133,000,000	

Data entered on this page will flow to the applicable worksheets.

Industry: Railroad Industry
Assessment Year: 2008 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 Corp.	BNI	84.650	45.450	9.11	5.22	1.14
Canadian National Railway	CNI	51.405	16.250	4.95	3.40	0.84
Union Pacific Corp.	UNP	124.813	61.900	12.20	6.91	1.35
Norfolk Southern Corp.	NSC	51.215	24.250	5.75	3.73	0.96
CSX Corp.	CSX	43.208	24.650	5.20	2.73	0.54
Canadian Pacific Railway	CP	67.148	30.700	7.55	4.32	0.90

Source: Stock prices from Yahoo Finance (yahoo.com) and other data from Value Line.

Railroads

Damodoran Cost of Capital from website

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

12/31/2007

To update this spreadsheet, enter the following

Long Term Treasury bond rate =	**4.02%**
Risk Premium to Use for Equity =	**4.79%**
Do you want to use the marginal tax rate for cost of debt?	**Yes**
If yes, enter the marginal tax rate to use	**40%**

Cost of Debt Lookup Table (based on std dev in stock prices)

Standard Deviation		Basis Spread
0	0.2	0.25%
0.2	0.25	0.50%
0.25	0.3	0.75%
0.3	0.4	1.00%
0.4	0.5	1.25%
0.5	0.6	1.50%
0.6	10	2.00%

Industry Name	*Number of Firms*	*Levered Beta*	***Cost of Equity***	*E/(D+E)*	*Std Dev in Stock*	***Cost of Debt***	*Tax Rate*	***After-tax Cost of Debt***	*D/(D+E)*	***Cost of Capital***
Railroad	16	1.23	**9.91%**	79.33%	31.95%	**5.02%**	32.19%	**3.01%**	20.67%	**8.48%**
Market	7364	1.24	**9.97%**	79.93%	57.01%	**5.52%**	16.25%	**3.31%**	20.07%	**8.64%**
			unlevered							
			1.04							

DOR Cost of Capital using Damodoran worksheet

from DOR Cost of Capital

Long Term Treasury bond rate =	**4.50%**
Risk Premium to Use for Equity =	**5.00%**
Do you want to use the marginal tax rate for cost of debt?	**Yes**
If yes, enter the marginal tax rate to use.	**38%**

Cost of Debt Lookup Table (based on std dev in stock prices)

Standard Deviation		Basis Spread
0	0.2	0.25%
0.2	0.25	0.50%
0.25	0.3	0.75%
0.3	0.4	1.00%
0.4	0.5	1.25%
0.5	0.6	1.50%
0.6	10	2.00%

Industry Name	*Number of Firms*	*Levered Beta*	***Cost of Equity***	*E/(D+E)*	*Std Dev in Stock*	***Cost of Debt***	*Tax Rate*	***After-tax Cost of Debt***	*D/(D+E)*	***Cost of Capital***
Railroad	16	1.23	**10.65%**	79.33%	31.95%	**4.75%**	32.19%	**2.95%**	20.67%	**9.05%**
Market	7364	1.24	**10.71%**	79.93%	57.01%	**4.75%**	16.25%	**2.95%**	20.07%	**9.16%**
		unlevered								
		1.04								

Historical Summary

Railroad Industry

2008 Assessment Year

RAILROADS

Equity								
			2008 - All Railroads	**2007 - All Railroads**	**Class One 2006**	**Class One 2005**	**Class One 2004**	**Class One 2003**
	Yield Capitalization							
		CAPM Ex Post	10.12%	10.12%	11.35%	11.64%	10.92%	11.84%
		CAPM Ex Ante	9.90%	9.55%	9.35%	11.30%	11.15%	10.65%
	Dividend Growth Models							
		Value Line, based on Dividends Growth	17.00%	14.50%	13.80%	13.00%	10.00%	nmf
		Value Line, based on Earnings Growth	15.60%	16.12%	nmf	13.40%	11.50%	12.50%
		Standard & Poor's based on earnings growth	17.00%	16.40%	nmf	14.00%	12.90%	13.00%
		Dividend Growth based on ROE (Value Line)	12.50%	na	na	na	na	na
		Yield Equity Component	12.20%	12.00%	11.50%	12.50%	12.00%	12.50%
Debt								
			2008	**2007**	**2006**	**2005**	**2004**	**2003**
		Debt Rate	6.50%	6.50%	5.80%	6.00%	6.50%	6.50%
Industry Market Capital Structure								
			2008	**2007**	**2006**	**2005**	**2004**	**2003**
		Equity	78.00%	76.00%	70.00%	67.00%	65.00%	65.00%
		Debt	22.00%	24.00%	30.00%	33.00%	35.00%	35.00%
Weighted Average Cost of Capital								
			2008	**2007**	**2006**	**2005**	**2004**	**2003**
		WACC	**10.40%**	**10.13%**	**9.20%**	**10.40%**	**10.08%**	**10.40%**