



**COST OF CAPITAL STUDY**  
**YIELD CAPITALIZATION**  
**2009 Assessment Year**

**RAILROADS**

**4/23/09**

**Equity Rate:**

**13.00%**

**Capital Asset Pricing Model**

CAPM ex post	8.28%	pg 5
CAPM ex ante	10.20%	pg 6

**Dividend Growth Models**

Dividend Growth (Value Lijne)	14.00%	pg 9
Earnings Growth (Value Line)	13.00%	pg 9
Dividend Growth - ROE	15.00%	pg 9

**Debt Rate**

**7.50%**      pg 10

**Industry Market Capital Structure**

Equity	<b>75%</b>	x	13.00%	=	9.75%	pg 3
Debt	<b>25%</b>	x	7.50%	=	1.88%	pg 3
Marginal Tax Rate (1-tax rate)	<u>38.00%</u>	x			1.16%	
	100%					

**WEIGHTED AVERAGE COST OF CAPITAL**                      **10.91%**

## Support for Guideline Companies 2009 Assessment Year

### Railroad Industry

Company Name	Ticker	Beta	P/E Ratio (tr)	Div'd Yield	Book Capitalization Common Stock	Book Value of Pref. Stock	Book Value of Long Term Debt
Burlington Northern Santa Fe Corp.	BNI	1.05	9.90	2.60%	\$ 11,132,320,000	\$ -	\$ 9,099,000,000
Canadian National Railway	CNI	1.20	9.80	2.50%	\$ 8,659,850,000	\$ -	\$ 6,072,000,000
Union Pacific Corp.	UNP	1.15	8.70	2.70%	\$ 15,449,161,000	\$ -	\$ 8,607,000,000
Norfolk Southern Corp.	NSC	1.10	7.40	4.10%	\$ 9,606,212,900	\$ -	\$ 6,183,000,000
CSX Corp.	CSX	1.20	7.60	3.30%	\$ 8,046,500,000	\$ -	\$ 7,832,000,000
Canadian Pacific Railway	CP	1.40	7.90	2.80%	\$ 4,912,600,000	\$ -	\$ 3,842,400,000
	<b>Mean:</b>	<b>1.18</b>	<b>8.55</b>	<b>3.00%</b>	<b>\$ 9,634,440,650</b>	<b>\$ -</b>	<b>\$ 6,939,233,333</b>
	<b>Median:</b>	<b>1.18</b>	<b>8.30</b>	<b>2.75%</b>			
<b>Book Capital Structure</b>					<b>58.13%</b>	<b>0.00%</b>	<b>41.87%</b>

Source: Value Line

Notes: CNI and CP figures are in US dollars.

**Support for Capital Structure**

(based on Market Value)

**2009 Assessment Year****Railroad Industry**

Company Name	Ticker	\$Stock\$ Average	Common Shares	Common \$ Stock \$	%	Preferred \$ Stock \$	%	Long Term \$ Debt \$	%	\$ Total \$ Debt & Equity,
Burlington Northern Santa Fe Corp.	BNI	\$ 79	339,400,000	\$ 26,885,005,333	74.7%	\$ -	0.0%	\$ 9,098,030,454	25.28%	\$ 35,983,035,787
Canadian National Railway	CNI	\$ 39	468,100,000	\$ 18,088,944,333	73.7%	\$ -	0.0%	\$ 6,463,994,033	26.33%	\$ 24,552,938,366
Union Pacific Corp.	UNP	\$ 55	503,230,000	\$ 27,660,875,667	76.3%	\$ -	0.0%	\$ 8,578,985,603	23.67%	\$ 36,239,861,270
Norfolk Southern Corp.	NSC	\$ 51	366,230,000	\$ 18,793,702,833	74.8%	\$ -	0.0%	\$ 6,335,323,179	25.21%	\$ 25,129,026,012
CSX Corp.	CSX	\$ 40	385,000,000	\$ 15,544,375,000	68.3%	\$ -	0.0%	\$ 7,216,511,160	31.71%	\$ 22,760,886,160
Canadian Pacific Railway	CP	\$ 38	154,000,000	\$ 5,850,460,000	62.1%	\$ -	0.0%	\$ 3,568,267,063	37.88%	\$ 9,418,727,063
			<b>Mean:</b>		<b>71.7%</b>		<b>0.0%</b>		<b>28.3%</b>	
			<b>Weighted Mean:</b>	112,823,363,167	<b>73.2%</b>	\$ -	<b>0.0%</b>	\$ 41,261,111,492	<b>26.8%</b>	\$154,084,474,659
			<b>Median:</b>		<b>74.2%</b>		<b>0.0%</b>		<b>25.8%</b>	
			<b>Say</b>		<b>75.0%</b>		<b>0.0%</b>		<b>25.0%</b>	
			<b>5 year average</b>		73.20%				26.80%	
			<b>5 year median</b>		75.00%				25.00%	

Sources: Value Line 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**  
**2009 Assessment Year**

**Railroad Industry**

Company Name	Ticker	Stock Price	Rev's per share	Multiple	Cash Flow per Share	Multiple	Earnings per share	Multiple	Dividends Decl'd	Multiple	Book Value per Share	Multiple	Capital Spending per share	Multiple
Burlington Northern Santa Fe Corp.	BNI	\$ 79.21	\$ 53.09	1.49	\$ 10.57	7.49	\$ 6.34	12.49	\$ 1.36	58.25	\$ 32.80	2.42	\$ 6.41	12.36
Canadian National Railway	CNI	\$ 38.64	\$ 14.85	2.60	\$ 4.40	8.78	\$ 3.04	12.71	\$ 0.76	50.85	\$ 18.50	2.09	\$ 2.50	15.46
Union Pacific Corp.	UNP	\$ 54.97	\$ 35.71	1.54	\$ 7.40	7.43	\$ 4.54	12.11	\$ 0.93	59.10	\$ 30.70	1.79	\$ 5.52	9.96
Norfolk Southern Corp.	NSC	\$ 51.32	\$ 29.11	1.76	\$ 6.88	7.46	\$ 4.52	11.35	\$ 1.22	42.06	\$ 26.23	1.96	\$ 4.25	12.07
CSX Corp.	CSX	\$ 40.38	\$ 29.25	1.38	\$ 6.15	6.57	\$ 3.52	11.47	\$ 0.77	52.44	\$ 20.90	1.93	\$ 4.55	8.87
Canadian Pacific Railway	CP	\$ 37.99	\$ 26.25	1.45	\$ 6.05	6.28	\$ 3.33	11.41	\$ 0.81	46.90	\$ 31.90	1.19	\$ 4.75	8.00
<b>Mean:</b>				<b>1.70</b>	<b>7.33</b>		<b>11.92</b>		<b>51.60</b>		<b>1.90</b>		<b>11.12</b>	
<b>Median:</b>				<b>1.52</b>	<b>7.44</b>		<b>11.79</b>		<b>51.64</b>		<b>1.94</b>		<b>11.02</b>	
<b>Std. Dev.</b>				<b>0.46</b>	<b>0.88</b>		<b>0.60</b>		<b>6.55</b>		<b>0.40</b>		<b>2.73</b>	
<b>Say</b>				<b>1.60</b>	<b>7.38</b>		<b>11.84</b>		<b>51.60</b>		<b>1.90</b>		<b>11.00</b>	

Sources: Value Line 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

### 2009 Assessment Year

**Ex Post**

$$K_e = R_{f_1} + B (R_m - R_{f_2})$$

#### Railroad Industry

**Ke = Cost of Equity** **8.28%**  
to page 1

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Rf <sub>1</sub> =	current risk free rate	3.00%	
Rf <sub>2</sub> =	historical risk free rate	5.20%	
Rp =	risk premium	4.40%	
B =	Beta	1.20	page 8
Rm =	Rate of return	9.60%	

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**Rp = Risk Premium** **4.40%**  
to above

#### Ibbotson 2009 Risk Premia Over Time Report, summary page 4

	geometric mean	1926-2008
Ibbotson, SBBI, Large Co.	9.60%	Av. historical Rm return
less	5.20%	Av. historical Rf return

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**Rf = Risk Free Rate** **3.00%**  
to above

#### Ibbotson 2009 Risk Premia Over Time Report, summary page 5

Long Term (**20 years**) US Treasury Bond Yield 3.00%

#### Value Line Investment Survey, Selected Yields January 9, 2009, page 3757

US Treasury Securities year end data

	5 year	1.44%
	10 year	2.05%
	30 year	2.56%
	30 year Zero	2.42%

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

Treasury Constant Maturities

	5 year	1.55%
	10 year	2.25%
	20 year	3.05%
	30 year	2.69%
	20 year TIPS	2.36%
	Inflation Indication	0.69%

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## Support for Yield Capitalization Equity Component Capital Asset Pricing Model

### 2009 Assessment Year

$$\text{Ex Ante} \\ \text{Ke} = \text{Rf} + \text{B} (\text{Rp})$$

#### Railroad Industry

**Ke = Cost of Equity** **10.20%**  
to page 1

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	Rm =	Rate of return	9.00%	
	Rf =	risk free rate	3.00%	
	Rp =	risk premium	6.0%	
	B =	Beta	1.20	page 8

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**Rp = Risk Premium** **6.00%**  
to above

**Shannon P. Pratt and Roger J. Grabowski**

Capital Applications and Examples Third Edition page 113 (rates are for beginning of 2008)	3.50% - 6.00%	range
	5.00%	est. equity Rp

**Dr. Aswath Damodaran**

<a href="http://pages.stern.nyu.edu/~adamodar/">http://pages.stern.nyu.edu/~adamodar/</a> 2008 Implied Risk Premium		6.43%
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**Ibbotson** 2009 Risk Premia Over Time Report, summary  
page 6

5.70%

**John Graham and Campbell Harvey**

The Equity Risk Premium in January 2008:	4.12%	Nov. 2008
Evidence from the Global CEO Outlook Survey	3.46%	10 yr. av.
	2.39% - 4.65%	10 yr. av. range

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**Rf = Risk Free Rate** **3.00%**  
to above

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**Ibbotson 2009 Risk Premia Over Time Report, summary page 5**

Long Term (20 years) US Treasury Bond Yield	3.00%
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**Value Line Investment Survey, Selected Yields January 9, 2009, page 3757**

US Treasury Securities year end data	
5 year	1.44%
10 year	2.05%
30 year	2.56%
30 year Zero	2.42%

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

Treasury Constant Maturities	
5 year	1.55%
10 year	2.25%
20 year	3.05%
30 year	2.69%
20 year TIPS	2.36%
Inflation Indication	0.69%

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# 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)	ERP/Riskfree Rate
1960	5.34%	3.41%	58.11	3.1	1.98			<b>0.0266</b>	2.76%	0.10%	2.45%				
1961	4.71%	2.85%	71.55	3.37	2.04	8.60%	2.91%	<b>2.13%</b>	2.35%	0.22%	2.41%	2.92%		<b>2.92%</b>	1.24
1962	5.81%	3.40%	63.1	3.67	2.15	8.79%	5.21%	<b>2.73%</b>	3.85%	1.12%	4.05%	3.56%		<b>3.56%</b>	0.92
1963	5.51%	3.13%	75.02	4.13	2.35	12.75%	9.45%	<b>3.12%</b>	4.14%	1.02%	4.96%	3.38%		<b>3.38%</b>	0.82
1964	5.62%	3.05%	84.75	4.76	2.58	15.23%	10.08%	<b>3.54%</b>	4.21%	0.67%	5.13%	3.31%		<b>3.31%</b>	0.79
1965	5.73%	3.06%	92.43	5.3	2.83	11.20%	9.42%	<b>3.93%</b>	4.65%	0.72%	5.46%	3.32%		<b>3.32%</b>	0.71
1966	6.74%	3.59%	80.33	5.41	2.88	2.23%	1.96%	<b>4.76%</b>	4.64%	-0.12%	4.19%	3.68%		<b>3.68%</b>	0.79
1967	5.66%	3.09%	96.47	5.46	2.98	0.85%	3.37%	<b>4.21%</b>	5.70%	1.49%	5.25%	3.20%		<b>3.20%</b>	0.56
1968	5.51%	2.93%	103.86	5.72	3.04	4.81%	2.09%	<b>5.21%</b>	6.16%	0.95%	5.32%	3.00%		<b>3.00%</b>	0.49
1969	6.63%	3.52%	92.06	6.1	3.24	6.66%	6.49%	<b>6.58%</b>	7.88%	1.30%	7.55%	3.74%		<b>3.74%</b>	0.47
1970	5.98%	3.46%	92.15	5.51	3.19	-9.72%	-1.61%	<b>6.53%</b>	6.50%	-0.03%	4.78%	3.41%		<b>3.41%</b>	0.52
1971	5.46%	3.10%	102.09	5.57	3.16	1.15%	-0.74%	<b>4.39%</b>	5.89%	1.50%	4.57%	3.09%		<b>3.09%</b>	0.52
1972	5.23%	2.70%	118.05	6.17	3.19	10.76%	0.71%	<b>3.84%</b>	6.41%	2.57%	5.21%	2.72%		<b>2.72%</b>	0.42
1973	8.16%	3.70%	97.55	7.96	3.61	28.93%	13.24%	<b>6.93%</b>	6.90%	-0.03%	8.30%	4.30%		<b>4.30%</b>	0.62
1974	13.64%	5.43%	68.56	9.35	3.72	17.48%	3.14%	<b>8.00%</b>	7.40%	-0.60%	6.42%	5.59%		<b>5.59%</b>	0.76
1975	8.55%	4.14%	90.19	7.71	3.73	-17.54%	0.30%	<b>5.80%</b>	7.76%	1.96%	5.99%	4.13%		<b>4.13%</b>	0.53
1976	9.07%	3.93%	107.46	9.75	4.22	26.39%	13.10%	<b>5.08%</b>	6.81%	1.73%	8.19%	4.55%		<b>4.55%</b>	0.67
1977	11.43%	5.11%	95.1	10.87	4.86	11.53%	15.07%	<b>5.12%</b>	7.78%	2.66%	9.52%	5.92%		<b>5.92%</b>	0.76
1978	12.11%	5.39%	96.11	11.64	5.18	7.07%	6.60%	<b>7.18%</b>	9.15%	1.97%	8.48%	5.72%		<b>5.72%</b>	0.63
1979	13.48%	5.53%	107.94	14.55	5.97	25.01%	15.23%	<b>10.38%</b>	10.33%	-0.05%	11.70%	6.45%		<b>6.45%</b>	0.62
1980	11.04%	4.74%	135.76	14.99	6.44	3.01%	7.81%	<b>11.24%</b>	12.43%	1.19%	11.01%	5.03%		<b>5.03%</b>	0.40
1981	12.39%	5.57%	122.55	15.18	6.83	1.31%	6.08%	<b>14.71%</b>	13.98%	-0.73%	11.42%	5.73%		<b>5.73%</b>	0.41
1982	9.83%	4.93%	140.64	13.82	6.93	-8.95%	1.58%	<b>10.54%</b>	10.47%	-0.07%	7.96%	4.90%		<b>4.90%</b>	0.47
1983	8.06%	4.32%	164.93	13.29	7.12	-3.84%	2.76%	<b>8.80%</b>	11.80%	3.00%	9.09%	4.31%		<b>4.31%</b>	0.37
1984	10.07%	4.68%	167.24	16.84	7.83	26.69%	9.85%	<b>9.85%</b>	11.51%	1.66%	11.02%	5.11%		<b>5.11%</b>	0.44
1985	7.42%	3.88%	211.28	15.68	8.2	-6.91%	4.74%	<b>7.72%</b>	8.99%	1.27%	7.89%	4.03%	6.75%	<b>3.84%</b>	0.43
1986	5.96%	3.38%	242.17	14.43	8.19	-7.93%	-0.15%	<b>6.16%</b>	7.22%	1.06%	5.54%	3.36%	6.96%	<b>3.58%</b>	0.50
1987	6.49%	3.71%	247.08	16.04	9.17	11.10%	11.99%	<b>5.47%</b>	8.86%	3.39%	9.66%	4.18%	8.58%	<b>3.99%</b>	0.45
1988	8.20%	3.68%	277.72	24.12	10.22	50.42%	11.49%	<b>6.35%</b>	9.14%	2.79%	9.76%	4.12%	7.67%	<b>3.77%</b>	0.41
1989	6.80%	3.32%	353.4	24.32	11.73	0.83%	14.80%	<b>8.37%</b>	7.93%	-0.44%	9.58%	3.85%	7.46%	<b>3.51%</b>	0.44
1990	6.58%	3.74%	330.22	22.65	12.35	-6.87%	5.26%	<b>7.81%</b>	8.07%	0.26%	7.39%	3.92%	7.19%	<b>3.89%</b>	0.48

1991	4.58%	3.11%	417.09	19.3	12.97	-14.79%	5.03%	<b>7.00%</b>	6.70%	-0.30%	6.34%	3.27%	7.81%	<b>3.48%</b>	0.52
1992	4.16%	2.90%	435.71	20.87	12.64	8.13%	-2.59%	<b>5.30%</b>	6.68%	1.38%	4.67%	2.83%	9.83%	<b>3.55%</b>	0.53
1993	4.25%	2.72%	466.45	26.9	12.69	28.89%	0.41%	<b>3.50%</b>	5.79%	2.29%	4.73%	2.74%	8.00%	<b>3.17%</b>	0.55
1994	5.89%	2.91%	459.27	31.75	13.36	18.03%	5.34%	<b>5.00%</b>	7.82%	2.82%	7.23%	3.06%	7.17%	<b>3.55%</b>	0.45
1995	5.74%	2.30%	615.93	37.7	14.17	18.74%	6.00%	<b>3.50%</b>	5.57%	2.07%	5.65%	2.44%	6.50%	<b>3.29%</b>	0.59
1996	4.83%	2.01%	740.74	40.63	14.89	7.77%	5.10%	<b>5.00%</b>	6.41%	1.41%	6.13%	2.11%	7.92%	<b>3.20%</b>	0.50
1997	4.08%	1.60%	970.43	44.09	15.52	8.52%	4.25%	<b>5.35%</b>	5.74%	0.39%	5.45%	1.67%	8.00%	<b>2.73%</b>	0.48
1998	3.11%	1.32%	1229.23	44.27	16.2	0.41%	4.37%	<b>4.33%</b>	4.65%	0.32%	4.60%	1.38%	7.20%	<b>2.26%</b>	0.49
1999	3.07%	1.14%	1469.25	51.68	16.71	16.74%	3.16%	<b>5.37%</b>	6.44%	1.07%	5.75%	1.20%	12.50%	<b>2.05%</b>	0.32
2000	3.94%	1.23%	1320.28	56.13	16.27	8.61%	-2.65%	<b>5.73%</b>	5.11%	-0.62%	3.71%	1.65%	12.00%	<b>2.87%</b>	0.56
2001	3.85%	1.37%	1148.09	38.85	15.74	-30.79%	-3.24%	<b>1.80%</b>	5.05%	3.25%	3.56%	1.73%	10.30%	<b>3.62%</b>	0.72
2002	5.23%	1.83%	879.82	46.04	16.08	18.51%	2.15%	<b>1.20%</b>	3.81%	2.61%	3.57%	2.29%	8.00%	<b>4.10%</b>	1.08
2003	4.87%	1.61%	1111.91	54.69	17.88	18.79%	11.19%	<b>1.00%</b>	4.25%	3.25%	5.35%	2.12%	11.00%	<b>3.69%</b>	0.87
2004	5.58%	1.60%	1211.92	67.68	19.407	23.75%	8.54%	<b>2.18%</b>	4.22%	2.04%	4.90%	2.02%	8.50%	<b>3.65%</b>	0.86
2005	5.47%	1.79%	1248.29	76.45	22.38	12.96%	15.32%	<b>4.31%</b>	4.39%	0.08%	6.16%	2.20%	8.00%	<b>4.08%</b>	0.93
2006	6.18%	1.77%	1418.3	87.72	25.05	14.74%	11.93%	<b>4.88%</b>	4.70%	-0.18%	5.93%	1.97%	12.50%	<b>4.16%</b>	0.89
2007	5.62%	1.89%	1468.36	82.54	27.73	-5.91%	10.70%	<b>3.31%</b>	4.02%	0.71%	5.03%	2.06%	5.00%	<b>4.37%</b>	1.09
2008	7.24%	3.11%	903.25	65.39	28.05	-20.78%	1.15%	<b>1.59%</b>	<b>2.21%</b>	0.62%	2.11%	2.06%	4.00%	<b>6.43%</b>	<b>2.91</b>

Last updated January 5, 2009

## Beta Calculation for Capital Asset Pricing Model

### 2009 Assessment Year

#### Railroad Industry

		<b>Value Line</b>
Burlington Northern Santa Fe Corp.	BNI	1.05
Canadian National Railway	CNI	1.20
Union Pacific Corp.	UNP	1.15
Norfolk Southern Corp.	NSC	1.10
CSX Corp.	CSX	1.20
Canadian Pacific Railway	CP	1.40
	<b>Mean:</b>	<b>1.18</b>
	<b>Median:</b>	<b>1.18</b>
	<b>Say</b>	<b>1.20</b>

Value Line March 3-6-2009

## Support for Yield Capitalization Equity Component 2009 Assessment Year

### Dividend Growth Model (DGM or DCF)

$$K_e = (D_1 / P_0) + G$$

$K_e$  = 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  
 (1-payout ratio = retained earnings)  
 $ROE$  = Return on Equity

### Railroad Industry

Company Name	Ticker	Stock Price P0	Expected Dividend D1	Dividend Yield (D <sub>1</sub> / P <sub>0</sub> )	Value Line 5 yr. proj. Annual Dividend Growth g	Value Line 5 yr. proj. Annual Earnings Growth g	% retained b	ROE	% retained x ROE g=(b * ROE)	dividend growth Dividends K <sub>e</sub>	dividend growth Earnings K <sub>e</sub>	dividend growth ROE g=(b * ROE) K <sub>e</sub>
Burlington Northern Santa Fe Corp.	BNI	\$ 79.21	\$ 1.60	2.02%	12.00%	7.00%	78.55%	19.80%	15.55%	14.02%	9.02%	17.57%
Canadian National Railway	CNI	\$ 38.64	\$ 0.83	2.15%	11.50%	12.00%	75.00%	16.90%	12.68%	13.65%	14.15%	14.82%
Union Pacific Corp.	UNP	\$ 54.97	\$ 1.08	1.96%	4.50%	13.00%	79.52%	15.10%	12.01%	6.46%	14.96%	13.97%
Norfolk Southern Corp.	NSC	\$ 51.32	\$ 1.36	2.65%	14.50%	13.00%	73.01%	17.90%	13.07%	17.15%	15.65%	15.72%
CSX Corp.	CSX	\$ 40.38	\$ 0.88	2.18%	19.50%	15.00%	78.13%	17.90%	13.98%	21.68%	17.18%	16.16%
Canadian Pacific Railway	CP	\$ 37.99	\$ 0.85	2.24%	9.00%	6.00%	75.68%	10.50%	7.95%	11.24%	8.24%	10.18%
<b>Mean:</b>				2.20%	11.83%	11.00%	76.65%	16.35%	12.54%	<b>14.03%</b>	<b>13.20%</b>	<b>14.74%</b>
<b>Median:</b>				2.16%	11.75%	12.50%	76.90%	17.40%	12.87%	<b>13.83%</b>	<b>14.56%</b>	<b>15.27%</b>
say:										<b>14.00%</b>	<b>13.00%</b>	<b>15.00%</b>

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

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

## Support for Debt Rating and Debt Yield Rate

2009 Assessment Year

### Railroad Industry

Company	Ticker	Credit Ratings		Weighted Average YTM
		S&P	Moody's	
Burlington Northern Santa Fe Corp.	BNI	BBB	Baa	6.65%
Canadian National Railway	CNI	A-	A3	4.99%
Union Pacific Corp.	UNP	BBB	Baa	6.52%
Norfolk Southern Corp.	NSC	BBB+	Baa1	6.95%
CSX Corp.	CSX	BBB-	Baa3	6.51%
Canadian Pacific Railway	CP	BBB	Baa	6.86%
<b>Overall Average Debt Rating</b>		<b>BBB</b>	<b>Baa</b>	
				<b>Mean: 6.41%</b>
				<b>Median: 6.59%</b>

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

### Mergents Bond Record (Moody's ratings)

January 2009, Page 264

S&P (BBB)

	Aaa	Aa	A	Baa
<b>Corporate</b>				
October	6.28%	6.79%	7.58%	8.88%
November	6.12%	6.73%	7.68%	9.21%
December	5.06%	5.81%	6.70%	8.45%
<b>Average</b>	<b>5.82%</b>	<b>6.44%</b>	<b>7.32%</b>	<b>8.85%</b>
<b>Industrials</b>				
October	6.28%	6.63%	7.60%	9.17%
November	6.12%	6.63%	7.76%	9.44%
December	5.06%	5.68%	6.85%	8.76%
<b>Average</b>	<b>5.82%</b>	<b>6.31%</b>	<b>7.40%</b>	<b>9.12%</b>
<b>Public Utilities</b>				
October	na	6.95%	7.56%	8.58%
November	na	6.83%	7.60%	8.98%
December	na	5.93%	6.54%	8.13%
<b>Average</b>		<b>6.57%</b>	<b>7.23%</b>	<b>8.56%</b>

**Debt Yield Rate**  
**7.50%**

# Railroad Bond analysis

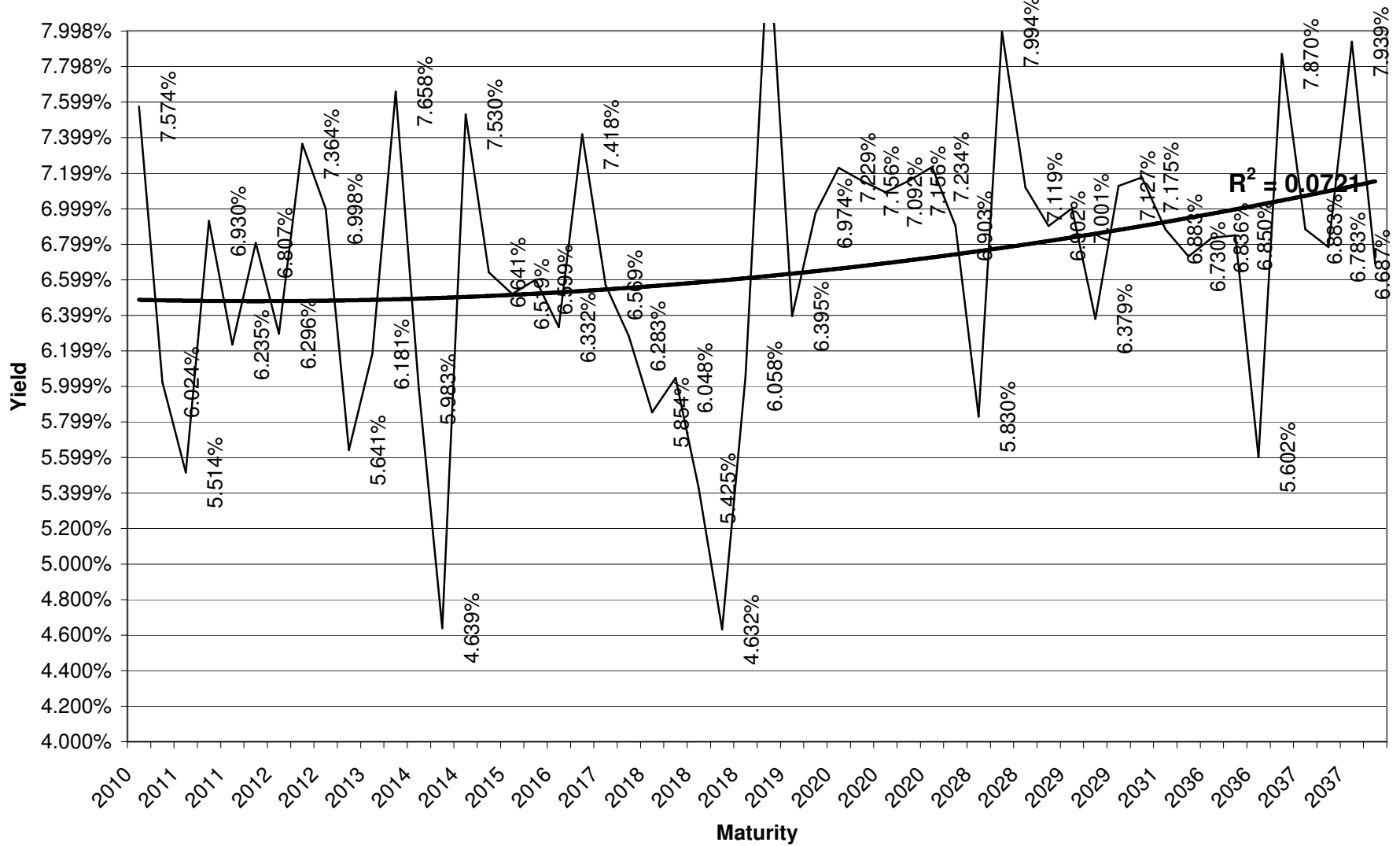
January 2009 Mergent Bond R														WATY to maturity	WATY to maturity
Company	type	Call	coupon	maturity	Price 1-1-2009	Issued	current yield	yield to maturity	Company Credit Rating (S&P)	Market Value	Mkt:Book	debt service	embedded rate	company	Market
Burlington Northern Santa Fe	Nts		5.750	2018	99.26	\$ 650,000,000	5.79%	5.854%	BBB	\$ 645,190,000	99.26%	37,375,000		0.0187%	0.1684%
Burlington Northern Santa Fe	Nts		7.000	2014	104.65	\$ 500,000,000	6.69%	5.983%	BBB	\$ 523,250,000	104.65%	35,000,000		0.0113%	0.1396%
Burlington Northern Santa Fe	Nts	Z100	6.750	2011	101.64	\$ 400,000,000	6.64%	6.024%	BBB	\$ 406,560,000	101.64%	27,000,000		0.0073%	0.1092%
Burlington Northern Santa Fe	Nts	Z100	5.900	2012	98.79	\$ 300,000,000	5.97%	6.296%	BBB	\$ 296,370,000	98.79%	17,700,000		0.0043%	0.0832%
Burlington Northern Santa Fe	Nts	Z100	4.300	2013	92.80	\$ 250,000,000	4.63%	6.181%	BBB	\$ 232,000,000	92.80%	10,750,000		0.0029%	0.0639%
Burlington Northern Santa Fe	Deb	NC	6.875	2016	101.59	\$ 175,000,000	6.77%	6.599%	BBB	\$ 177,782,500	101.59%	12,031,250		0.0015%	0.0523%
Burlington Northern Santa Fe	deb		8.125	2020	108.90	\$ 300,000,000	7.46%	6.974%	BBB	\$ 326,700,000	108.90%	24,375,000		0.0047%	0.1016%
Burlington Northern Santa Fe	DEB		8.150	2020	107.03	\$ 2,510,000	7.61%	7.229%	BBB	\$ 2,686,453	107.03%	204,565		0.0000%	0.0009%
Burlington Northern R.R.	Mtg K	NC	6.550	2020	95.36	\$ 3,980,000	6.87%	7.156%	BBB	\$ 3,795,328	95.36%	260,690		0.0000%	0.0012%
Burlington Northern R.R.	Mtg L	NC	3.800	2020	74.69	\$ 6,200,000	5.09%	7.092%	BBB	\$ 4,630,780	74.69%	235,600		0.0000%	0.0015%
Burlington Northern R.R.	Mtg O	NC	6.550	2020	95.36	\$ 15,400,000	6.87%	7.156%	BBB	\$ 14,685,440	95.36%	1,008,700		0.0000%	0.0047%
Burlington Northern R.R.	Mtg P	NC	8.150	2020	106.99	\$ 5,570,000	7.62%	7.234%	BBB	\$ 5,959,343	106.99%	453,955		0.0000%	0.0019%
Burlington Northern	DEB	NC	8.750	2022	115.14	\$ 200,000,000	7.60%	6.982%	BBB	\$ 230,280,000	115.14%	17,500,000		0.0021%	0.0717%
Burlington Northern Santa Fe	Deb	NC	7.000	2025	101.98	\$ 350,000,000	6.86%	6.797%	BBB	\$ 356,930,000	101.98%	24,500,000		0.0063%	0.1081%
Burlington Northern Santa Fe	Deb	Z100	6.875	2027	99.72	\$ 200,000,000	6.89%	6.902%	BBB	\$ 199,440,000	99.72%	13,750,000		0.0021%	0.0614%
Burlington Northern Santa Fe	M-T Nts	NC	6.100	2027	91.30	\$ 100,000,000	6.68%	6.950%	BBB	\$ 91,300,000	91.30%	6,100,000		0.0005%	0.0283%
Burlington Northern Santa Fe	Deb	Z100	6.700	2028	97.86	\$ 200,000,000	6.85%	6.903%	BBB	\$ 195,720,000	97.86%	13,400,000		0.0021%	0.0602%
Burlington Northern Santa Fe	DEB	NC	6.750	2029	98.36	\$ 200,000,000	6.86%	6.902%	BBB	\$ 196,720,000	98.36%	13,500,000		0.0021%	0.0605%
Burlington Northern Santa Fe	DEB	NC	7.082	2029	100.87	\$ 200,000,000	7.02%	7.001%	BBB	\$ 201,740,000	100.87%	14,164,000		0.0021%	0.0630%
Burlington Northern Santa Fe	DEB	Z100	7.950	2030	108.37	\$ 275,000,000	7.34%	7.175%	BBB	\$ 298,017,500	108.37%	21,862,500		0.0041%	0.0953%
Burlington Northern Santa Fe	DEB		6.200	2036	92.21	\$ 300,000,000	6.72%	6.836%	BBB	\$ 276,630,000	92.21%	18,600,000		0.0046%	0.0843%
Burlington Northern Santa Fe	DEB	NC	7.290	2036	105.39	\$ 200,000,000	6.92%	6.850%	BBB	\$ 210,780,000	105.39%	14,580,000		0.0021%	0.0644%
Burlington Northern Santa Fe	M-T Nts	NC	6.530	2037	95.64	\$ 175,000,000	6.83%	6.883%	BBB	\$ 167,370,000	95.64%	11,427,500		0.0016%	0.0514%
Burlington Northern R.R.	Mtg M	Z100	3.200	2045	49.90	\$ 13,000,000	6.41%	7.054%	BBB	\$ 6,487,000	49.90%	416,000		0.0000%	0.0020%
Burlington Northern Santa Fe	DEB	Z100	7.250	2097	100.68	\$ 200,000,000	7.20%	7.201%	BBB	\$ 201,360,000	100.68%	14,500,000		0.0022%	0.0646%
Burlington Northern Santa Fe	DEB	Z100	6.150	2037	92.10	\$ 650,000,000	6.68%	6.783%	BBB	\$ 598,650,000	92.10%	39,975,000		0.0216%	0.1810%
26						\$ 5,871,660,000	Percent			\$ 5,871,034,344	99.99%	\$ 390,669,760	6.65%	0.10%	
Canadian National Ry	Notes		4.950	2014	101.48	\$ 325,000,000	4.88%	4.639%	A-	\$ 329,810,000	\$ 158,529	3,250,000		0.010213%	0.068206%
Canadian National Ry	Notes		5.550	2018	96.48	\$ 325,000,000	5.75%	6.048%	A-	\$ 313,560,000	\$ 186,956	3,250,000		0.013315%	0.084540%
Canadian National Ry	Notes	Z100	6.375	2011	101.96	\$ 400,000,000	6.25%	5.514%	A-	\$ 407,840,000	101.96%	25,500,000		0.018389%	0.100258%
Canadian National Ry	Notes	Z100	6.800	2018	110.00	\$ 200,000,000	6.18%	5.425%	A-	\$ 220,000,000	110.00%	13,600,000		0.004523%	0.053208%
Canadian National Ry	Deb	NC	7.625	2023	118.83	\$ 150,000,000	6.42%	5.684%	A-	\$ 178,245,000	118.83%	11,437,500		0.002666%	0.045165%
Canadian National Ry	Notes	Z100	6.900	2028	112.28	\$ 475,000,000	6.15%	5.830%	A-	\$ 533,330,000	112.28%	32,775,000		0.027414%	0.138600%
Canadian National Ry	Secured	Puttable	6.450	2036	111.76	\$ 250,000,000	5.77%	5.602%	A-	\$ 279,400,000	111.76%	16,125,000		0.007297%	0.069773%
7						\$ 2,125,000,000	Percent of book			\$ 2,262,185,000	106.46%	\$ 105,937,500	4.99%	0.083817%	
CSX Corp	notes		6.250	2015	98.61	\$ 600,000,000	6.34%	6.519%	BBB-	\$ 591,660,000	98.61%	37,500,000		0.000257	0.1719%
CSX Corp	notes		7.450	2038	94.12	\$ 400,000,000	7.92%	7.973%	BBB-	\$ 376,480,000	94.12%	29,800,000		0.000140	0.1338%
CSX Corp	Deb	Z100	6.750	2011	99.60	\$ 500,000,000	6.78%	6.930%	BBB-	\$ 498,000,000	99.60%	33,750,000		0.000189	0.1538%
CSX Corp	Notes	Z100	6.300	2012	96.82	\$ 400,000,000	6.51%	7.364%	BBB-	\$ 387,280,000	96.82%	25,200,000		0.000129	0.1271%
CSX Corp	Notes	Z100	5.300	2014	90.25	\$ 200,000,000	5.87%	7.530%	BBB-	\$ 180,500,000	90.25%	10,600,000		0.000033	0.0606%
CSX Corp	NOTES	Z100	5.600	2017	88.83	\$ 300,000,000	6.30%	7.418%	BBB-	\$ 266,490,000	88.83%	16,800,000		0.000073	0.0881%
CSX Corp	Deb	NC	8.625	2022	109.73	\$ 200,000,000	7.86%	7.457%	BBB-	\$ 219,460,000	109.73%	17,250,000		0.000033	0.0730%
CSX Corp	Deb	NC	8.100	2022	105.41	\$ 150,000,000	7.68%	7.451%	BBB-	\$ 158,115,000	105.41%	12,150,000		0.000018	0.0525%
CSX Corp	MT Notes C	Z100	6.800	2028	88.40	\$ 200,000,000	7.69%	7.994%	BBB-	\$ 176,800,000	88.40%	13,600,000		0.000035	0.0630%
CSX Corp	NOTES	Z100	6.000	2036	79.20	\$ 400,000,000	7.58%	7.870%	BBB-	\$ 316,800,000	79.20%	24,000,000		0.000138	0.1111%
CSX Corp	NOTES	Z100	6.150	2037	80.02	\$ 700,000,000	7.69%	7.939%	BBB-	\$ 560,140,000	80.02%	43,050,000		0.000425	0.1982%
9						\$ 4,050,000,000	Percent of book			\$ 3,731,725,000	92.14%	\$ 263,700,000	6.51%	0.001469	
Norfolk Southern	Notes		5.750	2018	108.44	\$ 600,000,000	5.30%	4.632%	BBB+	\$ 650,640,000	108.44%	34,500,000		0.000151	0.1343%



SORTED BY QUALITY, MATURITY & YIELD-to-MATURITY (copied from above data)									
January 2009 Mergent Bond Record									
Railroad Bond analysis - S&P Company Ratings									
Company	type	Call	coupon	maturity	Price 1-1-2009	Issued	current yield	yield to maturity	Company S&P Rating
Norfolk Southern	Notes	Z100	8.625	2010	101.44	\$ 300,000,000	8.50%	7.574%	BBB+
Burlington Northern Santa Fe	Nts	Z100	6.750	2011	101.64	\$ 400,000,000	6.64%	6.024%	BBB
Canadian National Ry	Notes	Z100	6.375	2011	101.96	\$ 400,000,000	6.25%	5.514%	A-
CSX Corp	Deb	Z100	6.750	2011	99.60	\$ 500,000,000	6.78%	6.930%	BBB-
Norfolk Southern	Notes	Z100	6.750	2011	101.16	\$ 300,000,000	6.67%	6.235%	BBB+
Union Pacific Corp	Notes	Z100	6.650	2011	99.65	\$ 400,000,000	6.67%	6.807%	BBB
Burlington Northern Santa Fe	Nts	Z100	5.900	2012	98.79	\$ 300,000,000	5.97%	6.296%	BBB
CSX Corp	Notes	Z100	6.300	2012	96.82	\$ 400,000,000	6.51%	7.364%	BBB-
Union Pacific Corp	Notes	Z100	6.125	2012	97.37	\$ 300,000,000	6.29%	6.998%	BBB
Union Pacific Corp	Notes	Z100	6.500	2012	102.66	\$ 350,000,000	6.33%	5.641%	BBB
Burlington Northern Santa Fe	Nts	Z100	4.300	2013	92.80	\$ 250,000,000	4.63%	6.181%	BBB
Canadian Pacific Railway	notes		5.750	2013	92.96	\$ 400,000,000	0.06185	7.658%	BBB
Burlington Northern Santa Fe	Nts		7.000	2014	104.65	\$ 500,000,000	6.69%	5.983%	BBB
Canadian National Ry	Notes		4.950	2014	101.48	\$ 325,000,000	4.88%	4.639%	A-
CSX Corp	Notes	Z100	5.300	2014	90.25	\$ 200,000,000	5.87%	7.530%	BBB-
Union Pacific Corp	Deb	NC	5.375	2014	94.32	\$ 250,000,000	5.70%	6.641%	BBB
CSX Corp	notes		6.250	2015	98.61	\$ 600,000,000	6.34%	6.519%	BBB-
Burlington Northern Santa Fe	Deb	NC	6.875	2016	101.59	\$ 175,000,000	6.77%	6.599%	BBB
Union Pacific Corp	Deb	NC	7.000	2016	103.89	\$ 250,000,000	6.74%	6.332%	BBB
CSX Corp	NOTES	Z100	5.600	2017	88.83	\$ 300,000,000	6.30%	7.418%	BBB-
Norfolk Southern	Notes	Z100	7.700	2017	107.19	\$ 550,000,000	7.18%	6.569%	BBB+
Union Pacific Corp	NOTES		5.650	2017	95.93	\$ 250,000,000	5.89%	6.283%	BBB
Burlington Northern Santa Fe	Nts		5.750	2018	99.26	\$ 650,000,000	5.79%	5.854%	BBB
Canadian National Ry	Notes		5.550	2018	96.48	\$ 325,000,000	5.75%	6.048%	A-
Canadian National Ry	Notes	Z100	6.800	2018	110.00	\$ 200,000,000	6.18%	5.425%	A-
Norfolk Southern	Notes		5.750	2018	108.44	\$ 600,000,000	5.30%	4.632%	BBB+
Union Pacific Corp	Notes		5.700	2018	97.47	\$ 750,000,000	5.85%	6.058%	BBB
Canadian Pacific Railway	notes		6.500	2018	87.15	\$ 300,000,000	0.07458	8.528%	BBB
Union Pacific Corp	Notes		7.875	2019	111.07	\$ 750,000,000	7.09%	6.395%	BBB
Burlington Northern Santa Fe	deb		8.125	2020	108.90	\$ 300,000,000	7.46%	6.974%	BBB
Burlington Northern Santa Fe	DEB		8.150	2020	107.03	\$ 2,510,000	7.61%	7.229%	BBB
Burlington Northern R.R.	Mtg K	NC	6.550	2020	95.36	\$ 3,980,000	6.87%	7.156%	BBB
Burlington Northern R.R.	Mtg L	NC	3.800	2020	74.69	\$ 6,200,000	5.09%	7.092%	BBB
Burlington Northern R.R.	Mtg O	NC	6.550	2020	95.36	\$ 15,400,000	6.87%	7.156%	BBB
Burlington Northern R.R.	Mtg P	NC	8.150	2020	106.99	\$ 5,570,000	7.62%	7.234%	BBB
Burlington Northern Santa Fe	Deb	Z100	6.700	2028	97.86	\$ 200,000,000	0.06847	6.903%	BBB
Canadian National Ry	Notes	Z100	6.900	2028	112.28	\$ 475,000,000	6.15%	5.830%	A-
CSX Corp	MT Notes C	Z100	6.800	2028	88.40	\$ 200,000,000	7.69%	7.994%	BBB-
Union Pacific Corp	Deb	NC	7.125	2028	100.06	\$ 250,000,000	7.12%	7.119%	BBB
Burlington Northern Santa Fe	DEB	NC	6.750	2029	98.36	\$ 200,000,000	6.86%	6.902%	BBB
Burlington Northern Santa Fe	DEB	NC	7.082	2029	100.87	\$ 200,000,000	7.02%	7.001%	BBB
Norfolk Southern	Notes	Z100	5.640	2029	91.68	\$ 350,000,000	6.15%	6.379%	BBB+
Union Pacific Corp	Deb	Z100	6.625	2029	94.67	\$ 600,000,000	7.00%	7.127%	BBB
Burlington Northern Santa Fe	DEB	Z100	7.950	2030	108.37	\$ 275,000,000	7.34%	7.175%	BBB
Norfolk Southern	SR Notes	Z100	7.250	2031	104.14	\$ 500,000,000	6.96%	6.883%	BBB+
Union Pacific Corp	Deb	Z100	6.250	2034	94.22	\$ 250,000,000	0.07	6.730%	BBB
Burlington Northern Santa Fe	DEB		6.200	2036	92.21	\$ 300,000,000	6.72%	6.836%	BBB
Burlington Northern Santa Fe	DEB	NC	7.290	2036	105.39	\$ 200,000,000	6.92%	6.850%	BBB
Canadian National Ry	Secured	Puttabl e	6.450	2036	111.76	\$ 250,000,000	5.77%	5.602%	A-
CSX Corp	NOTES	Z100	6.000	2036	79.20	\$ 400,000,000	7.58%	7.870%	BBB-
Burlington Northern Santa Fe	M-T Nts	NC	6.530	2037	95.64	\$ 175,000,000	6.83%	6.883%	BBB

Burlington Northern Santa Fe	DEB	Z100	6.150	2037	92.10	\$ 650,000,000	6.68%	6.783%	BBB							
CSX Corp	NOTES	Z100	6.150	2037	80.02	\$ 700,000,000	7.69%	7.939%	BBB-							
Norfolk Southern	Notes	Z100	7.050	2037	104.57	\$ 750,000,000	6.74%	6.687%	BBB+							
Union Pacific Corp	Deb		6.150	2037	92.69	\$ 250,000,000	0.06635	6.733%	BBB							
CSX Corp	notes		7.450	2038	94.12	\$ 400,000,000	7.92%	7.973%	BBB-							
Burlington Northern R.R.	Mtg M	Z100	3.200	2045	49.90	\$ 13,000,000	6.41%	7.054%	BBB							
Canadian Pacific Railway	Deb	NC	4.000	2049	52.50	\$ 32,000,000	0.07619	7.958%	BBB							
Burlington Northern Santa Fe	DEB	Z100	7.250	2097	100.68	\$ 200,000,000	7.20%	7.201%	BBB							
Norfolk Southern	Notes	Z100	7.900	2097	109.68	\$ 350,000,000	7.20%	7.201%	BBB+							
Norfolk Southern	SR Notes	Z100	6.000	2105	80.54	\$ 300,000,000	7.45%	7.451%	BBB+							
							average YTM	6.764%								

# Railroad Bond Yield Curve



## Mergent's Bond Record

### Corporate

	Avg	Aaa	Aa	A	Baa		
1	6.02	5.33	5.78	6.06	6.54	5.928	
2	6.24	5.53	5.97	6.26	6.82	6.145	
3	6.24	5.51	5.90	6.24	6.89	6.135	
4	6.29	5.55	5.93	6.30	6.97	6.188	
5	6.30	5.57	6.00	6.30	6.92	6.198	
6	6.42	5.68	6.11	6.43	7.07	6.323	
7	6.44	5.67	6.05	6.47	7.16	6.338	
8	6.42	5.64	6.01	6.46	7.15	6.315	
9	6.50	5.65	6.03	6.55	7.31	6.385	
10	7.56	6.28	6.79	7.58	8.88	7.383	
11	7.65	6.12	6.73	7.68	9.21	7.435	
12	6.73	5.06	5.81	6.70	8.45	6.505	
	<b>6.57</b>	<b>5.63</b>	<b>6.09</b>	<b>6.59</b>	<b>7.45</b>		

### Public Utility

	Avg	Aaa	Aa	A	Baa		
1			5.87	6.02	6.35	6.08	
2			6.04	6.21	6.60	6.28	
3			5.99	6.21	6.68	6.29	
4			5.99	6.29	6.81	6.36	
5			6.07	6.27	6.79	6.38	
6			6.19	6.38	6.93	6.50	
7			6.13	6.40	6.97	6.50	
8			6.09	6.37	6.98	6.48	
9			6.13	6.49	7.15	6.59	
10			6.95	7.56	8.58	7.70	
11			6.83	7.60	8.98	7.80	
12			5.93	6.54	8.13	6.87	
			<b>6.18</b>	<b>6.53</b>	<b>7.25</b>		

### Industrial

	Avg	Aaa	Aa	A	Baa		
1		5.33	5.68	6.10	6.73	5.96	
2		5.53	5.90	6.30	7.04	6.19	
3		5.51	5.80	6.27	7.10	6.17	
4		5.55	5.86	6.31	7.12	6.21	
5		5.57	5.93	6.33	7.05	6.22	
6		5.68	6.02	6.48	7.22	6.35	
7		5.67	5.97	6.54	7.35	6.38	
8		5.64	5.92	6.55	7.31	6.36	
9		5.65	5.93	6.60	7.47	6.41	
10		6.28	6.63	7.60	9.17	7.42	
11		6.12	6.63	7.76	9.44	7.49	
12		5.06	5.68	6.85	8.76	6.59	
		<b>5.63</b>	<b>6.00</b>	<b>6.64</b>	<b>7.65</b>		

## Support for Yield Capitalization Equity Component

### 2009 Assessment Year

### Direct Capitalization Rates

#### Railroad Industry

Company Name	Ticker	\$Stock\$ Average	2008		Projected		2008 Cash Flow		Projected Cash Flow		
			Earnings	Ratio	Earnings	Ratio	CF	Ratio	CF	Ratio	
Burlington Northern Santa Fe Corp.	BNI	\$ 79.21	6.340	8.00%	5.400	6.82%	10.570	13.34%	9.800	12.37%	
Canadian National Railway	CNI	\$ 38.64	3.040	7.87%	3.100	8.02%	4.400	11.39%	4.500	11.64%	
Union Pacific Corp.	UNP	\$ 54.97	4.540	8.26%	4.400	8.00%	7.400	13.46%	6.950	12.64%	
Norfolk Southern Corp.	NSC	\$ 51.32	4.520	8.81%	4.150	8.09%	6.880	13.41%	6.200	12.08%	
CSX Corp.	CSX	\$ 40.38	3.520	8.72%	3.150	7.80%	6.150	15.23%	5.700	14.12%	
Canadian Pacific Railway	CP	\$ 37.99	3.330	8.77%	3.000	7.90%	6.050	15.93%	5.600	14.74%	
			<b>Mean:</b>	<b>8.40%</b>			<b>7.77%</b>			<b>13.79%</b>	<b>12.93%</b>
			<b>Median:</b>	<b>8.49%</b>			<b>7.95%</b>			<b>13.43%</b>	<b>12.51%</b>
			<b>Say</b>	<b>8.40%</b>			<b>7.80%</b>			<b>13.60%</b>	<b>12.60%</b>

sources: Actual earnings - Value Line  
 Estimated Earnings - Value Line / Q4 average stock price  
 Cash flow - Value Line / 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).

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

## Federal reserve T Bill Data as of 12-31-2008

<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	30 year t bills monthly
01/2005, 3.71	01/2005, 4.22	01/2005, 4.77	01/2005, 1.98	2.79	2.79	01/2005, ND
02/2005, 3.77	02/2005, 4.17	02/2005, 4.61	02/2005, 1.85	2.76	2.78	02/2005, ND
03/2005, 4.17	03/2005, 4.50	03/2005, 4.89	03/2005, 1.95	2.94	2.81	03/2005, ND
04/2005, 4.00	04/2005, 4.34	04/2005, 4.75	04/2005, 1.87	2.88	2.84	04/2005, ND
05/2005, 3.85	05/2005, 4.14	05/2005, 4.56	05/2005, 1.82	2.74	2.83	05/2005, ND
06/2005, 3.77	06/2005, 4.00	06/2005, 4.35	06/2005, 1.80	2.55	2.78	06/2005, ND
07/2005, 3.98	07/2005, 4.18	07/2005, 4.48	07/2005, 2.00	2.48	2.73	07/2005, ND
08/2005, 4.12	08/2005, 4.26	08/2005, 4.53	08/2005, 2.02	2.51	2.68	08/2005, ND
09/2005, 4.01	09/2005, 4.20	09/2005, 4.51	09/2005, 1.93	2.58	2.62	09/2005, ND
10/2005, 4.33	10/2005, 4.46	10/2005, 4.74	10/2005, 2.09	2.65	2.59	10/2005, ND
11/2005, 4.45	11/2005, 4.54	11/2005, 4.83	11/2005, 2.16	2.67	2.57	11/2005, ND
12/2005, 4.39	12/2005, 4.47	12/2005, 4.73	12/2005, 2.14	2.59	2.58	12/2005, ND
01/2006, 4.35	01/2006, 4.42	01/2006, 4.65	01/2006, 2.05	2.60	2.60	01/2006, ND
02/2006, 4.57	02/2006, 4.57	02/2006, 4.73	02/2006, 2.01	2.72	2.64	02/2006, 4.54
03/2006, 4.72	03/2006, 4.72	03/2006, 4.91	03/2006, 2.17	2.74	2.66	03/2006, 4.73
04/2006, 4.90	04/2006, 4.99	04/2006, 5.22	04/2006, 2.43	2.79	2.69	04/2006, 5.06
05/2006, 5.00	05/2006, 5.11	05/2006, 5.35	05/2006, 2.48	2.87	2.72	05/2006, 5.20
06/2006, 5.07	06/2006, 5.11	06/2006, 5.29	06/2006, 2.54	2.75	2.75	06/2006, 5.15
07/2006, 5.04	07/2006, 5.09	07/2006, 5.25	07/2006, 2.52	2.73	2.77	07/2006, 5.13
08/2006, 4.82	08/2006, 4.88	08/2006, 5.08	08/2006, 2.31	2.77	2.78	08/2006, 5.00
09/2006, 4.67	09/2006, 4.72	09/2006, 4.93	09/2006, 2.31	2.62	2.76	09/2006, 4.85
10/2006, 4.69	10/2006, 4.73	10/2006, 4.94	10/2006, 2.38	2.56	2.72	10/2006, 4.85
11/2006, 4.58	11/2006, 4.60	11/2006, 4.78	11/2006, 2.23	2.55	2.66	11/2006, 4.69
12/2006, 4.53	12/2006, 4.56	12/2006, 4.78	12/2006, 2.26	2.52	2.63	12/2006, 4.68
01/2007, 4.75	01/2007, 4.76	01/2007, 4.95	01/2007, 2.42	2.53	2.59	01/2007, 4.85
02/2007, 4.71	02/2007, 4.72	02/2007, 4.93	02/2007, 2.38	2.55	2.56	02/2007, 4.82
03/2007, 4.48	03/2007, 4.56	03/2007, 4.81	03/2007, 2.27	2.54	2.54	03/2007, 4.72
04/2007, 4.59	04/2007, 4.69	04/2007, 4.95	04/2007, 2.35	2.60	2.55	04/2007, 4.87
05/2007, 4.67	05/2007, 4.75	05/2007, 4.98	05/2007, 2.45	2.53	2.55	05/2007, 4.90
06/2007, 5.03	06/2007, 5.10	06/2007, 5.29	06/2007, 2.67	2.62	2.56	06/2007, 5.20
07/2007, 4.88	07/2007, 5.00	07/2007, 5.19	07/2007, 2.62	2.57	2.57	07/2007, 5.11
08/2007, 4.43	08/2007, 4.67	08/2007, 5.00	08/2007, 2.47	2.53	2.57	08/2007, 4.93
09/2007, 4.20	09/2007, 4.52	09/2007, 4.84	09/2007, 2.30	2.54	2.57	09/2007, 4.79
10/2007, 4.20	10/2007, 4.53	10/2007, 4.83	10/2007, 2.26	2.57	2.56	10/2007, 4.77
11/2007, 3.67	11/2007, 4.15	11/2007, 4.56	11/2007, 1.99	2.57	2.57	11/2007, 4.52
12/2007, 3.49	12/2007, 4.10	12/2007, 4.57	12/2007, 2.08	2.49	2.55	12/2007, 4.53
01/2008, 2.98	01/2008, 3.74	01/2008, 4.35	01/2008, 1.81	2.49	2.53	01/2008, 4.33
02/2008, 2.78	02/2008, 3.74	02/2008, 4.49	02/2008, 1.87	2.49	2.53	02/2008, 4.52
03/2008, 2.48	03/2008, 3.51	03/2008, 4.36	03/2008, 1.76	2.49	2.52	03/2008, 4.39
04/2008, 2.84	04/2008, 3.68	04/2008, 4.44	04/2008, 1.91	2.49	2.50	04/2008, 4.44
05/2008, 3.15	05/2008, 3.88	05/2008, 4.60	05/2008, 2.00	2.49	2.49	05/2008, 4.60
06/2008, 3.49	06/2008, 4.10	06/2008, 4.74	06/2008, 2.19	2.49	2.49	06/2008, 4.69
07/2008, 3.30	07/2008, 4.01	07/2008, 4.62	07/2008, 2.09	2.49	2.49	07/2008, 4.57
08/2008, 3.14	08/2008, 3.89	08/2008, 4.53	08/2008, 2.15	2.49	2.49	08/2008, 4.50
09/2008, 2.88	09/2008, 3.69	09/2008, 4.32	09/2008, 2.25	2.49	2.49	09/2008, 4.27
10/2008, 2.73	10/2008, 3.81	10/2008, 4.45	10/2008, 2.87	2.49	2.49	10/2008, 4.17
11/2008, 2.29	11/2008, 3.53	11/2008, 4.27	11/2008, 3.00	2.49	2.49	11/2008, 4.00
12/2008, 1.52	12/2008, 2.42	12/2008, 3.18	12/2008, 2.32	2.49	2.49	12/2008, 2.87

Source: Yahoo Finance (yahoo.com)

Stock Pricing History Report

**4th quarter 2008**

**Railroad Industry**

**"BURLINGTON NORTHERN SANTA FE"**

Symbol: BNI

CUSIP Number: 12189T10

Exchange: New York

Type: Common

Currency: Currency as Reported

Monthly Prices From: 10/01/2008 to 12/31/2008

Adjusted for stock dividends and stock splits as of 1/01/2009

**Month Of  
Quarter**

	High	Low
December	\$ 77.86	\$ 69.86
November	\$ 91.98	\$ 68.31
October	\$ 93.00	\$ 74.27

4th Quarter Average           \$   79.21

**"CSX CORPORATION"**

Pricing History Report

Symbol: CSX

CUSIP Number: 12640810

Exchange: New York

Type: Common

Currency: Currency as Reported

Monthly Prices From: 10/01/2008 to 12/31/2008

Adjusted for stock dividends and stock splits as of 1/01/2009

**Month Of  
Quarter**

	High	Low
December	\$ 36.31	\$ 33.68
November	\$ 47.41	\$ 30.69
October	\$ 54.57	\$ 39.59

4th Quarter Average           \$   40.38

**"CANADIAN NATIONAL RAILWAY COMPANY"**

Pricing History Report

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

Currency: Currency as Reported (in US Dollars)  
Monthly Prices From: 10/01/2008 to 12/31/2008  
Adjusted for stock dividends and stock splits as of 1/01/2009

<b>Month Of Quarter</b>	<b>High</b>	<b>Low</b>
December	\$ 39.00	\$ 31.69
November	\$ 46.73	\$ 30.40
October	\$ 48.44	\$ 35.60
4th Quarter Average		\$ 38.64

**"CANADIAN PACIFIC RAILWAY"**

Pricing History Report

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

Currency: Currency as Reported (in US Dollars)  
Monthly Prices From: 10/01/2008 to 12/31/2008  
Adjusted for stock dividends and stock splits as of 1/01/2009

<b>Month Of Quarter</b>	<b>High</b>	<b>Low</b>
December	\$ 35.68	\$ 27.94
November	\$ 49.55	\$ 26.62
October	\$ 53.86	\$ 34.29
4th Quarter Average		\$ 37.99

**"NORFOLK SOUTHERN CORPORATION"**

Pricing History Report

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

Currency: Currency as Reported  
Monthly Prices From: 10/01/2008 to 12/31/2008  
Adjusted for stock dividends and stock splits as of 1/01/2009

<b>Month Of Quarter</b>	High	Low
December	\$ 49.67	\$ 42.97
November	\$ 62.20	\$ 41.42
October	\$ 66.58	\$ 45.06
4th Quarter Average		\$ 51.32

**"UNION PACIFIC CORPORATION"**

Pricing History Report

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

Currency: Currency as Reported  
Monthly Prices From: 10/01/2008 to 12/31/2008  
Adjusted for stock dividends and stock splits as of 1/01/2009

<b>Month Of Quarter</b>	High	Low
December	\$ 51.41	\$ 41.84
November	\$ 69.75	\$ 43.78
October	\$ 71.78	\$ 51.24
4th Quarter Average		\$ 54.97

## Railroad Industry Data 2008 for 2009 Assessment Year

### Value Line March 3-6-2009

Company Name	Ticker	current yr Revenue per share	2008 Cash Flow	Projected 2009 Cash flow per share	2008 Earnings per share	Projected 2009 Earnings per share	2008 Dividends per share	Dividend Yield	P/E Ratio (trailing)
Burlington Northern Santa Fe Corp.	BNI	\$53.09	\$10.57	\$9.80	\$6.34	\$5.40	\$1.36	2.60%	9.90
Canadian National Railway	CNI	\$14.85	\$4.40	\$4.50	\$3.04	\$3.10	\$0.76	2.50%	9.80
Union Pacific Corp.	UNP	\$35.71	\$7.40	\$6.95	\$4.54	\$4.40	\$0.93	2.70%	8.70
Norfolk Southern Corp.	NSC	\$29.11	\$6.88	\$6.20	\$4.52	\$4.15	\$1.22	4.10%	7.40
CSX Corp.	CSX	\$29.25	\$6.15	\$5.70	\$3.52	\$3.15	\$0.77	3.30%	7.60
Canadian Pacific Railway	CP	\$26.25	\$6.05	\$5.60	\$3.33	\$3.00	\$0.81	2.80%	7.90

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

Notes: 1) Average Stock Price = 4th 1/4 High/Low common stock price averages.

2) CNI and CP figures are in US dollars.

3) Removed Kansas City Southern (KSU) from tentative cost of capital study based on non-comparability

Sources:

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

<b>Ticker</b>	<b>Value Line - Book Value LT Debt</b>	<b>Book Value of Preferred</b>	<b>Book Value of Common per share</b>	<b>Value Line - Mkt Value of Common</b>	<b>Shares outstanding</b>	<b>Value Line - Mkt Value of Preferred</b>	<b>Market Value of Debt (Percentage of book value)</b>	<b>Capital spending per share</b>	<b>Beta</b>
BNI	\$9,099,000,000	\$0	\$32.80	\$21,200,000,000	339,400,000	\$0	99.99%	\$6.41	1.05
CNI	\$6,072,000,000	\$0	\$18.50	\$15,600,000,000	468,100,000	\$0	106.46%	\$2.50	1.20
UNP	\$8,607,000,000	\$0	\$30.70	\$20,000,000,000	503,230,000	\$0	99.67%	\$5.52	1.15
NSC	\$6,183,000,000	\$0	\$26.23	\$12,300,000,000	366,230,000	\$0	102.46%	\$4.25	1.10
CSX	\$7,832,000,000	\$0	\$20.90	\$10,500,000,000	385,000,000	\$0	92.14%	\$4.55	1.20
CP	\$3,842,400,000	\$0	\$31.90	\$4,800,000,000	154,000,000	\$0	92.87%	\$4.75	1.40

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

<b>Ticker</b>	<b>Expected Dividends</b>	<b>Value Line 5 yr, Annual Dividend Growth</b>	<b>Earnings Growth</b>	<b>Value Line 5 yr. Annual Earnings Growth</b>	<b>S&amp;P 5 yr. Annual Earnings Growth</b>	<b>S&amp;P Credit Rating</b>	<b>Moody's Credit Rating</b>	<b>Embedded Debt Rate</b>	<b>Value Line Operating Leases - annual rents</b>	<b>SEC 10-K Operating Lease Obligations 2008</b>
BNI	\$1.60	12.00%	-14.83%	7.00%		<b>BBB</b>		6.65%	\$ 699,000,000	
CNI	\$0.83	11.50%	1.97%	12.00%		<b>A-</b>		4.99%	\$ 128,000,000	
UNP	\$1.08	4.50%	-3.08%	13.00%		<b>BBB</b>		6.52%	\$ 657,000,000	
NSC	\$1.36	14.50%	-8.19%	13.00%		<b>BBB+</b>		6.95%	\$ 138,000,000	
CSX	\$0.88	19.50%	-10.51%	15.00%		<b>BBB-</b>		6.51%	na	
CP	\$0.85	9.00%	-9.91%	6.00%		<b>BBB</b>		6.86%	\$ 120,000,000	

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

<b>Ticker</b>	<b>2008 Income Tax Rate</b>	<b>payout ratio</b>	<b>ROE</b>
BNI	36.4%	21.5%	19.8%
CNI	30.0%	25.0%	16.9%
UNP	36.1%	20.5%	15.1%
NSC	37.6%	27.0%	17.9%
CSX	37.0%	21.9%	17.9%
CP	23.5%	24.3%	10.5%

average 33.4%

Value Line industry average  
income tax rate  
33.5%

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

**Industry:** Railroad Industry  
**Assessment Year:** 2009 Assessment Year

<b>Guideline Companies:</b>	<b>Ticker</b>	<b>Stock Price (4th 1/4 average)</b>	<b>Revenues Per Share</b>	<b>Cash Flow Per Share</b>	<b>Earnings Per Share</b>	<b>Dividends Per Share</b>
Burlington Northern Santa Fe Corp.	BNI	\$ 79.21	\$ 53.09	\$ 10.57	\$ 6.34	\$ 1.36
Canadian National Railway	CNI	\$ 38.64	\$ 14.85	\$ 4.40	\$ 3.04	\$ 0.76
Union Pacific Corp.	UNP	\$ 54.97	\$ 35.71	\$ 7.40	\$ 4.54	\$ 0.93
Norfolk Southern Corp.	NSC	\$ 51.32	\$ 29.11	\$ 6.88	\$ 4.52	\$ 1.22
CSX Corp.	CSX	\$ 40.38	\$ 29.25	\$ 6.15	\$ 3.52	\$ 0.77
Canadian Pacific Railway	CP	\$ 37.99	\$ 26.25	\$ 6.05	\$ 3.33	\$ 0.81

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

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

## Historical Summary

### Railroad Industry

2009 Assessment Year

#### RAILROADS

Equity		2009	2008	Class	Class	Class	Class	Class
		Railroads	Railroads	One	One	One	One	One
				2007	2006	2005	2004	2003
<b>Yield Capitalization</b>								
	CAPM Ex Post	8.28%	10.12%	10.12%	11.35%	11.64%	10.92%	11.84%
	CAPM Ex Ante	10.20%	9.90%	9.55%	9.35%	11.30%	11.15%	10.65%
<b>Dividend Growth Models</b>								
	Value Line, based on Dividends Growth	14.00%	17.00%	14.50%	13.80%	13.00%	10.00%	nmf
	Value Line, based on Earnings Growth	13.00%	15.60%	16.12%	nmf	13.40%	11.50%	12.50%
	Dividend Growth based on ROE (Value Line)	15.00%	12.50%	na	na	na	na	na
	Standard & Poor's based on earnings growth		17.00%	16.40%	nmf	14.00%	12.90%	13.00%
<b>Yield Equity Component</b>		13.00%	12.20%	12.00%	11.50%	12.50%	12.00%	12.50%

Debt		2009	2008	2007	2006	2005	2004	2003
<b>Debt Rate</b>		7.50%	6.50%	6.50%	5.80%	6.00%	6.50%	6.50%

Industry Market Capital Structure		2009	2008	2007	2006	2005	2004	2003
----- five year -----								
<b>avg</b>	<b>median</b>							
73.20%	75.00%	<b>Equity</b>	75.00%	78.00%	76.00%	70.00%	67.00%	65.00%
26.80%	25.00%	<b>Debt</b>	25.00%	22.00%	24.00%	30.00%	33.00%	35.00%

Weighted Average Cost of Capital		2009	2008	2007	2006	2005	2004	2003
<b>WACC</b>		10.91%	10.40%	10.13%	9.20%	10.40%	10.08%	10.40%