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225144

March 9, 2009

BY HAND

The Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E. Street, S.W.
Washington, D.C. 20423-0001

Re: Western Coal Traffic League Reply Comments in
Ex Parte No. 558 (Sub-No. 12), Railroad Cost of Capital - 2008

Dear Acting Secretary Quinlan:

Enclosed for filing are an original and ten copies of the reply comments of the Western Coal Traffic League ("WCTL") in the above-captioned proceeding. Also enclosed is a CD containing a copy of the comments and the workpapers of WCTL's witnesses. The workpapers will be made available to any party upon request.

Please contact the undersigned if there are any questions concerning this matter.

Respectfully submitted,

Robert D. Rosenberg

Robert D. Rosenberg
An Attorney for the Western Coal
Traffic League

RDR:rlh
cc: Service List

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BEFORE THE
SURFACE TRANSPORTATION BOARD

In the Matter of:	)))	
RAILROAD COST OF CAPITAL – 2008	)))	Ex Parte No. 558 (Sub-No. 12)

REPLY COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

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Dated: May 20, 2009

WESTERN COAL TRAFFIC LEAGUE

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Its Attorneys

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BEFORE THE
SURFACE TRANSPORTATION BOARD

In the Matter of:	)	
RAILROAD COST OF CAPITAL – 2008	)	Ex Parte No. 558 (Sub-No. 12)

REPLY COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

Pursuant to the notice that the Surface Transportation Board ("STB" or "Board") served in the above-captioned proceeding on March 6, 2009, the Western Coal Traffic League ("WCTL" or "League")[1] submits these reply comments in response to the comments that the Association of American Railroads and its member railroads ("AAR" or "Railroads") filed on April 20, 2009.

I. INTRODUCTION AND SUMMARY

WCTL's comments are divided into technical and substantive matters.

WCTL recognizes that the STB's interest is largely in the technical, that is, the extent to which the AAR correctly followed the STB's specified methodology for

[1]WCTL is a voluntary association, whose regular membership consists entirely of shippers of coal mined west of the Mississippi River that is transported by rail. WCTL members presently ship and receive in excess of 175 million tons of coal by rail each year. WCTL's members are: Ameren Energy Fuels and Services, Arizona Electric Power Cooperative, Inc., CLECO Corporation, Austin Energy (City of Austin, Texas), CPS Energy, Kansas City Power & Light Company, Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, Omaha Public Power District, Texas Municipal Power Agency, Western Farmers Electric Cooperative, Western Fuels Association, Inc., Wisconsin Public Service Corporation, and Xcel Energy.

calculating the railroad industry cost of capital ("COC"). As shown below and in detail in the Verified Statement of Thomas D. Crowley and Daniel L. Fapp ("Crowley/Fapp VS" or "Crowley/Fapp") that is attached as Exhibit A and associated workpapers, the AAR's submission contains errors, especially with respect to the calculation of the Multi-Stage Discounted Cash Flow ("MSDCF") estimate of the cost of equity ("COE") and also, albeit to a lesser extent, with respect to calculation of the COE under the Capital Asset Pricing Model ("CAPM") and the overall capital structure of the railroad industry. The differences between the AAR's calculations and the correct figures developed by Crowley/Fapp are specified in the following table:

Table 1
Comparison of AAR and Crowley/Fapp COC Calculations

Item	AAR	Crowley/Fapp
CAPM COE	10.40%	10.41%
MSDCF COE	16.29%	15.95%
Average COE	13.35%	13.18%
Cost of Debt	6.57%	6.57%
Equity/Debt Ratio	78.66%/21.35%	78.5%/21.5%
Overall COC	11.90%	11.76%
Source: Crowley/Fapp VS.		

The STB has professed little interest in -- actually, it has stated its desire to avoid -- considering within the context of its annual cost of capital proceedings whether its specified methodology makes sense as applied to current circumstances. WCTL would hope that the STB would be more willing than usual to consider such matters under the current circumstances. Those circumstances include, in particular, the Board's first use of its hybrid CAPM/MSDCF COE methodology adopted in Ex Parte No. 664 (Sub-No. 1), *Use Of A Multi-Stage Discounted Cashflow Model In Determining the Railroad Industry's Cost of Capital* (STB served Jan. 28, 2009) ("*MSDCF Methodology*"). Moreover, the Board's first use of its new methodology takes place during what all, or nearly all, consider to be the extreme economic and financial conditions of the current and ongoing recession. The Board should thus be open to considering whether its methodology, especially its recent addition, produces sensible results.

As shown *infra*, the MSDCF methodology does not produce sensible results, at least not under current circumstances. The MSDCF produces a COE of almost 16% (over 16%, if the AAR's errors are not corrected). This figure is implausibly high whether considered in relationship to historical levels, the levels generated by the CAPM methodology, the levels identified by the investment community, or the expected growth in railroad volumes and productivity.

WCTL's comments also explain that the MSDCF contains a serious flaw in terms of how it fails to address deferred tax liabilities, particularly in its third or terminal stage. The railroads' deferred tax liabilities are very substantial, particularly when viewed as a percentage of their total assets, and the failure to address those liabilities is a grievous error in the Ibbotson/AAR/STB MSDCF methodology as it is applied to the railroad industry. The deferred tax liabilities are simply too large to be ignored. Furthermore, the treatment of deferred tax liabilities under the MSDCF is directly contrary to the Board's recent treatment of deferred taxes in Ex Parte No. 646 (Sub-No. 2), *Simplified Standards for Rail Rate Cases--Taxes in Revenue Shortfall Allocation Method* (STB served Nov. 21, 2008) ("*RSAM Taxes*"), where the Board justified use of the full statutory tax rate in applying URCS on the basis that deferred tax liabilities will eventually be paid. It is fundamentally inconsistent, and thus impermissible, for the Board to rely on the eventual payment of deferred tax liabilities for its justification for using the full statutory income tax rate in applying URCS and for the Board to ignore those same deferred tax liabilities in calculating the MSDCF portion of the COC when the COC is a key input in the calculation of URCS costs.

The Crowley/Fapp VS presents an alternate MSDCF COE calculation that takes into account the payment of deferred tax liabilities in Stage 3 of the MSDCF model. The result is a MSDCF COE value of 15% rather than 15.95%. The impact on the values shown in Table 1 is shown in the far right column of the following Table 2:

Table 2 Comparison of AAR and Crowley/Fapp COC Calculations With Adjustment for Stage 3 Deferred Tax Liabilities			
Item	AAR	Crowley/Fapp without adjustment for deferred tax liability	Crowley/Fapp-- with adjustment for deferred tax liability
CAPM COE	10.40%	10.41%	10.41%
MSDCF COE	16.29%	15.95%	15.00%
Average COE	13.35%	13.18%	12.70%
Cost of Debt	6.57%	6.57%	6.57%
Equity/Debt Ratio	78.66%/21.35%	78.5%/21.5%	78.5%/21.5%
Overall COC	11.90%	11.76%	11.38%
Source: Crowley/Fapp VS.			

WCTL emphasizes that the Crowley/Fapp adjustment for deferred tax liabilities includes only those deferred taxes that are reflected in the initial five-year cashflow normalization as adjusted by the growth rates used in the MSDCF model. In other words, the adjustment does not address at all the very substantial deferred tax liabilities that each of the four subject railroads had accumulated as of the end of 2008. The adjustment developed by Crowley/Fapp is thus extremely conservative.

Accordingly, while WCTL is presenting a modified MSDCF calculation that addresses some of the consequences of the treatment of deferred tax liabilities, the more appropriate treatment is that the Board should calculate the COE utilizing only its CAPM methodology. WCTL adds that the resulting COC figure will still be overstated because the Board's CAPM methodology uses a historical rather than prospective market risk premium that overstates the opportunity cost of capital.

These matters are addressed further below.

II. TECHNICAL ERRORS IN THE AAR'S COC CALCULATIONS

The Crowley/Fapp VS notes a number of errors in the AAR's COC calculations.

The first error is that the AAR failed to note UP's corrective SEC Form 10-Q/A filing for the second quarter of 2008 that corrected the number of shares outstanding of the railroad holding company. AAR used the overstated number of shares outstanding to calculate UP's market value for a period of time corresponding roughly to the third quarter of 2008, and that market value is an input to the calculation of both (a) the CAPM COE and (b) the capital structure of UP and the overall railroad industry. As a result, the CAPM COE equals 10.41% and not 10.40% as claimed by the AAR. The correct data also reduces the equity-debt ratio for the railroad industry capital structure (as UP has a reduced market value for the third quarter of 2008). Crowley/Fapp VS at 4-7, 19-20.

The error in the AAR's MSDCF calculations are more extensive and significant, although somewhat offsetting. Specifically, the AAR's MSDCF calculations used the number of shares outstanding, the per share market values, and the I/B/E/S growth rates as of March 31, 2009. These inputs might have some validity if the objective were to calculate the railroad industry's MSDCF COE as of March 31 or April

1, 2009, although it would seem necessary for that purpose to update the underlying cashflow calculations to reflect the period ending March 31, 2009, which the AAR did not do. However, the clear purpose of the exercise is to estimate the railroad industry COE for 2008, and utilization of data from three months later is inherently improper for this purpose. Crowley/Fapp VS at 11-13.

Use of data as of March 31, 2009 is inappropriate in additional respects. First, use of such late data is inconsistent with the AAR's and STB's avowed intent to replicate the Ibbotson/Morningstar methodology to the maximum extent possible. As explained in Crowley/Fapp VS at 9-11, Ibbotson/Morningstar do not base their 2008 COC calculations on data that does not become available until the end of March 2009. The AAR's approach also creates a mismatch between the MSDCF calculation and the beta calculation, which reflects a value as of the end of 2008 (although, as discussed more fully *infra*, the AAR's beta calculation is faulty because it terminates before the end of 2008).

The use of MSDCF data as of March 31, 2009 is also inconsistent with the theory of efficient markets, to which the AAR and the STB purport to adhere. In particular, market values as of March 31, 2009, reflect events that occurred (meaning information that was developed) after December 31, 2008. Such events and information could not have been considered in determining the December 31, 2008 market value because the events had not occurred and the information did not exist as of that time. In that regard, there were considerable changes between December 31, 2008 and March 31, 2009, including the broadening of the recession, the substantial decrease in railroad volumes, earnings, and market values (but not railroad rates), and the substantial reduction in the median I/B/E/S earnings projections noted *infra*. *See* Crowley/Fapp VS at 11-13.

The net effect of using inputs as of December 31, 2008, instead of March 31, 2009, reduces the COE as calculated under the MSDCF method by over 0.3%.

The higher growth rates and higher market value as of December 31, 2008, compared to March 31, 2009, offset each other to a significant extent in the MSDCF COE calculation. In a DCF COE model, the COE represents the implicit discount rate at which the net present value of future cashflows equals the current market price. All things being equal, a higher growth rate for the cashflows will increase the COE because a higher discount rate is required to offset the increased cashflows. However, a higher market price will, all things being equal, reduce the COE because a lower discount rate is implied if the same future cashflows yield a higher net present value. Accordingly, the higher market value as of December 31, 2008 reduces the COE, but the COE reduction is partially offset by the presence of higher growth rates as of December 31, 2008, relative to March 31, 2009.

For present purposes, WCTL does not dispute the AAR's calculations of the cost of debt. That said, the percentage of debt for which there is no market value appears to be 35% (VS of AAR Witness Gray at 8), which is substantial.

WCTL finds two errors with the AAR's capital structure calculations. The first relates to the UP shares outstanding, as noted *supra*. The second is that the AAR developed its equity market value using the values for the week ending December 22, 2008 (Gray VS, Appendix H, at 5), which corresponds to a final trading date of December 26, 2008. December 26, 2008 does not reflect an end-of-year value. Moreover, the December 26, 2008 end-date is inconsistent with both (a) the 2007 calculation, where the AAR and STB calculated the market value of railroad common equity utilizing a 52-week period ending with the week of December 24, 2007, and (b) the AAR's beta calculation, which uses a 260-week period ending the week of December of 29, 2008 (for which the AAR notes that 3 of the 4 trading days during the week were in 2008). Consistency, as well as common sense, require that the capital structure reflect the last day of the year to the greatest extent possible. Crowley/Fapp VS at 4-7, 19-21.

The net impact of these various corrections is shown in Table 1, *supra*.

III. SUBSTANTIVE ISSUES WITH THE STB COE METHODOLOGY

A. The MSDCF Model's Unrealistic Results and Unrealistic Assumptions

To put it mildly, WCTL expressed strong reservations in Ex Parte No. 664 (Sub-No. 1) regarding the suitability of the Ibbotson 3-stage MSDCF model to account for half of the STB's estimation of the COE for the railroad industry. The 2008 MSDCF COE confirms and reinforces WCTL's misgivings.

Even with WCTL's corrections, the MSDCF methodology produces an estimated COE of 15.95%, which, when combined with the AAR's cost of debt and the corrected capital structure, equates to an overall COC of 13.93%.[2] Those COE and COC values are extraordinarily high by any reasonable measure. In particular, they are significantly higher than the values calculated by the STB under its discarded single-stage DCF ("SSDCF") model. They are even beyond the range of the 13-14% COE and 11-12% COC claimed by the railroad representatives at the STB's public hearing concerning the proposed adoption of the CAPM methodology.

The MSDCF COE also exceeds that calculated by the STB in the past ten years (since 1998) under the range of methods address by the Board in its recent decision in Docket No. 41191 (Sub-No. 1), *AEP Texas North Co. v. BNSF Railway Co.* (STB served May 15, 2009), at 9.

The 16%/14% MSDCF COE/COC figures are also substantially higher than those regularly depicted by more neutral and independent members of the financial community. In particular, UBS has depicted 9.5% as the "consensus" COC figure within the financial community and continues to use that figure in its published research, examples of which WCTL has previously submitted in the Board's COC proceedings.

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[2](78.5% x 15.95%) + (21.5% x 6.57%) = 12.52% + 1.41% = 13.93%.

Furthermore, the MSDCF figures are also substantially above COC figures calculated by S&P for the individual railroads that ranged between 9.3% and 9.8% as of January 2009.[3] WCTL is not aware of any respected investment community publication that depicts an overall railroad COC of anywhere near 14%, and the AAR has certainly not identified any. The AAR's MSDCF COE value is thus "out of line with other, commercially available estimates of the cost of equity." *AEP Texas North* at 8.

In contrast, the CAPM portion of the STB's COE/COC methodology yields a COC of 9.48%.[4] This figure is nearly identical to the 9.5% figure depicted by UBS as the consensus cost of capital for the railroad industry. The CAPM figures also falls squarely within the range of the 9.3% to 9.8% COC calculated by S&P for the individual railroads. In other words, the CAPM calculation does not yield a figure that is unrealistically low.

Indeed, the 15.95% MSDCF figure is over 50% (actually, 53.2%) higher than the 10.41% CAPM figure (15.95% ÷ 10.41% = 1.532). It is hardly an answer to note that the MSDCF calculation accounts for only half of the COE under the Board's

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[3]Copies of the reports are attached as Exhibits 3, 4, 5, and 6. The reports reflect a COC of 9.7% for BNSF (Exhibit C, p. 1), 9.3% for CSX (Exhibit D, p. 2), 9.5% for NS (Exhibit E, p. 1), and 9.8% for UP (Exhibit F, p. 1). While the reports are from January 2009, they indicate that the cost of capital was not higher in 2008. For example, the CSX report uses the 9.3% figure in addressing expected 2008 return on invested capital (Exhibit D, p. 2), as does the NS report (Exhibit E, p. 2). The UP report actually references "the company's estimated 8.7% cost of capital in 2007 and 2008" (Exhibit F, p. 2).

[4](78.5% x 10.41%) + (21.5% x 6.57%) = 8.17% + 1.41% = 9.48%.

methodology. While the result is, in effect, only half as bad as it might be if the STB relied entirely on the MSDCF methodology, the average COE figure is still far above what appears to be an accurate figure based on the MSDCF calculation and third-party analysis.[5] The appropriate approach is to compare the two results and inputs in order to determine which method is more appropriate, or what modifications are in order, rather than have those discrepancies simply swept into some average. Indeed, the Board's automatic use of an average suggests that the agency lacks the ability to choose which method is more appropriate and/or to undertake any synthesis of the two, beyond the simple average, which would call into serious question the agency's exercise of real expertise in opting to use a simple average in the first place.

In contrast, the CAPM result is very logical under the circumstances. While 2008 was certainly an extremely disruptive and volatile year, a key advantage of the CAPM method is that it measures volatility and risk directly (not implicitly, as with a DCF approach) and applies it utilizing the return achieved by both the risk-free and general equity portions of the overall market. While railroad stocks experienced a loss of value during 2008, their loss and overall volatility was less than that of the overall market,

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[5]In addition, WCTL continues to maintain that the CAPM figure remains overstated because of its use of a historical market risk premium that does not reflect the opportunity cost of capital. The recession has (painfully) reduced the degree of overstatement. A recovery, whenever it comes, should serve to restore at least some of the overstatement. A CAPM COE calculated with a prospective market risk premium would be more appropriate for the average approach that the STB adopted in *MSDCF Methodology*.

as reflected in the beta value of less than 1.0.[6] The reduction in the risk-free rate of return is sensible in view of the combination of the low inflation environment and the desire to avoid risk (the increased demand for Treasury securities) translates into a higher price, which equates to a lower yield). Moreover, the massive decline in the overall market has substantially reduced the market risk premium, as noted earlier. Accordingly, the CAPM results are plausible and logical.

Moreover, the CAPM analysis highlights the factors that cannot account for the surge in the COE reflected in the MSDCF calculation. In particular, the risk-free rate of return and the market risk premium (as defined by the Board) both declined significantly in 2008. As a result, the general market against which the railroads compete for investment now provides a lower return, and not a higher return, as a result of the recent and ongoing economic flux, which should lower the COE for the railroad industry. Moreover, the beta analysis signifies that railroads have become, if anything, less risky, rather than more risky, compared to the market as a whole, which again should result in a lower railroad industry COE. There is thus no inherent explanation for the surge in the COE as calculated under the MSDCF model. Instead, the inflation, overall market, and risk factors all point to a lower COE.

Moreover, the fact that CAPM result is so close to the S&P figures that utilize a DCF approach suggests that the problem is with the Ibbotson/AAR/STB MSDCF

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[6]During the STB's consideration of MSDCF, the railroads indicated that industry beta values would consistently exceed 1.0 in the future.

model itself, especially the application for ten years of growth rates forecasts that cover only a three-to-five year period.

In contrast, the MSDCF inputs and associated results are questionable in a variety of respects. The STB's MSDCF methodology effectively defines the COE based on the relationship between the stock price and the growth rates as applied to normalized expected future cashflows. While railroad stock prices were not as volatile as the market as a whole, they still experienced substantial changes during the year, and there was also substantial changes in the growth rate forecasts (*see, e.g.,* the substantial change in growth rates over just the three months between December 31, 2008, and March 31, 2009, discussed *supra*). There is thus ample potential for the stock prices and growth rate projections to vary from each other, especially as analysts will likely avoid changing their forecasts too often. Moreover, those earnings projections are apt to reflect uncertainty about the overall direction of the general economy. In short, during a period of such rapid flux, the MSDCF approach is of especially questionable utility.

Furthermore, while the end-of-2008 (and, for that matter, the March 31, 2009) earnings growth rates are much reduced from those in prior years, they remain unrealistically high, especially as applied for a ten-year period. In particular, the 13.61% average growth rate as of December 31, 2009, is nearly three and a half times the 3.9% growth rate for the general economy utilized by Dr. Stangle on behalf of the AAR

(Stangle VS at 6, ¶13).[7] It would seem difficult to imagine that the railroad industry could sustain such a high average rate of growth relative to the general economy for a ten-year period. Such growth would suggest, at a minimum, a major surge in railroad volumes.

In that regard, WCTL submitted comments to the Board on May 8, 2008, in Ex Parte No. 680 (Sub-No. 1), *Supplemental Report on Capacity and Infrastructure Investment*, regarding the *Supplemental Report to the U.S. Surface Transportation Board on Capacity and Infrastructure Investment* ("*Supplemental Report*") prepared by Laurits R. Christensen Associates ("Christensen Associates") and released on April 8, 2009. A copy of those comments is attached as Exhibit B. WCTL's earlier comments utilized the AAR-calculated earnings growth rate of 10.05% (as of March 31, 2009) because WCTL had not yet derived the 13.61% figure. In addition, the earlier comments utilized a long-term growth rate for the general economy of 4.9%, whereas the figure actually utilized by Dr. Stangle is 3.9%, reflecting 0.6% inflation and 3.3% real growth. Stangle VS at 6 ¶13. In terms of the comparison between the two, WCTL's earlier comments on the *Supplemental Report* were thus unduly conservative.

The overall gist of the *Supplemental Report* is that the traffic growth assumptions utilized in the United States Department of Transportation's Freight Analysis

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[7] 13.61% ÷ 3.49% = 3.9. Dr. Stangle depicts this growth rate as applying for 2008, which is an additional reason for utilizing a MSDCF analysis as of no later than December 31, 2008, as opposed to March 31, 2009.

Framework ("FAF") and the report prepared by Cambridge Systematics for the AAR are likely to be substantially overstated. However, even accepting the FAF projections as accurate, the estimated rate of growth in the ten years between 2010 and 2020 is only 1.65% a year.[8] WCTL adds that these projections were made prior to the recession and may thus be especially overstated for this reason as well.

This 2010-2020 period corresponds closely to the first two stages of the AAR MSDCF model for the first two stages (2009-2018) and provides an apt basis of comparison.[9] Assuming a conservative 1.0% inflation (substantially more than the 0.6% used by Dr. Stangle), the earning growth rate of 13.61% converts to a real growth rate of 12.49%.[10] The real earnings growth rate embedded in the MSDCF calculation is then <u>over seven times</u> the projected growth in railroad tonnage (12.49% ÷ 1.65% = 7.57), utilizing a traffic growth projection that is not adjusted for the recession or the other criticisms noted in the Supplemental Christensen Report.

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[8]The *Supplemental Report* at 5-3, Table 5-1, projects 2010 freight tonnage at 2.083 billion tons and 2020 tonnage at 2.445 billion tons, corresponding to a 1.615% growth rate (2.083 billion x 1.01615^{10} = 2.445 billion). The table also depicts 1.768 billion tons of total rail freight volumes in 2002 growing to 3.292 billion tons in 2035. This increase amounts to 86% (3.292/1.768 = 1.862) over a period of 33 years, corresponding to a growth rate of less than 1.9% (1.019^{33} = 1.861).

[9]In any event, the 2010-2020 growth rate does not vary significantly (for present purposes) from the 1.9% growth rate in volume over the 33-year period covered by the FAF and Cambridge Systematics study.

[10]1.1361 = 1.01 x 1.1249.

WCTL's position is that the railroad industry and its Class I members, especially as of 2008, are already meeting the objectives specified in 49 U.S.C. § 10704(a)(2). The railroads already cover total operating expenses, including depreciation and obsolescence, plus a more than reasonable and economic profit and/or return. Revenue levels already provide a flow of net income plus depreciation adequate to support prudent capital outlays, assure the repayment of a reasonable level of debt, permit the raising of needed equity capital (not that the railroads need any), and cover the effects of inflation, and the railroads are able to attract and retain adequate amounts of capital. Indeed, the railroads have been endeavoring to rid themselves of excess capital through increased dividends and stock buybacks.

Accordingly, WCTL does not understand why the railroads would "need" to have their real earnings grow at a rate more than seven times greater than the projected growth in their traffic (which traffic growth is likely overstated). WCTL understands that Wall Street (actually, just a handful of analysts) may project that railroad earnings will grow for the next five years at a rate over seven times greater than the expected growth in railroad volume and that the current stock price and cash flow yields over the past five years may translate that earnings growth (assuming it continues for a ten-year period) into a COE of around 16%. However, the 16% is an extraordinarily high figure, and the projected growth in earnings is premised largely on higher rates because growth in volume and productivity are expected to be modest.

While the MSDCF model represents a conceptual improvement over the Board's predecessor SSDCF model, the methodology, as applied, still remains subject to a fatal circularity: the railroads will be allowed to charge more on captive traffic because their earnings are expected to grow, and not because they need the revenues to cover their operating expenses, depreciation, and capital expenditure (which they are already able to cover in abundance as reflected in their generous cash flow yields). Nor is it any answer to say that most of the railroads' traffic is not subject to regulation because that amounts to a nonsensical claim that the railroads should be able to charge more for regulated traffic since they will be able to charge more for unregulated traffic.

The Board's MSDCF formula is undoubtedly capable of generating yet higher estimated COE values, as all that is required is a high growth rate projection from analysts, a depressed stock price, and a high initial or normalized cashflow yield. However, if the cashflow yield is already high, then the STB must and should make some separate assessment if it is sufficient to meet the objectives specified in 49 U.S.C. § 10704(a)(2). The fact that analysts project growth at a certain level does not mean that earnings necessarily should or need to grow at that level, especially when that earnings growth can be attributed in substantial part only to higher rates. The fact that railroads may be projected by Wall Street to be able to earn and charge more does not strip the Board of its statutory duty to determine if the railroads are already charging enough. Yet that is the effect of the Board's reliance on its MSDCF methodology to determine the COE.

A related, and functionally equivalent, interpretation is that the investment community itself does not believe that the analysts' earnings growth rate projections are not realistic, at least not as applied for a ten-year period.[11] There is a strong basis for such a conclusion. Specifically, the 13.61% growth rate, as utilized in the generic MSDCF model, implies that earnings per share or cashflows will grow by 90% in five years ($1.1365^5 = 1.896$) and will have grown by nearly 260% after ten years ($1.1365^{10} = 3.579$). Again, this growth would be driven largely by higher rates given the outlook for modest inflation and productivity improvement. If investors (meaning stockholders and potential stock buyers) simply do not believe these forecasts, then MSDCF will perceive as a high discount rate for the cost of capital what is actually a high discount rate for the growth forecast itself. Again, the Board has a duty to determine the reasonableness of the growth forecast for itself, and it cannot abdicate that responsibility to a handful of Wall Street analysts, especially if those analysts limit their forecast to a five-year period (possibly a three-year forecast under the Ibbotson methodology as described) and the Board decides to apply that forecast for ten years.

Accordingly, the Board should not blind itself to the unrealistic and unreasonable results produced by its methodology under the current economic conditions,

[11]The earnings-per-share projections utilized are reportedly done for a three to five-year period.

even if the Board believes that its MSDCF methodology makes sense as a matter of economic or finance theory.

B. The MSDCF Model's Defective Treatment of Deferred Tax Liabilities

The AAR/STB MSDCF methodology (a) defines cash flow as earnings before extraordinary items minus capital expenditures plus depreciation and deferred taxes, (b) normalizes cash flow and defines it as a ratio to sales, (c) projects that the cash flow will grow at the three-to-five-year projected earnings growth rate for the individual railroad for five years, and then (d) grow for the next five years at the industry average growth rate for the first five years, after which (e) the model reaches the terminal stage, where capital expenditures and depreciation are assumed to offset each other, and earnings grow at the rate of the general economy.

The MSDCF model thus posits that deferred taxes will disappear after ten years and will cease to be an adjustment to cashflow. However, the question arises what happens to all of the tax liabilities that were deferred from earlier years (not only during the first two stages of the DCF model, but also in the earlier years) and where do they go. The answer, especially according to the Board's decision in *RSAM Taxes*, is that those taxes must eventually be paid. When those taxes must be paid, they can only be paid in cash, and they must then serve as a reduction to cashflow. However, the MSDCF model makes no provision for the payment of these taxes, which constitutes a fatal flaw given the massiveness of the railroads' deferred tax liabilities and the Board's treatment of deferred taxes in *RSAM Taxes*. *See* Crowley/Fapp VS at 13-16.

By way of background, deferred taxes arise because, as explained more fully below, railroads (and other capital-intensive firms) are able to take accelerated depreciation based on their qualifying capital expenditures. The effect of the accelerated depreciation is that the railroads reduce their taxes payable currently, but they face at least potential higher taxes payable in the future. The difference between taxes payable and tax expense becomes a deferred tax liability on the balance sheet. The relationship is sometimes characterized as an interest-free loan for the tax deferral, which is intended to incent investment.

WCTL has attached as Exhibits 7, 8, and 9, some materials that describe the operation of tax savings and deferred tax liabilities. Exhibit G is an article dated February 2, 2009, and posted on www.cfo.com (associated with CFO magazine) by Marie Leone entitled "Tax Tip: Spend Your Way Out of the Recession," http://www.cfo.com/article.cfm/13052354/c_13048729. The article's subheading is "Cutting capex spending during an economic downturn may trigger higher tax payments and reduce cash flow, a new study says." Exhibit H is another article by Ms. Leone on www.cfo.com dated April 13, 2009, and entitled "Study: Bonus Depreciation Boosts Cash Flows," http://www.cfo.com/article.cfm/13479177. The article's subheading is that "Some companies are enjoying a temporary increase in operating cash as a result of the tax benefit tied to the government's accelerated depreciation program." Exhibit I is a study (which study is the focus of the Exhibit G article) released in February 2009 on "Capital Intensive firms and the Risk of Increased Tax Payments in a Recession" by Dr. Charles W. Mulford, Director of the George Tech Financial Analysis Lab, and Jason Blake, http://mgt.gatech.edu/fac_research/centers_initiatives/finlab/finlab_files/May%202009/1 Gatech.Finlab.Ind%20Intro.Q4.08.pdf. The materials make the point that the deferred taxes have a very substantial impact on cashflow, but the deferred taxes will need to be paid at such time as the capital expenditures decline.

More technically, the materials explain that tax deferrals arise because of the need to reconcile tax and GAAP (Generally Accepted Accounting Principles) accounting. Tax accounting uses accelerated depreciation, whereas GAAP accounting uses straight line depreciation. Accelerated depreciation produces larger or faster depreciation in the early years, thereby resulting in a tax deferral, which is why firms utilize it. In later years, the accelerated depreciation decreases (because of the accelerated depreciation in earlier years) and is exceeded by the straight line GAAP appreciation. If new capital expenditures are always increasing and are always sufficiently larger than straight line depreciation, the straight line depreciation will, as a whole, not catch up with accelerated depreciation. However, when capital expenditures cease to grow relative to depreciation (a condition specified in the terminal stage of the MSDCF model), and tax deferrals seek to accrue (another condition specified in the MSDCF model's terminal stage), then there is a substantial possibility that the tax deferrals will become due. Tax liabilities can only be paid out of cash, and they constitute a drain on cashflow, albeit one that is ignored by the Board's MSDCF model.

The attached materials note the very substantial impact of the tax deferrals on railroad cashflow. In particular, the Exhibit H article discusses a study done by the RiskMetrics Group that focuses on CSX. According to the article, "CSX has a 6% cash-benefit-to operating cash-flow ratio, which means that for every $100 the railroad company reports in operating cash flow, $6 is attributable to tax savings." The article also indicates that CSX has a "9% cash benefit-to-capital expenditure ratio mean[ing] that for every $100 of reported capex, CSX gets $9 of tax savings."

The included materials also demonstrate that the deferred tax liabilities of the railroads are enormous. The Georgia Tech article (Exhibit I, which article is also discussed in Exhibit G) analyzed a number of capital-intensive firms as of 2007, focusing on firms that had either (1) increasing capital expenditures and deferred tax liabilities, or (2) decreasing expenditures and deferred tax liabilities. The article found that UP, BNSF, and NS had net deferred tax liabilities of $9.7 billion, $8.2 billion, and $6.2 billion, respectively. Significantly, these firms ranked as the second, third, and fourth firms, respectively, in terms of deferred tax liabilities as a percentage of assets, with percentages of 25.54%, 24.40%, and 23.87%, respectively.[12]

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[12]The firm with the highest percentage of deferred tax liabilities relative to total assets was Yamana Gold, Inc., with a figure of 25.94%, although its net deferred tax

CSX was not listed in the article, presumably because it had increasing capital expenditures and decreasing deferred tax liabilities in 2007. However, CSX's SEC Form 10-K for 2007 shows deferred income taxes of $6.096 billion (within $150 million of NS) and total assets of $25.534 billion, meaning CSX's ratio of net deferred tax liabilities to total assets was 23.5%, just slightly less than that of NS (23.87%), enough to have placed CSX fifth on the article's list (significantly ahead of Harry Winston Diamond Corp. at 22.06%). *See* Table 1 of the article at page 11.[13]

These deferred tax liabilities are obviously very substantial. Moreover, they represent values as of 2007, and thus do not reflect the tax deferrals for 2008 or the very substantial growth that would be expected to occur during the first ten years of the MSDCF model. If, and when, these deferred tax liabilities are paid, they would serve as a very substantial drain on the railroads' cashflows.

One theoretical possibility is that the deferred tax liabilities would continue to accrue indefinitely, such that the deferred tax liabilities would never be paid. However, such a conclusion is very suspect in view of the assumptions that are specified to apply in the third stage of the MSDCF model. For this reason alone, the generic Ibbotson MSDCF model is not appropriate for the railroad industry with its massive

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liabilities were $2.6 billion, less than half of that of NS.

[13]Table 1 lists firms with increasing capital expenditures and increasing deferred tax liabilities, and Table 2 lists firms with decreasing capital expenditures and deferred tax liabilities.

deferred tax liabilities, even if the model is more appropriate for other industries that do not have the same level of capital expenditures and associated tax deferrals.

Beyond that, the Ibbotson MSDCF is not appropriate for the Board's regulatory purposes because the Board has already found, in *RSAM Taxes*, that the deferred tax liabilities will not be deferred indefinitely, but will instead be paid. Specifically, a group of shippers argued in the proceedings resulting in the *RSAM Taxes* decision that the use of the statutory federal tax rates in determining costs under URCS was improper because the railroads' use of tax deferrals causes them to pay taxes at rates substantially below the statutory tax rate. The AAR argued in response that the statutory tax rate needed to be utilized because the railroads' tax liabilities were merely deferred and not extinguished:

> the amount of taxes that a railroad pays in a particular year is not an appropriate measure of a railroad's tax liability because it ignores a railroad's deferred tax liability--tax liabilities that are incurred by the railroad and included on the railroad's books.

RSAM Taxes at 3.

Specifically, the AAR's expert witness explained that "[a]ccelerated depreciation defers the payment of taxes until later years, but the railroad's total tax liability is unaffected" as "[a]ccelerated depreciation only affects the timing of tax payments." The AAR's expert also submitted a table showing "that when accelerated depreciation is available, reduced tax payments in the early years of the asset are offset by increased tax payments in the later years of an asset's life." The AAR thus represented that "while it is true that the rate of taxes actually paid in the early years of an asset's life using the benefits of accelerated depreciation to book-based taxable income is below the statutory rate, the opposite is true after the benefits of accelerated depreciation have been consumed." The witness presented an example where "the ratio of actual taxes paid to taxable income" grew "to a high of 44 percent -- well above the statutory rate" for the last nine (over a third) of the posited 25-year period. Verified Statement of Michael R. Baranowski, submitted as part of the Reply Comments of the AAR in *RSAM Taxes* (dated Sept. 2, 2008).

The STB "agree[d] with AAR that the [shippers'] analysis is flawed because it failed to include ... deferred taxes." *RSAM Taxes* at 4. The Board added that:

> In the railroads' financial reporting in the R-1 reports, tax liabilities are recognized on an accrual basis, consistent with GAAP, not on a cash basis. Therefore, deferred taxes must be included in the determination of tax liability, because timing differences result in tax credits or debits."

RSAM Taxes at 4.

The Board went on to "find that, even with continual investment, the annual tax rates can equal the statutory tax rates and that the accelerated depreciation only affects the timing of payments." *Id.* at 5. The Board further rejected the shippers' "conten[tion] that the revenue received ... would likely be reinvested in capital assets that will generate additional deferred tax credits and reduce a railroad's taxes below the statutory level" because "the additional revenues ... cannot be assumed to be reinvested" and "[t]hese additional revenues would then be taxed at the statutory tax rate, as they would not generate any new tax deductions or credits to reduce the tax rate below the statutory level." *Id.* The Board thus rejected the notion that the deferred tax liabilities could be ignored because they would be deferred into perpetuity.

In short, the Board has already found that URCS requires use of the statutory tax rate, which entails a finding that deferred tax liabilities created will eventually be paid. The COC is a fundamental input for URCS. It is entirely inconsistent for the Board to calculate and apply URCS with the assumption that deferred tax liabilities will be paid while simultaneously calculating half of the COE used in URCS based on the opposite assumption that deferred tax liabilities will not be paid but will instead accrue indefinitely. Such fundamental inconsistency cannot be justified as a reasonable exercise of discretion and is instead entirely arbitrary and capricious.

Accordingly, the Board cannot utilize its present MSDCF methodology to calculate the railroad industry COE at this time.

As noted *supra*, Crowley/Fapp have prepared an alternative MSDCF calculation that reflects the payment of deferred tax liabilities in Stage 3 of the MSDCF model and that yields a MSDCF COE of 15.%, a CAPM/MSDCF average COE of 12.7%, and an overall COC of 11.38%. However, the Crowley/Fapp adjustment reflects only those deferred taxes that are subsumed within in the initial five-year cashflow normalization as adjusted by the growth rates used in the MSDCF model. The adjustment thus makes no attempt to address the very substantial deferred tax liabilities that each of the four railroads had accumulated as of the end of 2008. Payment of these additional deferred tax liabilities would plainly reduce the total cashflows further, resulting in a lower MSDCF COE value. The Crowley/Fapp adjustment is thus very conservative. Crowley/Fapp VS at 16-17.

IV. CONCLUSION

At a minimum, the Board must make the technical corrections to the AAR COC calculations noted by Crowley/Fapp.

Beyond that, WCTL respectfully submits that the Board may not rely on the results of the MSDCF portion of the COE calculation at this time. The COE produced by the MSDCF model is too high to be plausible, and the assumptions as to earnings growth are excessive and involve a fatal circularity. In addition, the failure to reflect the eventual payment of deferred tax liabilities is problematic within the context of the MSDCF model itself and is also directly contrary to the Board's *RSAM Taxes* decision.

WCTL recognizes that the Board has previously stated that it does not wish to consider changes (or at least significant methodological changes) to its COC methodology within the context of its annual COC determinations. WCTL respectfully submits that this policy is misguided. The Board cannot and should not blind itself to infirmities in the underlying data, and the Board must remain open to demonstrations, such as WCTL has made here, that the underlying assumptions are unrealistic and/or produce unrealistic results. The Board must likewise remain open to demonstrations that its adopted approach involves internal inconsistencies and contradictions, as WCTL has shown here. Therefore, the Board cannot adopt or apply an adapted methodology when doing so is fundamentally inconsistent with actions it has recently taken in other proceedings involving closely related matters, as WCTL has shown in the case here.

The Board has choices as to how it might proceed. First, the Board could decide to calculate the 2007 COE using only CAPM and not MSDCF, particularly on the grounds that the MSDCF calculations for 2007 are not reliable. Second, the Board could decide to calculate the 2007 COE using only CAPM on the grounds that MSDCF has a fatal internal inconsistency and/or is inconsistent with the treatment of deferred tax liabilities under URCS. Third, the Board could adopt the relatively modest adjustment for deferred tax liabilities developed by Crowley/Fapp. Fourth, the Board could delay the 2007 COC determination while it conducts a rulemaking proceeding as to whether MSDCF is internally flawed and inconsistent with its URCS approach. WCTL submits that the first two options are fully justified and more appropriate under the circumstances and that the third option represents a minimal correction.

WCTL recognizes that the Board has devoted substantial resources to its COE methodology. Even so, the Board should not use a methodology that utilizes unreasonable assumptions or produces unrealistic and unreliable results, nor should it utilize an approach that is internally inconsistent or fundamentally inconsistent with its treatment of closely related issues in integrally related matters.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Dated: May 20, 2009

Exhibit A

Verified Statement of
Thomas D. Crowley and Daniel L. Fapp

I. INTRODUCTION

We are Thomas D. Crowley and Daniel L. Fapp. We are economists and, respectively, the President and a Vice President of L. E. Peabody & Associates, Inc., an economic consulting firm that specializes in solving economic, transportation, marketing, financial, accounting and fuel supply problems. Mr. Crowley has spent most of his consulting career of over thirty-eight (38) years evaluating fuel supply issues and railroad operations, including railroad costs, prices, financing, capacity and equipment planning issues. His assignments in these matters were commissioned by railroads, producers, shippers of different commodities, and government departments and agencies. A copy of his credentials is included as Exhibit No. 1 to this verified statement ("VS").

Mr. Fapp has been with L. E. Peabody & Associates, Inc. since 1997. During this time, he has worked on numerous projects dealing with railroad revenue, operational, economic and financial issues. Prior to joining L. E. Peabody & Associates, Inc., Mr. Fapp was employed by BHP Copper Inc. in the role of Transportation Manager - Finance and Administration, where he also served as an officer and Treasurer of the three BHP Copper Inc. subsidiary railroads, The San Manual Arizona Railroad, the Magma Arizona Railroad and the BHP Nevada Railroad. A copy of his credentials is included as Exhibit No. 2 to this VS.

Our consulting assignments regularly involve working with and determining various facets of railroad financial issues, including cost of capital determinations. In these assignments, we have calculated railroad capital structures, market values, cost of railroad debt, cost of preferred railroad equity and common railroad equity. We are also well acquainted with and have used the commonly accepted models for determining a firm's cost of equity, including Single-Stage Discounted Cash Flow Models ("SS-DCF"), Multi-Stage Discounted Cash Flow Models ("MS-DCF"), the Capital Asset Pricing Model ("CAPM"), and the Fama-French Three Factor Model.

We have developed railroad industry average cost of capital and company specific cost of capital for use in litigation and for use in general business management. For several clients, we have both individually and together determined the Going Concern Value ("GCV") of privately held railroads. Developing the GCV under the Income Based Methodology requires developing company specific costs of debt and equity for use in discounting future company cash flows, as well as creating forecasts of expected cash flows to the firm and to holders of common equity from company financial statements. We have also developed cost of capital in order to capture the costs associated with shipper investment in railroad equipment and road property. Our findings regarding railroad cost of capital have been presented to U.S. District and State courts, the Interstate Commerce Commission, the Surface Transportation Board ("STB") and the Federal Railroad Administration.

We have previously submitted, either individually or jointly, verified statements in prior STB annual cost of capital proceedings, including Ex Parte No. 558 (Sub-No. 9), *Railroad Cost of Capital – 2005*, Ex Parte No. 558 (Sub-No. 10), *Railroad Cost of Capital – 2006* ("*2006 Cost of Capital*") and Ex Parte No. 558 (Sub-No. 11), *Railroad Cost of Capital – 2007* ("*2007 Cost of Capital*"). We have also submitted evidence in Ex Parte No. 664, *Methodology To Be Employed In Determining The Railroad Industry's Cost Of Capital* ("*Ex Parte 664*"), and Ex Parte No. 664 (Sub-No. 1), *Use Of A Multi-Stage Discounted Cashflow Model In Determining The Railroad Industry's Cost Of Capital*. ("*MS-DCF Cost of Equity*").

We have been requested by Counsel for the Western Coal Traffic League ("WCTL") to review the testimony submitted by Mr. John T. Gray ("Gray") and by Dr. Bruce E. Stangle ("Stangle") included with the Association of American Railroads' ("AAR") Opening Evidence filed pursuant to the Surface Transportation Board's ("STB") Decision in Ex Parte No. 558 (Sub-No. 12), *Railroad Cost Of Capital – 2008*, served March 5, 2009 ("*2008 Cost of Capital*"). Counsel has specifically requested that we review and comment on Mr. Gray's calculation of the railroad industry's CAPM cost of equity, and overall railroad industry cost of capital, and Dr.Stangle's interpretation and application of the Morningstar/Ibbotson MS-DCF cost of equity model.

Our testimony is discussed further below under the following topical headings:

II. CAPM Cost Of Equity

III. MS-DCF Cost Of Equity

IV. Railroad Cost Of Capital

II. CAPM COST OF EQUITY

In its decision in *Ex Parte 664*, the STB modified the procedure used to estimate the railroad cost of equity by switching from the SS-DCF cost of equity approach to the widely accepted CAPM approach. The STB's *Ex Parte 664* procedures directed parties to calculate the CAPM cost of equity using three specific inputs:

1. The average annual yield-to-maturity on 20-Year Treasury Bonds ("T-Bonds");
2. A beta estimate developed by regressing over 260 weeks excess returns on a market weighted portfolio of railroad stocks against excess returns on the S&P 500 Price Return Index over 3-Month Treasury Bill ("T-Bill"); and
3. An estimate of the market risk premium based on the historical average equity market risk premium from 1926 to the subject year.

We have reviewed Mr. Gray's inputs and agree that he used the proper average T-Bond yield-to-maturity and average market risk premium from 1926 to 2008 in his CAPM calculation. We also concur with his 260-week analysis period and the merger and dividend adjusted stock prices he used in his beta estimation analysis. However, or review of his workpapers found that Mr.Gray included an incorrect number of common equity shares outstanding for the Union Pacific Corporation for a portion of 2008. We discuss this error and our restated analysis below.

A. COMMON SHARES OUTSTANDING

The STB's CAPM methodology requires the calculation of the returns on a merger-adjusted portfolio of Class I railroad common equity, with the portfolio weighting based upon each railroad's share of the market value of the industry as a whole.[1] Mr. Gray states that he calculated the railroad industry 2008 market weights using merger and dividend adjusted stock price data obtained from Yahoo!Finance, and common equity outstanding as reported in railroad Securities and Exchange Commission ("SEC") Forms 10-K and 10-Q.[2]

We have reviewed Mr. Gray's analysis and agree that he used the correct merger and dividend adjusted stock prices, but we also determined that Mr. Gray erred in developing the number of shares outstanding for one of the railroads. For the July 21 to October 13, 2008 time period, Mr. Gray states that the Union Pacific Corporation ("UP") had 552,778,012 common equity shares outstanding.[3] Mr. Gray's source for this figure is UP's SEC Form 10-Q issued July 18, 2008.[4] While UP's July 18, 2008 SEC Form 10-Q does indicate this number of common shares outstanding figure, on July 31, 2008 the UP issued an SEC Form 10-Q/A, or an amended Form 10-Q, correcting the number of shares outstanding. As indicted by UP in its July 31, 2008 SEC Form 10-Q/A:

> Union Pacific Corporation (the Registrant) is filing this amendment (the Form 10-Q/A) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the Form 10-Q), filed with the U.S. Securities and Exchange Commission on July 24, 2008, solely to correct an error on the cover page. The cover page of the Form 10-Q incorrectly stated that the amount of the Registrant's Common Stock outstanding as of July 18, 2008 was 552,778,012. This incorrect number included both the number of shares of Common Stock outstanding and an additional 43,607,803 shares of Common Stock held in treasury that were issued but not outstanding as of that date. The cover page of this Form 10-Q/A correctly states that the number of shares of

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[1] See *Ex Parte 664* at 11, and *2006 Cost of Capital* at 7.
[2] See Gray VS at 29.
[3] See Gray VS at Appendix H, Page 4 of 5.
[4] See Gray VS workpapers.

> outstanding Common Stock of the Registrant on July 18, 2008 was 509,170,209.[5]

We have corrected the number of UP common shares outstanding in our restatement of Mr. Gray's beta estimate.

B. RESTATED CAPM COST OF EQUITY

We have restated Mr. Gray's calculation of the 2008 railroad industry beta based on our correction of the number of UP common shares outstanding. As shown in Exhibit No. 3 to this VS, the corrected 2008 railroad beta equals 0.9344. We display our restatement of the 2008 CAPM cost of equity using the corrected beta estimate in Table 1 below.

Table 1

2008 CAPM Cost Of Equity

Item (1)	2008 CAPM Cost Of Equity (2)
1. Risk Free Rate [1/]	4.36%
2. Beta [2/]	0.9344
3. Market Risk Premium [3/]	6.47%
4. Cost of Equity [4/]	10.41%

[1/] Gray VS at 26.
[2/] Exhibit No. 3.
[3/] Gray VS at 27.
[4/] Line 1 + (Line 2 x Line 3).

As shown in Table 1 above, the restated 2008 CAPM cost of common equity equals 10.41%.

[5] See UP SEC Form 10-Q/A issued July 31, 2008.

III. MS-DCF COST OF EQUITY

The STB ruled in its *MS-DCF Cost of Equity* decision that the railroad industry cost of equity after the 2007 determination would be calculated as the simple average of the railroad industry CAPM cost of equity and the railroad industry MS-DCF cost of equity as calculated using the Morningstar/Ibbotson MS-DCF model as modified to reflect only qualifying railroads, e.g., BNSF, CSX, NS, and UP.[6] A MS-DCF model calculates the cost of equity by determining the discount rate that equates a firm's market value to the present value of the stream of cash flows that could impact an investor. The Morningstar/Ibbotson model adopted by the STB defines cash flows, for the first two stages of the model, as income before extraordinary items, plus depreciation and deferred taxes, and minus capital expenditures.[7] Cash flows are then normalized over a five (5) year period to mitigate the impact of potentially anomalous years. Total cash flows over the five (5) year period are then divided by total sales over the same period to develop an average cash flow-to-sales ratio, which is then multiplied by the analysis year's sales to obtain the average cashflow estimate for the year. For the third and final model stage, the Morningstar/Ibbotson model utilizes normalized earnings before extraordinary items as a surrogate for perpetual cashflows under the assumption that over the long-term capital expenditures will equal depreciation and deferred taxes are zero.

We have reviewed the MS-DCF cost of equity estimates developed by Dr. Stangle, and accept, for present purposes, his calculation of the normalized cashflows, the formulas he used in the iterative process to calculate each railroad's estimated cost of equity and the weighting methodology used to develop the industry average cost of

[6] See *MS-DCF Cost of Equity* at 15.
[7] See *MS-DCF Cost of Equity* at 5 to 6 for a summary of the Morningstar/Ibbotson MS-DCF model.

equity. However, we disagree with Dr. Stangle's application of the Institutional Broker's Estimating System ("I/B/E/S") growth rates and his calculation of each railroad's equity market value because he deviates from accepted finance theory and from Morningstar/Ibbotson's application of the MS-DCF model. We have also made an adjustment to the Stage 3 cashflow calculation to conform the MS-DCF model to STB procedures for applying deferred taxes. We discuss each of these issues below.

A. CORRECT <u>MARKET VALUES</u>

A firm's equity market value is equal to the number of common shares outstanding multiplied by the market price of those common equity shares. Dr. Stangle states that he obtained the railroad company market values he used in his MS-DCF calculation from Thomson Financial "following the Morningstar/Ibbotson practice of using stock market values that reflect the release of the year-end financial statements."[8] Dr. Stangle's workpapers indicate that the market values were calculated as of March 31, 2009.[9]

There are several issues with Dr. Stangle's use of market values as of March 31, 2009 for a 2008 cost of equity estimate. First, as a matter of application, the Morningstar/Ibbotson MS-DCF model uses the most recent market capitalization figures within the study year, and not three months after. Second, as a matter of finance theory, market values developed three months after the end of the study year will incorporate information and data that were not available to, and thus not considered by, the market during the subject period.

[8] See Stangle VS at 6.
[9] See Stangle VS workpapers at page 9 of 117.

1. The Morningstar/Ibbotson Model Uses Market Values <u>From The Last Fiscal Year</u>

Dr. Stangle states that he used market value data from the end of March 2009 because this follows the Morningstar/Ibbotson practice of using stock prices that reflect the release of year-end data. As support for his position, Dr. Stangle provides a quotation from the *Ibbotson Cost Of Capital 2008 Yearbook ("2008 Yearbook")*, which purports to show Morningstar/Ibbotson's use of March data to calculate the prior year's cost of equity.[10] However, the reference Dr. Stangle provides does not support his view that Morningstar/Ibbotson's uses March market value data to calculate the prior year's cost of equity. Rather the quote refers to Morningstar/Ibbotson's use of data as of March 2008 as the starting point for the 2008 analysis included in the *2008 Yearbook*. In other words, Morningstar/Ibbotson uses March 2008 market value data to calculate its initial 2008 values for all metrics reported, and not the cost of equity estimate for the prior year. As fully stated by Morningstar/Ibbotson:

> The 2008 Yearbook includes data available through March 2008. By the end of March, many companies have reported their previous year's financial results. For this reason, we have selected March to be our initial Yearbook reporting month. In order to have the most up-to-date information, purchasers of the 2008 Yearbook should also purchase the quarterly supplements which contain data updated through June, September, and December.[11]

As clearly explained by Morningstar/Ibbotson, the March date is the initial, and not the terminal, assessment date for the particular year's analysis. Morningstar/Ibbotson

[10] See Stangle VS at 6.
[11] See *2008 Yearbook* at page 1. We have included a copy of this page in our VS workpapers.

subsequently update their initial analyses throughout the year as more current data becomes available. For 2008, the March date represents Morningstar/Ibbotson's first assessment of the 2008 cost of equity, which it will then update throughout the year. Under Dr. Stangle's assumption, the March 2008 calculations would reflect the 2007 cost of equity, which is clearly contrary to Morningstar/Ibbotson's approach. Furthermore, the timing of the Morningstar/Ibbotson updates (June, September, and December) reflects a consistent lag from the end of each preceding calendar quarter and the release of associated quarterly financial (10-Q) data, which pattern indicates that the March issuance reflects data as of the end-of-the calendar year. In particular, the quarterly issuances reflect the number of shares outstanding (see the discussion of UP's 10-Q for the third quarter of 2008).

Because we are interested in the cost of equity in 2008, the proper market value is that reflected in the year-end 2008 stock prices and not stock prices as of March 31, 2009.

2. Finance Theory Calls For Market Values Within The Study Year

Finance theory holds that, at any particular time, a firm's stock price incorporates all historic price information, as well as all current publicly available information, including projections of future value, that can impact the firm. In other words, under the theory of efficient markets, prices at any given point in time impound all available information about the value of the security. [12] Because a firm's equity market value is

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[12] See, for example, Fama, E.F., "Efficient Capital Markets: A Review of Theory and Empirical Work," *The Journal of Finance*, Vol. 25, No. 2, May 1970, pages 383-417, and Fama, E.F., "Efficient Capital Markets: II," *The Journal of Finance*, Vol. 46, No. 5. December 1991, pages 1575-1617. Also see, Brealey, R. A., Myers, S. C., and Allen, F., "Principles of Corporate Finance, Eighth Edition," McGraw-Hill Irwin, 2006, pages 333-354 ("Brealey, Myers and Allen"). When we refer to the value of the firm, that value refers to the value of the firm relative to other potential opportunities.

equal to its stock price multiplied by the number of shares of common equity outstanding, equity market value is also impacted by new information that impacts the underlying stock prices. As new information becomes available, the market value of the firm will change.

This issue is pertinent because Dr. Stangle's use of railroad company market values as of March 31, 2009 to calculate the 2008 MS-DCF cost of equity effectively incorporates information into the 2008 cost of capital that occurred well after the end of 2008.[13] The railroad company market values on March 31, 2009 include all of the publicly available information that was generated between January 1 and March 31, 2009. While this information may be pertinent for the cost of capital determination as of March 31, 2009, it is irrelevant to the cost of capital incurred by the railroads in 2008.

The impact of newly available information is clearly shown in a comparison of railroad common equity prices over the three months after the end of 2008. Table 2 below compares railroad stock prices on December 31, 2008 and March 31, 2009.

Table 2

Comparison of Railroad Stock Prices

Railroad (1)	December 31, 2008 Closing Stock Price 1/ (2)	March 31, 2009 Closing Stock Price 1/ (3)	Percentage Change 2/ (4)
1. BNSF	$75.71	$60.15	(20.5%)
2. CSX	$32.47	$25.85	(20.4%)
3. NS	$47.05	$33.75	(28.3%)
4. UP	$47.80	$41.11	(14.0%)

1/ Source: Yahoo!Finance.
2/ [Column (3) ÷ Column (2)] –1.

[13] The STB has long recognized that the capital markets in which the railroads operate are efficient. See Docket No. 42051, Wisconsin Power And Light Company v. Union Pacific Railroad Company, 5 STB 955- 1040 (984) "We presume efficient capital markets recognize and reflect all the of the risks faced by railroads..."

As is shown in Table 2 above, railroad company stock prices significantly declined between the end of December 2008 and the end of March 2009. While it is not possible in such a short space to list all of the factors that impacted railroad stock prices during this period, it appears that the broadening of the recession and the associated decline in railroad traffic volumes likely had an impact on railroad stock prices. There is no reason the 2008 railroad industry cost of equity should be impacted by information that did not become embedded in railroad stock prices well into the following year.

3. Correct Market Values

We have corrected the market values used in the MS-DCF model to reflect the railroad company market values for the last week of trading 2008. This is consistent with Morningstar/Ibbotson's application of its MS-DCF model, which calls for use of each company's common equity capitalization in the most recent fiscal year, and consistent with financial theory. This also brings the MS-DCF model into line with the CAPM cost of equity, which uses stock price data through the last week of 2008 in estimating the railroad industry beta.

B. CORRECT GROWTH RATES

Like the market values he used in his MS-DCF, Dr. Stangle used forecasted long-term earnings per share ("EPS") growth rates reflecting information and opinions available as of March 31, 2009. Such use is inconsistent with the intent of this proceeding, which is to develop the railroad industry cost of capital for 2008. Like stock prices, the opinions of analysts that produce the long-term growth forecasts are influenced by newly available information. As such, the growth estimates at the end of March 2009 will be different than the estimates developed in 2008.

To correct for this, we have developed a MS-DCF model to incorporate the median I/B/E/S growth estimates available at year-end 2008. Table 3 below compares the March 31, 2009 I/B/E/S growth rates to the I/B/E/S growth rates as of December 2008, as well as the simple average of the median growth rates used in the second stage of the MS-DCF model.

Table 3

Comparison of I/B/E/S Long-Term Earnings Growth Rates

Railroad (1)	December 31, 2008 I/B/E/S Median Growth Rates [1/] (2)	March 31, 2009 I/B/E/S Median Growth Rates [2/] (3)
1. BNSF	12.00%	10.00%
2. CSX	15.00%	10.00%
3. NS	10.00%	10.00%
4. UP	17.45%	10.20%
5. Average	13.61%	10.05%

[1/] Source: Thomson IBES.
[2/] Source: Stangle VS at 5.

As shown in Table 3 above, median I/B/E/S growth rates used in the first stage of the MS-DCF model range from 10.00% to 17.45% at the end of 2008. The –simple average growth rate, which is used in the MS-DCF model's second stage, equaled 13.61%

C. DEFERRED TAXES

The Morningstar/Ibbotson model, which the Board has adopted for its MS-DCF analysis, defines cashflows used in the first two stages of the MS-DGF model as earnings before extraordinary items less capital expenditures plus depreciation and deferred taxes.[14] These adjustments are required under the Board's approach because a discounted cashflow model should reflect the cashflows available to equity holders, which are usually different than the company's reported earnings shown in the income statement. Capital expenditures are subtracted to reflect the outflow of cash used to acquire additional assets. Depreciation is added back in the cashflow equation because it is a non-cash expense that reduces reported earnings but does not impact the firm's cash position. Finally, the cashflow calculation is adjusted for deferred taxes because the tax expense included in a railroad's reported earnings may be different than the actual cash tax payments made by the railroad.[15]

The model assumes that in the third stage depreciation will equal capital expenditures, but is silent on deferred taxes notwithstanding the STB's claim in its *MS-DCF Cost of Equity* decision.[16] This implicitly assumes that the railroads will never have to pay these deferred taxes. However, as the STB ruled in its decision in Ex Parte 646 (Sub-No. 2), *Simplified Standards For Rail Rate Cases – Taxes In Revenue Shortfall Allocation Method*, served November 21, 2008 ("*EP 646-Sub 2*"), the issue of deferred taxes does not reduce the railroad's taxes payable, only the timing of the tax payments. As stated by the STB:

[14] See *2008 Yearbook* at page 24.

[15] The majority of deferred taxes are attributable to timing differences in the recognition of asset depreciation. The total depreciation recognized for both financial and tax reporting over an asset's life is the asset's acquisition cost. But because tax depreciation usually allows bonus or accelerated depreciation in the early years of an asset's life, actual taxes payable, which has an impact on a firm's cash position, will be less than the tax expense recorded on the railroad's income statement. Therefore, in calculating the statement of cashflows, deferred taxes are added back to reflect the temporary retention of cash within the firm.

[16] See *2008 Yearbook* at 24, "Earnings is used in place of cash flows in the third term, because over extended periods of time it is assumed that capital expenditures and depreciation will equal."

> Based on this analysis, we find that, even with continual investment, the annual tax rates can equal statutory tax rates and that the accelerated depreciation only affects the timing of payments. [17]

The use of accelerated depreciation will lower the cash tax rate of an asset early in its life, but will raise the cash tax rate above the tax rate implicit in the railroad's earnings in future periods. The AAR is also well acquainted with the cashflow impact of deferred taxes based on its evidence in the *EP 646-Sub 2* proceedings:

> When accelerated depreciation is available, reduced tax payments in the early years of the asset are offset by increased tax payments in the later years of the asset. Deferred taxes affect only the timing of the railroad's payments. While railroads realize a time value of money benefit of deferring tax payments, they nonetheless remain liable for the full amount of the tax obligation incurred at the statutory tax rate.[18]

The "reduced tax" payments the AAR refers to are the deferred tax adjustment shown in the railroads' statement of cashflows and are added back to the cashflow estimate used in the Morningstar/Ibbotson MS-DCF model.

While the Morningstar/Ibbotson MS-DCF accounts for deferred taxes in its first two stages, it fails to account for the impact of deferred taxes in the model's final stage. Stages 1 and 2 of the model utilize normalized railroad cashflows that have added back the cash gained from deferred taxes. Stage 3 assumes on the other hand that cashflows are

[17] See *EP 646-Sub 2* at 5.

[18] See Reply Comments of the Association of American Railroads, September 2, 2008 at page 6-7. The AAR's Comments include a VS prepared by Michael R. Baranowski explaining in greater detail that deferred taxes only defers the timing of the tax payments and does not eliminate them. Mr. Baranowski's VS also contains a graph showing that the cash tax rate for a company can far exceed the statutory tax rate. See Baranowski VS at Exhibit 6.

equal to normalized earnings before extraordinary items, which are not adjusted for deferred taxes.[19] But as the STB clearly specified in EP 646-Sub 2, it is not a matter of if these taxes will be paid, but only a matter of when they will be paid. Dr. Stangle's workpapers show that that the railroads' cashflows over the last five years (the normalization period) include significant deferred tax benefits that increase the cashflows depicted in Stages 1 and 2 of the model. To be consistent with the STB's rulings on deferred taxes in EP 646-Sub 2, the MS-DCF model must be adjusted to reflect the reduction in future cashflows from paying these deferred taxes in the future.

To be consistent with the STB's ruling in EP 646-Sub 2 that deferred taxes are only a matter of timing and will be paid in the future, we have adjusted the normalized earnings before extraordinary items used in Stage 3 of the Morningstar/Ibbotson model to reflect the payment of deferred taxes. This adjustment reflects the approximate eventual payment of only the level of deferred taxes established during the normalization period as adjusted by the applicable growth rates during the first two stages of the MS-DCF model, that is, the deferred taxes associated with the cashflows during the first ten years of the model. We emphasize that this approach is quite r conservative because it makes no attempt to reflect the payment of the accumulated deferred tax liabilities reflected on the railroads' balance sheets. As of 2008, those net deferred income taxes (deferred income tax liabilities less deferred income tax assets) contained on the BNSF, CSX, NS and UP's balance sheets were quite substantial, amounting to \$8.148 billion, \$6.05 billion, \$6.223 billion, and \$10.006 billion, respectively.[20]

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[19] See MS-DCF Cost of Equity at 5.

[20] We have included in our workpapers to this VS a calculation of the MS-DCF cost of capital without adjustments for the impact of deferred taxes. This produces an estimated MS-DCF cost of equity of 15.95%.

D. MS-DCF COST OF EQUITY

Based on the corrections discussed above, we have restated the MS-DCF cost of equity. We show the restated MS-DCF models in Exhibit No. 4 to this VS and summarize the results in Table 4 below.

Table 4

2008 MS-DCF Cost of Equity

Railroad (1)	2008 Cost of Equity [1/] (2)	2008 Equity Weight [1/] (3)	2008 Weighted Cost of Equity [2/] (4)
1. BNSF	14.55%	31.9%	4.65%
2. CSX	15.99%	16.3%	2.60%
3. NS	16.00%	21.6%	3.46%
4. UP	14.21%	30.2%	4.29%
5. Total [3/]	---	100.0%	15.00%

[1/] Source: Exhibit No. 4.
[2/] Column (2) x Column (3).
[3/] Sums of Lines 1 to 4.

As shown in Table 4 above, the 2008 MS-DCF cost of equity is 15.00%.

IV. RAILROAD COST OF CAPITAL

Based on the corrections to the CAPM and MS-DCF costs of equity discussed above, we have restated the 2008 cost of capital developed by Mr. Gray. We discuss our restatement below.

A. COST OF EQUITY

As we discussed above, we made corrections to both Mr. Gray's calculation of the CAPM cost of equity and to Dr. Stangle's MS-DCF cost of equity. Table 5 below shows the development of the 2008 average cost of equity based on our corrections.

Table 5

2008 Average Cost of Equity

Item (1)	2008 Average Cost Of Equity (2)
1. CAPM Cost of Equity [1/]	10.41%
2. MS-DCF Cost of Equity [2/]	15.00%
3. Average Cost of Equity [3/]	12.70%

[1/] Exhibit No. 3.
[2/] Exhibit No. 4.
[3/] Simple Average of Lines 1 and 2.

As shown in Table 5 above, the 2008 average cost of railroad equity equals 12.70%.

B. COST OF DEBT

We have reviewed Mr. Gray's calculation of the railroad industry cost of debt, and, with the exception of the flotation cost of debt, concur that he calculated the cost in a manner consistent with prior railroad cost of capital proceedings. We therefore use his calculation of the railroad industry cost of debt. We also reviewed his calculations of the railroad flotation costs, and accept the costs for this proceeding.

C. COST OF PREFERRED EQUITY

As noted by Mr. Gray, the railroads included in the 2008 cohort had no preferred equity outstanding at the end of 2008.[21] Therefore, we have included no cost for preferred equity in our restated cost of capital, and assigned preferred equity a market value of zero ($0).

D. CAPITAL STRUCTURE

In developing his calculation of the 2008 market value of common equity, Mr. Gray used the stock price and common shares outstanding data for the 52-week period beginning the week of December 31, 2007 and ending the week of December 22, 2008.[22] We found two issues with Mr. Gray's calculation of the average equity market value. First, Mr. Gray shifted the market cap analysis period back one week, so that the there is a mismatch between Mr. Gray's average market value calculation and the analysis period used in developing the railroad industry beta estimate. Second, Mr. Gray's equity market

[21] See Gray VS at 33.
[22] See Gray *2008 Cost of Capital* VS at Appendix H, Page 5 of 5.

cap calculation includes the same error in the number of shares outstanding as discussed above.

Mr. Gray used a 260-week period ending the week of December 29, 2008 for the calculation of his railroad industry beta.[23] Mr. Gray states that he included this week of data because 3 of the 4 trading days during the week were in 2008.[24] However, in calculating the average railroad industry market cap, Mr. Gray used a 52-week period ending December 26, 2008 leaving out the final three days of the year. More importantly, using a December 26, 2008 end-date creates a mismatch between the railroad industry beta estimate and the equity market value calculation.

In applying the STB's CAPM methodology in the STB's *2007 Cost of Capital* proceeding, Mr. Gray used a 260-month analysis period ending with the week of December 24, 2007.[25] Mr. Gray's beta estimation analysis period was consistent with his calculation of the 2007 market value of railroad common equity, which utilized a 52-week period also ending with the week of December 24, 2007.[26] While the STB found some errors in Mr. Gray's calculation of the market value of common equity dealing with the number shares outstanding, the STB's decision infers that it agreed with the beta analysis period and the equity market value calculations ending on the same time period.[27]

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[23] See Gray *2008 Cost of Capital* workpapers Part 5.

[24] See Gray VS at 28.

[25] See Gray's *2007 Cost of Capital* workpapers Part 5 showing his beta regression using data with an ending date of the week of December 24, 2007. Gray's *2007 Cost of Capital* workpapers are available on the STB's filing website. In our 2007 Cost of Capital VS, we also used an end date of our regression analysis of December 24. 2007. See Crowley/Fapp 2007 *Cost of Capital* VS at Exhibit No. 3, Page 9 of 10.

[26] See Gray's *2007 Cost of Capital* VS at Appendix H, Page 5 of 5.

[27] See *2007 Cost of Capital* at 7. The STB did not directly comment on the time period used by Gray in its *2007 Cost of Capital* decision, but the market value of common equity calculated by the STB at Table 11 of its decision is consistent with share price and shares outstanding for the 52-week period ending December 24, 2007.

To avoid this inconsistency, we corrected Mr. Gray's common equity market value calculation to reflect an ending as the week of December 29, 2008 as shown in Exhibit No. 3 to this VS. This brings the market value calculation into alignment with the CAPM beta estimate and is consistent with the STB's approach in 2007.

With regard to the market value of railroad debt, we have reviewed Mr. Gray's workpapers and concur that Mr. Gray calculated the market value of debt in a manner consistent with prior cost of capital proceedings. We therefore utilize his market value of debt in this restatement. Table 6 below shows our restated 2008 railroad industry capital structure.

Table 6

2008 Railroad Industry Capital Structure

Railroad (1)	Market Value (millions) (2)	Capital Structure Weight [1/] (3)
1. Common Equity [2/]	$108,840.6	78.5%
2. Debt [3/]	$29,805.8	21.5%
3. Preferred Equity	$0	0%
4. Total [4/]	$138,646.4	100.0%

[1/] Current Line Column (2) ÷ Line 4, Column (2).
[2/] Exhibit No. 3.
[3/] Gray VS at 34.
[4/] Sum of Lines 1 to 3.

As shown in Table 6 above, the 2008 railroad industry capital structure is 78.5% common equity capital, 21.5% debt capital, and 0.0% preferred equity capital.

E. COST OF CAPITAL

Based on the restated cost of equity, assumed cost of debt and restated capital structure discussed above, we have restated the 2008 railroad industry cost of capital as shown in Table 7 below.

Table 7

2008 Cost of Capital

Item (1)	**2008** (2)
1. Weighted Cost of Equity	
a. Railroad Industry Cost of Equity [1/]	12.70%
b. Common Equity Portion of Capital Structure [2/]	78.5%
c. Weighted Cost of Railroad Industry Common Equity [3/]	9.97%
2. Weighted Cost of Debt	
a. Railroad Industry Cost of Debt [4/]	6.57%
b. Debt Portion of Capital Structure [2/]	21.5%
c. Weighted Cost of Railroad Industry Debt [5/]	1.41%
3. Weighted Cost of Preferred Equity [6/]	
a. Railroad Industry Cost of Debt	0.0%
b. Debt Portion of Capital Structure	0.0%
c. Weighted Cost of Railroad Industry Debt	0.0%
4. Railroad Industry Weighted Cost of Capital [7/]	11.38%

[1/] Table 5.
[2/] Table 6.
[3/] Line 1a x Line 1b.
[4/] Gray VS at 22.
[5/] Line 2a x Line 2b.
[6/] The railroads included in this analysis had no preferred equity issued in 2008.
[5/] Line 1c + Line 2c + Line 3c.

As shown in Table 7 above, the 2008 railroad industry cost of capital equals 11.38%.

VERIFICATION

COMMONWEALTH OF VIRGINIA)
)
CITY OF ALEXANDRIA)

I, THOMAS D. CROWLEY, verify under penalty of perjury that I have read the foregoing Verified Statement of Thomas D. Crowley, that I know the contents thereof, and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.

Thomas D. Crowley

Sworn to and subscribed
before me this 20th day of May, 2009

Diane R. Kavounis
Notary Public for the State of Virginia

My Commission Expires: November 30, 2012
Registration Number: 7160645

VERIFICATION

COMMONWEALTH OF VIRGINIA)
)
CITY OF ALEXANDRIA)

I, DANIEL L. FAPP, verify under penalty of perjury that I have read the foregoing Verified Statement of Daniel L. Fapp, that I know the contents thereof, and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.

Daniel L. Fapp

Sworn to and subscribed
before me this day of May 19, 2009.

Notary Public for the State of Virginia

My Commission expires:
November 30, 2010
REGISTRATION # 7160645

STATEMENT OF QUALIFICATIONS

My name is Thomas D. Crowley. I am an economist and President of the economic consulting firm of L. E. Peabody & Associates, Inc. The firm's offices are located at 1501 Duke Street, Suite 200, Alexandria, Virginia 22314, and 10445 N. Oracle Road, Suite 151, Tucson, Arizona 85737.

I am a graduate of the University of Maine from which I obtained a Bachelor of Science degree in Economics. I have also taken graduate courses in transportation at George Washington University in Washington, D.C. I spent three years in the United States Army and since February 1971 have been employed by L. E. Peabody & Associates, Inc.

I am a member of the American Economic Association, the Transportation Research Forum, and the American Railway Engineering and Maintenance-of-Way Association.

The firm of L. E. Peabody & Associates, Inc. specializes in analyzing matters related to the rail transportation of coal. As a result of my extensive economic consulting practice since 1971 and my participating in maximum-rate, rail merger, service disputes and rule-making proceedings before various government and private governing bodies, I have become thoroughly familiar with the rail carriers that move coal over the major coal routes in the United States. This familiarity extends to subjects of railroad service, costs and profitability, railroad capacity, railroad traffic prioritization and the structure and operation of the various contracts and tariffs that historically have governed the movement of coal by rail.

STATEMENT OF QUALIFICATIONS

As an economic consultant, I have organized and directed economic studies and prepared reports for railroads, freight forwarders and other carriers, for shippers, for associations and for state governments and other public bodies dealing with transportation and related economic problems. Examples of studies I have participated in include organizing and directing traffic, operational and cost analyses in connection with multiple car movements, unit train operations for coal and other commodities, freight forwarder facilities, TOFC/COFC rail facilities, divisions of through rail rates, operating commuter passenger service, and other studies dealing with markets and the transportation by different modes of various commodities from both eastern and western origins to various destinations in the United States. The nature of these studies enabled me to become familiar with the operating practices and accounting procedures utilized by railroads in the normal course of business.

Additionally, I have inspected and studied both railroad terminal and line-haul facilities used in handling various commodities, and in particular unit train coal movements from coal mine origins in the Powder River Basin and in Colorado to various utility destinations in the eastern, mid-western and western portions of the United States and from the Eastern coal fields to various destinations in the Mid-Atlantic, northeastern, southeastern and mid-western portions of the United States. These operational reviews and studies were used as a basis for the determination of the traffic and operating characteristics for specific movements of coal and numerous other commodities handled by rail.

STATEMENT OF QUALIFICATIONS

I have frequently been called upon to develop and coordinate economic and operational studies relative to the acquisition of coal and the rail transportation of coal on behalf of electric utility companies. My responsibilities in these undertakings included the analyses of rail routes, rail operations and an assessment of the relative efficiency and costs of railroad operations over those routes. I have also analyzed and made recommendations regarding the acquisition of railcars according to the specific needs of various coal shippers. The results of these analyses have been employed in order to assist shippers in the development and negotiation of rail transportation contracts which optimize operational efficiency and cost effectiveness.

I have developed property and business valuations of privately held freight and passenger railroads for use in regulatory, litigation and commercial settings. These valuation assignments required me to develop company and/or industry specific costs of debt, preferred equity and common equity, as well as target and actual capital structures. I am also well acquainted with and have used the commonly accepted models for determining a company's cost of common equity, including the Discounted Cash Flow Model ("DCF"), Capital Asset Pricing Model ("CAPM"), and the Farma-French Three Factor Model.

Moreover, I have developed numerous variable cost calculations utilizing the various formulas employed by the Interstate Commerce Commission ("ICC") and the Surface Transportation Board ("STB") for the development of variable costs for common carriers,

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with particular emphasis on the basis and use of the Uniform Railroad Costing System ("URCS") and its predecessor, Rail Form A. I have utilized URCS/Rail form A costing principles since the beginning of my career with L. E. Peabody & Associates Inc. in 1971.

I have frequently presented both oral and written testimony before the ICC, STB, Federal Energy Regulatory Commission, Railroad Accounting Principles Board, Postal Rate Commission and numerous state regulatory commissions, federal courts and state courts. This testimony was generally related to the development of variable cost of service calculations, rail traffic and operating patterns, fuel supply economics, contract interpretations, economic principles concerning the maximum level of rates, implementation of maximum rate principles, and calculation of reparations or damages, including interest. I presented testimony before the Congress of the United States, Committee on Transportation and Infrastructure on the status of rail competition in the western United States. I have also presented expert testimony in a number of court and arbitration proceedings concerning the level of rates, rate adjustment procedures, service, capacity, costing, rail operating procedures and other economic components of specific contracts.

Since the implementation of the *Staggers Rail Act of 1980*, which clarified that rail carriers could enter into transportation contracts with shippers, I have been actively

STATEMENT OF QUALIFICATIONS

involved in negotiating transportation contracts on behalf of coal shippers. Specifically, I have advised utilities concerning coal transportation rates based on market conditions and carrier competition, movement specific service commitments, specific cost-based rate adjustment provisions, contract reopeners that recognize changes in productivity and cost-based ancillary charges. I have also reviewed, analyzed and evaluated both UP's Circular 111 and BNSF 90068 rate levels and other terms and conditions on behalf of coal shippers.

I have been actively engaged in negotiating coal supply contracts for various users throughout the United States. In addition, I have analyzed the economic impact of buying out, brokering, and modifying existing coal supply agreements. My coal supply assignments have encompassed analyzing alternative coals to determine the impact on the delivered price of operating and maintenance costs, unloading costs, shrinkage factor and by-product savings.

I have developed different economic analyses regarding rail transportation matters for over sixty (60) electric utility companies located in all parts of the United States, and for major associations, including American Paper Institute, American Petroleum Institute, Chemical Manufacturers Association, Coal Exporters Association, Edison Electric Institute, Mail Order Association of America, National Coal Association, National Industrial Transportation League, North America Freight Car Association, the Fertilizer Institute and Western Coal Traffic League. In addition, I have assisted numerous

STATEMENT OF QUALIFICATIONS

government agencies, major industries and major railroad companies in solving various transportation-related problems.

In the two Western rail mergers that resulted in the creation of the present BNSF Railway Company and Union Pacific Railroad Company and in the acquisition of Conrail by Norfolk Southern Railway Company and CSX Transportation, Inc., I reviewed the railroads' applications including their supporting traffic, cost and operating data and provided detailed evidence supporting requests for conditions designed to maintain the competitive rail environment that existed before the proposed mergers and acquisition. In these proceedings, I represented shipper interests, including plastic, chemical, coal, paper and steel shippers.

I have participated in various proceedings involved with the division of through rail rates. For example, I participated in ICC Docket No. 35585, *Akron, Canton & Youngstown Railroad Company, et al. v. Aberdeen and Rockfish Railroad Company, et al.* which was a complaint filed by the northern and mid-western rail lines to change the primary north-south divisions. I was personally involved in all traffic, operating and cost aspects of this proceeding on behalf of the northern and mid-western rail lines. I was the lead witness on behalf of the Long Island Rail Road in ICC Docket No. 36874, *Notice of Intent to File Division Complaint by the Long Island Rail Road Company*.

STATEMENT OF QUALIFICATIONS

My name is Daniel L. Fapp. I am Vice President of the economic consulting firm of L. E. Peabody & Associates, Inc. The firm's offices are located at 1501 Duke Street, Suite 200, Alexandria, VA 22314; 10445 N. Oracle Road, Suite 151, Tucson, Arizona 85737; and 21 Founders Way, Queensbury, New York 85737.

I received a Bachelor of Science degree in Business Administration with an option in Marketing (cum laude) from the California State University, Northridge in 1987, and a Master of Business Administration degree from the University of Arizona's Eller College of Management in 1993, specializing in finance and operations management. I am also a member of Beta Gamma Sigma, the national honor society for collegiate schools of business.

I have been employed by L. E. Peabody & Associates, Inc. since December 1997. Prior to joining L. E. Peabody & Associates, Inc., I was employed by BHP Copper Inc. in the role of Transportation Manager - Finance and Administration, and where I also served as an officer of the three BHP Copper Inc. subsidiary railroads, The San Manual Arizona Railroad, the Magma Arizona Railroad (also known as the BHP Arizona Railroad) and the BHP Nevada Railroad. I have also held operations management positions with Arizona Lithographers in Tucson, AZ and MCA-Universal Studios in Universal City, CA.

While at BHP Copper Inc., I was responsible for all financial and administrative functions of the company's transportation group. I also directed the BHP Copper Inc. subsidiary railroads' cost and revenue accounting staff, and managed the San Manuel Arizona Railroad's and BHP Arizona Railroad's dispatchers and the railroad dispatching functions. I served on the company's Commercial and Transportation Management Team and the company's Railroad Acquisition Team where I was responsible for evaluating the acquisition of new railroads,

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including developing financial and economic assessment models. While with MCA-Universal Studios, I held several operations management positions, including Tour Operations Manager, where my duties included vehicle routing and scheduling, personnel scheduling, forecasting facilities utilization, and designing and performing queuing analyses.

As part of my work for L. E. Peabody & Associates, Inc., I have performed and directed numerous projects and analyses undertaken on behalf of utility companies, short line railroads, bulk shippers, and industry and trade associations. Examples of studies which I have participated in organizing and directing include, traffic, operational and cost analyses in connection with the rail movement of coal, metallic ores, pulp and paper products, and other commodities. I have also analyzed multiple car movements, unit train operations, divisions of through rail rates and switching operations throughout the United States. The nature of these studies enabled me to become familiar with the operating procedures utilized by railroads in the normal course of business.

Since 1997, I have participated in the development of cost of service analyses for the movement of coal over the major eastern and western coal-hauling railroads. I have conducted on-site studies of switching, detention and line-haul activities relating to the handling of coal. I have also participated in and managed several projects assisting short-line railroads. In these engagements, I assisted short-line railroads in their negotiations with connecting Class I carriers, performed railroad property and business evaluations, and worked on rail line abandonment projects.

I have been frequently called upon to perform financial analyses and assessments of Class I, Class II and Class III railroad companies. In addition, I have developed various financial

STATEMENT OF QUALIFICATIONS

models exploring alternative methods of transportation contracting and cost assessment, developed corporate profitability and cost studies, and evaluated capital expenditure requirements. I have determined the Going Concern Value of privately held freight and passenger railroads, including developing company specific costs of debt and equity for use in discounting future company cash flows. My consulting assignments regularly involve working with and determining various facets of railroad financial issues, including cost of capital determinations. In these assignments, I have calculated railroad capital structures, market values, cost of railroad debt, cost of preferred railroad equity and common railroad equity. I am also well acquainted with and have used the commonly accepted models for determining a firm's cost of equity, including the Discounted Cash Flow Model ("DCF"), Capital Asset Pricing Model ("CAPM"), Farma-French Three Factor Model and Arbitrage Pricing Model.

In my tenure with L. E. Peabody & Associates, Inc., I have assisted in the development and presentation of traffic and revenue forecasts, operating expense forecasts, and discounted cash-flow models which were presented in numerous proceedings before the STB. I presented evidence applying the STB's stand-alone cost procedures in Docket Number 42057, *Public Service Company of Colorado d/b/a Xcel Energy v. The Burlington Northern and Santa Fe Railway Company*, and in Docket Number 42071, *Otter Tail Power Company v. BNSF Railway Company.* I have also presented evidence before the STB in Ex Parte No. 661, *Rail Fuel Surcharges,* in Ex Parte No. 558 (Sub-No. 10), *Railroad Cost of Capital – 2006,* and Ex Parte No. 664, *Methodology To Be Employed In Determining The Railroad Industry Cost Of Capital.* n addition, my reports have been used as evidence before the Nevada State Tax Commission.

2008 Railroad Industry Market Capitalization

	Week	Closing Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
		BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	1/7/1900	$78.11	$42.48	$46.46	$114.11	350,631,059	420,425,477	387,240,494	262,623,905	$27,387.8	$17,859.7	$17,991.2	$29,968.0	$93,206.7
2.	1/14/1900	$76.93	$41.18	$44.15	$110.45	350,631,059	420,425,477	387,240,494	262,623,905	$26,974.0	$17,313.1	$17,096.7	$29,006.8	$90,390.6
3.	1/21/1900	$81.80	$45.45	$50.74	$119.81	350,631,059	420,425,477	387,240,494	262,623,905	$28,681.6	$19,108.3	$19,648.6	$31,465.0	$98,903.5
4.	1/28/1900	$88.30	$49.93	$56.29	$127.97	350,631,059	420,425,477	387,240,494	262,623,905	$30,960.7	$20,991.8	$21,797.8	$33,608.0	$107,358.3
5.	2/4/1900	$88.03	$48.02	$54.41	$125.35	350,631,059	420,425,477	376,332,668	260,700,527	$30,866.1	$20,188.8	$20,476.3	$32,678.8	$104,210.0
6.	2/11/1900	$89.11	$48.78	$53.94	$124.80	348,201,513	420,425,477	376,332,668	260,700,527	$31,028.2	$20,508.4	$20,299.4	$32,535.4	$104,371.4
7.	2/18/1900	$88.18	$50.16	$53.18	$124.13	348,201,513	403,363,273	376,332,668	260,700,527	$30,704.4	$20,232.7	$20,013.4	$32,360.8	$103,311.2
8.	2/25/1900	$87.78	$48.52	$52.89	$124.76	348,201,513	403,363,273	376,332,668	260,700,527	$30,565.1	$19,571.2	$19,904.2	$32,525.0	$102,565.5
9.	3/3/1900	$88.02	$47.09	$51.94	$119.66	348,201,513	403,363,273	376,332,668	260,700,527	$30,648.7	$18,994.4	$19,546.7	$31,195.4	$100,385.2
10.	3/10/1900	$90.80	$48.97	$52.93	$122.75	348,201,513	403,363,273	376,332,668	260,700,527	$31,616.7	$19,752.7	$19,919.3	$32,001.0	$103,289.7
11.	3/17/1900	$91.61	$54.59	$53.07	$122.06	348,201,513	403,363,273	376,332,668	260,700,527	$31,898.7	$22,019.6	$19,972.0	$31,821.1	$105,711.4
12.	3/24/1900	$91.99	$56.55	$54.25	$125.02	348,201,513	403,363,273	376,332,668	260,700,527	$32,031.1	$22,810.2	$20,416.0	$32,592.8	$107,850.1
13.	3/31/1900	$95.94	$57.29	$56.80	$133.66	348,201,513	404,888,568	376,332,668	260,700,527	$33,406.5	$23,196.1	$21,375.7	$34,845.2	$112,823.4
14.	4/7/1900	$93.19	$56.31	$54.99	$130.21	348,201,513	404,888,568	375,755,263	260,700,527	$32,448.9	$22,799.3	$20,662.8	$33,945.8	$109,856.8
15.	4/14/1900	$99.77	$61.24	$61.64	$138.08	348,201,513	404,888,568	375,755,263	260,700,527	$34,740.1	$24,795.4	$23,161.6	$35,997.5	$118,694.5
16.	4/21/1900	$99.75	$61.94	$60.13	$140.59	348,201,513	404,888,568	375,755,263	258,373,520	$34,733.1	$25,078.8	$22,594.2	$36,324.7	$118,730.8
17.	4/28/1900	$104.24	$64.14	$60.19	$146.88	344,930,287	404,888,568	375,755,263	258,373,520	$35,955.5	$25,969.6	$22,616.7	$37,949.9	$122,491.7
18.	5/5/1900	$103.47	$63.24	$61.90	$146.28	344,930,287	404,888,568	375,755,263	258,373,520	$35,689.9	$25,605.2	$23,259.3	$37,794.9	$122,349.2
19.	5/12/1900	$108.56	$65.54	$64.31	$153.00	344,930,287	404,888,568	375,755,263	258,373,520	$37,445.6	$26,536.4	$24,164.8	$39,531.1	$127,678.0
20.	5/19/1900	$106.14	$66.73	$62.74	$152.16	344,930,287	404,888,568	375,755,263	258,373,520	$36,610.9	$27,018.2	$23,574.9	$39,314.1	$126,518.1
21.	5/26/1900	$113.05	$69.06	$67.38	$82.31	344,930,287	404,888,568	375,755,263	516,747,040	$38,994.4	$27,961.6	$25,318.4	$42,533.4	$134,807.8
22.	6/2/1900	$110.40	$65.41	$64.18	$77.95	344,930,287	404,888,568	375,755,263	516,747,040	$38,080.3	$26,483.8	$24,116.0	$40,280.4	$128,960.5
23.	6/9/1900	$104.68	$65.42	$63.42	$75.57	344,930,287	404,888,568	375,755,263	516,747,040	$36,107.3	$26,487.8	$23,830.4	$39,050.6	$125,476.1
24.	6/16/1900	$103.02	$64.83	$63.74	$76.88	344,930,287	404,888,568	375,755,263	516,747,040	$35,534.7	$26,248.9	$23,950.6	$39,727.5	$125,461.8
25.	6/23/1900	$97.40	$62.14	$61.04	$73.83	344,930,287	404,888,568	375,755,263	516,747,040	$33,596.2	$25,159.8	$22,936.1	$38,151.4	$119,843.5
26.	6/30/1900	$93.83	$57.36	$58.91	$70.85	344,930,287	407,642,147	375,755,263	516,747,040	$32,364.8	$23,382.4	$22,135.7	$36,611.5	$114,494.4
27.	7/7/1900	$95.45	$60.62	$61.78	$71.92	344,930,287	407,642,147	375,199,214	516,747,040	$32,923.6	$24,711.3	$23,179.8	$37,164.4	$117,979.1
28.	7/14/1900	$94.57	$60.88	$63.42	$72.54	344,930,287	407,642,147	375,199,214	516,747,040	$32,620.1	$24,817.3	$23,795.1	$37,484.8	$118,717.3
29.	7/21/1900	$98.05	$63.34	$70.11	$77.49	344,404,716	407,642,147	375,199,214	509,170,209	$33,768.9	$25,820.1	$26,305.2	$39,455.6	$125,349.8
30.	7/28/1900	$101.76	$66.17	$70.62	$79.44	344,404,716	407,642,147	375,199,214	509,170,209	$35,046.6	$26,973.7	$26,496.6	$40,448.5	$128,965.4
31.	8/4/1900	$101.43	$65.61	$73.55	$83.18	344,404,716	407,642,147	375,199,214	509,170,209	$34,933.0	$26,745.4	$27,595.9	$42,352.8	$131,627.1
32.	8/11/1900	$98.87	$60.91	$70.58	$76.87	344,404,716	407,642,147	375,199,214	509,170,209	$34,051.3	$24,829.5	$26,481.6	$39,139.9	$124,502.3
33.	8/18/1900	$103.47	$63.73	$70.99	$79.55	344,404,716	407,642,147	375,199,214	509,170,209	$35,635.6	$25,979.0	$26,635.4	$40,504.5	$128,754.5
34.	8/25/1900	$107.40	$64.68	$73.53	$83.90	344,404,716	407,642,147	375,199,214	509,170,209	$36,989.1	$26,366.3	$27,588.4	$42,719.4	$133,663.1
35.	9/1/1900	$99.87	$57.71	$66.39	$75.46	344,404,716	407,642,147	375,199,214	509,170,209	$34,395.7	$23,525.0	$24,909.5	$38,422.0	$121,252.2

2008 Railroad Industry Market Capitalization

		Closing Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
36.	9/8/1900	$101.84	$61.61	$67.97	$77.80	344,404,716	407,642,147	375.199,214	509,170,209	$35,074.2	$25,114.8	$25,502.3	$39,613.4	$125,304.7
37.	9/15/1900	$100.71	$59.37	$70.36	$76.73	344,404,716	407.642,147	375,199,214	509,170,209	$34,685.0	$24,201.7	$26,399.0	$39,068.6	$124,354.4
38.	9/22/1900	$98.34	$56.39	$69.93	$73.27	344,404,716	407,642.147	375,199,214	509,170,209	$33,868.8	$22.986.9	$26,237.7	$37,306.9	$120,400:3
39.	9/29/1900	$83.29	$47.70	$56.17	$61.81	344,404,716	394,469.360	375,199,214	509,170,209	$28.685.5	$18.816.2	$21,074.9	$31.471.8	$100,048.4
40.	10/6/1900	$80.16	$43.31	$52.05	$58.00	344,404,716	394,469,360	370.279.291	509,170,209	$27,607.5	$17,084.5	$19,273.0	$29,531.9	$93,496.9
41.	10/13/1900	$80.10	$43.33	$52.54	$55.49	344,404,716	394,469,360	370.279.291	509,170.209	$27,586.8	$17,092.4	$19,454.5	$28,253.9	$92,387.5
42.	10/20/1900	$80.00	$42.38	$53.12	$58.28	342,326,358	394,469,360	370,279,291	506,430,904	$27,386.1	$16,717.6	$19.669.2	$29,514.8	$93,287.7
43.	10/27/1900	$89.06	$45.72	$59.94	$66.77	342,326,358	394,469.360	370.279,291	506,430.904	$30,487.6	$18,035.1	$22,194.5	$33,814.4	$104,531.7
44.	11/3/1900	$81.25	$42.77	$53.72	$60.99	342,326,358	394.469.360	370,279,291	506,430,904	$27,814.0	$16.871.5	$19,891.4	$30,887.2	$95,464.1
45.	11/10/1900	$79.63	$38.82	$51.98	$57.27	342,326,358	394,469,360	370,279,291	506,430,904	$27,259.4	$15.313.3	$19,247.1	$29,003.3	$90,823.2
46.	11/17/1900	$73.29	$33.70	$45.68	$47.50	342,326,358	394,469,360	370,279,291	506,430,904	$25,089.1	$13,293.6	$16,914.4	$24.055.5	$79,352.5
47.	11/24/1900	$76.61	$37.24	$49.47	$50.04	342,326,358	394,469.360	370,279,291	506,430,904	$26,225.6	$14,690.0	$18,317.7	$25,341.8	$84.575.2
48.	12/1/1900	$74.68	$34.15	$46.14	$47.49	342,326,358	394,469.360	370,279,291	506,430,904	$25.564.9	$13,471.1	$17,084.7	$24,050.4	$80,171.2
49.	12/8/1900	$71.38	$31.85	$44.52	$42.81	342,326,358	394,469,360	370.279.291	506,430,904	$24,435.3	$12,563.8	$16.484.8	$21,680.3	$75,164.2
50.	12/15/1900	$73.66	$31.60	$44.56	$46.27	342,326,358	394,469,360	370,279,291	506.430.904	$25.215.8	$12,465.2	$16,499.6	$23,432.6	$77,613.2
51.	12/22/1900	$74.43	$31.50	$44.36	$46.97	342.326.358	394,469,360	370,279,291	506,430,904	$25,479.4	$12,425.8	$16,425.6	$23,787.1	$78.117.8
52.	12/29/2008	$78.45	$34.62	$49.07	$50.13	342,326,358	394,469,360	370.279,291	506,430,904	$26,855.5	$13,656.5	$18,169.6	$25,387.4	$84,069.0
53.	Average 5/	---	---	---	---	---	---	---	---	$31,706.8	$21,358.5	$21,780.9	$33,994.4	$108.840.6

1/ Weekly closing stock prices as reported on Yahoo!\ Finance.
2/ Source: Railroad SEC Forms 10-Q and 10-K. Note, UP split its stock 2:1 on May 29, 2008.
3/ [Column (2) through Column (5) x Column (6) through Column (9), respectively] ÷ 1,000,000.
4/ Sum of Columns (10) to (13).
5/ Simple average of Lines 1 to 52.

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	1/5/2004	$29.77	$16.44	$21.17	$30.72	371,220,104	428,037,384	390,419,172	510,363,600	$11,051.2	$7,036.9	$8,265.2	$15,678.4	$42,031.7
2.	1/12/2004	$29.48	$15.93	$21.15	$30.83	371,220,104	428,037,384	390,419,172	510,363,600	$10,943.6	$6,818.6	$8,257.4	$15,734.5	$41,754.1
3.	1/20/2004	$30.45	$16.62	$21.36	$30.31	371,220,104	428,037,384	390,419,172	510,363,600	$11,303.7	$7,114.0	$8,339.4	$15,469.1	$42,226.1
4.	1/26/2004	$29.88	$14.85	$20.59	$29.74	371,220.104	428.037,384	390,419,172	510,363,600	$11.092.1	$6,356.4	$8,038.7	$15,178.2	$40,665.4
5.	2/2/2004	$30.50	$14.78	$20.54	$29.96	371,220.104	428,037,384	391.852,750	517,679,802	$11,322.2	$6,326.4	$8,048.7	$15,509.7	$41,206.9
6.	2/9/2004	$30.13	$14.87	$20.67	$29.94	372,258,486	428,037,384	391.852,750	517,679,802	$11,216.1	$6,364.9	$8,099.6	$15.499.3	$41,180.0
7.	2/17/2004	$29.90	$14.72	$20.72	$29.63	372,258,486	428,037,384	391,852,750	517.679,802	$11,130.5	$6,300.7	$8,119.2	$15,338.9	$40,889.3
8.	2/23/2004	$29.93	$14.89	$20.54	$29.39	372,258,486	428,037,384	391,852,750	517,679,802	$11,141.7	$6,373.5	$8,048.7	$15,214.6	$40,778.4
9.	3/1/2004	$29.07	$14.71	$20.24	$28.55	372,258,486	428,037,384	391,852,750	517,679,802	$10,821.6	$6,296.4	$7,931.1	$14,779.8	$39,828.8
10.	3/8/2004	$29.09	$14.46	$19.81	$28.91	372,258,486	430,072,138	391,852,750	517,679,802	$10,829.0	$6,218.8	$7,762.6	$14,966.1	$39,776.6
11.	3/15/2004	$28.66	$14.16	$19.29	$28.38	372,258,486	430,072,138	391.852,750	517,679,802	$10,668.9	$6,089.8	$7,558.8	$14,691.8	$39,009.3
12.	3/22/2004	$29.36	$14.10	$19.95	$28.24	372,258,486	430,072,138	391,852,750	517,679,802	$10,929.5	$6,064.0	$7,817.5	$14,619.3	$39,430.3
13.	3/29/2004	$29.78	$14.35	$20.72	$27.76	372,258,486	429,360,184	391,852,750	517.679,802	$11,085.9	$6,161.3	$8,119.2	$14.370.8	$39,737.2
14.	4/5/2004	$30.10	$14.16	$20.32	$26.47	372,258,486	429,360,184	392,068,916	517,679,802	$11,205.0	$6,079.7	$7,966.8	$13,703.0	$38,954.5
15.	4/12/2004	$30.41	$14.03	$20.48	$26.69	372,258,486	429,360,184	392,068,916	517,679,802	$11,320.4	$6.023.9	$8,029.6	$13,816.9	$39,190.7
16.	4/19/2004	$30.88	$14.78	$22.93	$27.77	370,877,594	429,360,184	392,068,916	517,679,802	$11,452.7	$6.345.9	$8,990.1	$14,376.0	$41,164.8
17.	4/26/2004	$30.56	$14.52	$22.08	$27.35	370,877,594	429,360,184	392,068,916	517,679,802	$11,334.0	$6,234.3	$8,656.9	$14,158.5	$40,383.8
18.	5/3/2004	$30.58	$14.31	$22.01	$26.45	370,877,594	429,360,184	392,068,916	518,263,084	$11,341.4	$6,144.1	$8,629.4	$13,708.1	$39,823.1
19.	5/10/2004	$30.81	$14.65	$22.14	$26.62	370,877,594	429,360,184	392,068,916	518,263,084	$11,426.7	$6,290.1	$8,680.4	$13,796.2	$40,193.4
20.	5/17/2004	$30.12	$14.45	$22.17	$26.11	370,877,594	429,360,184	392,068,916	518,263,084	$11,170.8	$6,204.3	$8,692.2	$13,531.8	$39,599.1
21.	5/24/2004	$30.78	$14.97	$22.53	$27.06	370,877,594	429,360,184	392,068,916	518,263,084	$11,415.6	$6,427.5	$8,833.3	$14,024.2	$40,700.6
22.	6/1/2004	$31.46	$15.27	$23.06	$27.50	370,877,594	429,360,184	392,068,916	518,263,084	$11,667.8	$6,556.3	$9,041.1	$14,252.2	$41,517.5
23.	6/7/2004	$31.99	$15.17	$23.24	$27.15	370,877,594	429,360,184	392,068,916	518,263,084	$11,864.4	$6,513.4	$9,111.7	$14,070.8	$41.560.3
24.	6/14/2004	$32.03	$14.97	$23.25	$26.87	370,877,594	429,360,184	392,068,916	518,263,084	$11,879.2	$6,427.5	$9,115.6	$13,925.7	$41.348.1
25.	6/21/2004	$32.46	$15.50	$24.04	$27.43	370,877,594	429,360,184	392,068,916	518,263,084	$12,038.7	$6,655.1	$9,425.3	$14,216.0	$42,335.1
26.	6/28/2004	$32.01	$15.05	$23.40	$27.30	370,877,594	429,628,320	392,068,916	518,263,084	$11,871.8	$6,465.9	$9,174.4	$14,148.6	$41,660.7
27.	7/6/2004	$32.73	$14.86	$23.94	$27.00	370,877,594	429,628,320	393,687,114	518,263,084	$12,138.8	$6,384.3	$9,424.9	$13,993.1	$41,941.1
28.	7/12/2004	$32.47	$14.59	$24.10	$27.00	370,877,594	429,628,320	393,687.114	518,263,084	$12,042.4	$6,268.3	$9,487.9	$13,993.1	$41,791.6
29.	7/19/2004	$32.05	$14.30	$23.61	$26.25	372,393,283	429,628,320	393,687,114	518,263,084	$11,935.2	$6,143.7	$9,295.0	$13,604.4	$40,978.2
30.	7/26/2004	$33.30	$14.83	$24.82	$26.28	372,393,283	429,628,320	393,687,114	518,263,084	$12,400.7	$6,371.4	$9,771.3	$13.620.0	$42,163.4
31.	8/2/2004	$32.03	$14.30	$24.50	$25.73	372,393,283	429,628,320	393,687,114	518,446,490	$11,927.8	$6,143.7	$9,645.3	$13,339.6	$41,056.4
32.	8/9/2004	$32.73	$14.38	$24.52	$25.77	372,393,283	429,628,320	393,687,114	518,446,490	$12,188.4	$6,178.1	$9,653.2	$13,360.4	$41,380.1
33.	8/16/2004	$32.82	$15.03	$25.73	$26.24	372,393,283	429,628,320	393,687,114	518,446,490	$12,221.9	$6,457.3	$10,129.6	$13,604.0	$42,412.9
34.	8/23/2004	$33.42	$15.11	$26.06	$26.48	372,393,283	429,628,320	393,687,114	518,446,490	$12,445.4	$6,491.7	$10,259.5	$13,728.5	$42,925.0
35.	8/30/2004	$34.15	$15.30	$27.32	$26.84	372,393,283	429,628,320	393,687,114	518,446,490	$12,717.2	$6,573.3	$10,755.5	$13,915.1	$43,961.2

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
36.	9/7/2004	$34.78	$15.80	$27.21	$27.62	372,393,283	429,628,320	393,687,114	518,446,490	$12,951.8	$6,788.1	$10,712.2	$14,319.5	$44,771.7
37.	9/13/2004	$35.44	$16.00	$27.48	$27.78	372,393,283	429,628,320	393,687,114	518,446,490	$13,197.6	$6,874.1	$10,818.5	$14,402.4	$45,292.6
38.	9/20/2004	$35.77	$16.20	$27.43	$27.76	372,393,283	429,628,320	393,687,114	518,446,490	$13,320.5	$6,960.0	$10,798.8	$14,392.1	$45,471.4
39.	9/27/2004	$36.45	$16.06	$28.26	$27.89	372,393,283	429,658,942	393,687,114	518,446,490	$13,573.7	$6,900.3	$11,125.6	$14,459.5	$46,059.1
40.	10/4/2004	$37.74	$16.78	$28.66	$28.98	372,393,283	429,658,942	396,006,701	518,446,490	$14,054.1	$7,209.7	$11,349.6	$15,024.6	$47,637.9
41.	10/11/2004	$37.45	$16.51	$29.19	$28.36	372,393,283	429,658,942	396,006,701	518,446,490	$13,946.1	$7,093.7	$11,559.4	$14,703.1	$47,302.4
42.	10/18/2004	$38.72	$16.34	$30.42	$28.60	372,393,283	429,658,942	396,006,701	518,446,490	$14,419.1	$7,020.6	$12,046.5	$14,827.6	$48,313.8
43.	10/25/2004	$39.42	$17.34	$31.69	$29.52	372,393,283	429,658,942	396,006,701	518,446,490	$14,679.7	$7,450.3	$12,549.5	$15,304.5	$49,984.0
44.	11/1/2004	$41.39	$17.52	$32.61	$30.45	372,393,283	429,658,942	396,006,701	519,170,892	$15,413.4	$7,527.6	$12,913.8	$15,808.8	$51,663.5
45.	11/8/2004	$41.96	$18.03	$32.68	$30.33	375,921,640	429,658,942	396,006,701	519,170,892	$15,773.7	$7,746.8	$12,941.5	$15,746.5	$52,208.4
46.	11/15/2004	$41.86	$17.84	$31.04	$29.59	375,921,640	429,658,942	396,006,701	519,170,892	$15,736.1	$7,665.1	$12,292.0	$15,362.3	$51,055.5
47.	11/22/2004	$42.42	$18.10	$32.16	$29.73	375,921,640	429,658,942	396,006,701	519,170,892	$15,946.6	$7,776.8	$12,735.6	$15,435.0	$51,893.9
48.	11/29/2004	$43.75	$18.29	$33.57	$29.92	375,921,640	429,658,942	396,006,701	519,170,892	$16,446.6	$7,858.5	$13,293.9	$15,533.6	$53,132.6
49.	12/6/2004	$43.21	$18.15	$32.86	$28.95	375,921,640	429,658,942	396,006,701	519,170,892	$16,243.6	$7,798.3	$13,012.8	$15,030.0	$52,084.7
50.	12/13/2004	$43.63	$18.69	$32.63	$29.41	375,921,640	429,658,942	396,006,701	519,170,892	$16,401.5	$8,030.3	$12,921.7	$15,268.8	$52,622.3
51.	12/20/2004	$44.24	$18.99	$33.74	$31.47	375,921,640	429,658,942	396,006,701	519,170,892	$16,630.8	$8,159.2	$13,361.3	$16,338.3	$54,489.6
52.	12/27/2004	$44.77	$19.10	$33.88	$31.68	375,921,640	429,658,942	396,006,701	519,170,892	$16,830.0	$8,206.5	$13,416.7	$16,447.3	$54,900.5
53.	1/3/2005	$42.69	$18.51	$34.13	$30.53	375,921,640	429,658,942	396,006,701	519,170,892	$16,048.1	$7,953.0	$13,515.7	$15,850.3	$53,367.1
54.	1/10/2005	$43.64	$18.31	$33.91	$29.13	375,921,640	429,658,942	396,006,701	519,170,892	$16,405.2	$7,867.1	$13,428.6	$15,123.4	$52,824.3
55.	1/18/2005	$43.55	$17.78	$33.07	$28.46	375,921,640	429,658,942	396,006,701	519,170,892	$16,371.4	$7,639.3	$13,095.9	$14,775.6	$51,882.3
56.	1/24/2005	$44.61	$18.61	$31.89	$27.75	375,921,640	429,658,942	396,006,701	519,170,892	$16,769.9	$7,996.0	$12,628.7	$14,407.0	$51,801.5
57.	1/31/2005	$44.96	$18.79	$33.06	$27.87	375,921,640	429,658,942	396,006,701	519,170,892	$16,901.4	$8,073.3	$13,092.0	$14,469.3	$52,536.0
58.	2/7/2005	$44.74	$18.99	$33.57	$28.49	377,927,038	429,658,942	400,276,939	521,996,072	$16,908.5	$8,159.2	$13,437.3	$14,871.7	$53,376.6
59.	2/14/2005	$46.58	$19.19	$33.24	$30.04	377,927,038	429,658,942	400,276,939	521,996,072	$17,603.8	$8,245.2	$13,305.2	$15,680.8	$54,835.0
60.	2/22/2005	$47.99	$20.02	$34.34	$30.14	377,927,038	429,658,942	400,276,939	521,996,072	$18,136.7	$8,601.8	$13,745.5	$15,733.0	$56,217.0
61.	2/28/2005	$49.79	$20.55	$34.70	$30.44	377,927,038	429,658,942	400,276,939	521,996,072	$18,817.0	$8,829.5	$13,889.6	$15,889.6	$57,425.6
62.	3/7/2005	$50.48	$20.30	$35.46	$31.32	377,927,038	431,239,528	400,276,939	521,996,072	$19,077.8	$8,754.2	$14,193.8	$16,348.9	$58,374.7
63.	3/14/2005	$52.22	$20.38	$35.37	$31.42	377,927,038	431,239,528	400,276,939	521,996,072	$19,735.3	$8,788.7	$14,157.8	$16,401.1	$59,082.9
64.	3/21/2005	$52.87	$20.41	$35.71	$32.64	377,927,038	431,239,528	400,276,939	521,996,072	$19,981.0	$8,801.6	$14,293.9	$17,038.0	$60,114.4
65.	3/28/2005	$50.58	$19.97	$34.54	$32.49	377,927,038	431,239,528	400,276,939	521,996,072	$19,115.5	$8,611.9	$13,825.6	$16,959.7	$58,512.6
66.	4/4/2005	$49.51	$19.84	$32.72	$32.18	377,927,038	433,122,110	404,274,324	521,996,072	$18,711.2	$8,593.1	$13,227.9	$16,797.8	$57,330.0
67.	4/11/2005	$44.83	$18.26	$28.79	$29.80	377,927,038	433,122,110	404,274,324	521,996,072	$16,942.5	$7,908.8	$11,639.1	$15,555.5	$52,045.8
68.	4/18/2005	$46.46	$18.91	$30.73	$30.52	377,927,038	433,122,110	404,274,324	521,996,072	$17,558.5	$8,190.3	$12,423.3	$15,931.3	$54,103.5
69.	4/25/2005	$45.81	$19.17	$29.49	$30.26	376,548,744	433,122,110	404,274,324	521,996,072	$17,249.7	$8,303.0	$11,922.0	$15,795.6	$53,270.3
70.	5/2/2005	$48.82	$19.75	$30.19	$30.29	376,548,744	433,122,110	404,274,324	525,972,450	$18,383.1	$8,554.2	$12,205.0	$15,931.7	$55,074.0
71.	5/9/2005	$45.77	$19.05	$28.47	$28.97	376,548,744	433,122,110	404,274,324	525,972,450	$17,234.6	$8,251.0	$11,509.7	$15,237.4	$52,232.7

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
72.	5/16/2005	$48.04	$20.10	$30.20	$31.57	376,548,744	433,122,110	404,274,324	525,972,450	$18,089.4	$8,705.8	$12,209.1	$16,605.0	$55,609.2
73.	5/23/2005	$47.14	$19.90	$30.09	$31.48	376,548,744	433,122,110	404,274,324	525,972,450	$17,750.5	$8,619.1	$12,164.6	$16,557.6	$55,091.9
74.	5/31/2005	$47.67	$20.14	$30.24	$31.53	376,548,744	433,122,110	404,274,324	525.972,450	$17,950.1	$8.723.1	$12,225.3	$16,583.9	$55,482.3
75.	6/6/2005	$45.78	$19.86	$29.58	$31.02	376,548,744	433,122,110	404.274.324	525,972,450	$17,238.4	$8.601.8	$11,958.4	$16,315.7	$54,114.3
76.	6/13/2005	$48.22	$21.11	$31.04	$31.77	376,548,744	433.122,110	404.274,324	525,972,450	$18,157.2	$9,143.2	$12,548.7	$16,710.1	$56,559.2
77.	6/20/2005	$44.47	$20.13	$28.59	$30.51	376,548,744	433.122,110	404,274,324	525,972,450	$16,745.1	$8,718.7	$11.558.2	$16,047.4	$53,069.5
78.	6/27/2005	$45.72	$20.55	$29.64	$30.91	376,548,744	433,122,110	404.274,324	525,972.450	$17,215.8	$8,900.7	$11,982.7	$16,257.8	$54,357.0
79.	7/5/2005	$47.00	$21.06	$30.30	$31.07	376,548.744	433,919,038	404,535,055	525,972,450	$17,697.8	$9,138.3	$12,257.4	$16,342.0	$55,435.5
80.	7/11/2005	$46.34	$21.47	$31.26	$30.95	376,548,744	433,919,038	404,535,055	525,972,450	$17,449.3	$9,316.2	$12,645.8	$16,278.8	$55,690.1
81.	7/18/2005	$49.67	$21.81	$32.88	$32.55	376,548,744	433,919.038	404,535,055	525,972,450	$18,703.2	$9,463.8	$13,301.1	$17,120.4	$58,588.5
82.	7/25/2005	$51.68	$21.80	$35.07	$33.43	373,434,542	433,919,038	404,535,055	525,972,450	$19,299.1	$9,459.4	$14,187.0	$17,583.3	$60,528.8
83.	8/1/2005	$51.81	$21.45	$35.01	$33.15	373,434,542	433,919,038	404,535,055	527,550,034	$19,347.6	$9.307.6	$14,162.8	$17,488.3	$60,306.3
84.	8/8/2005	$52.59	$21.40	$35.04	$32.89	373,434,542	433,919,038	404,535,055	527,550,034	$19,638.9	$9,285.9	$14,174.9	$17,351.1	$60,450.8
85.	8/15/2005	$51.71	$21.50	$34.64	$32.74	373,434,542	433,919,038	404,535,055	527,550,034	$19,310.3	$9,329.3	$14,013.1	$17,272.0	$59,924.6
86.	8/22/2005	$51.73	$22.06	$34.50	$32.90	373,434,542	433,919.038	404,535,055	527,550,034	$19,317.8	$9.572.3	$13,956.5	$17,356.4	$60,202.9
87.	8/29/2005	$50.82	$21.12	$34.10	$32.56	373,434,542	433,919,038	404.535.055	527,550,034	$18,977.9	$9,164.4	$13,794.6	$17,177.0	$59,114.0
88.	9/6/2005	$52.53	$21.66	$34.09	$32.26	373,434,542	433,919,038	404.535,055	527,550,034	$19,616.5	$9,398.7	$13.790.6	$17,018.8	$59,824.6
89.	9/12/2005	$53.28	$21.59	$35.28	$32.40	373,434,542	433,919,038	404,535,055	527,550,034	$19,896.6	$9,368.3	$14,272.0	$17,092.6	$60,629.5
90.	9/19/2005	$55.34	$21.38	$36.78	$33.35	373,434,542	433,919,038	404,535,055	527,550,034	$20,665.9	$9,277.2	$14,878.8	$17,593.8	$62,415.6
91.	9/26/2005	$57.18	$22.30	$38.36	$34.24	373,434,542	433.919,038	404,535,055	527,550,034	$21,353.0	$9,676.4	$15,518.0	$18,063.3	$64,610.7
92.	10/3/2005	$56.33	$21.64	$38.19	$33.71	373,434,542	434,478,238	406,420,210	527,550,034	$21,035.6	$9,402.1	$15,521.2	$17,783.7	$63,742.6
93.	10/10/2005	$54.91	$20.95	$37.33	$33.05	373,434,542	434,478,238	406,420,210	527,550,034	$20,505.3	$9,102.3	$15,171.7	$17,435.5	$62,214.8
94.	10/17/2005	$55.35	$20.73	$36.72	$32.05	373,434,542	434,478,238	406,420,210	527,550,034	$20,669.6	$9,006.7	$14,923.8	$16,908.0	$61,508.1
95.	10/24/2005	$57.74	$21.40	$37.60	$32.59	373,424,406	434,478,238	406,420,210	527,550,034	$21,561.5	$9,297.8	$15,281.4	$17,192.9	$63,333.6
96.	10/31/2005	$61.93	$22.33	$39.42	$33.40	373,424,406	434,478,238	406,420,210	527,550,034	$23,126.2	$9,701.9	$16,021.1	$17,620.2	$66,469.3
97.	11/7/2005	$61.49	$22.52	$40.22	$33.78	373,424,406	434,478.238	406,420,210	529,880,210	$22,961.9	$9,784.4	$16,346.2	$17,899.4	$66,991.9
98.	11/14/2005	$63.74	$23.33	$41.62	$35.81	373,424,406	434,478.238	406,420,210	529,880,210	$23,802.1	$10,136.4	$16,915.2	$18,975.0	$69,828.7
99.	11/21/2005	$62.58	$23.53	$41.64	$36.70	373,424,406	434,478,238	406,420,210	529,880,210	$23,368.9	$10,223.3	$16,923.3	$19,446.6	$69,962.1
100.	11/28/2005	$63.73	$23.50	$41.87	$36.86	373,424,406	434,478,238	406,420,210	529,880,210	$23,798.3	$10,210.2	$17,016.8	$19,531.4	$70,556.8
101.	12/5/2005	$64.26	$23.60	$40.71	$36.21	373,424,406	434,478,238	406,420,210	529,880,210	$23,996.3	$10,253.7	$16,545.4	$19,187.0	$69,982.3
102.	12/12/2005	$64.54	$23.74	$40.81	$37.31	373,424,406	434,478,238	406,420,210	529,880,210	$24,100.8	$10,314.5	$16,586.0	$19,769.8	$70,771.2
103.	12/19/2005	$67.72	$24.56	$42.88	$38.52	373,424,406	434,478,238	406,420,210	529,880,210	$25,288.3	$10,670.8	$17,427.3	$20,411.0	$73,797.4
104.	12/27/2005	$67.92	$24.43	$42.53	$38.60	373,424,406	434,478,238	406,420,210	529,880,210	$25,363.0	$10,614.3	$17,285.1	$20,453.4	$73,715.7
105.	1/3/2006	$66.23	$23.68	$40.00	$37.67	373,424,406	434,478.238	406,420,210	529,880,210	$24,731.9	$10,288.4	$16,256.8	$19,960.6	$71,237.7
106.	1/9/2006	$65.73	$24.43	$40.30	$37.74	373,424,406	434,478,238	406,420,210	529,880,210	$24,545.2	$10,614.3	$16,378.7	$19,997.7	$71,535.9
107.	1/17/2006	$67.54	$24.83	$42.00	$40.19	373,424,406	434,478,238	406,420,210	529,880,210	$25,221.1	$10,788.1	$17,069.6	$21,295.9	$74,374.7

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
108.	1/23/2006	$73.98	$25.80	$46.94	$41.79	373,424,406	434,478,238	406,420,210	529,880,210	$27,625.9	$11,209.5	$19,077.4	$22,143.7	$80,056.5
109.	1/30/2006	$75.53	$24.95	$46.87	$41.07	373,424,406	438,862,742	406,420,210	529,880,210	$28,204.7	$10,949.6	$19,048.9	$21,762.2	$79,965.5
110.	2/6/2006	$76.30	$25.38	$46.64	$41.38	372,960,559	438,862,742	412,236,777	535,168,974	$28,456.9	$11,138.3	$19,226.7	$22,145.3	$80,967.2
111.	2/13/2006	$77.06	$26.19	$46.97	$42.54	372,960,559	438,862,742	412,236,777	535,168,974	$28,740.3	$11,493.8	$19,362.8	$22.766.1	$82,363.0
112.	2/21/2006	$75.74	$26.70	$47.55	$42.41	372.960,559	438,862.742	412.236,777	535,168.974	$28,248.0	$11,717.6	$19,601.9	$22,696.5	$82,264.0
113.	2/27/2006	$76.18	$27.18	$49.61	$43.06	372,960,559	438,862,742	412.236,777	535.168,974	$28,412.1	$11,928.3	$20,451.1	$23,044.4	$83,835.9
114.	3/6/2006	$73.57	$26.64	$48.38	$41.25	372,960,559	438,862,742	412,236,777	535.168,974	$27,438.7	$11,691.3	$19,944.0	$22,075.7	$81,149.7
115.	3/13/2006	$77.69	$28.68	$51.34	$43.81	372,960,559	438,862,742	412,236,777	535,168,974	$28,975.3	$12,586.6	$21,164.2	$23,445.8	$86,171.9
116.	3/20/2006	$77.27	$28.46	$50.73	$44.34	372,960,559	438,862,742	412,236,777	535,168,974	$28,818.7	$12,490.0	$20,912.8	$23,729.4	$85,950.9
117.	3/27/2006	$80.13	$28.84	$51.46	$44.90	372,960,559	438,862,742	412,236,777	535,168,974	$29,885.3	$12,656.8	$21,213.7	$24,029.1	$87,784.9
118.	4/3/2006	$80.25	$30.58	$51.78	$45.04	372,960,559	443,172,312	414.692,476	535,168,974	$29,930.1	$13,552.2	$21,472.8	$24,104.0	$89,059.1
119.	4/10/2006	$80.19	$31.37	$51.24	$44.99	372,960,559	443,172,312	414,692,476	535,168,974	$29,907.7	$13,902.3	$21,248.8	$24,077.3	$89,136.1
120.	4/17/2006	$83.08	$32.83	$53.47	$46.15	372,960,559	443,172,312	414,692,476	535,168,974	$30,985.6	$14,549.3	$22,173.6	$24,698.0	$92,406.6
121.	4/24/2006	$76.48	$33.03	$51.40	$43.87	364.660,574	443,172,312	414.692,476	535,168,974	$27,889.2	$14,638.0	$21,315.2	$23,477.9	$87,320.3
122.	5/1/2006	$80.00	$35.78	$53.65	$44.86	364,660,574	443,172,312	414,692,476	537,909,234	$29,172.8	$15,856.7	$22,248.3	$24,130.6	$91,408.4
123.	5/8/2006	$76.50	$34.11	$51.90	$45.39	364,660,574	443,172,312	414,692,476	537,909,234	$27,896.5	$15,116.6	$21,522.5	$24,415.7	$88,951.4
124.	5/15/2006	$70.97	$32.41	$48.22	$44.11	364.660,574	443,172,312	414,692,476	537,909,234	$25,880.0	$14,363.2	$19,996.5	$23,727.2	$83,966.8
125.	5/22/2006	$74.47	$32.54	$50.53	$44.72	364,660,574	443,172,312	414,692,476	537,909,234	$27,156.3	$14,420.8	$20,954.4	$24,055.3	$86,586.8
126.	5/30/2006	$75.55	$33.15	$51.16	$45.39	364,660,574	443,172,312	414,692,476	537,909,234	$27,550.1	$14,691.2	$21,215.7	$24,415.7	$87,872.6
127.	6/5/2006	$69.69	$29.91	$46.33	$41.73	364,660,574	443,172,312	414,692,476	537,909,234	$25,413.2	$13,255.3	$19,212.7	$22,447.0	$80,328.1
128.	6/12/2006	$74.49	$31.10	$48.13	$43.32	364,660,574	443,172,312	414,692,476	537,909,234	$27,163.6	$13,782.7	$19.959.1	$23,302.2	$84,207.6
129.	6/19/2006	$74.46	$31.63	$48.58	$42.85	364,660,574	443,172,312	414,692,476	537,909,234	$27,152.6	$14,017.5	$20,145.8	$23.049.4	$84,365.3
130.	6/26/2006	$76.41	$34.04	$50.80	$44.86	364,660,574	443,172,312	414,692,476	537,909,234	$27,863.7	$15,085.6	$21,066.4	$24,130.6	$88,146.3
131.	7/3/2006	$73.00	$32.54	$49.21	$43.49	364,660,574	443,530.816	413,821,033	537,909.234	$26,620.2	$14,432.5	$20,364.1	$23,393.7	$84,810.5
132.	7/10/2006	$70.48	$31.16	$47.06	$41.58	364,660,574	443,530,816	413,821,033	537,909,234	$25,701.3	$13,820.4	$19,474.4	$22,366.3	$81,362.4
133.	7/17/2006	$66.56	$29.93	$44.26	$40.07	364.660.574	443,530,816	413,821,033	537,909,234	$24,271.8	$13,274.9	$18,315.7	$21,554.0	$77,416.4
134.	7/24/2006	$66.42	$29.21	$41.77	$41.13	361,961,615	443,530,816	413,821,033	537,909,234	$24,041.5	$12,955.5	$17,285.3	$22,124.2	$76,406.5
135.	7/31/2006	$66.57	$29.93	$40.20	$40.47	361,961,615	443,530,816	413,821,033	537,909,234	$24,095.8	$13,274.9	$16,635.6	$21,769.2	$75,775.5
136.	8/7/2006	$62.52	$28.48	$39.24	$38.23	361,961,615	443,530,816	413,821,033	538,699,164	$22,629.8	$12,631.8	$16,238.3	$20,594.5	$72,094.4
137.	8/14/2006	$66.00	$29.87	$42.46	$40.41	361,961,615	443,530,816	413,821,033	538,699,164	$23,889.5	$13,248.3	$17,570.8	$21,768.8	$76,477.4
138.	8/21/2006	$63.70	$28.79	$40.65	$39.06	361,961,615	443,530,816	413,821,033	538,699,164	$23,057.0	$12,769.3	$16,821.8	$21,041.6	$73,689.6
139.	8/28/2006	$64.90	$29.47	$40.85	$39.01	361,961,615	443,530.816	413,821,033	538,699,164	$23,491.3	$13,070.9	$16,904.6	$21,014.7	$74,481.4
140.	9/5/2006	$63.81	$29.38	$39.60	$38.80	361,961,615	443,530,816	413,821,033	538,699,164	$23,096.8	$13.030.9	$16,387.3	$20.901.5	$73,416.5
141.	9/11/2006	$67.58	$30.65	$41.27	$40.59	361.961,615	443,530,816	413,821,033	538,699,164	$24,461.4	$13,594.2	$17,078.4	$21,865.8	$76,999.8
142.	9/18/2006	$66.51	$29.64	$40.04	$40.41	361,961,615	443,530,816	413,821,033	538,699,164	$24,074.1	$13,146.3	$16,569.4	$21,768.8	$75,558.5
143.	9/25/2006	$71.08	$31.83	$42.23	$42.63	361,961,615	443,530,816	413,821,033	538,699,164	$25,728.2	$14,117.6	$17,475.7	$22,964.7	$80,286.2

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
144.	10/2/2006	$73.36	$32.69	$43.81	$43.04	361,961,615	435,181,651	396,891,872	538,699,164	$26,553.5	$14,226.1	$17,387.8	$23,185.6	$81,353.0
145.	10/9/2006	$75.89	$33.71	$44.88	$44.12	361,961,615	435,181,651	396.891,872	538,699,164	$27,469.3	$14,670.0	$17,812.5	$23,767.4	$83,719.2
146.	10/16/2006	$77.04	$34.90	$46.21	$44.00	361.961,615	435,181.651	396,891,872	538,699,164	$27,885.5	$15,187.8	$18,340.4	$23,702.8	$85,116.5
147.	10/23/2006	$75.48	$35.33	$51.12	$44.01	359,206,742	435,181,651	396,891,872	538,699,164	$27,112.9	$15,375.0	$20,289.1	$23,708.2	$86,485.2
148.	10/30/2006	$73.86	$34.65	$49.86	$43.69	359,206,742	435,181,651	396,891,872	538.699,164	$26,531.0	$15,079.0	$19,789.0	$23,535.8	$84,934.8
149.	11/6/2006	$74.71	$35.67	$50.61	$44.15	359,206,742	435,181,651	396,891,872	539,439,862	$26,836.3	$15,522.9	$20,086.7	$23,816.3	$86,262.2
150.	11/13/2006	$74.00	$35.28	$49.15	$44.25	359,206,742	435,181,651	396,891,872	539,439,862	$26,581.3	$15,353.2	$19.507.2	$23,870.2	$85,312.0
151.	11/20/2006	$73.99	$35.22	$47.88	$44.30	359.206,742	435,181,651	396,891,872	539,439,862	$26,577.7	$15,327.1	$19,003.2	$23.897.2	$84,805.2
152.	11/27/2006	$72.51	$35.06	$47.08	$43.97	359,206,742	435,181,651	396,891,872	539,439,862	$26,046.1	$15,257.5	$18,685.7	$23,719.2	$83,708.4
153.	12/4/2006	$73.68	$35.75	$48.72	$45.10	359,206,742	435,181,651	396,891,872	539,439,862	$26,466.4	$15,557.7	$19,336.6	$24,328.7	$85,689.4
154.	12/11/2006	$73.02	$34.44	$49.18	$45.65	359,206.742	435,181,651	396,891,872	539.439.862	$26,229.3	$14,987.7	$19,519.1	$24,625.4	$85,361.5
155.	12/18/2006	$70.58	$32.99	$47.07	$44.04	359,206,742	435,181,651	396,891,872	539,439,862	$25,352.8	$14,356.6	$18,681.7	$23,756.9	$82,148.1
156.	12/26/2006	$71.67	$33.48	$48.38	$44.72	359,206,742	435,181,651	396,891,872	539,439,862	$25,744.3	$14,569.9	$19,201.6	$24,123.8	$83,639.6
157.	1/3/2007	$70.27	$33.33	$47.33	$44.06	359,206,742	435,181,651	396,891,872	539.439.862	$25,241.5	$14,504.6	$18,784.9	$23,767.7	$82,298.7
158.	1/8/2007	$71.82	$33.74	$48.39	$44.69	359.206,742	435,181,651	396.891,872	539,439,862	$25,798.2	$14,683.0	$19,205.6	$24,107.6	$83,794.4
159.	1/16/2007	$75.67	$34.74	$50.96	$46.82	359.206,742	435,181,651	396,891,872	539,439,862	$27,181.2	$15,118.2	$20,225.6	$25,256.6	$87,781.6
160.	1/22/2007	$75.41	$34.33	$46.17	$46.38	359,206,742	435,181,651	396,891,872	539,439,862	$27,087.8	$14,939.8	$18,324.5	$25,019.2	$85,371.3
161.	1/29/2007	$79.06	$36.87	$49.17	$49.77	359,206,742	435,181,651	396,891,872	539,439,862	$28,398.9	$16,045.1	$19,515.2	$26,847.9	$90,807.1
162.	2/5/2007	$76.84	$36.04	$47.30	$48.43	358,958,852	436,792,841	396,986,263	541,504,612	$27,582.4	$15,742.0	$18,777.5	$26,225.1	$88,326.9
163.	2/12/2007	$80.22	$39.54	$49.46	$49.44	358,958,852	436,792,841	396,986,263	541,504,612	$28,795.7	$17,270.8	$19,634.9	$26,772.0	$92,473.4
164.	2/20/2007	$81.48	$39.30	$49.24	$50.49	358,958.852	436,792,841	396,986.263	541,504,612	$29,248.0	$17,166.0	$19,547.6	$27,340.6	$93,302.1
165.	2/26/2007	$75.29	$35.28	$44.78	$47.70	358,958,852	436,792,841	396,986,263	541,504,612	$27,026.0	$15,410.1	$17,777.0	$25.829.8	$86,042.9
166.	3/5/2007	$77.02	$36.91	$46.91	$48.15	358,958,852	436,792,841	396,986,263	541,504,612	$27,647.0	$16,122.0	$18,622.6	$26,073.4	$88,465.1
167.	3/12/2007	$77.76	$39.12	$47.13	$48.74	358,958,852	436,792,841	396,986,263	541,504,612	$27,912.6	$17,087.3	$18,710.0	$26,392.9	$90,102.9
168.	3/19/2007	$80.51	$40.62	$50.22	$50.81	358,958,852	436,792,841	396,986,263	541,504,612	$28,899.8	$17,742.5	$19,936.7	$27,513.8	$94,092.8
169.	3/26/2007	$78.35	$39.06	$48.90	$49.52	358,958,852	436,792,841	396,986,263	541.504,612	$28,124.4	$17,061.1	$19,412.6	$26,815.3	$91,413.5
170.	4/2/2007	$80.58	$39.95	$49.27	$50.33	358.958,852	437,156,732	393,222,484	541,504,612	$28,924.9	$17,464.4	$19,374.1	$27,253.9	$93,017.3
171.	4/9/2007	$88.35	$41.41	$52.08	$53.53	358,958,852	437,156,732	393,222,484	541,504,612	$31,714.0	$18,102.7	$20,479.0	$28,986.7	$99,282.4
172.	4/16/2007	$91.64	$43.93	$54.18	$57.16	358,958,852	437,156,732	393,222,484	541,504.612	$32,895.0	$19,204.3	$21,304.8	$30,952.4	$104,356.5
173.	4/23/2007	$86.58	$42.66	$51.82	$56.49	356,117,299	437,156,732	393,222.484	541,504,612	$30,832.6	$18.649.1	$20,376.8	$30,589.6	$100,448.1
174.	4/30/2007	$88.11	$44.87	$52.33	$56.88	356,117,299	437,156,732	393,222,484	538,903,778	$31,377.5	$19,615.2	$20,577.3	$30,652.8	$102,222.9
175.	5/7/2007	$87.64	$44.27	$53.59	$57.01	356,117,299	437,156,732	393,222,484	538,903,778	$31,210.1	$19,352.9	$21,072.8	$30,722.9	$102,358.7
176.	5/14/2007	$92.00	$45.40	$56.41	$58.44	356,117,299	437,156,732	393,222,484	538,903,778	$32,762.8	$19,846.9	$22,181.7	$31.493.5	$106,284.9
177.	5/21/2007	$89.07	$43.62	$55.54	$57.70	356,117,299	437,156,732	393,222,484	538,903,778	$31,719.4	$19,068.8	$21,839.6	$31,094.7	$103,722.5
178.	5/29/2007	$91.60	$45.15	$56.91	$59.69	356,117,299	437,156,732	393.222,484	538,903,778	$32,620.3	$19,737.6	$22,378.3	$32,167.2	$106,903.4
179.	6/4/2007	$86.73	$44.01	$53.27	$57.05	356,117,299	437,156,732	393,222,484	538,903,778	$30,886.1	$19,239.3	$20,947.0	$30,744.5	$101,816.7

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
180.	6/11/2007	$86.31	$44.06	$54.23	$58.82	356,117.299	437.156,732	393,222.484	538,903,778	$30,736.5	$19,261.1	$21,324.5	$31,698.3	$103,020.4
181.	6/18/2007	$84.16	$43.80	$52.32	$56.78	356,117.299	437,156,732	393,222,484	538,903,778	$29,970.8	$19,147.5	$20,573.4	$30,599.0	$100,290.7
182.	6/25/2007	$83.17	$44.08	$51.02	$56.32	356,117,299	437,156,732	393,222,484	538,903.778	$29,618.3	$19,269.9	$20,062.2	$30,351.1	$99,301.4
183.	7/2/2007	$84.70	$45.40	$52.42	$57.13	356,117,299	439.010,736	393,601,723	538,903,778	$30,163.1	$19,931.1	$20,632.6	$30,787.6	$101,514.4
184.	7/9/2007	$86.63	$47.16	$54.20	$59.08	356,117,299	439.010,736	393.601,723	538,903,778	$30,850.4	$20,703.7	$21,333.2	$31,838.4	$104,725.8
185.	7/16/2007	$88.27	$49.64	$55.16	$61.56	356.117,299	439,010.736	393,601,723	538,903,778	$31,434.5	$21,792.5	$21,711.1	$33.174.9	$108.113.0
186.	7/23/2007	$80.83	$45.38	$50.79	$58.26	353,419,377	439,010.736	393,601,723	538,903,778	$28,566.9	$19,922.3	$19,991.0	$31,396.5	$99,876.8
187.	7/30/2007	$77.27	$45.71	$49.58	$55.88	353.419.377	439,010,736	393,601,723	532,430,490	$27.308.7	$20,067.2	$19,514.8	$29,752.2	$96,642.9
188.	8/6/2007	$78.72	$45.96	$50.03	$57.05	353.419,377	439,010,736	393,601,723	532,430,490	$27,821.2	$20,176.9	$19,691.9	$30,375.2	$98,065.2
189.	8/13/2007	$77.72	$40.63	$49.70	$51.81	353,419,377	439,010,736	393,601,723	532,430,490	$27,467.8	$17,837.0	$19,562.0	$27,585.2	$92,452.0
190.	8/20/2007	$78.69	$42.13	$50.25	$54.33	353,419,377	439,010,736	393,601,723	532,430,490	$27,810.6	$18,495.5	$19,778.5	$28,926.9	$95,011.5
191.	8/27/2007	$79.27	$40.24	$49.94	$54.74	353,419,377	439,010,736	393,601,723	532,430,490	$28,015.6	$17,665.8	$19,656.5	$29,145.2	$94,483.1
192.	9/4/2007	$79.41	$39.35	$48.43	$53.05	353,419,377	439.010,736	393,601,723	532,430,490	$28.065.0	$17,275.1	$19,062.1	$28,245.4	$92,647.7
193.	9/10/2007	$80.47	$37.40	$49.65	$54.87	353,419,377	439.010,736	393,601,723	532,430,490	$28,439.7	$16,419.0	$19,542.3	$29,214.5	$93,615.4
194.	9/17/2007	$79.84	$39.54	$49.98	$55.38	353,419,377	439,010,736	393,601,723	532,430,490	$28,217.0	$17,358.5	$19,672.2	$29,486.0	$94,733.7
195.	9/24/2007	$79.60	$41.94	$50.62	$55.48	353,419,377	439,010,736	393,601,723	532,430,490	$28,132.2	$18,412.1	$19,924.1	$29,539.2	$96,007.7
196.	10/1/2007	$85.11	$42.71	$52.07	$57.58	353,419,377	420,425,477	387,240,494	532,430,490	$30,079.5	$17,956.4	$20,163.6	$30,657.3	$98,856.9
197.	10/8/2007	$81.95	$41.81	$52.27	$58.65	353,419,377	420,425,477	387,240,494	532,430,490	$28,962.7	$17,578.0	$20,241.1	$31,227.0	$98,008.8
198.	10/15/2007	$80.89	$43.79	$50.62	$60.17	353,419,377	420,425,477	387,240,494	532,430,490	$28,588.1	$18,410.4	$19,602.1	$32,036.3	$98,637.0
199.	10/22/2007	$84.00	$43.93	$49.88	$62.76	350,631,059	420,425,477	387.240.494	532,430,490	$29,453.0	$18,469.3	$19,315.6	$33,415.3	$100,653.2
200.	10/29/2007	$85.05	$42.81	$49.83	$61.83	350,631,059	420,425,477	387,240.494	525,247,810	$29,821.2	$17,998.4	$19,296.2	$32,476.1	$99,591.9
201.	11/5/2007	$83.03	$42.75	$49.47	$61.16	350,631,059	420,425.477	387,240,494	525,247,810	$29,112.9	$17,973.2	$19,156.8	$32,124.2	$98,367.0
202.	11/12/2007	$84.16	$42.44	$49.44	$62.06	350,631,059	420,425,477	387,240,494	525,247,810	$29,509.1	$17,842.9	$19,145.2	$32,596.9	$99,094.0
203.	11/19/2007	$80.86	$40.55	$48.57	$61.18	350.631,059	420,425,477	387,240,494	525,247,810	$28,352.0	$17,048.3	$18,808.3	$32,134.7	$96,343.2
204.	11/26/2007	$81.91	$41.37	$50.19	$62.12	350,631,059	420,425,477	387,240,494	525,247,810	$28,720.2	$17,393.0	$19,435.6	$32,628.4	$98,177.2
205.	12/3/2007	$85.36	$43.13	$52.26	$66.40	350,631,059	420,425,477	387,240,494	525,247,810	$29,929.9	$18.133.0	$20.237.2	$34,876.5	$103,176.5
206.	12/10/2007	$82.61	$42.84	$49.64	$64.30	350,631,059	420,425,477	387,240,494	525,247,810	$28,965.6	$18,011.0	$19,222.6	$33,773.4	$99,972.7
207.	12/17/2007	$82.35	$43.02	$49.00	$62.06	350,631,059	420,425,477	387,240,494	525,247,810	$28,874.5	$18,086.7	$18,974.8	$32,596.9	$98,532.8
208.	12/24/2007	$81.99	$43.61	$49.99	$62.90	350,631,059	420,425,477	387,240,494	525,247,810	$28,748.2	$18,334.8	$19,358.2	$33,038.1	$99,479.2
209.	12/31/2007	$77.41	$40.12	$46.93	$59.11	350,631,059	420,425,477	387,240,494	525,247,810	$27,142.4	$16,867.5	$18,173.2	$31,047.4	$93,230.4
210.	1/7/2008	$76.89	$41.85	$45.54	$56.19	350,631,059	420,425,477	387,240,494	525,247,810	$26,960.0	$17,594.8	$17,634.9	$29,513.7	$91,703.4
211.	1/14/2008	$75.72	$40.57	$43.27	$54.39	350,631,059	420,425,477	387,240,494	525,247,810	$26,549.8	$17,056.7	$16,755.9	$28,568.2	$88,930.6
212.	1/22/2008	$80.52	$44.77	$49.73	$59.00	350,631,059	420,425,477	387,240,494	525,247,810	$28,232.8	$18.822.4	$19,257.5	$30,989.6	$97,302.4
213.	1/28/2008	$86.92	$49.19	$55.48	$63.02	350,631,059	420,425,477	387,240,494	525,247,810	$30,476.9	$20,680.7	$21,484.1	$33,101.1	$105,742.8
214.	2/4/2008	$86.65	$47.30	$53.63	$61.73	350,631,059	420,425,477	376,332,668	521,401,054	$30,382.2	$19,886.1	$20,182.7	$32,186.1	$102,637.1
215.	2/11/2008	$87.71	$48.05	$53.16	$61.46	348,201,513	420,425,477	376,332,668	521,401,054	$30,540.8	$20,201.4	$20,005.8	$32,045.3	$102,793.4

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
216.	2/19/2008	$86.80	$49.41	$52.41	$61.13	348,201,513	403,363,273	376,332,668	521,401,054	$30,223.9	$19,930.2	$19,723.6	$31,873.2	$101,750.9
217.	2/25/2008	$86.40	$47.93	$52.13	$61.44	348,201,513	403,363,273	376,332,668	521,401,054	$30,084.6	$19,333.2	$19,618.2	$32,034.9	$101,070.9
218.	3/3/2008	$86.96	$46.52	$51.19	$58.93	348,201,513	403,363,273	376,332,668	521,401,054	$30,279.6	$18,764.5	$19,264.5	$30.726.2	$99,034.7
219.	3/10/2008	$89.70	$48.38	$52.17	$60.67	348,201,513	403,363,273	376,332,668	521,401,054	$31,233.7	$19,514.7	$19,633.3	$31,633.4	$102,015.1
220.	3/17/2008	$90.50	$53.93	$52.30	$60.33	348,201,513	403,363,273	376,332,668	521,401,054	$31.512.2	$21,753.4	$19,682.2	$31,456.1	$104,403.9
221.	3/24/2008	$90.88	$55.87	$53.47	$61.79	348,201,513	403.363,273	376,332,668	521,401,054	$31.644.6	$22.535.9	$20,122.5	$32,217.4	$106,520.3
222.	3/31/2008	$94.78	$56.60	$55.98	$66.07	348,201,513	404,888,568	376,332,668	521,401,054	$33.002.5	$22.916.7	$21,067.1	$34,449.0	$111.435.3
223.	4/7/2008	$92.07	$55.63	$54.20	$64.36	348,201,513	404,888,568	375,755,263	521,401,054	$32,058.9	$22,524.0	$20,365.9	$33,557.4	$108,506.2
224.	4/14/2008	$98.57	$60.50	$60.75	$68.25	348,201,513	404,888,568	375,755,263	521,401,054	$34,322.2	$24,495.8	$22,827.1	$35,585.6	$117,230.7
225.	4/21/2008	$98.55	$61.19	$59.26	$69.49	348,201,513	404,888,568	375,755,263	516,747,040	$34,315.3	$24,775.1	$22,267.3	$35,908.8	$117,266.4
226.	4/28/2008	$102.98	$63.36	$59.61	$72.60	344,930,287	404,888,568	375,755,263	516,747,040	$35,520.9	$25,653.7	$22,398.8	$37,515.8	$121,089.3
227.	5/5/2008	$102.22	$62.47	$61.30	$72.30	344,930,287	404,888,568	375,755,263	516,747,040	$35,258.8	$25.293.4	$23,033.8	$37,360.8	$120,946.8
228.	5/12/2008	$107.25	$64.75	$63.69	$75.62	344.930,287	404,888,568	375,755,263	516,747,040	$36,993.8	$26,216.5	$23.931.9	$39.076.4	$126,218.6
229.	5/19/2008	$104.86	$65.92	$62.14	$75.21	344,930,287	404,888,568	375,755,263	516.747,040	$36,169.4	$26,690.3	$23,349.4	$38.864.5	$125,073.6
230.	5/27/2008	$111.69	$68.41	$66.73	$81.37	344,930,287	404,888,568	375,755,263	516,747,040	$38,525.3	$27.698.4	$25,074.1	$42,047.7	$133,345.5
231.	6/2/2008	$109.37	$64.79	$63.56	$77.27	344,930,287	404,888,568	375,755,263	516,747,040	$37,725.0	$26,232.7	$23,883.0	$39,929.0	$127,769.8
232.	6/9/2008	$103.71	$64.80	$62.81	$74.91	344,930,287	404,888,568	375,755,263	516,747,040	$35,772.7	$26.236.8	$23,601.2	$38,709.5	$124,320.2
233.	6/16/2008	$102.06	$64.22	$63.13	$76.21	344,930,287	404,888,568	375,755,263	516,747,040	$35,203.6	$26,001.9	$23,721.4	$39,381.3	$124,308.3
234.	6/23/2008	$96.49	$61.55	$60.45	$73.19	344,930,287	404,888,568	375,755,263	516,747,040	$33,282.3	$24,920.9	$22,714.4	$37,820.7	$118,738.3
235.	6/30/2008	$92.96	$56.82	$58.34	$70.23	344,930,287	407,642,147	375,755,263	516,747,040	$32,064.7	$23,162.2	$21,921.6	$36,291.1	$113,439.7
236.	7/7/2008	$94.56	$60.05	$61.18	$71.29	344,930,287	407,642,147	375,199,214	516,747,040	$32,616.6	$24,478.9	$22,954.7	$36,838.9	$116,889.1
237.	7/14/2008	$93.69	$60.30	$62.81	$71.91	344,930,287	407.642,147	375.199,214	516,747,040	$32,316.5	$24.580.8	$23,566.3	$37,159.3	$117,622.9
238.	7/21/2008	$97.14	$62.74	$69.43	$76.82	344,404,716	407,642,147	375,199,214	509,170,209	$33,455.5	$25,575.5	$26,050.1	$39,114.5	$124,195.5
239.	7/28/2008	$100.81	$65.54	$70.25	$78.75	344,404,716	407,642,147	375,199,214	509,170,209	$34,719.4	$26,716.9	$26,357.7	$40,097.2	$127,891.2
240.	8/4/2008	$100.49	$64.99	$73.16	$82.46	344,404,716	407,642,147	375,199,214	509,170,209	$34,609.2	$26,492.7	$27,449.6	$41,986.2	$130,537.6
241.	8/11/2008	$97.95	$60.33	$70.21	$76.20	344,404,716	407,642,147	375,199,214	509,170,209	$33,734.4	$24,593.1	$26,342.7	$38,798.8	$123,469.0
242.	8/18/2008	$102.51	$63.13	$70.62	$78.86	344,404,716	407,642,147	375,199,214	509,170,209	$35,304.9	$25,734.4	$26,496.6	$40,153.2	$127,689.1
243.	8/25/2008	$106.40	$64.29	$73.14	$83.45	344,404,716	407,642,147	375,199,214	509,170,209	$36,644.7	$26,207.3	$27,442.1	$42,490.3	$132,784.3
244.	9/2/2008	$98.94	$57.36	$66.04	$75.05	344,404,716	407,642,147	375,199,214	509,170,209	$34,075.4	$23,382.4	$24,778.2	$38,213.2	$120,449.1
245.	9/8/2008	$101.30	$61.24	$67.61	$77.38	344,404,716	407,642,147	375,199,214	509,170,209	$34,888.2	$24,964.0	$25,367.2	$39,399.6	$124,619.0
246.	9/15/2008	$100.17	$59.01	$69.99	$76.32	344,404,716	407,642,147	375,199,214	509,170,209	$34,499.0	$24,055.0	$26,260.2	$38,859.9	$123,674.0
247.	9/22/2008	$97.82	$56.05	$69.56	$72.87	344,404,716	407,642.147	375,199,214	509,170,209	$33,689.7	$22,848.3	$26,098.9	$37,103.2	$119,740.1
248.	9/29/2008	$82.85	$47.41	$55.87	$61.48	344,404,716	394,469,360	375,199,214	509,170,209	$28,533.9	$18,701.8	$20,962.4	$31,303.8	$99,501.9
249.	10/6/2008	$79.73	$43.05	$51.78	$57.69	344,404,716	394,469,360	370,279,291	509,170,209	$27,459.4	$16,981.9	$19,173.1	$29,374.0	$92,988.4
250.	10/13/2008	$79.67	$43.07	$52.26	$55.19	344,404,716	394.469,360	370,279,291	509,170,209	$27,438.7	$16,989.8	$19,350.8	$28,101.1	$91,880.4
251.	10/20/2008	$79.57	$42.13	$52.84	$57.97	342,326,358	394.469,360	370,279,291	506,430,904	$27,238.9	$16,619.0	$19,565.6	$29,357.8	$92,781.3

Weekly Market Caps For The Study Railroads -- 2008

		Closing Adjusted Stock Price 1/				Common Equity Outstanding 2/				Weekly Market Cap (millions) 3/				Aggregate Market
	Week	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	BNSF	CSX	NS	UP	Cap 4/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
252.	10/27/2008	$88.59	$45.45	$59.63	$66.41	342,326,358	394,469,360	370,279,291	506,430,904	$30,326.7	$17,928.6	$22,079.8	$33,632.1	$103,967.2
253.	11/3/2008	$80.82	$42.51	$53.72	$60.66	342,326,358	394,469,360	370,279,291	506,430,904	$27,666.8	$16,768.9	$19,891.4	$30,720.1	$95,047.2
254.	11/10/2008	$79.21	$38.59	$51.98	$56.96	342,326.358	394,469,360	370,279,291	506,430,904	$27,115.7	$15,222.6	$19,247.1	$28,846.3	$90,431.7
255.	11/17/2008	$72.90	$33.50	$45.68	$47.24	342,326.358	394,469,360	370,279,291	506,430,904	$24,955.6	$13,214.7	$16,914.4	$23,923.8	$79,008.5
256.	11/24/2008	$76.20	$37.24	$49.47	$50.04	342,326,358	394,469,360	370,279,291	506,430,904	$26,085.3	$14.690.0	$18,317.7	$25,341.8	$84,434.8
257.	12/1/2008	$74.28	$34.15	$46.14	$47.49	342,326,358	394,469,360	370,279,291	506,430,904	$25,428.0	$13,471.1	$17,084.7	$24,050.4	$80,034.2
258.	12/8/2008	$71.38	$31.85	$44.52	$42.81	342,326,358	394,469,360	370,279,291	506,430,904	$24,435.3	$12,563.8	$16,484.8	$21,680.3	$75,164.2
259.	12/15/2008	$73.66	$31.60	$44.56	$46.27	342,326,358	394,469,360	370,279,291	506,430.904	$25,215.8	$12,465.2	$16,499.6	$23,432.6	$77,613.2
260.	12/22/2008	$74.43	$31.50	$44.36	$46.97	342,326,358	394,469,360	370.279,291	506,430,904	$25,479.4	$12,425.8	$16,425.6	$23,787.1	$78,117.8
261.	12/29/2008	78.45	34.62	49.07	50.13	342.326,358	394,469,360	370,279,291	506,430,904	26,855.50	13,656.53	18,169.60	25,387.38	84,069.02

1/ Source: Weekly closing stock prices adjusted for stock splits and dividends as reported on Yahoo!Finance.
2/ Source: Railroad SEC Forms 10-Q and 10-K.
3/ [Column (2) through Column (5) x Column (6) through Column (9), respectively] – 1,000,000.
4/ Sum of Columns (10) to (13).

Weekly Change In Railroad Common Equity Portfolio -- 2008

	Week	Weekly Change In Stock Price 1/				Weekly Change In Railroad Stock Portfolio 2/
	Week	BNSF	CSX	NS	UP	
	(1)	(2)	(3)	(4)	(5)	(6)
1.	1/12/2004	-0.97%	-3.10%	-0.09%	0.36%	-0.66%
2.	1/20/2004	3.29%	4.33%	0.99%	-1.69%	1.13%
3.	1/26/2004	-1.87%	-10.65%	-3.60%	-1.88%	-3.70%
4.	2/2/2004	2.07%	-0.47%	-0.24%	0.74%	0.72%
5.	2/9/2004	-1.21%	0.61%	0.63%	-0.07%	-0.14%
6.	2/17/2004	-0.76%	-1.01%	0.24%	-1.04%	-0.71%
7.	2/23/2004	0.10%	1.15%	-0.87%	-0.81%	-0.27%
8.	3/1/2004	-2.87%	-1.21%	-1.46%	-2.86%	-2.33%
9.	3/8/2004	0.07%	-1.70%	-2.12%	1.26%	-0.21%
10.	3/15/2004	-1.48%	-2.07%	-2.62%	-1.83%	-1.93%
11.	3/22/2004	2.44%	-0.42%	3.42%	-0.49%	1.08%
12.	3/29/2004	1.43%	1.77%	3.86%	-1.70%	0.80%
13.	4/5/2004	1.07%	-1.32%	-1.93%	-4.65%	-1.98%
14.	4/12/2004	1.03%	-0.92%	0.79%	0.83%	0.61%
15.	4/19/2004	1.55%	5.35%	11.96%	4.05%	5.15%
16.	4/26/2004	-1.04%	-1.76%	-3.71%	-1.51%	-1.90%
17.	5/3/2004	0.07%	-1.45%	-0.32%	-3.29%	-1.43%
18.	5/10/2004	0.75%	2.38%	0.59%	0.64%	0.93%
19.	5/17/2004	-2.24%	-1.37%	0.14%	-1.92%	-1.48%
20.	5/24/2004	2.19%	3.60%	1.62%	3.64%	2.78%
21.	6/1/2004	2.21%	2.00%	2.35%	1.63%	2.01%
22.	6/7/2004	1.68%	-0.65%	0.78%	-1.27%	0.10%
23.	6/14/2004	0.13%	-1.32%	0.04%	-1.03%	-0.51%
24.	6/21/2004	1.34%	3.54%	3.40%	2.08%	2.39%
25.	6/28/2004	-1.39%	-2.90%	-2.66%	-0.47%	-1.60%
26.	7/6/2004	2.25%	-1.26%	2.31%	-1.10%	0.58%
27.	7/12/2004	-0.79%	-1.82%	0.67%	0.00%	-0.36%
28.	7/19/2004	-1.29%	-1.99%	-2.03%	-2.78%	-2.06%
29.	7/26/2004	3.90%	3.71%	5.12%	0.11%	2.89%
30.	8/2/2004	-3.81%	-3.57%	-1.29%	-2.09%	-2.64%
31.	8/9/2004	2.19%	0.56%	0.08%	0.16%	0.79%
32.	8/16/2004	0.27%	4.52%	4.93%	1.82%	2.50%
33.	8/23/2004	1.83%	0.53%	1.28%	0.91%	1.21%
34.	8/30/2004	2.18%	1.26%	4.83%	1.36%	2.41%
35.	9/7/2004	1.84%	3.27%	-0.40%	2.91%	1.84%
36.	9/13/2004	1.90%	1.27%	0.99%	0.58%	1.16%
37.	9/20/2004	0.93%	1.25%	-0.18%	-0.07%	0.39%
38.	9/27/2004	1.90%	-0.86%	3.03%	0.47%	1.29%
39.	10/4/2004	3.54%	4.48%	1.42%	3.91%	3.28%
40.	10/11/2004	-0.77%	-1.61%	1.85%	-2.14%	-0.70%
41.	10/18/2004	3.39%	-1.03%	4.21%	0.85%	2.14%
42.	10/25/2004	1.81%	6.12%	4.17%	3.22%	3.46%
43.	11/1/2004	5.00%	1.04%	2.90%	3.15%	3.32%
44.	11/8/2004	1.38%	2.91%	0.21%	-0.39%	0.77%
45.	11/15/2004	-0.24%	-1.05%	-5.02%	-2.44%	-2.21%
46.	11/22/2004	1.34%	1.46%	3.61%	0.47%	1.64%

Weekly Change In Railroad Common Equity Portfolio -- 2008

	Week	Weekly Change In Stock Price 1/				Weekly Change In Railroad Stock Portfolio 2/
		BNSF	CSX	NS	UP	
	(1)	(2)	(3)	(4)	(5)	(6)
47.	11/29/2004	3.14%	1.05%	4.38%	0.64%	2.39%
48.	12/6/2004	-1.23%	-0.77%	-2.11%	-3.24%	-1.97%
49.	12/13/2004	0.97%	2.98%	-0.70%	1.59%	1.03%
50.	12/20/2004	1.40%	1.61%	3.40%	7.00%	3.55%
51.	12/27/2004	1.20%	0.58%	0.41%	0.67%	0.75%
52.	1/3/2005	-4.65%	-3.09%	0.74%	-3.63%	-2.79%
53.	1/10/2005	2.23%	-1.08%	-0.64%	-4.59%	-1.02%
54.	1/18/2005	-0.21%	-2.89%	-2.48%	-2.30%	-1.78%
55.	1/24/2005	2.43%	4.67%	-3.57%	-2.49%	-0.16%
56.	1/31/2005	0.78%	0.97%	3.67%	0.43%	1.42%
57.	2/7/2005	-0.49%	1.06%	1.54%	2.22%	1.00%
58.	2/14/2005	4.11%	1.05%	-0.98%	5.44%	2.73%
59.	2/22/2005	3.03%	4.33%	3.31%	0.33%	2.52%
60.	2/28/2005	3.75%	2.65%	1.05%	1.00%	2.15%
61.	3/7/2005	1.39%	-1.22%	2.19%	2.89%	1.60%
62.	3/14/2005	3.45%	0.39%	-0.25%	0.32%	1.21%
63.	3/21/2005	1.24%	0.15%	0.96%	3.88%	1.75%
64.	3/28/2005	-4.33%	-2.16%	-3.28%	-0.46%	-2.66%
65.	4/4/2005	-2.12%	-0.65%	-5.27%	-0.95%	-2.31%
66.	4/11/2005	-9.45%	-7.96%	-12.01%	-7.40%	-9.22%
67.	4/18/2005	3.64%	3.56%	6.74%	2.42%	3.95%
68.	4/25/2005	-1.40%	1.37%	-4.04%	-0.85%	-1.42%
69.	5/2/2005	6.57%	3.03%	2.37%	0.10%	3.16%
70.	5/9/2005	-6.25%	-3.54%	-5.70%	-4.36%	-5.16%
71.	5/16/2005	4.96%	5.51%	6.08%	8.97%	6.46%
72.	5/23/2005	-1.87%	-1.00%	-0.36%	-0.29%	-0.93%
73.	5/31/2005	1.12%	1.21%	0.50%	0.16%	0.71%
74.	6/6/2005	-3.96%	-1.39%	-2.18%	-1.62%	-2.47%
75.	6/13/2005	5.33%	6.29%	4.94%	2.42%	4.52%
76.	6/20/2005	-7.78%	-4.64%	-7.89%	-3.97%	-6.17%
77.	6/27/2005	2.81%	2.09%	3.67%	1.31%	2.43%
78.	7/5/2005	2.80%	2.48%	2.23%	0.52%	1.94%
79.	7/11/2005	-1.40%	1.95%	3.17%	-0.39%	0.46%
80.	7/18/2005	7.19%	1.58%	5.18%	5.17%	5.20%
81.	7/25/2005	4.05%	-0.05%	6.66%	2.70%	3.59%
82.	8/1/2005	0.25%	-1.61%	-0.17%	-0.84%	-0.45%
83.	8/8/2005	1.51%	-0.23%	0.09%	-0.78%	0.24%
84.	8/15/2005	-1.67%	0.47%	-1.14%	-0.46%	-0.87%
85.	8/22/2005	0.04%	2.60%	-0.40%	0.49%	0.46%
86.	8/29/2005	-1.76%	-4.26%	-1.16%	-1.03%	-1.81%
87.	9/6/2005	3.36%	2.56%	-0.03%	-0.92%	1.20%
88.	9/12/2005	1.43%	-0.32%	3.49%	0.43%	1.35%
89.	9/19/2005	3.87%	-0.97%	4.25%	2.93%	2.95%
90.	9/26/2005	3.32%	4.30%	4.30%	2.67%	3.52%
91.	10/3/2005	-1.49%	-2.96%	-0.44%	-1.55%	-1.47%
92.	10/10/2005	-2.52%	-3.19%	-2.25%	-1.96%	-2.40%
93.	10/17/2005	0.80%	-1.05%	-1.63%	-3.03%	-1.14%

Weekly Change In Railroad Common Equity Portfolio – 2008

	Week	Weekly Change In Stock Price 1/				Weekly Change In Railroad Stock Portfolio 2/
		BNSF	CSX	NS	UP	
	(1)	(2)	(3)	(4)	(5)	(6)
94.	10/24/2005	4.32%	3.23%	2.40%	1.68%	2.97%
95.	10/31/2005	7.26%	4.35%	4.84%	2.49%	4.95%
96.	11/7/2005	-0.71%	0.85%	2.03%	1.14%	0.67%
97.	11/14/2005	3.66%	3.60%	3.48%	6.01%	4.23%
98.	11/21/2005	-1.82%	0.86%	0.05%	2.49%	0.19%
99.	11/28/2005	1.84%	-0.13%	0.55%	0.44%	0.85%
100.	12/5/2005	0.83%	0.43%	-2.77%	-1.76%	-0.81%
101.	12/12/2005	0.44%	0.59%	0.25%	3.04%	1.13%
102.	12/19/2005	4.93%	3.45%	5.07%	3.24%	4.28%
103.	12/27/2005	0.30%	-0.53%	-0.82%	0.21%	-0.11%
104.	1/3/2006	-2.49%	-3.07%	-5.95%	-2.41%	-3.36%
105.	1/9/2006	-0.75%	3.17%	0.75%	0.19%	0.42%
106.	1/17/2006	2.75%	1.64%	4.22%	6.49%	3.97%
107.	1/23/2006	9.54%	3.91%	11.76%	3.98%	7.64%
108.	1/30/2006	2.10%	-3.29%	-0.15%	-1.72%	-0.25%
109.	2/6/2006	1.02%	1.72%	-0.49%	0.75%	0.68%
110.	2/13/2006	1.00%	3.19%	0.71%	2.80%	1.72%
111.	2/21/2006	-1.71%	1.95%	1.23%	-0.31%	-0.12%
112.	2/27/2006	0.58%	1.80%	4.33%	1.53%	1.91%
113.	3/6/2006	-3.43%	-1.99%	-2.48%	-4.20%	-3.20%
114.	3/13/2006	5.60%	7.66%	6.12%	6.21%	6.19%
115.	3/20/2006	-0.54%	-0.77%	-1.19%	1.21%	-0.26%
116.	3/27/2006	3.70%	1.34%	1.44%	1.26%	2.13%
117.	4/3/2006	0.15%	6.03%	0.62%	0.31%	1.16%
118.	4/10/2006	-0.07%	2.58%	-1.04%	-0.11%	0.09%
119.	4/17/2006	3.60%	4.65%	4.35%	2.58%	3.67%
120.	4/24/2006	-7.94%	0.61%	-3.87%	-4.94%	-4.82%
121.	5/1/2006	4.60%	8.33%	4.38%	2.26%	4.54%
122.	5/8/2006	-4.38%	-4.67%	-3.26%	1.18%	-2.69%
123.	5/15/2006	-7.23%	-4.98%	-7.09%	-2.82%	-5.60%
124.	5/22/2006	4.93%	0.40%	4.79%	1.38%	3.12%
125.	5/30/2006	1.45%	1.87%	1.25%	1.50%	1.49%
126.	6/5/2006	-7.76%	-9.77%	-9.44%	-8.06%	-8.59%
127.	6/12/2006	6.89%	3.98%	3.89%	3.81%	4.83%
128.	6/19/2006	-0.04%	1.70%	0.93%	-1.08%	0.19%
129.	6/26/2006	2.62%	7.62%	4.57%	4.69%	4.48%
130.	7/3/2006	-4.46%	-4.41%	-3.13%	-3.05%	-3.75%
131.	7/10/2006	-3.45%	-4.24%	-4.37%	-4.39%	-4.07%
132.	7/17/2006	-5.56%	-3.95%	-5.95%	-3.63%	-4.85%
133.	7/24/2006	-0.21%	-2.41%	-5.63%	2.65%	-1.07%
134.	7/31/2006	0.23%	2.46%	-3.76%	-1.60%	-0.83%
135.	8/7/2006	-6.08%	-4.84%	-2.39%	-5.53%	-4.90%
136.	8/14/2006	5.57%	4.88%	8.21%	5.70%	6.08%
137.	8/21/2006	-3.48%	-3.62%	-4.26%	-3.34%	-3.65%
138.	8/28/2006	1.88%	2.36%	0.49%	-0.13%	1.07%
139.	9/5/2006	-1.68%	-0.31%	-3.06%	-0.54%	-1.43%
140.	9/11/2006	5.91%	4.32%	4.22%	4.61%	4.88%

Weekly Change In Railroad Common Equity Portfolio -- 2008

	Week	Weekly Change In Stock Price 1/				Weekly Change In Railroad Stock Portfolio 2/
		BNSF	CSX	NS	UP	
	(1)	(2)	(3)	(4)	(5)	(6)
141.	9/18/2006	-1.58%	-3.30%	-2.98%	-0.44%	-1.87%
142.	9/25/2006	6.87%	7.39%	5.47%	5.49%	6.26%
143.	10/2/2006	3.21%	2.70%	3.74%	0.96%	2.59%
144.	10/9/2006	3.45%	3.12%	2.44%	2.51%	2.91%
145.	10/16/2006	1.52%	3.53%	2.96%	-0.27%	1.67%
146.	10/23/2006	-2.02%	1.23%	10.63%	0.02%	1.85%
147.	10/30/2006	-2.15%	-1.92%	-2.46%	-0.73%	-1.79%
148.	11/6/2006	1.15%	2.94%	1.50%	1.05%	1.52%
149.	11/13/2006	-0.95%	-1.09%	-2.88%	0.23%	-1.10%
150.	11/20/2006	-0.01%	-0.17%	-2.58%	0.11%	-0.59%
151.	11/27/2006	-2.00%	-0.45%	-1.67%	-0.74%	-1.29%
152.	12/4/2006	1.61%	1.97%	3.48%	2.57%	2.37%
153.	12/11/2006	-0.90%	-3.66%	0.94%	1.22%	-0.38%
154.	12/18/2006	-3.34%	-4.21%	-4.29%	-3.53%	-3.76%
155.	12/26/2006	1.54%	1.49%	2.78%	1.54%	1.82%
156.	1/3/2007	-1.95%	-0.45%	-2.17%	-1.48%	-1.60%
157.	1/8/2007	2.21%	1.23%	2.24%	1.43%	1.82%
158.	1/16/2007	5.36%	2.96%	5.31%	4.77%	4.76%
159.	1/22/2007	-0.34%	-1.18%	-9.40%	-0.94%	-2.75%
160.	1/29/2007	4.84%	7.40%	6.50%	7.31%	6.37%
161.	2/5/2007	-2.81%	-2.25%	-3.80%	-2.69%	-2.89%
162.	2/12/2007	4.40%	9.71%	4.57%	2.09%	4.69%
163.	2/20/2007	1.57%	-0.61%	-0.44%	2.12%	0.90%
164.	2/26/2007	-7.60%	-10.23%	-9.06%	-5.53%	-7.78%
165.	3/5/2007	2.30%	4.62%	4.76%	0.94%	2.82%
166.	3/12/2007	0.96%	5.99%	0.47%	1.23%	1.85%
167.	3/19/2007	3.54%	3.83%	6.56%	4.25%	4.43%
168.	3/26/2007	-2.68%	-3.84%	-2.63%	-2.54%	-2.85%
169.	4/2/2007	2.85%	2.28%	0.76%	1.64%	1.94%
170.	4/9/2007	9.64%	3.65%	5.70%	6.36%	6.74%
171.	4/16/2007	3.72%	6.09%	4.03%	6.78%	5.11%
172.	4/23/2007	-5.52%	-2.89%	-4.36%	-1.17%	-3.51%
173.	4/30/2007	1.77%	5.18%	0.98%	0.69%	1.91%
174.	5/7/2007	-0.53%	-1.34%	2.41%	0.23%	0.13%
175.	5/14/2007	4.97%	2.55%	5.26%	2.51%	3.84%
176.	5/21/2007	-3.18%	-3.92%	-1.54%	-1.27%	-2.41%
177.	5/29/2007	2.84%	3.51%	2.47%	3.45%	3.07%
178.	6/4/2007	-5.32%	-2.52%	-6.40%	-4.42%	-4.76%
179.	6/11/2007	-0.48%	0.11%	1.80%	3.10%	1.18%
180.	6/18/2007	-2.49%	-0.59%	-3.52%	-3.47%	-2.65%
181.	6/25/2007	-1.18%	0.64%	-2.48%	-0.81%	-0.99%
182.	7/2/2007	1.84%	2.99%	2.74%	1.44%	2.12%
183.	7/9/2007	2.28%	3.88%	3.40%	3.41%	3.16%
184.	7/16/2007	1.89%	5.26%	1.77%	4.20%	3.23%
185.	7/23/2007	-8.43%	-8.58%	-7.92%	-5.36%	-7.42%
186.	7/30/2007	-4.40%	0.73%	-2.38%	-4.09%	-2.88%
187.	8/6/2007	1.88%	0.55%	0.91%	2.09%	1.47%

Weekly Change In Railroad Common Equity Portfolio -- 2008

	Week	Weekly Change In Stock Price 1/ BNSF	CSX	NS	UP	Weekly Change In Railroad Stock Portfolio 2/
	(1)	(2)	(3)	(4)	(5)	(6)
188.	8/13/2007	-1.27%	-11.60%	-0.66%	-9.18%	-5.72%
189.	8/20/2007	1.25%	3.69%	1.11%	4.86%	2.77%
190.	8/27/2007	0.74%	-4.49%	-0.62%	0.75%	-0.56%
191.	9/4/2007	0.18%	-2.21%	-3.02%	-3.09%	-1.94%
192.	9/10/2007	1.33%	-4.96%	2.52%	3.43%	1.04%
193.	9/17/2007	-0.78%	5.72%	0.66%	0.93%	1.19%
194.	9/24/2007	-0.30%	6.07%	1.28%	0.18%	1.34%
195.	10/1/2007	6.92%	1.84%	2.86%	3.79%	4.14%
196.	10/8/2007	-3.71%	-2.11%	0.38%	1.86%	-0.86%
197.	10/15/2007	-1.29%	4.74%	-3.16%	2.59%	0.64%
198.	10/22/2007	3.84%	0.32%	-1.46%	4.30%	2.28%
199.	10/29/2007	1.25%	-2.55%	-0.10%	-1.48%	-0.61%
200.	11/5/2007	-2.38%	-0.14%	-0.72%	-1.08%	-1.23%
201.	11/12/2007	1.36%	-0.73%	-0.06%	1.47%	0.74%
202.	11/19/2007	-3.92%	-4.45%	-1.76%	-1.42%	-2.78%
203.	11/26/2007	1.30%	2.02%	3.34%	1.54%	1.90%
204.	12/3/2007	4.21%	4.25%	4.12%	6.89%	5.09%
205.	12/10/2007	-3.22%	-0.67%	-5.01%	-3.16%	-3.11%
206.	12/17/2007	-0.31%	0.42%	-1.29%	-3.48%	-1.44%
207.	12/24/2007	-0.44%	1.37%	2.02%	1.35%	0.96%
208.	12/31/2007	-5.59%	-8.00%	-6.12%	-6.03%	-6.28%
209.	1/7/2008	-0.67%	4.31%	-2.96%	-4.94%	-1.64%
210.	1/14/2008	-1.52%	-3.06%	-4.98%	-3.20%	-3.02%
211.	1/22/2008	6.34%	10.35%	14.93%	8.48%	9.41%
212.	1/28/2008	7.95%	9.87%	11.56%	6.81%	8.67%
213.	2/4/2008	-0.31%	-3.84%	-3.33%	-2.05%	-2.16%
214.	2/11/2008	1.22%	1.59%	-0.88%	-0.44%	0.36%
215.	2/19/2008	-1.04%	2.83%	-1.41%	-0.54%	-0.19%
216.	2/25/2008	-0.46%	-3.00%	-0.53%	0.51%	-0.67%
217.	3/3/2008	0.65%	-2.94%	-1.80%	-4.09%	-2.01%
218.	3/10/2008	3.15%	4.00%	1.91%	2.95%	3.01%
219.	3/17/2008	0.89%	11.47%	0.25%	-0.56%	2.34%
220.	3/24/2008	0.42%	3.60%	2.24%	2.42%	2.03%
221.	3/31/2008	4.29%	1.31%	4.69%	6.93%	4.53%
222.	4/7/2008	-2.86%	-1.71%	-3.18%	-2.59%	-2.60%
223.	4/14/2008	7.06%	8.75%	12.08%	6.04%	8.04%
224.	4/21/2008	-0.02%	1.14%	-2.45%	1.82%	0.31%
225.	4/28/2008	4.50%	3.55%	0.59%	4.48%	3.55%
226.	5/5/2008	-0.74%	-1.40%	2.84%	-0.41%	-0.12%
227.	5/12/2008	4.92%	3.65%	3.90%	4.59%	4.36%
228.	5/19/2008	-2.23%	1.81%	-2.43%	-0.54%	-0.91%
229.	5/27/2008	6.51%	3.78%	7.39%	8.19%	6.61%
230.	6/2/2008	-2.08%	-5.29%	-4.75%	-5.04%	-4.18%
231.	6/9/2008	-5.18%	0.02%	-1.18%	-3.05%	-2.70%
232.	6/16/2008	-1.59%	-0.90%	0.51%	1.74%	-0.01%
233.	6/23/2008	-5.46%	-4.16%	-4.25%	-3.96%	-4.48%
234.	6/30/2008	-3.66%	-7.68%	-3.49%	-4.04%	-4.59%

Weekly Change In Railroad Common Equity Portfolio – 2008

		Weekly Change In Stock Price 1/				Weekly Change In Railroad Stock Portfolio 2/
	Week	BNSF	CSX	NS	UP	
	(1)	(2)	(3)	(4)	(5)	(6)
235.	7/7/2008	1.72%	5.68%	4.87%	1.51%	3.07%
236.	7/14/2008	-0.92%	0.42%	2.66%	0.87%	0.63%
237.	7/21/2008	3.68%	4.05%	10.54%	6.83%	6.13%
238.	7/28/2008	3.78%	4.46%	1.18%	2.51%	2.98%
239.	8/4/2008	-0.32%	-0.84%	4.14%	4.71%	2.07%
240.	8/11/2008	-2.53%	-7.17%	-4.03%	-7.59%	-5.42%
241.	8/18/2008	4.66%	4.64%	0.58%	3.49%	3.42%
242.	8/25/2008	3.79%	1.84%	3.57%	5.82%	3.99%
243.	9/2/2008	-7.01%	-10.78%	-9.71%	-10.07%	-9.29%
244.	9/8/2008	2.39%	6.76%	2.38%	3.10%	3.46%
245.	9/15/2008	-1.12%	-3.64%	3.52%	-1.37%	-0.76%
246.	9/22/2008	-2.35%	-5.02%	-0.61%	-4.52%	-3.18%
247.	9/29/2008	-15.30%	-15.41%	-19.68%	-15.63%	-16.38%
248.	10/6/2008	-3.77%	-9.20%	-7.32%	-6.16%	-6.29%
249.	10/13/2008	-0.08%	0.05%	0.93%	-4.33%	-1.19%
250.	10/20/2008	-0.13%	-2.18%	1.11%	5.04%	1.33%
251.	10/27/2008	11.34%	7.88%	12.85%	14.56%	12.06%
252.	11/3/2008	-8.77%	-6.47%	-9.91%	-8.66%	-8.58%
253.	11/10/2008	-1.99%	-9.22%	-3.24%	-6.10%	-4.86%
254.	11/17/2008	-7.97%	-13.19%	-12.12%	-17.06%	-12.63%
255.	11/24/2008	4.53%	11.16%	8.30%	5.93%	6.87%
256.	12/1/2008	-2.52%	-8.30%	-6.73%	-5.10%	-5.21%
257.	12/8/2008	-3.90%	-6.73%	-3.51%	-9.85%	-6.08%
258.	12/15/2008	3.19%	-0.78%	0.09%	8.08%	3.26%
259.	12/22/2008	1.05%	-0.32%	-0.45%	1.51%	0.65%
260.	12/29/2008	5.40%	9.90%	10.62%	6.73%	7.62%

1/ Current Week Pages 3 to 10, Columns (2) to (5) divided by prior week Pages 3 to 10, Columns (2) to (5).

2/ [Column (2) x Pages 3 to 10, Column (10) ÷ Pages 3 to 10, Column (14)] + [Column (3) x Pages 3 to 10, Column (11) ÷ Pages 3 to 10, Column (14)] + [Column (4) x Pages 3 to 10, Column (12) ÷ Pages 3 to 10, Column (14)] + [Column (4) x Pages 3 to 10, Column (13) ÷ Pages 3 to 10, Column (14)]

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week (1)	S&P 500 Price Retrun Index 1/ (2)	Change In S&P 500 Price Return Index 2/ (3)	3-Month T-Bill Annual Rate 3/ (4)	3-Month T-Bill Average Weekly Rate 4/ (5)
1.	1/5/2004	1121.8600	---	---	---
2.	1/12/2004	1139.8300	1.60%	0.89%	0.01704%
3.	1/20/2004	1141.5500	0.15%	0.89%	0.01704%
4.	1/26/2004	1131.1300	-0.91%	0.92%	0.01761%
5.	2/2/2004	1142.7600	1.03%	0.94%	0.01799%
6.	2/9/2004	1145.8100	0.27%	0.93%	0.01780%
7.	2/17/2004	1144.1100	-0.15%	0.94%	0.01799%
8.	2/23/2004	1144.9400	0.07%	0.96%	0.01838%
9.	3/1/2004	1156.8600	1.04%	0.96%	0.01838%
10.	3/8/2004	1120.5700	-3.14%	0.96%	0.01838%
11.	3/15/2004	1109.7800	-0.96%	0.94%	0.01799%
12.	3/22/2004	1108.0600	-0.15%	0.94%	0.01799%
13.	3/29/2004	1141.8100	3.05%	0.95%	0.01818%
14.	4/5/2004	1139.3200	-0.22%	0.94%	0.01799%
15.	4/12/2004	1134.6100	-0.41%	0.94%	0.01799%
16.	4/19/2004	1140.6000	0.53%	0.97%	0.01857%
17.	4/26/2004	1107.3000	-2.92%	0.98%	0.01876%
18.	5/3/2004	1098.7000	-0.78%	1.01%	0.01933%
19.	5/10/2004	1095.7000	-0.27%	1.03%	0.01971%
20.	5/17/2004	1093.5600	-0.20%	1.04%	0.01990%
21.	5/24/2004	1120.6800	2.48%	1.07%	0.02047%
22.	6/1/2004	1122.5000	0.16%	1.18%	0.02256%
23.	6/7/2004	1136.4700	1.24%	1.27%	0.02427%
24.	6/14/2004	1135.0200	-0.13%	1.32%	0.02522%
25.	6/21/2004	1134.4300	-0.05%	1.31%	0.02503%
26.	6/28/2004	1125.3800	-0.80%	1.32%	0.02522%
27.	7/6/2004	1112.8100	-1.12%	1.30%	0.02484%
28.	7/12/2004	1101.3900	-1.03%	1.34%	0.02560%
29.	7/19/2004	1086.2000	-1.38%	1.36%	0.02598%
30.	7/26/2004	1101.7200	1.43%	1.45%	0.02769%
31.	8/2/2004	1063.9700	-3.43%	1.48%	0.02826%
32.	8/9/2004	1064.8000	0.08%	1.46%	0.02788%
33.	8/16/2004	1098.3500	3.15%	1.49%	0.02845%
34.	8/23/2004	1107.7700	0.86%	1.55%	0.02958%
35.	8/30/2004	1113.6300	0.53%	1.61%	0.03072%
36.	9/7/2004	1123.9200	0.92%	1.65%	0.03148%
37.	9/13/2004	1128.5500	0.41%	1.67%	0.03186%
38.	9/20/2004	1110.1100	-1.63%	1.72%	0.03280%
39.	9/27/2004	1131.5000	1.93%	1.72%	0.03280%
40.	10/4/2004	1122.1400	-0.83%	1.71%	0.03261%
41.	10/11/2004	1108.2000	-1.24%	1.74%	0.03318%
42.	10/18/2004	1095.7400	-1.12%	1.83%	0.03488%
43.	10/25/2004	1130.2000	3.14%	1.91%	0.03639%

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
	(1)	(2)	(3)	(4)	(5)
44.	11/1/2004	1166.1700	3.18%	1.99%	0.03790%
45.	11/8/2004	1184.1700	1.54%	2.08%	0.03960%
46.	11/15/2004	1170.3400	-1.17%	2.13%	0.04054%
47.	11/22/2004	1182.6500	1.05%	2.20%	0.04186%
48.	11/29/2004	1191.1700	0.72%	2.22%	0.04223%
49.	12/6/2004	1188.0000	-0.27%	2.25%	0.04280%
50.	12/13/2004	1194.2000	0.52%	2.21%	0.04205%
51.	12/20/2004	1210.1300	1.33%	2.20%	0.04186%
52.	12/27/2004	1211.9200	0.15%	2.23%	0.04242%
53.	1/3/2005	1186.1900	-2.12%	2.32%	0.04412%
54.	1/10/2005	1184.5200	-0.14%	2.35%	0.04468%
55.	1/18/2005	1167.8700	-1.41%	2.37%	0.04506%
56.	1/24/2005	1171.3600	0.30%	2.41%	0.04581%
57.	1/31/2005	1203.0300	2.70%	2.50%	0.04750%
58.	2/7/2005	1205.3000	0.19%	2.51%	0.04768%
59.	2/14/2005	1201.5900	-0.31%	2.59%	0.04919%
60.	2/22/2005	1211.3700	0.81%	2.69%	0.05106%
61.	2/28/2005	1222.1200	0.89%	2.75%	0.05218%
62.	3/7/2005	1200.0800	-1.80%	2.76%	0.05237%
63.	3/14/2005	1189.6500	-0.87%	2.80%	0.05312%
64.	3/21/2005	1171.4200	-1.53%	2.85%	0.05406%
65.	3/28/2005	1172.9200	0.13%	2.82%	0.05349%
66.	4/4/2005	1181.2000	0.71%	2.78%	0.05275%
67.	4/11/2005	1142.6200	-3.27%	2.77%	0.05256%
68.	4/18/2005	1152.1200	0.83%	2.90%	0.05499%
69.	4/25/2005	1156.8500	0.41%	2.90%	0.05499%
70.	5/2/2005	1171.3500	1.25%	2.88%	0.05462%
71.	5/9/2005	1154.0500	-1.48%	2.88%	0.05462%
72.	5/16/2005	1189.2800	3.05%	2.88%	0.05462%
73.	5/23/2005	1198.7800	0.80%	2.95%	0.05593%
74.	5/31/2005	1196.0200	-0.23%	2.99%	0.05667%
75.	6/6/2005	1198.1100	0.17%	3.01%	0.05705%
76.	6/13/2005	1216.9600	1.57%	3.00%	0.05686%
77.	6/20/2005	1191.5700	-2.09%	3.05%	0.05779%
78.	6/27/2005	1194.4400	0.24%	3.14%	0.05947%
79.	7/5/2005	1211.8600	1.46%	3.18%	0.06022%
80.	7/11/2005	1227.9200	1.33%	3.22%	0.06097%
81.	7/18/2005	1233.6800	0.47%	3.33%	0.06302%
82.	7/25/2005	1234.1800	0.04%	3.42%	0.06469%
83.	8/1/2005	1226.4200	-0.63%	3.48%	0.06581%
84.	8/8/2005	1230.3900	0.32%	3.52%	0.06655%
85.	8/15/2005	1219.7100	-0.87%	3.52%	0.06655%
86.	8/22/2005	1205.1000	-1.20%	3.54%	0.06692%
87.	8/29/2005	1218.0200	1.07%	3.51%	0.06636%

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
	(1)	(2)	(3)	(4)	(5)
88.	9/6/2005	1241.4800	1.93%	3.50%	0.06618%
89.	9/12/2005	1237.9100	-0.29%	3.47%	0.06562%
90.	9/19/2005	1215.2900	-1.83%	3.51%	0.06636%
91.	9/26/2005	1228.8100	1.11%	3.51%	0.06636%
92.	10/3/2005	1195.9000	-2.68%	3.61%	0.06822%
93.	10/10/2005	1186.5700	-0.78%	3.74%	0.07064%
94.	10/17/2005	1179.5900	-0.59%	3.86%	0.07286%
95.	10/24/2005	1198.4100	1.60%	3.91%	0.07379%
96.	10/31/2005	1220.1400	1.81%	3.96%	0.07471%
97.	11/7/2005	1234.7200	1.19%	3.97%	0.07490%
98.	11/14/2005	1248.2700	1.10%	4.01%	0.07564%
99.	11/21/2005	1268.2500	1.60%	3.96%	0.07471%
100.	11/28/2005	1265.0800	-0.25%	3.97%	0.07490%
101.	12/5/2005	1259.3700	-0.45%	4.00%	0.07545%
102.	12/12/2005	1267.3200	0.63%	3.91%	0.07379%
103.	12/19/2005	1268.6600	0.11%	3.97%	0.07490%
104.	12/27/2005	1248.2900	-1.61%	4.01%	0.07564%
105.	1/3/2006	1285.4500	2.98%	4.19%	0.07897%
106.	1/9/2006	1287.6100	0.17%	4.29%	0.08081%
107.	1/17/2006	1261.4900	-2.03%	4.36%	0.08210%
108.	1/23/2006	1283.7200	1.76%	4.42%	0.08321%
109.	1/30/2006	1264.0300	-1.53%	4.48%	0.08432%
110.	2/6/2006	1266.9900	0.23%	4.50%	0.08468%
111.	2/13/2006	1287.2400	1.60%	4.55%	0.08560%
112.	2/21/2006	1289.4300	0.17%	4.58%	0.08616%
113.	2/27/2006	1287.2300	-0.17%	4.62%	0.08689%
114.	3/6/2006	1281.4200	-0.45%	4.60%	0.08652%
115.	3/13/2006	1307.2500	2.02%	4.62%	0.08689%
116.	3/20/2006	1302.9500	-0.33%	4.67%	0.08781%
117.	3/27/2006	1294.8700	-0.62%	4.63%	0.08708%
118.	4/3/2006	1295.5000	0.05%	4.68%	0.08800%
119.	4/10/2006	1289.1200	-0.49%	4.70%	0.08836%
120.	4/17/2006	1311.2800	1.72%	4.73%	0.08892%
121.	4/24/2006	1310.6100	-0.05%	4.78%	0.08983%
122.	5/1/2006	1325.7600	1.16%	4.82%	0.09057%
123.	5/8/2006	1291.2400	-2.60%	4.86%	0.09130%
124.	5/15/2006	1267.0300	-1.87%	4.83%	0.09075%
125.	5/22/2006	1280.1600	1.04%	4.83%	0.09075%
126.	5/30/2006	1288.2200	0.63%	4.84%	0.09094%
127.	6/5/2006	1252.3000	-2.79%	4.86%	0.09130%
128.	6/12/2006	1251.5400	-0.06%	4.89%	0.09185%
129.	6/19/2006	1244.5000	-0.56%	4.93%	0.09259%
130.	6/26/2006	1270.2000	2.07%	5.02%	0.09424%
131.	7/3/2006	1265.4800	-0.37%	5.03%	0.09442%

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
	(1)	(2)	(3)	(4)	(5)
132.	7/10/2006	1236.2000	-2.31%	5.06%	0.09497%
133.	7/17/2006	1240.2900	0.33%	5.11%	0.09589%
134.	7/24/2006	1278.5500	3.08%	5.10%	0.09570%
135.	7/31/2006	1279.3600	0.06%	5.10%	0.09570%
136.	8/7/2006	1266.7400	-0.99%	5.08%	0.09534%
137.	8/14/2006	1302.3000	2.81%	5.10%	0.09570%
138.	8/21/2006	1295.0900	-0.55%	5.10%	0.09570%
139.	8/28/2006	1311.0100	1.23%	5.06%	0.09497%
140.	9/5/2006	1298.9200	-0.92%	4.97%	0.09332%
141.	9/11/2006	1319.6600	1.60%	4.93%	0.09259%
142.	9/18/2006	1314.7800	-0.37%	4.93%	0.09259%
143.	9/25/2006	1335.8500	1.60%	4.88%	0.09167%
144.	10/2/2006	1349.5900	1.03%	4.92%	0.09240%
145.	10/9/2006	1365.6200	1.19%	5.03%	0.09442%
146.	10/16/2006	1368.6000	0.22%	5.09%	0.09552%
147.	10/23/2006	1377.3400	0.64%	5.12%	0.09607%
148.	10/30/2006	1364.3000	-0.95%	5.08%	0.09534%
149.	11/6/2006	1380.9000	1.22%	5.09%	0.09552%
150.	11/13/2006	1401.2000	1.47%	5.09%	0.09552%
151.	11/20/2006	1400.9500	-0.02%	5.06%	0.09497%
152.	11/27/2006	1396.7100	-0.30%	5.04%	0.09460%
153.	12/4/2006	1409.8400	0.94%	4.99%	0.09369%
154.	12/11/2006	1427.0900	1.22%	4.93%	0.09259%
155.	12/18/2006	1410.7600	-1.14%	4.97%	0.09332%
156.	12/26/2006	1418.3000	0.53%	5.00%	0.09387%
157.	1/3/2007	1409.7100	-0.61%	5.05%	0.09479%
158.	1/8/2007	1430.7300	1.49%	5.09%	0.09552%
159.	1/16/2007	1430.5000	-0.02%	5.12%	0.09607%
160.	1/22/2007	1422.1800	-0.58%	5.13%	0.09625%
161.	1/29/2007	1448.3900	1.84%	5.13%	0.09625%
162.	2/5/2007	1438.0600	-0.71%	5.15%	0.09662%
163.	2/12/2007	1455.5400	1.22%	5.17%	0.09699%
164.	2/20/2007	1451.1900	-0.30%	5.19%	0.09735%
165.	2/26/2007	1387.1700	-4.41%	5.15%	0.09662%
166.	3/5/2007	1402.8400	1.13%	5.11%	0.09589%
167.	3/12/2007	1386.9500	-1.13%	5.07%	0.09515%
168.	3/19/2007	1436.1100	3.54%	5.06%	0.09497%
169.	3/26/2007	1420.8600	-1.06%	5.06%	0.09497%
170.	4/2/2007	1443.7600	1.61%	5.05%	0.09479%
171.	4/9/2007	1452.8500	0.63%	5.03%	0.09442%
172.	4/16/2007	1484.3500	2.17%	5.00%	0.09387%
173.	4/23/2007	1494.0700	0.65%	4.97%	0.09332%
174.	4/30/2007	1505.6200	0.77%	4.90%	0.09204%
175.	5/7/2007	1505.8500	0.02%	4.88%	0.09167%

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
	(1)	(2)	(3)	(4)	(5)
176.	5/14/2007	1522.7500	1.12%	4.82%	0.09057%
177.	5/21/2007	1515.7300	-0.46%	4.90%	0.09204%
178.	5/29/2007	1536.3400	1.36%	4.82%	0.09057%
179.	6/4/2007	1507.6700	-1.87%	4.80%	0.09020%
180.	6/11/2007	1532.9100	1.67%	4.66%	0.08763%
181.	6/18/2007	1502.5600	-1.98%	4.69%	0.08818%
182.	6/25/2007	1503.3500	0.05%	4.80%	0.09020%
183.	7/2/2007	1530.4400	1.80%	4.95%	0.09295%
184.	7/9/2007	1552.5000	1.44%	4.96%	0.09314%
185.	7/16/2007	1534.1000	-1.19%	4.97%	0.09332%
186.	7/23/2007	1458.9500	-4.90%	4.96%	0.09314%
187.	7/30/2007	1433.0600	-1.77%	4.91%	0.09222%
188.	8/6/2007	1453.6400	1.44%	4.83%	0.09075%
189.	8/13/2007	1445.9400	-0.53%	4.23%	0.07970%
190.	8/20/2007	1479.3700	2.31%	3.70%	0.06989%
191.	8/27/2007	1473.9900	-0.36%	4.17%	0.07860%
192.	9/4/2007	1453.5500	-1.39%	4.30%	0.08100%
193.	9/10/2007	1484.2500	2.11%	4.04%	0.07619%
194.	9/17/2007	1525.7500	2.80%	3.92%	0.07397%
195.	9/24/2007	1526.7500	0.07%	3.78%	0.07138%
196.	10/1/2007	1557.5900	2.02%	3.96%	0.07471%
197.	10/8/2007	1561.8000	0.27%	4.11%	0.07749%
198.	10/15/2007	1500.6300	-3.92%	4.04%	0.07619%
199.	10/22/2007	1535.2800	2.31%	3.95%	0.07453%
200.	10/29/2007	1509.6500	-1.67%	3.87%	0.07305%
201.	11/5/2007	1453.7000	-3.71%	3.52%	0.06655%
202.	11/12/2007	1458.7400	0.35%	3.40%	0.06432%
203.	11/19/2007	1440.7000	-1.24%	3.24%	0.06134%
204.	11/26/2007	1481.1400	2.81%	3.10%	0.05873%
205.	12/3/2007	1504.6600	1.59%	3.08%	0.05835%
206.	12/10/2007	1467.9500	-2.44%	2.92%	0.05536%
207.	12/17/2007	1484.4600	1.12%	2.99%	0.05667%
208.	12/24/2007	1478.4900	-0.40%	3.25%	0.06152%
209.	12/31/2007	1411.6300	-4.52%	3.27%	0.06190%
210.	1/7/2008	1401.0200	-0.75%	3.21%	0.06078%
211.	1/14/2008	1325.1900	-5.41%	3.09%	0.05854%
212.	1/22/2008	1330.6100	0.41%	2.31%	0.04393%
213.	1/28/2008	1395.4200	4.87%	2.18%	0.04148%
214.	2/4/2008	1331.2900	-4.60%	2.19%	0.04167%
215.	2/11/2008	1349.9900	1.40%	2.28%	0.04336%
216.	2/19/2008	1353.1100	0.23%	2.23%	0.04242%
217.	2/25/2008	1330.6300	-1.66%	2.01%	0.03828%
218.	3/3/2008	1293.3700	-2.80%	1.55%	0.02958%
219.	3/10/2008	1288.1400	-0.40%	1.37%	0.02617%

S&P 500 Price Index And 3-Month T-Bill Weekly Returns -- 2008

	Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
	(1)	(2)	(3)	(4)	(5)
220.	3/17/2008	1329.5100	3.21%	0.82%	0.01571%
221.	3/24/2008	1315.2200	-1.07%	1.29%	0.02465%
222.	3/31/2008	1370.4000	4.20%	1.39%	0.02655%
223.	4/7/2008	1332.8300	-2.74%	1.33%	0.02541%
224.	4/14/2008	1390.3300	4.31%	1.18%	0.02256%
225.	4/21/2008	1397.8400	0.54%	1.29%	0.02465%
226.	4/28/2008	1413.9000	1.15%	1.45%	0.02769%
227.	5/5/2008	1388.2800	-1.81%	1.64%	0.03129%
228.	5/12/2008	1425.3500	2.67%	1.82%	0.03469%
229.	5/19/2008	1375.9300	-3.47%	1.85%	0.03526%
230.	5/27/2008	1400.3800	1.78%	1.89%	0.03601%
231.	6/2/2008	1360.6800	-2.83%	1.85%	0.03526%
232.	6/9/2008	1360.0300	-0.05%	1.97%	0.03752%
233.	6/16/2008	1317.9300	-3.10%	1.95%	0.03715%
234.	6/23/2008	1278.3800	-3.00%	1.79%	0.03412%
235.	6/30/2008	1262.9000	-1.21%	1.86%	0.03545%
236.	7/7/2008	1239.4900	-1.85%	1.77%	0.03375%
237.	7/14/2008	1260.6800	1.71%	1.44%	0.02750%
238.	7/21/2008	1257.7600	-0.23%	1.60%	0.03053%
239.	7/28/2008	1260.3100	0.20%	1.70%	0.03242%
240.	8/4/2008	1296.3200	2.86%	1.70%	0.03242%
241.	8/11/2008	1298.2000	0.15%	1.86%	0.03545%
242.	8/18/2008	1292.2000	-0.46%	1.75%	0.03337%
243.	8/25/2008	1282.8300	-0.73%	1.72%	0.03280%
244.	9/2/2008	1242.3100	-3.16%	1.70%	0.03242%
245.	9/8/2008	1251.7000	0.76%	1.62%	0.03091%
246.	9/15/2008	1255.0800	0.27%	0.62%	0.01189%
247.	9/22/2008	1213.2700	-3.33%	0.84%	0.01609%
248.	9/29/2008	1099.2300	-9.40%	0.77%	0.01475%
249.	10/6/2008	899.2200	-18.20%	0.58%	0.01112%
250.	10/13/2008	940.5500	4.60%	0.46%	0.00883%
251.	10/20/2008	876.7700	-6.78%	1.05%	0.02009%
252.	10/27/2008	968.7500	10.49%	0.62%	0.01189%
253.	11/3/2008	930.9900	-3.90%	0.40%	0.00768%
254.	11/10/2008	873.2900	-6.20%	0.21%	0.00403%
255.	11/17/2008	800.0300	-8.39%	0.07%	0.00135%
256.	11/24/2008	896.2400	12.03%	0.07%	0.00135%
257.	12/1/2008	876.0700	-2.25%	0.04%	0.00077%
258.	12/8/2008	879.7300	0.42%	0.02%	0.00038%
259.	12/15/2008	887.8800	0.93%	0.03%	0.00058%
260.	12/22/2008	872.8000	-1.70%	0.02%	0.00038%
261.	12/29/2008	931.8000	6.76%	0.09%	0.00173%

1/ Source: S&P 500 Price Index as reported on Yahoo!Finance.

S&P 500 Price Index And 3-Month T-Bill Weekly Returns – 2008

Week	S&P 500 Price Retrun Index 1/	Change In S&P 500 Price Return Index 2/	3-Month T-Bill Annual Rate 3/	3-Month T-Bill Average Weekly Rate 4/
(1)	(2)	(3)	(4)	(5)

2/ [Current Week Column (2) ÷ Prior Week Column (2)] -1.

3/ Source: Board of Governros of the Federal Reserve, series WGS3MO.

4/ $\{[(1+ \text{Column } (4)]^{(1/52)}\} -1$

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week (1)	Weekly Change In Railroad Stock Portfolio 1/ (2)	Weekly Change In S&P 500 Price Return Index 2/ (3)	3-Month T-Bill Average Weekly Rate 3/ (4)	Excess Return In Railroad Stock Portfolio 4/ (5)	Excess Return On S&P 500 Price Return Index 5/ (6)
1.	1/12/2004	-0.66%	1.60%	0.01704%	-0.006775	0.015848
2.	1/20/2004	1.13%	0.15%	0.01704%	0.011135	0.001339
3.	1/26/2004	-3.70%	-0.91%	0.01761%	-0.037138	-0.009304
4.	2/2/2004	0.72%	1.03%	0.01799%	0.007024	0.010102
5.	2/9/2004	-0.14%	0.27%	0.01780%	-0.001591	0.002491
6.	2/17/2004	-0.71%	-0.15%	0.01799%	-0.007240	-0.001664
7.	2/23/2004	-0.27%	0.07%	0.01838%	-0.002895	0.000542
8.	3/1/2004	-2.33%	1.04%	0.01838%	-0.023470	0.010227
9.	3/8/2004	-0.21%	-3.14%	0.01838%	-0.002235	-0.031553
10.	3/15/2004	-1.93%	-0.96%	0.01799%	-0.019468	-0.009809
11.	3/22/2004	1.08%	-0.15%	0.01799%	0.010610	-0.001730
12.	3/29/2004	0.80%	3.05%	0.01818%	0.007860	0.030277
13.	4/5/2004	-1.98%	-0.22%	0.01799%	-0.019985	-0.002361
14.	4/12/2004	0.61%	-0.41%	0.01799%	0.005884	-0.004314
15.	4/19/2004	5.15%	0.53%	0.01857%	0.051272	0.005094
16.	4/26/2004	-1.90%	-2.92%	0.01876%	-0.019160	-0.029383
17.	5/3/2004	-1.43%	-0.78%	0.01933%	-0.014459	-0.007960
18.	5/10/2004	0.93%	-0.27%	0.01971%	0.009103	-0.002928
19.	5/17/2004	-1.48%	-0.20%	0.01990%	-0.014986	-0.002152
20.	5/24/2004	2.78%	2.48%	0.02047%	0.027613	0.024595
21.	6/1/2004	2.01%	0.16%	0.02256%	0.019844	0.001398
22.	6/7/2004	0.10%	1.24%	0.02427%	0.000788	0.012203
23.	6/14/2004	-0.51%	-0.13%	0.02522%	-0.005359	-0.001528
24.	6/21/2004	2.39%	-0.05%	0.02503%	0.023620	-0.000770
25.	6/28/2004	-1.60%	-0.80%	0.02522%	-0.016277	-0.008230
26.	7/6/2004	0.58%	-1.12%	0.02484%	0.005552	-0.011418
27.	7/12/2004	-0.36%	-1.03%	0.02560%	-0.003819	-0.010518
28.	7/19/2004	-2.06%	-1.38%	0.02598%	-0.020885	-0.014051
29.	7/26/2004	2.89%	1.43%	0.02769%	0.028643	0.014011
30.	8/2/2004	-2.64%	-3.43%	0.02826%	-0.026648	-0.034547
31.	8/9/2004	0.79%	0.08%	0.02788%	0.007604	0.000501
32.	8/16/2004	2.50%	3.15%	0.02845%	0.024675	0.031224
33.	8/23/2004	1.21%	0.86%	0.02958%	0.011780	0.008281
34.	8/30/2004	2.41%	0.53%	0.03072%	0.023832	0.004983
35.	9/7/2004	1.84%	0.92%	0.03148%	0.018122	0.008925
36.	9/13/2004	1.16%	0.41%	0.03186%	0.011317	0.003801
37.	9/20/2004	0.39%	-1.63%	0.03280%	0.003619	-0.016668
38.	9/27/2004	1.29%	1.93%	0.03280%	0.012586	0.018940
39.	10/4/2004	3.28%	-0.83%	0.03261%	0.032508	-0.008598
40.	10/11/2004	-0.70%	-1.24%	0.03318%	-0.007376	-0.012754
41.	10/18/2004	2.14%	-1.12%	0.03488%	0.021033	-0.011592
42.	10/25/2004	3.46%	3.14%	0.03639%	0.034207	0.031085
43.	11/1/2004	3.32%	3.18%	0.03790%	0.032780	0.031447

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
	(1)	(2)	(3)	(4)	(5)	(6)
44.	11/8/2004	0.77%	1.54%	0.03960%	0.007285	0.015039
45.	11/15/2004	-2.21%	-1.17%	0.04054%	-0.022487	-0.012084
46.	11/22/2004	1.64%	1.05%	0.04186%	0.016004	0.010100
47.	11/29/2004	2.39%	0.72%	0.04223%	0.023446	0.006782
48.	12/6/2004	-1.97%	-0.27%	0.04280%	-0.020151	-0.003089
49.	12/13/2004	1:03%	0.52%	0.04205%	0.009902	0.004798
50.	12/20/2004	3.55%	1.33%	0.04186%	0.035066	0.012921
51.	12/27/2004	0.75%	0.15%	0.04242%	0.007118	0.001055
52.	1/3/2005	-2.79%	-2.12%	0.04412%	-0.028373	-0.021672
53.	1/10/2005	-1.02%	-0.14%	0.04468%	-0.010617	-0.001855
54.	1/18/2005	-1.78%	-1.41%	0.04506%	-0.018284	-0.014507
55.	1/24/2005	-0.16%	0.30%	0.04581%	-0.002016	0.002530
56.	1/31/2005	1.42%	2.70%	0.04750%	0.013705	0.026562
57.	2/7/2005	1.00%	0.19%	0.04768%	0.009556	0.001410
58.	2/14/2005	2.73%	-0.31%	0.04919%	0.026829	-0.003570
59.	2/21/2005	2.52%	0.81%	0.05106%	0.024692	0.007629
60.	2/28/2005	2.15%	0.89%	0.05218%	0.020979	0.008352
61.	3/7/2005	1.60%	-1.80%	0.05237%	0.015443	-0.018558
62.	3/14/2005	1.21%	-0.87%	0.05312%	0.011602	-0.009222
63.	3/21/2005	1.75%	-1.53%	0.05406%	0.016918	-0.015864
64.	3/28/2005	-2.66%	0.13%	0.05349%	-0.027181	0.000746
65.	4/4/2005	-2.31%	0.71%	0.05275%	-0.023612	0.006532
66.	4/11/2005	-9.22%	-3.27%	0.05256%	-0.092697	-0.033187
67.	4/18/2005	3.95%	0.83%	0.05499%	0.038986	0.007764
68.	4/25/2005	-1.42%	0.41%	0.05499%	-0.014783	0.003556
69.	5/2/2005	3.16%	1.25%	0.05462%	0.031053	0.011988
70.	5/9/2005	-5.16%	-1.48%	0.05462%	-0.052137	-0.015315
71.	5/16/2005	6.46%	3.05%	0.05462%	0.064097	0.029981
72.	5/23/2005	-0.93%	0.80%	0.05593%	-0.009862	0.007429
73.	5/31/2005	0.71%	-0.23%	0.05667%	0.006521	-0.002869
74.	6/6/2005	-2.47%	0.17%	0.05705%	-0.025227	0.001177
75.	6/13/2005	4.52%	1.57%	0.05686%	0.044612	0.015165
76.	6/20/2005	-6.17%	-2.09%	0.05779%	-0.062278	-0.021441
77.	6/27/2005	2.43%	0.24%	0.05947%	0.023665	0.001814
78.	7/5/2005	1.94%	1.46%	0.06022%	0.018785	0.013982
79.	7/11/2005	0.46%	1.33%	0.06097%	0.003983	0.012643
80.	7/18/2005	5.20%	0.47%	0.06302%	0.051414	0.004061
81.	7/25/2005	3.59%	0.04%	0.06469%	0.035219	-0.000242
82.	8/1/2005	-0.45%	-0.63%	0.06581%	-0.005199	-0.006946
83.	8/8/2005	0.24%	0.32%	0.06655%	0.001732	0.002572
84.	8/15/2005	-0.87%	-0.87%	0.06655%	-0.009370	-0.009346
85.	8/22/2005	0.46%	-1.20%	0.06692%	0.003974	-0.012647
86.	8/29/2005	-1.81%	1.07%	0.06636%	-0.018751	0.010057
87.	9/6/2005	1.20%	1.93%	0.06618%	0.011359	0.018599

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
	(1)	(2)	(3)	(4)	(5)	(6)
88.	9/12/2005	1.35%	-0.29%	0.06562%	0.012799	-0.003532
89.	9/19/2005	2.95%	-1.83%	0.06636%	0.028796	-0.018936
90.	9/26/2005	3.52%	1.11%	0.06636%	0.034504	0.010461
91.	10/3/2005	-1.47%	-2.68%	0.06822%	-0.015419	-0.027464
92.	10/10/2005	-2.40%	-0.78%	0.07064%	-0.024674	-0.008508
93.	10/17/2005	-1.14%	-0.59%	0.07286%	-0.012088	-0.006611
94.	10/24/2005	2.97%	1.60%	0.07379%	0.028952	0.015217
95.	10/31/2005	4.95%	1.81%	0.07471%	0.048764	0.017385
96.	11/7/2005	0.67%	1.19%	0.07490%	0.005929	0.011200
97.	11/14/2005	4.23%	1.10%	0.07564%	0.041589	0.010218
98.	11/21/2005	0.19%	1.60%	0.07471%	0.001164	0.015259
99.	11/28/2005	0.85%	-0.25%	0.07490%	0.007751	-0.003248
100.	12/5/2005	-0.81%	-0.45%	0.07545%	-0.008897	-0.005268
101.	12/12/2005	1.13%	0.63%	0.07379%	0.010535	0.005575
102.	12/19/2005	4.28%	0.11%	0.07490%	0.042011	0.000308
103.	12/27/2005	-0.11%	-1.61%	0.07564%	-0.001863	-0.016813
104.	1/3/2006	-3.36%	2.98%	0.07897%	-0.034405	0.028979
105.	1/9/2006	0.42%	0.17%	0.08081%	0.003377	0.000872
106.	1/17/2006	3.97%	-2.03%	0.08210%	0.038863	-0.021107
107.	1/23/2006	7.64%	1.76%	0.08321%	0.075562	0.016790
108.	1/30/2006	-0.25%	-1.53%	0.08432%	-0.003347	-0.016181
109.	2/6/2006	0.68%	0.23%	0.08468%	0.005994	0.001495
110.	2/13/2006	1.72%	1.60%	0.08560%	0.016383	0.015127
111.	2/21/2006	-0.12%	0.17%	0.08616%	-0.002063	0.000840
112.	2/27/2006	1.91%	-0.17%	0.08689%	0.018238	-0.002575
113.	3/6/2006	-3.20%	-0.45%	0.08652%	-0.032905	-0.005379
114.	3/13/2006	6.19%	2.02%	0.08689%	0.061018	0.019288
115.	3/20/2006	-0.26%	-0.33%	0.08781%	-0.003443	-0.004167
116.	3/27/2006	2.13%	-0.62%	0.08708%	0.020468	-0.007072
117.	4/3/2006	1.16%	0.05%	0.08800%	0.010685	-0.000393
118.	4/10/2006	0.09%	-0.49%	0.08836%	-0.000019	-0.005808
119.	4/17/2006	3.67%	1.72%	0.08892%	0.035801	0.016301
120.	4/24/2006	-4.82%	-0.05%	0.08983%	-0.049071	-0.001409
121.	5/1/2006	4.54%	1.16%	0.09057%	0.044504	0.010654
122.	5/8/2006	-2.69%	-2.60%	0.09130%	-0.027793	-0.026951
123.	5/15/2006	-5.60%	-1.87%	0.09075%	-0.056944	-0.019657
124.	5/22/2006	3.12%	1.04%	0.09075%	0.030295	0.009455
125.	5/30/2006	1.49%	0.63%	0.09094%	0.013941	0.005387
126.	6/5/2006	-8.59%	-2.79%	0.09130%	-0.086770	-0.028796
127.	6/12/2006	4.83%	-0.06%	0.09185%	0.047377	-0.001525
128.	6/19/2006	0.19%	-0.56%	0.09259%	0.000947	-0.006551
129.	6/26/2006	4.48%	2.07%	0.09424%	0.043874	0.019708
130.	7/3/2006	-3.75%	-0.37%	0.09442%	-0.038434	-0.004660
131.	7/10/2006	-4.07%	-2.31%	0.09497%	-0.041607	-0.024087

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
	(1)	(2)	(3)	(4)	(5)	(6)
132.	7/17/2006	-4.85%	0.33%	0.09589%	-0.049457	0.002350
133.	7/24/2006	-1.07%	3.08%	0.09570%	-0.011686	0.029891
134.	7/31/2006	-0.83%	0.06%	0.09570%	-0.009217	-0.000324
135.	8/7/2006	-4.90%	-0.99%	0.09534%	-0.049930	-0.010818
136.	8/14/2006	6.08%	2.81%	0.09570%	0.059838	0.027115
137.	8/21/2006	-3.65%	-0.55%	0.09570%	-0.037409	-0.006493
138.	8/28/2006	1.07%	1.23%	0.09497%	0.009795	0.011343
139.	9/5/2006	-1.43%	-0.92%	0.09332%	-0.015230	-0.010155
140.	9/11/2006	4.88%	1.60%	0.09259%	0.047881	0.015041
141.	9/18/2006	-1.87%	-0.37%	0.09259%	-0.019643	-0.004624
142.	9/25/2006	6.26%	1.60%	0.09167%	0.061653	0.015109
143.	10/2/2006	2.59%	1.03%	0.09240%	0.025001	0.009362
144.	10/9/2006	2.91%	1.19%	0.09442%	0.028140	0.010933
145.	10/16/2006	1.67%	0.22%	0.09552%	0.015736	0.001227
146.	10/23/2006	1.85%	0.64%	0.09607%	0.017562	0.005425
147.	10/30/2006	-1.79%	-0.95%	0.09534%	-0.018879	-0.010421
148.	11/6/2006	1.52%	1.22%	0.09552%	0.014288	0.011212
149.	11/13/2006	-1.10%	1.47%	0.09552%	-0.011971	0.013745
150.	11/20/2006	-0.59%	-0.02%	0.09497%	-0.006890	-0.001128
151.	11/27/2006	-1.29%	-0.30%	0.09460%	-0.013879	-0.003973
152.	12/4/2006	2.37%	0.94%	0.09369%	0.022729	0.008464
153.	12/11/2006	-0.38%	1.22%	0.09259%	-0.004753	0.011310
154.	12/18/2006	-3.76%	-1.14%	0.09332%	-0.038578	-0.012376
155.	12/26/2006	1.82%	0.53%	0.09387%	0.017218	0.004406
156.	1/1/2007	-1.60%	-0.61%	0.09479%	-0.016980	-0.007004
157.	1/8/2007	1.82%	1.49%	0.09552%	0.017219	0.013956
158.	1/15/2007	4.76%	-0.02%	0.09607%	0.046622	-0.001121
159.	1/22/2007	-2.75%	-0.58%	0.09625%	-0.028420	-0.006779
160.	1/29/2007	6.37%	1.84%	0.09625%	0.062710	0.017467
161.	2/5/2007	-2.89%	-0.71%	0.09662%	-0.029859	-0.008098
162.	2/12/2007	4.69%	1.22%	0.09699%	0.045975	0.011185
163.	2/19/2007	0.90%	-0.30%	0.09735%	0.007988	-0.003962
164.	2/26/2007	-7.78%	-4.41%	0.09662%	-0.078770	-0.045082
165.	3/5/2007	2.82%	1.13%	0.09589%	0.027193	0.010338
166.	3/12/2007	1.85%	-1.13%	0.09515%	0.017562	-0.012279
167.	3/19/2007	4.43%	3.54%	0.09497%	0.043332	0.034495
168.	3/26/2007	-2.85%	-1.06%	0.09497%	-0.029425	-0.011569
169.	4/2/2007	1.94%	1.61%	0.09479%	0.018466	0.015169
170.	4/9/2007	6.74%	0.63%	0.09442%	0.066410	0.005352
171.	4/16/2007	5.11%	2.17%	0.09387%	0.050168	0.020743
172.	4/23/2007	-3.51%	0.65%	0.09332%	-0.036028	0.005615
173.	4/30/2007	1.91%	0.77%	0.09204%	0.018221	0.006810
174.	5/7/2007	0.13%	0.02%	0.09167%	0.000412	-0.000764
175.	5/14/2007	3.84%	1.12%	0.09057%	0.037451	0.010317

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
	(1)	(2)	(3)	(4)	(5)	(6)
176.	5/21/2007	-2.41%	-0.46%	0.09204%	-0.025030	-0.005530
177.	5/28/2007	3.07%	1.36%	0.09057%	0.029762	0.012692
178.	6/4/2007	-4.76%	-1.87%	0.09020%	-0.048484	-0.019563
179.	6/11/2007	1.18%	1.67%	0.08763%	0.010945	0.015865
180.	6/18/2007	-2.65%	-1.98%	0.08818%	-0.027379	-0.020681
181.	6/25/2007	-0.99%	0.05%	0.09020%	-0.010766	-0.000376
182.	7/2/2007	2.12%	1.80%	0.09295%	0.020308	0.017090
183.	7/9/2007	3.16%	1.44%	0.09314%	0.030704	0.013483
184.	7/16/2007	3.23%	-1.19%	0.09332%	0.031410	-0.012785
185.	7/23/2007	-7.42%	-4.90%	0.09314%	-0.075096	-0.049918
186.	7/30/2007	-2.88%	-1.77%	0.09222%	-0.029679	-0.018668
187.	8/6/2007	1.47%	1.44%	0.09075%	0.013809	0.013453
188.	8/13/2007	-5.72%	-0.53%	0.07970%	-0.058036	-0.006094
189.	8/20/2007	2.77%	2.31%	0.06989%	0.026986	0.022421
190.	8/27/2007	-0.56%	-0.36%	0.07860%	-0.006348	-0.004423
191.	9/3/2007	-1.94%	-1.39%	0.08100%	-0.020236	-0.014677
192.	9/10/2007	1.04%	2.11%	0.07619%	0.009684	0.020359
193.	9/17/2007	1.19%	2.80%	0.07397%	0.011205	0.027221
194.	9/24/2007	1.34%	0.07%	0.07138%	0.012734	-0.000058
195.	10/1/2007	4.14%	2.02%	0.07471%	0.040648	0.019453
196.	10/8/2007	-0.86%	0.27%	0.07749%	-0.009353	0.001928
197.	10/15/2007	0.64%	-3.92%	0.07619%	0.005647	-0.039928
198.	10/22/2007	2.28%	2.31%	0.07453%	0.022070	0.022345
199.	10/29/2007	-0.61%	-1.67%	0.07305%	-0.006863	-0.017424
200.	11/5/2007	-1.23%	-3.71%	0.06655%	-0.012964	-0.037727
201.	11/12/2007	0.74%	0.35%	0.06432%	0.006747	0.002824
202.	11/19/2007	-2.78%	-1.24%	0.06134%	-0.028373	-0.012980
203.	11/26/2007	1.90%	2.81%	0.05873%	0.018449	0.027482
204.	12/3/2007	5.09%	1.59%	0.05835%	0.050337	0.015296
205.	12/10/2007	-3.11%	-2.44%	0.05536%	-0.031605	-0.024951
206.	12/17/2007	-1.44%	1.12%	0.05667%	-0.014969	0.010680
207.	12/24/2007	0.96%	-0.40%	0.06152%	0.008990	-0.004637
208.	12/31/2007	-6.28%	-4.52%	0.06190%	-0.063434	-0.045841
209.	1/7/2008	-1.64%	-0.75%	0.06078%	-0.016986	-0.008124
210.	1/14/2008	-3.02%	-5.41%	0.05854%	-0.030823	-0.054710
211.	1/22/2008	9.41%	0.41%	0.04393%	0.093699	0.003651
212.	1/28/2008	8.67%	4.87%	0.04148%	0.086330	0.048292
213.	2/4/2008	-2.16%	-4.60%	0.04167%	-0.022009	-0.046374
214.	2/11/2008	0.36%	1.40%	0.04336%	0.003165	0.013613
215.	2/19/2008	-0.19%	0.23%	0.04242%	-0.002364	0.001887
216.	2/25/2008	-0.67%	-1.66%	0.03828%	-0.007066	-0.016996
217.	3/3/2008	-2.01%	-2.80%	0.02958%	-0.020442	-0.028298
218.	3/10/2008	3.01%	-0.40%	0.02617%	0.029833	-0.004305
219.	3/17/2008	2.34%	3.21%	0.01571%	0.023260	0.031959

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

	Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
	(1)	(2)	(3)	(4)	(5)	(6)
220.	3/24/2008	2.03%	-1.07%	0.02465%	0.020025	-0.010995
221.	3/31/2008	4.53%	4.20%	0.02655%	0.045065	0.041689
222.	4/7/2008	-2.60%	-2.74%	0.02541%	-0.026259	-0.027669
223.	4/14/2008	8.04%	4.31%	0.02256%	0.080181	0.042916
224.	4/21/2008	0.31%	0.54%	0.02465%	0.002816	0.005155
225.	4/28/2008	3.55%	1.15%	0.02769%	0.035196	0.011212
226.	5/5/2008	-0.12%	-1.81%	0.03129%	-0.001490	-0.018433
227.	5/12/2008	4.36%	2.67%	0.03469%	0.043241	0.026355
228.	5/19/2008	-0.91%	-3.47%	0.03526%	-0.009424	-0.035025
229.	5/27/2008	6.61%	1.78%	0.03601%	0.065776	0.017410
230.	6/2/2008	-4.18%	-2.83%	0.03526%	-0.042167	-0.028702
231.	6/9/2008	-2.70%	-0.05%	0.03752%	-0.027374	-0.000853
232.	6/16/2008	-0.01%	-3.10%	0.03715%	-0.000468	-0.031327
233.	6/23/2008	-4.48%	-3.00%	0.03412%	-0.045149	-0.030350
234.	6/30/2008	-4.59%	-1.21%	0.03545%	-0.046297	-0.012464
235.	7/7/2008	3.07%	-1.85%	0.03375%	0.030370	-0.018874
236.	7/14/2008	0.63%	1.71%	0.02750%	0.006003	0.016821
237.	7/21/2008	6.13%	-0.23%	0.03053%	0.060956	-0.002622
238.	7/28/2008	2.98%	0.20%	0.03242%	0.029433	0.001703
239.	8/4/2008	2.07%	2.86%	0.03242%	0.020369	0.028248
240.	8/11/2008	-5.42%	0.15%	0.03545%	-0.054505	0.001096
241.	8/18/2008	3.42%	-0.46%	0.03337%	0.033846	-0.004955
242.	8/25/2008	3.99%	-0.73%	0.03280%	0.039575	-0.007579
243.	9/2/2008	-9.29%	-3.16%	0.03242%	-0.093220	-0.031911
244.	9/8/2008	3.46%	0.76%	0.03091%	0.034310	0.007249
245.	9/15/2008	-0.76%	0.27%	0.01189%	-0.007702	0.002581
246.	9/22/2008	-3.18%	-3.33%	0.01609%	-0.031970	-0.033473
247.	9/29/2008	-16.38%	-9.40%	0.01475%	-0.163950	-0.094141
248.	10/6/2008	-6.29%	-18.20%	0.01112%	-0.063012	-0.182066
249.	10/13/2008	-1.19%	4.60%	0.00883%	-0.012003	0.045874
250.	10/20/2008	1.33%	-6.78%	0.02009%	0.013132	-0.068012
251.	10/27/2008	12.06%	10.49%	0.01189%	0.120443	0.104789
252.	11/3/2008	-8.58%	-3.90%	0.00768%	-0.085873	-0.039055
253.	11/10/2008	-4.86%	-6.20%	0.00403%	-0.048601	-0.062017
254.	11/17/2008	-12.63%	-8.39%	0.00135%	-0.126332	-0.083903
255.	11/24/2008	6.87%	12.03%	0.00135%	0.068667	0.120245
256.	12/1/2008	-5.21%	-2.25%	0.00077%	-0.052126	-0.022513
257.	12/8/2008	-6.08%	0.42%	0.00038%	-0.060853	0.004174
258.	12/15/2008	3.26%	0.93%	0.00058%	0.032576	0.009258
259.	12/22/2008	0.65%	-1.70%	0.00038%	0.006497	-0.016988
260.	12/29/2008	7.62%	6.76%	0.00173%	0.076166	0.067581

1/ Source: Pages 11 to 16, Column (6).
2/ Source: Pages 17 to 23, Column (3).

Excess Returns On S&P 500 And Railroad Portfolio Over 3-Month T-Bills -- 2008

Week	Weekly Change In Railroad Stock Portfolio 1/	Weekly Change In S&P 500 Price Return Index 2/	3-Month T-Bill Average Weekly Rate 3/	Excess Return In Railroad Stock Portfolio 4/	Excess Return On S&P 500 Price Return Index 5/
(1)	(2)	(3)	(4)	(5)	(6)

3/ Source: Pages 17 to 23, Column (5).
4/ Column (2) - Column (4).
5/ Column (3) - Column (4).

OLS Regression Output -- 2008

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Regression Statistics						
1.	Multiple R	0.6503					
2.	R Square	0.4229					
3.	Adjusted R Square	0.4207					
4.	Standard Error	0.0277					
5.	Observations	260					
	ANOVA						
		df	*SS*	*MS*	*F*	*Significance F*	
6.	Regression	1	0.1447	0.1447	189.0956	0.0000	
7.	Residual	258	0.1975	0.0008			
8.	Total	259	0.3422				
		Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
9.	Intercept	0.0039	0.0017	2.2535	0.0251	0.0005	0.0073
10.	X Variable 1	0.9344	0.0679	13.7512	0.0000	0.8006	1.0682

2008 Railroad Industry CAPM Cost of Equity

Item (1)	Source (2)	Cost of Equity (3)
Calculation of Cost of Equity		
1. 2008 Average Yield on 20-Year T-Bond	Federal Reserve	4.36%
2. Railroad Risk Premium		
a. Equity Risk Premium 1926 to 2007	Morning Star/Ibbotson	6.47%
b. Railroad Industry Portfolio Beta	Calculated	0.9344
c. Railroad Industry Risk Premium	Line 2a x Line 2b	6.05%
3. Railroad Industry Cost of Equity	Line 1 + Line 2c	10.41%

2008 Average BNSF Cashflow And Average Income Before Extraordinary Items

	Item (1)	Source (2)	2004 (3)	2005 (4)	2006 (5)	2007 (6)	2008 (7)
1.	Net Income	Annual Report 10-K	$791	$1,531	$1,887	$1,829	$2,115
2.	Extraordinary Items						
	a. Cumulative Effect of Accounting Change, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
	b. Discontinued Operations, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
	c. Extraordinary gains or losses	Annual Report 10-K	$0	$0	$0	$0	$0
3.	Income Before Extraordinary Items	L1 - (L2a + L2b + L2c)	$791	$1,531	$1,887	$1,829	$2,115
4.	Capital Expenditures	Annual Report 10-K	$1,527	$1,750	$2,014	$2,248	$2,175
5.	Depreciation	Annual Report 10-K	$1,012	$1,075	$1,130	$1,293	$1,397
6.	Deferred Taxes	Annual Report 10-K	$237	$217	$314	$280	$417
7.	Cashflow	L3 - L4 + L5 + L6	$513	$1,073	$1,317	$1,154	$1,754
8.	Revenues	Annual Report 10-K	$10,946	$12,987	$14,985	$15,802	$18,018
9.	Average Cashflow as a Percentage of Revenues	Sum L7 ÷ Sum L8	7.99%				
10.	2008 Average Cashflow	L8,C7 x L9	$1,439				
11.	Average Income Before Extraordinary Items Less Deferred Taxes as Percentage of Sales	[Sum L3-Sum L6) ÷ Sum L8	9.19%				
12.	2008 Average Income Before Extraordinary Items Less Deferred Taxes	L8,C7 x L11	$1,657				

2008 Average CSX Cashflow And Average Income Before Extraordinary Items

	Item (1)	Source (2)	2004 (3)	2005 (4)	2006 (5)	2007 (6)	2008 (7)
1.	Net Income	Annual Report 10-K	$339	$1,145	$1,310	$1,336	$1,365
2.	Extraordinary Items						
	a. Cumulative Effect of Accounting Change, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
	b. Discontinued Operations, Net of Tax	Annual Report 10-K	-$79	$425	$0	$110	$0
	c. Extraordinary gains or losses	Annual Report 10-K	$0	$0	$0	$0	$0
3.	Income Before Extraordinary Items	L1 - (L2a + L2b + L2c)	$418	$720	$1,310	$1,226	$1,365
4.	Capital Expenditures	Annual Report 10-K	$1,030	$1,136	$1,639	$1,773	$1,740
5.	Depreciation	Annual Report 10-K	$730	$833	$867	$890	$918
6.	Deferred Taxes	Annual Report 10-K	$240	-$46	$42	$272	$435
7.	Cashflow	L3 - L4 + L5 + L6	$358	$371	$580	$615	$978
8.	Revenues	Annual Report 10-K	$8,020	$8,618	$9,566	$10,030	$11,255
9.	Average Cashflow as a Percentage of Revenues	Sum L7 ÷ Sum L8	6.11%				
10.	2008 Average Cashflow	L8,C7 x L9	$688				
11.	Average Income Before Extraordinary Items as Percentage of Sales	[Sum L3-Sum L6) ÷ Sum	8.63%				
12.	2008 Average Income Before Extraordinary Items Less Deferred Taxes	L8,C7 x L11	$971				

2008 Average NS Cashflow And Average Income Before Extraordinary Items

Item (1)	Source (2)	2004 (3)	2005 (4)	2006 (5)	2007 (6)	2008 (7)
1. Net Income	Annual Report 10-K	$923	$1,281	$1,481	$1,464	$1,716
2. Extraordinary Items						
a. Cumulative Effect of Accounting Change, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
b. Discontinued Operations, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
c. Extraordinary gains or losses	Annual Report 10-K	$0	$0	$0	$0	$0
3. Income Before Extraordinary Items	L1 - (L2a + L2b + L2c)	$923	$1,281	$1,481	$1,464	$1,716
4. Capital Expenditures	Annual Report 10-K	$1,041	$1,025	$1,178	$1,341	$1,558
5. Depreciation	Annual Report 10-K	609	787	750	786	815
6. Deferred Taxes	Annual Report 10-K	200	80	-8	125	290
7. Cashflow	L3 - L4 + L5 + L6	$691	$1,123	$1,045	$1,034	$1,263
8. Revenues	Annual Report 10-K	$7,312	$8,527	$9,407	$9,432	$10,661
9. Average Cashflow as a Percentage of Revenues	Sum L7 ÷ Sum L8	11.37%				
10. 2008 Average Cashflow	L8,C7 x L9	$1,212				
11. Average Income Before Extraordinary Items as Percentage of Sales	[Sum L3-Sum L6) ÷ Sum	13.63%				
12. 2008 Average Income Before Extraordinary Items Less Deferred Taxes	L8,C7 x L11	$1,453				

2008 Average NS Cashflow Average Income Before Extraordinary Items

Item (1)	Source (2)	2004 (3)	2005 (4)	2006 (5)	2007 (6)	2008 (7)
1. Net Income	Annual Report 10-K	$604	$1,026	$1,606	$1,855	$2,338
2. Extraordinary Items						
a. Cumulative Effect of Accounting Change, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
b. Discontinued Operations, Net of Tax	Annual Report 10-K	$0	$0	$0	$0	$0
c. Extraordinary gains or losses	Annual Report 10-K	$0	$0	$0	$0	$0
3. Income Before Extraordinary Items	L1 - (L2a + L2b + L2c)	$604	$1,026	$1,606	$1,855	$2,338
4. Capital Expenditures	Annual Report 10-K	$1,876	$2,169	$2,242	$2,496	$2,780
5. Depreciation	Annual Report 10-K	$1,111	$1,175	$1,237	$1,321	$1,387
6. Deferred Taxes	Annual Report 10-K	$359	$320	$235	$332	$547
7. Cashflow	L3 - L4 + L5 + L6	$198	$352	$836	$1,012	$1,492
8. Revenues	Annual Report 10-K	$12,215	$13,578	$15,578	$16,283	$17,970
		0.01621	0.025924	0.053665	0.062151	0.083027
9. Average Cashflow as a Percentage of Revenues	Sum L7 ÷ Sum L8	5.14%				
10. 2008 Average Cashflow	L8,C7 x L9	$924				
11. Average Income Before Extraordinary Items as Percentage of Sales	[Sum L3-Sum L6) ÷ Sum	7.45%				
12. 2008 Average Income Before Extraordinary Items Less Deferred Taxes	L8,C7 x L11	$1,339				

2008 MS-DCF Railroad Cost of Equity

		BNSF		CSX		NS		UP	
	Item	**Nominal/ Year-End**	**Present Value**	**Nominal/ Year-End**	**Present Value**	**Nominal/ Year-End**	**Present Value**	**Nominal/ Year-End**	**Present Value**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Normalized Cashflow 1/	$1,439		$688		$1,212		$924	
2.	Normalized Earnings Before Extraordinary Items 2/	$1,657		$971		$1,453		$1,339	
3.	Stage One Growth 3/	12.00%		15.00%		10.00%		17.45%	
4.	Stage Two Growth 4/	13.61%		13.61%		13.61%		13.61%	
5.	Stage Three Growth 5/	3.90%		3.90%		3.90%		3.90%	
	Year	Year-End 6/	PV 7/	Year-End 6/	PV 7/	Year-End 6/	PV 7/	Year-End 6/	PV 7/
6.	1	$1,612	$1,407	$791	$682	$1,334	$1,150	$1,086	$951
7.	2	$1,806	$1,376	$910	$676	$1,467	$1,090	$1,275	$978
8.	3	$2,022	$1,345	$1,046	$670	$1,614	$1,034	$1,498	$1,005
9.	4	$2,265	$1,315	$1,203	$665	$1,775	$980	$1,759	$1,034
10.	5	$2,537	$1,286	$1,383	$659	$1,953	$930	$2,066	$1,063
11.	6	$2,882	$1,275	$1,572	$645	$2,218	$910	$2,347	$1,058
12.	7	$3,274	$1,265	$1,786	$632	$2,520	$892	$2,667	$1,052
13.	8	$3,720	$1,255	$2,029	$619	$2,863	$873	$3,030	$1,047
14.	9	$4,227	$1,244	$2,305	$607	$3,253	$855	$3,442	$1,041
15.	10	$4,802	$1,234	$2,619	$594	$3,696	$838	$3,911	$1,036
16.	Terminal	$53,900	$13,852	$31,764	$7,207	$38,022	$8,618	$57,103	$15,124
17.	Sum of Present Values 8/		$26,856		$13,657		$18,170		$25,387
18.	Equity Market Cap 9/	$26,856		$13,657		$18,170		$25,387	
19.	Difference in Equity Market Cap and Present Value of Cashflows 10/	$0		$0		$0		$0	
20.	Implicit Cost of Equity 11/	14.55%		15.99%		16.00%		14.21%	
21.	Equity Weights 12/	31.94%		16.24%		21.61%		30.20%	
22.	Weighted Cost of Equity 13/	15.00%							

2008 MS-DCF Railroad Cost of Equity

1/ Individual railroad cashflow and earnings before extraordinary items calculations Line 10.
2/ Individual railroad cashflow and earnings before extraordinary items calculations Line 12.
3/ Median December 2008 I/B/E/S long-term earnings per share growth forecast.
4/ Simple average of line 3.
5/ Stangle VS at 6.
6/ Line 6 = Line 1 x (1 + Line 3).
Lines 7 to 10 = Prior Year-End Cashflow x (1 + Line 3).
Lines 11 to 15 = Prior Year-End Cashflow x (1 + Line 4).
Line 16 = {Line 2 x [(1 + Line 3)^5] x [(1 + Line 4)^5] x (1+ Line 5)} ÷ (Line 20 - Line 5).
7/ Lines 6 to 15 = Current Year Column (2) ÷ [(1 + Line 20)^Current Year Column (1)].
Line16 = Current Year Column (2) ÷ [(1 + Line 20)^Line 15, Column (1)].
8/ Sum of Lines 6 to 16.
9/ Exhibit No. 3, Page1 of 32, Line 53, Columns (10) to (13).
10/ Line 17 - Line 18.
11/ The implicit discount rate that sets Line 19 equal to zero (0).
12/ Line 18, Column (2), (4), (6) and (8) ÷ Sum of Line 18.
13/ Sum product of Line 10 and Line 21.

Exhibit B

WCTL Comments in Ex Parte No. 680 (Sub-No. 1),
***Supplemental Report on Capacity and Infrastructure Investment*, dated May 8, 2009**

BEFORE THE
SURFACE TRANSPORTATION BOARD

In the Matter of:	)	
	)	
SUPPLEMENTAL REPORT ON CAPACITY AND INFRASTRUCTURE INVESTMENT	)	STB Ex Parte No. 680 (Sub-No. 1)

OPENING COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

WESTERN COAL TRAFFIC LEAGUE

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Dated: May 8, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

In the Matter of:	)	
SUPPLEMENTAL REPORT ON CAPACITY AND INFRASTRUCTURE INVESTMENT	)	STB Ex Parte No. 680 (Sub-No. 1)

OPENING COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

The Western Coal Traffic League ("WCTL" or "League")[1] hereby submits the following opening comments in response to the Notice ("Notice") that the Surface Transportation Board ("STB" or "Board") served in the above-captioned proceeding on April 8, 2009, relating to the *Supplemental Report to the U.S. Surface Transportation Board on Capacity and Infrastructure Investment* ("*Supplemental Report*") prepared by Laurits R. Christensen Associates ("Christensen Associates") and released on April 8, 2009.

For some time now, the Association of American Railroads ("AAR"), its member railroads, and associated allies have been attempting to disseminate a narrative to

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[1]WCTL is a voluntary association, whose regular membership consists entirely of shippers of coal mined west of the Mississippi River that is transported by rail. WCTL members presently ship and receive in excess of 175 million tons of coal by rail each year. WCTL's members are: Ameren Energy Fuels and Services, Arizona Electric Power Cooperative, Inc., CLECO Corporation, Austin Energy (City of Austin, Texas), CPS Energy, Kansas City Power & Light Company, Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, Omaha Public Power District, Texas Municipal Power Agency, Western Farmers Electric Cooperative, Western Fuels Association, Inc., Wisconsin Public Service Corporation, and Xcel Energy.

the effect that despite the enormous success achieved by the railroad industry since enactment of the Staggers Rail Act of 1980, it is still necessary to forebear from any sort of meaningful regulation or oversight of the railroad industry. The older version of this narrative relied on such themes as: (a) the industry's economic gains are temporary and/or may prove illusory, (b) the railroads are, at any time, only a moment away from financial disaster, and (c) the railroads and/or their investors will refuse to provide the capital that the railroads require in order to continue functioning if there is even a hint of a threat of meaningful regulation and oversight, *etc.* The narrative has more recently evolved to recognize that the gains are now established and enduring, and the railroads are now generating excess capital for their investors rather than needing to attract additional capital from investors, but to insist that regulation and oversight, as well as measures that would facilitate meaningful intramodal competition, must nonetheless still be avoided because: (a) the railroads have exhausted their excess capacity; (b) they must be allowed to generate sufficient earnings to justify the further investment that is required so that the railroads can continue to grow; and (c) the growth is required not merely to serve customer needs, but also to provide public benefits such as taking trucks off the road, thereby relieving highway congestion and increasing fuel efficiency, *etc.*

The *Supplemental Report* performs a useful function in debunking central elements of the railroads' narrative. The analysis confirms that, for the most part, the railroads continue to have substantial excess capacity. In the few instances where they may not, the shortage relates not so much to track capacity as it does to problems with terminals or a failure to deploy resources or manage them effectively. Thus, the analysis performed in the Cambridge Systematics study much touted by the AAR does little to address the real capacity issues, such as they are.

The *Supplemental Report* also casts substantial doubt on the railroads' traffic projections and their associated revenue needs. In particular, the report shows that coal growth is unlikely to reach the levels assumed by Cambridge Systematics and the Freight Analysis Framework. The likelihood that there will be considerably less overall traffic growth than has been depicted by the AAR (at least for these purposes) substantially undermines the railroads' claimed need for additional revenues and investment. Moreover, the substantial lead time required for new coal-fired power plants means that the railroads should have no difficulty anticipating the growth in coal traffic that does emerge. The relative stability and predictability of the volume of coal traffic, especially compared to other commodities, means that the railroads should be able to plan to service that growth in a reliable and efficient manner, something that the railroads have failed to do in the past. Ironically, the railroads have used that failure as a pretext for raising rates, when the real problem is their own mismanagement and/or their determination that they are better off if they are unable to meet customer needs, especially compared to anything approaching excess capacity (which they continue to enjoy, despite their protestations to the contrary).

The *Supplemental Report* notes the possibility that intermodal traffic growth could be greater than projected, but such possibilities seem particularly speculative in light of current economic conditions. Beyond that, intermodal traffic is generally, as the *Supplemental Report* acknowledges to some extent, subject to competitive factors to a far greater extent than coal and intermodal shippers do not generally face the captivity problems that are common to coal shippers, even those that are nominally served by more than one carrier. Indeed, coal shippers such as WCTL's members and other captive shippers continue to have substantial concerns that they are effectively being forced to subsidize the railroads' focus on growing their intermodal traffic, even though that traffic appears to be of limited or negative profitability. That concern is certainly reinforced by the current economic downturn.

The *Supplemental Report* also suggests that the Cambridge Systematics report has given insufficient weight, or at least attention, to the role that productivity improvements can and will play in servicing the growth in traffic. The *Supplemental Report* shows that productivity growth, even at a modest 0.5% per year, will cover a significant portion of the railroads' supposed needs to expand capacity. If productivity growth were on the magnitude of the levels of recent RCAF productivity growth (in excess of 1.0% per year), then the contribution would be over twice as large. Productivity would also cover a substantially larger amount of the railroads' expansion needs if growth were of the more moderate level noted by the *Supplemental Report*. The *Supplemental Report* also notes that the Cambridge Systematics report does not appear to have given any weight to the capacity gains associated with positive train control, even though those improvements are expected to be very significant, especially over the most congested lines that are the ostensible focus of the Cambridge Systematics report.

WCTL further notes that the *Supplemental Report* accepts, without reservation, the Cambridge Systematics report's use of a highway-based measure of capacity adequacy, *i.e.*, the assessment is based on the day of the year with the projected 85th-highest percentile of traffic. However, if 40% of the traffic is coal (*Supplemental Report* at _), and coal has a low traffic priority (confirmed by the service received by WCTL members over the years and by railroad management), then the question arises whether such congestion can be adequately addressed by having the railroads focus on other traffic during periods where there is a "crunch," as the railroads most certainly do anyway.

As overstated as the Cambridge Systematics' traffic projections are, they pale in comparison to the growth assumptions embodied in the multi-stage discounted cash flow ("MSDCF") portion of the AAR's April 20, 2009 filing in STB Docket No. 558 (Sub-No. 12), *Railroad Cost of Capital -- 2008*. The AAR's MSDCF calculations use a methodology proposed by the AAR and that the STB adopted over WCTL's strong objections that the underlying assumptions were not at all realistic.

The AAR's submission posits that the railroad industry's earnings will growt at an average compound rate of 10.05% per year for the next ten years. Since that figure represents nominal growth, it is appropriate to use some adjustment for inflation to determine the real rate of growth for comparison to growth in traffic volumes.. The AAR's MSDCF calculations use a long-term inflation rate of 0.6%. In the interests of conservatism, WCTL will round that figure up to 1%, which nearly doubles it. Attributing 1% of the growth to inflation leaves a real growth rate of approximately 9.4% ($1.105 = 1.01 \times 1.0940594$). A 9.4% growth rate causes the railroads' real earnings to double within eight years ($1.094^8 > 2.05$). The 9.4% growth rate is more than double the

4.3% real growth rate that the AAR calculates for the economy as a whole, and a doubling of projected earnings within eight years is a remarkable rate of increase, especially for mature industry like the railroads.

In contrast, the rate of traffic increase posited in the Cambridge Systematics report/Freight Analysis Framework forecast is substantially less, notwithstanding the strong demonstration in the *Supplemental Report* that the rate of increase is likely to be substantially overstated. The Cambridge Systematics report posits that railroad freight tons will grow from 1.768 billion in 2002 to 3.292 billion in 2035 (*Supplemental Report* at 5-3, Table 5-1). This increase amounts to 86% (3.292/1.768 = 1.862) over a period of 33 years, corresponding to a growth rate of 1.9% ($1.019^{33} = 1.861$).[2] In other words, the total growth in railroad earnings over just the next eight years is projected to exceed the total growth in railroad volume over the 33 years between 2002 and 2035.

The implication is that railroad earnings will grow almost five times faster than volumes, at least for the next eight years.[3] The portion of the earnings growth not attributable to increasing volume can only be attributable to productivity gains or price increases. Since productivity gains are expected to be modest, the only plausible

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[2]The projected rate of growth in rail freight tonnage between 2010 (2.083 billion tons) and 2020 (2.445 billion tons) is actually less, 1.615% (2.083 billion x 1.01615^{10} = 2.445 billion).

[3]WCTL recognizes that the economy is in flux and that a possibility exists that there will be a quick recovery, which could translate into a sharp growth in traffic. That said, it seems unlikely that traffic levels would exceed those depicted in the Cambridge Systematics report, which was prepared before the economic downturn. Additionally, the projected 10.05% growth rate in earnings per share actually represents a considerable decrease from earlier (pre-downturn) levels.

explanations are that: (a) the ten-year forecast of growth in earnings per share embodied in the MSDCF calculations is completely unrealistic, or (b) the MSDCF calculations posit massive real rate increases, that is, rate increases will cause post-inflation, post-productivity increases in railroad earnings to exceed 8% per year over the next ten years.

WCTL's own view is that the AAR's MSDCF calculations lack credibility and that the Board should not rely upon them at this time to calculate the railroad industry cost of equity. However, regardless of how the Board calculates the railroad's cost of capital, massive increases in earnings (and/or cash flow) of this magnitude should be much more than sufficient to fund whatever railroad expansion may be needed. Consequently, speculation as to the need for the railroads to expand their capacity does not provide a meaningful basis for regulatory forbearance.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Dated: May 8, 2009

Exhibit C

S&P Report on BNSF

Stock Report | January 24, 2009 | NYS Symbol: BNI | BNI is in the S&P 500

Burlington Northern Santa Fe Corp

STANDARD & POOR'S

S&P Recommendation HOLD ★★★★★ | **Price** $63.32 (as of Jan 23, 2009) | **12-Mo. Target Price** $75.00 | **Investment Style** Large-Cap Growth

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

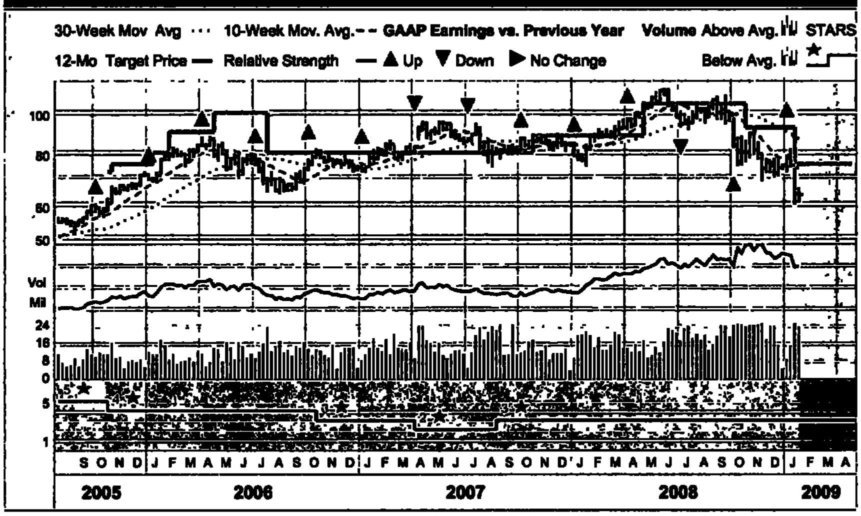
GICS Sector Industrials
Sub-Industry Railroads

Summary Through BNSF Railway Co. (formerly The Burlington Northern and Santa Fe Railway Co.), BNI owns one of the largest railroad networks in the U.S.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$114.58–59.91	S&P Oper. EPS 2009E	6.45	Market Capitalization(B)	$21.676	Beta	1.00
Trailing 12-Month EPS	$6.08	S&P Oper. EPS 2010E	6.95	Yield (%)	2.53	S&P 3-Yr. Proj. EPS CAGR(%)	12
Trailing 12-Month P/E	10.4	P/E on S&P Oper. EPS 2009E	9.8	Dividend Rate/Share	$1.60	S&P Credit Rating	BBB
$10K Invested 5 Yrs Ago	$20,798	Common Shares Outstg. (M)	342.3	Institutional Ownership (%)	78		

Price Performance



Options: ASE, CBOE, P

Analysis prepared by **Kevin Kirkeby** on January 14, 2009, when the stock traded at **$ 64.83**.

Highlights

- We anticipate that revenue growth will slow to about 2.6% in 2009, with core pricing rising 5% while volumes decline 1%. Fuel surcharges embedded in revenue will also decline, in our view, following the sharp drop in diesel prices during the second half of 2008. We anticipate that intermodal shipments will stay weak through much of 2009 based on shifts in ocean carrier routes and the weak outlook provided by various retailers. We also believe that coal and agricultural volumes will experience fractional declines in the year, marking a notable change from recent years.
- We project that the operating margin in 2009 will be relatively unchanged. We see the positive impact of higher contractual prices and improved fuel coverage being offset by reduced asset utilization. The impact of lower volumes will also likely be reflected in less interchange and equipment rental income.
- We forecast EPS of $6.45 in 2009, representing a 2.2% increase over our $6.31 forecast for 2008, which excludes $0.26 in special charges. Our EPS estimate for 2009 factors in a 2% reduction in the average share count, based on BNI's buyback announcements.

Investment Rationale/Risk

- Longer term, we think BNI will generate above-average revenue growth, driven by its exposure to the intermodal transport, long-haul coal and grain markets. For the 2009-2012 period, we see a compound annual growth rate in revenue of 8%, down from 12% over the prior three years. Reflecting uncertain commodity volumes and an apparent worsening in consumer spending, which will likely delay a turn in intermodal volumes, we think valuations near the bottom of the 10-year range are warranted.
- Risks to our recommendation and target price include customer resistance to price increases, a greater role by regulators in setting rates, a reduction in long-haul grain exports, and a rerouting of containership cargoes away from West Coast ports.
- Our DCF model, which assumes a 9.7% weighted average cost of capital, 11% annual growth in free cash flow over the next five years, and 3.5% terminal growth, calculates an intrinsic value of $85. We believe an enterprise value to 12-month forward EBITDA ratio of 5.5X, near the low end of its historical range, is appropriate, leading to a value of $64. Combining these models, our 12-month target price is $75.

Qualitative Risk Assessment

LOW | MEDIUM | HIGH

Our risk assessment reflects what we believe is BNI's strong profitability, cash flow generation, and balance sheet, as well as a diverse customer base, offset somewhat by its exposure to economic cycles, freight demand, and regulations.

Quantitative Evaluations

S&P Quality Ranking A-

D | C | B- | B | B+ | A- | A | A+

Relative Strength Rank MODERATE

33

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2008	4,261	4,478	4,906	4,373	18,018
2007	3,645	3,843	4,069	4,245	15,802
2006	3,463	3,701	3,939	3,882	14,985
2005	2,982	3,138	3,317	3,550	12,987
2004	2,490	2,685	2,793	2,978	10,946
2003	2,232	2,294	2,395	2,492	9,413

Earnings Per Share ($)

	1Q	2Q	3Q	4Q	Year
2008	1.30	1.00	2.00	1.79	6.08
2007	0.96	1.20	1.48	1.46	5.10
2006	1.09	1.27	1.33	1.42	5.10
2005	0.83	0.96	1.09	1.13	4.01
2004	0.52	0.67	0.01	0.91	2.10
2003	0.40	0.54	0.55	0.61	2.09

Fiscal year ended Dec. 31. Next earnings report expected: Late April. EPS Estimates based on S&P Operating Earnings, historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.320	02/13	03/07	03/11	04/01/08
0.320	04/24	06/06	06/10	07/01/08
0.400	07/24	09/08	09/10	10/01/08
0.400	10/23	12/10	12/12	01/02/09

Dividends have been paid since 1940. Source: Company reports.

Burlington Northern Santa Fe Corp

Business Summary January 14, 2009

CORPORATE OVERVIEW. Burlington Northern Santa Fe Corp., through its BNSF Railway Co. subsidiary, operates the second largest U.S. rail system, delivering about 49% of rail traffic in the West, and about 26% of U.S. rail traffic. BNSF operates a rail system of about 32,000 miles (23,000 owned, 9,000 trackage rights) that spans 28 western and midwestern states and two Canadian provinces.

MARKET PROFILE. We believe BNI's consumer/intermodal business, sensitive to U.S. import and consumption trends, is the industry volume leader, and is at the heart of its competitive strategy. Consumer freight provided 37% of freight revenues in 2007 and consisted primarily of intermodal service: international container traffic, services to United Parcel Service, less-than-truckload and truckload carriers, and automotive traffic. Industrial products, sensitive to U.S. GDP trends, provided 24% of freight revenues in 2007, and was comprised of construction and building products, chemicals, and petroleum. Coal accounted for 21% of 2007 freight revenues. A major transporter of low-sulfur coal, over 90% of BNI's coal traffic originates in the Powder River Basin of Wyoming and Montana, primarily delivered to power utilities. Agricultural products, sensitive to annual crop volumes, accounted for 18% of 2007 freight revenues, including deliveries of grains, ethanol and fertilizer. We believe this has become BNI's most profitable segment due to a large spot market component, rather than long-term contracts, and large volume increases in the past two years.

COMPETITIVE LANDSCAPE. The U.S. rail industry has an oligopoly-like structure, with over 80% of revenues generated by the four largest railroads: BNI and Union Pacific Corp. operating on the West Coast, and CSX Corp. and Norfolk Southern Corp. operating on the East Coast. Railroads simultaneously compete for customers while cooperating by sharing assets, interfacing systems, and cooperatively fulfilling customer transports. Key suppliers include locomotive and rail equipment manufacturers, fuel suppliers, and labor. BNI's employees, about 85% of whom are unionized, enjoy above national average compensation due to their significant bargaining power.

We believe the market power of BNI's customers varies--large freight integrators and automotive, coal, and utility companies may exert significant power in contractual negotiations, while smaller customers are typically price takers, particularly when other transportation options are uncompetitive or unavailable. Railroads compete with other modes of transportation, namely trucking, shipping, and pipelines. Railroads transport about 40% of U.S. intercity freight ton-miles, but receive less than 10% of intercity revenue. Railroad rates are generally lower than trucking rates, as service is slower and less flexible than trucking, which provides most U.S. transportation.

FINANCIAL TRENDS. We consider railroads a mature industry, and we expect that U.S. rail tonnage will see 2.3% annualized growth from 2006 to 2020. However, we believe BNI has above industry average growth opportunities due to strong positions in intermodal transportation (driven by rising international trade and the outsourcing of manufacturing to Asia), and coal transportation (carrying rising volumes of relatively low-cost Powder River Basin coal longer distances). Over the past 10 years, BNI's intermodal volumes have risen at a compound annual growth rate of 5.9%, and coal carloads rose 2.9% versus 3.5% for total carloads. Helped by these forces, revenue ton miles rose 2.2%, to 657 billion in 2007, while freight revenue per thousand ton miles increased 3.2%, to $23.37. We calculate that over the past five years, BNI's simple return on invested capital (ROIC) has averaged 14.1% versus 11.3% for the industry. Rising freight rates and profitability, high asset utilization, and share buybacks helped ROIC rise from 13.0% in 2004 to 15.8% in 2007. We expect ROIC to reach 16.0% by the end of 2008.

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Officers

Chrmn, Pres & CEO
M.K. Rose

EVP & Secy
R. Nober

COO & EVP
C.R. Ice

CTO & CIO
J.M. Olsovsky

EVP & CFO
T.N. Hund

Board Members
A. Boeckmann
D. G. Cook
V. S. Martinez
M. F. Racicot
R. S. Roberts
M. K. Rose
M. J. Shapiro
J. C. Watts, Jr.
R. H. West
J. S. Whisler
E. E. Whitacre, Jr.

Domicile
Delaware

Founded
1994

Employees
40,000

Stockholders
32,000

Burlington Northern Santa Fe Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 1+

1 | 2 | 3 | 4 | 5

LOWEST — HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5)

Fair Value Calculation $43.80 Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that BNI is overvalued by $19.52 or 30.8%

Investability Quotient Percentile 92

LOWEST = 1 — HIGHEST = 100

BNI scored higher than 92% of all companies for which an S&P Report is available

Volatility LOW | AVERAGE | HIGH

Technical Evaluation BEARISH Since January, 2009, the technical indicators for BNI have been BEARISH.

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2008	2007	2006	2005
Price/Sales	NA	1.89	1.82	2.08
Price/EBITDA	NA	6.15	5.90	6.76
Price/Pretax Income	NA	10.10	9.12	11.05
P/E Ratio	NA	16.33	14.46	17.66
Avg. Diluted Shares Outstg (M)	NA	358.9	369.8	381.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	14.02	10.91	13.69	8.61
Net Income	15.64	9.84	24.72	10.70
Ratio Analysis (Annual Avg.)				
Net Margin (%)	11.74	11.97	10.98	10.03
% LT Debt to Capitalization	NA	NA	27.19	28.86
Return on Equity (%)	18.99	18.30	15.89	13.41

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Tangible Book Value	NA	70.50	29.04	25.57	24.71	22.84	21.10	20.33	19.08	17.96
Cash Flow	NA	8.70	8.16	6.83	4.79	4.53	4.44	4.21	4.52	4.36
Earnings	6.08	5.10	5.10	4.01	2.10	2.09	2.00	1.89	2.36	2.45
S&P Core Earnings	NA	5.15	5.13	4.10	2.03	2.01	1.75	1.73	NA	NA
Dividends	NA	1.14	0.90	0.74	0.64	0.54	0.48	0.49	0.48	0.48
Payout Ratio	NA	22%	18%	18%	30%	26%	24%	26%	20%	20%
Prices:High	NA	95.47	87.99	72.00	49.25	32.50	31.75	34.00	29.56	37.94
Prices:Low	NA	71.51	63.80	44.58	29.52	23.29	23.18	22.40	19.06	22.88
P/E Ratio:High	NA	19	17	18	23	16	16	18	13	15
P/E Ratio:Low	NA	14	13	11	14	11	12	12	8	9
Income Statement Analysis (Million $)										
Revenue	18,018	15,802	14,985	12,987	10,946	9,413	8,979	9,208	9,205	9,100
Operating Income	NA	4,860	4,625	3,997	2,698	2,575	2,587	2,664	3,003	3,096
Depreciation	1,397	1,293	1,130	1,075	1,012	910	931	909	895	897
Interest Expense	NA	528	485	437	409	420	428	463	453	387
Pretax Income	3,368	2,957	2,992	2,448	1,273	1,231	1,216	1,182	1,585	1,819
Effective Tax Rate	37.2%	38.2%	36.9%	37.5%	37.9%	36.9%	37.5%	37.6%	38.2%	37.5%
Net Income	2,115	1,829	1,887	1,531	791	777	760	737	980	1,137
S&P Core Earnings	NA	1,845	1,898	1,563	767	743	667	676	NA	NA
Balance Sheet & Other Financial Data (Million $)										
Cash	633	330	375	75.0	322	18.0	28.0	26.0	11.0	22.0
Current Assets	NA	2,181	2,181	1,880	1,615	862	791	723	976	1,066
Total Assets	36,403	33,583	31,643	30,304	28,925	26,939	25,767	24,721	24,375	23,700
Current Liabilities	NA	3,235	3,326	3,229	2,716	2,346	2,091	2,161	2,186	2,075
Long Term Debt	NA	7,735	6,912	6,698	6,051	6,440	6,641	6,363	6,614	5,655
Common Equity	11,131	11,144	10,396	9,925	9,311	8,495	7,932	7,849	7,480	8,172
Total Capital	NA	27,363	25,524	24,539	23,182	22,416	21,548	20,943	20,516	19,924
Capital Expenditures	2,832	2,248	2,014	1,750	1,527	1,726	1,358	1,459	1,399	1,788
Cash Flow	NA	3,122	3,017	2,606	1,803	1,687	1,691	1,646	1,875	2,034
Current Ratio	0.7	0.7	0.7	0.6	0.6	0.4	0.4	0.3	0.4	0.5
% Long Term Debt of Capitalization	44.0	28.3	27.1	27.3	26.1	28.7	30.8	30.4	32.2	28.4
% Net Income of Revenue	11.7	11.6	12.6	11.8	7.2	8.3	8.5	8.0	10.6	12.5
% Return on Assets	6.0	5.6	6.1	5.2	2.8	2.9	3.0	3.0	4.1	4.9
% Return on Equity	19.0	17.0	18.9	15.6	8.9	9.5	9.6	9.6	12.5	14.3

Data as orig reptd., bef results of disc opers/spec items. Per share data adj. for stk. divs., EPS diluted E-Estimated NA-Not Available NM-Not Meaningful. NR-Not Ranked. UR-Under Review

Burlington Northern Santa Fe Corp

STANDARD &POOR'S

Sub-Industry Outlook

Our fundamental outlook for the S&P Railroads Index is neutral. We believe freight rates, excluding fuel, will rise in the mid-single digits in the coming year as railroads use the generally tight network capacity to revise contract terms upon renewal. Volume weakness in market segments such as construction materials, autos and intermodal is expected to remain into 2009, while coal and grain are flat. Comparisons in 2009 will benefit from the Midwest flooding and hurricanes along the Gulf Coast that cut into volumes and pushed operating costs higher. Third quarter earnings reports from the carriers showed a boost from declining diesel fuel prices and the "catch up" in surcharges. Nevertheless, we see neutral valuation indications, with most railroad stocks near their historical average and regulatory risk rising. We note that an increasing proportion of earnings growth has been the result of aggressive share buyback programs, which in the current credit-constrained environment will likely slow.

Rail revenues rose about 5% in 2007, while operating earnings were up just over 6%. Traffic in ton miles (weight times distance) decreased about 1.0% in the U.S. in 2007, and decreased 0.9% year to date through December 20, according to Association of American Railroads estimates. Carloadings declined 2.5% in 2007, and were down 1.9% year to date through December 20. After reaching record levels in 2006, intermodal volumes declined 2.1% in 2007, to 12.0 million trailers or containers. Through December 20 of this year, intermodal units were down another 4.0%.

Our longer-term outlook for railroads is favorable, with the industry's core traffic base (coal, grain, and chemicals) increasing volumes in line with the economy. We see railroads' greater fuel efficiency relative to other transportation modes, along with highway congestion and driver availability, as factors that could drive more industrial and intermodal shipments to the rails over the longer-term. However, the rail carriers face considerable infrastructure expenditures before they can accommodate these additional volumes. Over the past five years, capital expenditures by the leading railroads exceeded 14% of annual revenues.

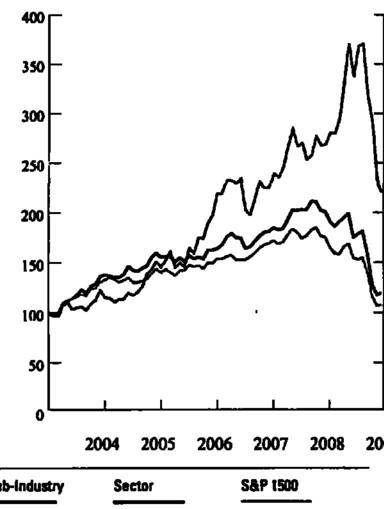
The S&P Railroads Index was down 20.8% year to date through December 19, versus a 39.3% decline for the S&P 1500. The sub-industry index gained 19.5% in 2007, versus the S&P 1500's 3.6% increase.

-Kevin Kirkeby, CFA

Stock Performance

GICS Sector: Industrials
Sub-Industry: Railroads

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/31/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Railroads Peer Group*: Railroads (U.S.) - Major

Peer Group	Stock Symbol	Stk.Mkt. Cap (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Burlington Northn Santa Fe	**BNI**	**21,676**	**63.32**	**114.58/59.91**	**1.00**	**2.5**	**10**	**43.80**	**A-**	**92**	**11.7**	**44.0**
CSX Corp	CSX	11,376	28.84	70.70/27.77	1.15	3.1	9	28 90	B+	86	12.1	47.3
Kansas City Southern	KSU	1,543	16.90	55.90/15.56	1.75	Nil	8	17.50	B-	31	8.8	30.9
Norfolk Southern	NSC	12,645	34.15	75.53/33.45	1.42	3.7	8	31.20	B+	88	15.5	27.5
Union Pacific	UNP	21,523	42.50	85.80/37.55	1.16	2.5	10	35.60	A	94	11.4	22.7

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization

S&P Analyst Research Notes and other Company News

January 22, 2009
DOWN 1.76 to 63.83... BNI posts $1.79 vs. $1.46 Q4 EPS on 3% higher freight revenue. Says increase in revenue more than offset a 7% decline in unit volumes. Notes H2 of Q4 was a significant downshift in economic activity related to the global recession. Also says freight volumes in '09 will "definitely" be down. S&P maintains hold. Credit Suisse lower estimates; cuts target to $64 from $81. Keeps neutral....

January 22, 2009
09:08 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF BURLINGTON NORTHERN SANTA FE (BNI 65.59***): BNI reports Q4 EPS of $1.79 vs. $1.46, which is three cents ahead of our estimate, as a catch-up in fuel recoveries added about $0.40 to EPS, offseting volume declines. With a reduction in fuel surcharges and volume declines expected, we see the company focused on trimming costs and retaining balance sheet liquidity. We are maintaining our EPS estimate for '09 at $6.45 and leaving our 12-month target price at $75. We think current valuations near historical lows appropriately incorporate the risk of further declines in bulk commodity shipments against solid free cash flows. /KKirkeby-CFA

January 13, 2009
DOWN 3.72 to 66.43... S&P says industry data indicate BNI's carloadings were down about 7% in Q4. S&P cuts target, maintains hold....

January 13, 2009
01:32 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF BURLINGTON NORTHERN SANTA FE (BNI 67.47***): Industry data indicate that BNI's carloadings were down about 7% in Q4, compared with an approximate 8% decline for the Railroads sub-industry. We are leaving our '08 EPS estimate at $6.31 since we see mix benefits and a catchup in fuel recoveries offsetting the weak volumes, but we are cutting our '09 estimate by $0.48 to $6.45 to reflect a lowered carloadings assumption, from 0% to down 1%. After updating our DCF and enterprise value-to-EBITDA models, we reduce our 12-month target price by $17 to $75. /K.Kirkeby-CFA

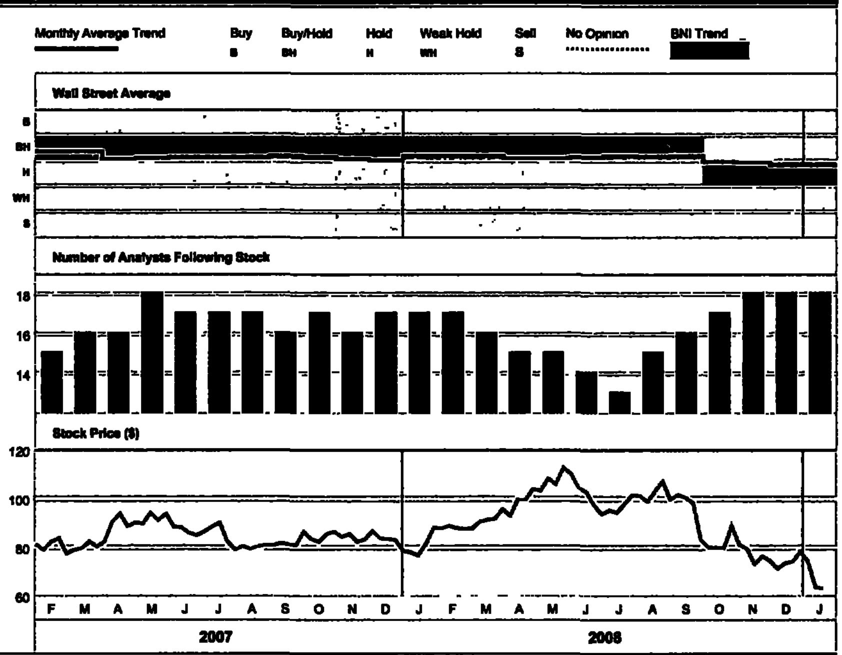
October 24, 2008
08:47 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF BURLINGTON NORTHERN SANTA FE (BNI 81.58***): Q3 EPS of $1.91 vs. $1.46 exceeds our $1.67 estimate on a 21% increase in both revenue and operating profit. BNI continues to achieve strong pricing gains of about 6%, despite a 1.5% volume decline. We expect growth to trail that of East Coast peers on account of freight mix, as BNI is more heavily exposed to international intermodal and grain exports. We are raising our EPS estimate for '08 by $0.34 to $6.31, and '09's by $0.25 to $6.93 to reflect higher pricing assumptions. Our 12-month target price stays $92, based on updated DCF and relative valuations. /KKirkeby-CFA

October 17, 2008
11:24 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF BURLINGTON NORTHERN SANTA FE (BNI 82.25***): With recent economic data indicating a weakening in the US consumer and export markets, we see little scope for recovery in intermodal shipping, and are slightly more cautious on agricultural and fertilizer carloadings going into '09. Even so, we think BNI will continue growing earnings at a double-digit pace through next year, based on contract repricings, productivity measures and more stable fuel costs. We leave our EPS estimates at $5.97 and $6.68 for '08 and '09, respectively. However, we cut our target price to $92 from $105 on lowered DCF and relative valuations. /KKirkeby-CFA

Burlington Northern Santa Fe Corp

STANDARD &POOR'S

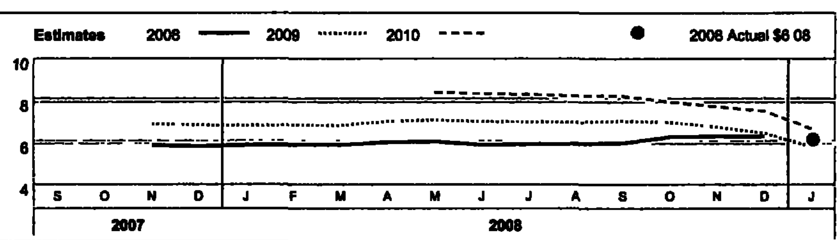
Analysts' Recommendations



Of the total 18 companies following BNI, 18 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	11	2	2
Buy/Hold	4	22	4	4
Hold	9	50	10	11
Weak Hold	3	17	2	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	18	100	18	17

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2010	6.68	7.70	5.25	17	9.5
2009	5.82	6.82	5.05	18	10.9
2010 vs. 2009	▲ 15%	▲ 13%	▲ 4%	▼ -6%	▼ -13%
Q1'10	1.30	1.33	1.26	2	48.7
Q1'09	1.11	1.44	0.95	16	57.0
Q1'10 vs. Q1'09	▲ 17%	▼ -8%	▲ 33%	▼ -88%	▼ -15%

A company's earnings outlook plays a major part in any investment decision Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

HOLD

Companies Offering Coverage

Argus Research Corp.
BB&T Capital Markets
BMO Nesbitt Burns
Barclays Capital
Credit Suisse First Boston
Dahlman Rose & Co.
Deutsche Bank
Goldman Sachs & Co.
JP Morgan Securities
Longbow Research
Macquarie Research Equities
Merrill Lynch Research
Morgan Stanley & Company
Morgan, Keegan & Company, Inc.
RBC Capital Markets (Canada)
Stifel Nicolaus & Co.
UBS Warburg
When2trade Group

Wall Street Consensus vs. Performance

For fiscal year 2009, analysts estimate that BNI will earn $5.82. For fiscal year 2010, analysts estimate that BNI's earnings per share will grow by 15% to $6.68.

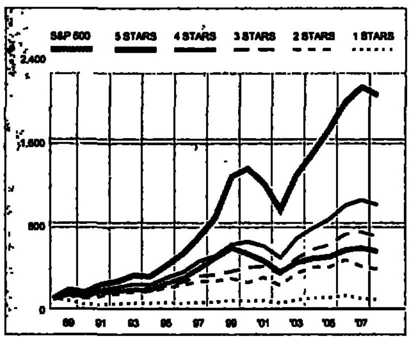
STANDARD &POOR'S

Burlington Northern Santa Fe Corp

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price) Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from *proprietary arithmetic models. These computer-driven* evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings.

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, *the most overvalued issues.* Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Burlington Northn Santa Fe

	Raw Score	Max Value
Proprietary S&P Measures	70	115
Technical Indicators	32	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	17	75
IQ Total	138	250

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services
Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow, **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value, **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Burlington Northern Santa Fe Corp

Required Disclosures

S&P Global STARS Distribution

In North America: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 27.0% of issuers with buy recommendations, 61.2% with hold recommendations and 11.8% with sell recommendations.

In Europe: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services Europe have recommended 30.4% of issuers with buy recommendations, 45.3% with hold recommendations and 24.3% with sell recommendations.

In Asia: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services Asia have recommended 33.9% of issuers with buy recommendations, 54.4% with hold recommendations and 11.7% with sell recommendations.

Globally: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 28.1% of issuers with buy recommendations, 58.3% with hold recommendations and 13.6% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell)** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report

Additional information is available upon request.

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For residents of Malaysia - All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041

Exhibit D

S&P Report on CSX

CSX Corp

STANDARD &POOR'S

S&P Recommendation	Price	12-Mo. Target Price	Investment Style
BUY ★★★★☆	$31.64 (as of Jan 13, 2009)	$41.00	Large-Cap Value

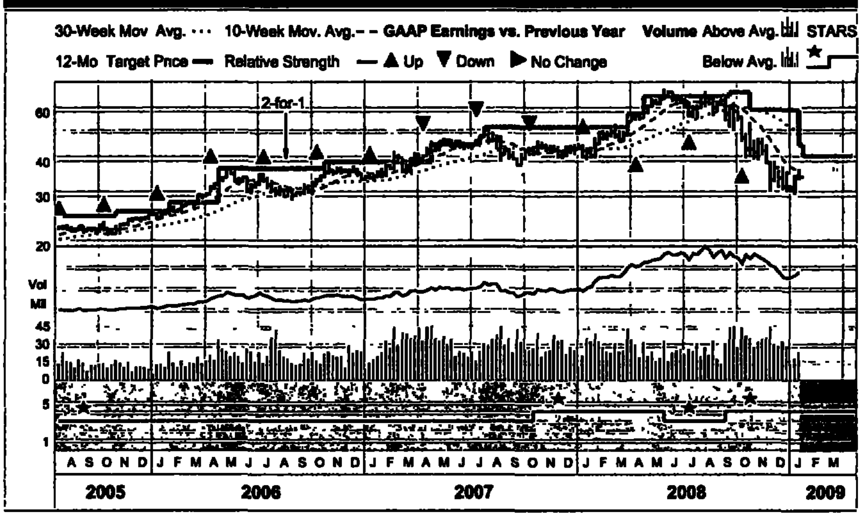
GICS Sector Industrials
Sub-Industry Railroads

Summary This company operates a major U.S. rail network, transporting bulk commodities, industrial products and intermodal containers over its network of approximately 21,000 route miles.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$70.70–30.01	S&P Oper. EPS 2008E	3.60	Market Capitalization(B)	$12.481	Beta	1.15
Trailing 12-Month EPS	$3.57	S&P Oper. EPS 2009E	3.85	Yield (%)	2.78	S&P 3-Yr. Proj. EPS CAGR(%)	18
Trailing 12-Month P/E	8.9	P/E on S&P Oper. EPS 2008E	8.8	Dividend Rate/Share	$0.88	S&P Credit Rating	BBB-
$10K Invested 5 Yrs Ago	$20,989	Common Shares Outstg. (M)	394.5	Institutional Ownership (%)	76		

Price Performance



Options ASE, CBOE, P, Ph

Highlights

➤ The 12-month target price for CSX has recently been changed to $41.00 from $45.00. The Highlights section of this Stock Report will be updated accordingly.

Investment Rationale/Risk

➤ The Investment Rationale/Risk section of this Stock Report will be updated shortly. For the latest News story on CSX from MarketScope, see below.

➤ 01/13/09 10:40 am ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF CSX CORP (CSX 32.67****): CSX warns that Q4 EPS will be about $0.90, excluding $0.27 in previously announced Greenbrier-related writedowns. This is $0.07 below our estimate. Reflecting ongoing volume weakness, we trim our full-year '08 EPS estimate by $0.07 to $3.60 and '09's by $0.17 to $3.85. We also lower our 12-month target price by $4 to $41, on updated DCF and relative metrics. Still, with initiatives to improve operating efficiency underway and valuations near their historical lows, and below peer-averages, we think CSX shares are undervalued, and recommend purchase. /KKirkeby-CFA

Qualitative Risk Assessment

LOW | MEDIUM | HIGH

Our risk assessment reflects what we believe is CSX's exposure to economic cycles, freight demand and pricing and fuel prices, offset by its consistently positive cash flow generation and diverse customer base.

Quantitative Evaluations

S&P Quality Ranking B+

D | C | B- | B | B+ | A- | A | A+

Relative Strength Rank WEAK

25

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2008	2,713	2,907	2,961	--	--
2007	2,422	2,530	2,501	2,577	10,030
2006	2,331	2,421	2,418	2,396	9,566
2005	2,108	2,166	2,125	2,219	8,618
2004	1,915	1,995	1,938	2,172	8,020
2003	2,016	1,942	1,882	1,953	7,793

Earnings Per Share ($)

	1Q	2Q	3Q	4Q	Year
2008	0.85	0.93	0.94	E0.90	E3.60
2007	0.52	0.71	0.67	0.86	2.74
2006	0.53	0.83	0.71	0.75	2.82
2005	0.34	0.37	0.36	0.52	1.59
2004	0.06	0.26	0.26	0.36	0.94
2003	0.10	0.29	-0.24	0.29	0.44

Fiscal year ended Dec 31 Next earnings report expected. Late January. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.150	02/13	02/27	02/29	03/14/08
0.180	03/17	05/28	05/30	06/13/08
0.220	06/25	08/27	09/01	09/15/08
0.220	10/23	11/26	12/01	12/15/08

Dividends have been paid since 1922. Source Company reports

CSX Corp

Business Summary January 06, 2009

CORPORATE OVERVIEW. CSX operates the largest rail network in the eastern U.S., with a 21,000-mile rail network linking commercial markets in 23 states and two Canadian provinces, and owns companies providing intermodal and rail-to-truck transload services. In 1997, the company purchased a 42% stake in Conrail, bringing CSX's system into New York City, Boston, Philadelphia and Buffalo; in 2004, CSX gained direct ownership and control of Conrail's New York Central Lines. With these routes, the company was able to offer shippers broader geographic coverage, access more ports, and expand its share of north-south traffic.

MARKET PROFILE. We consider railroads to be a mature industry, and expect 2.3% annualized U.S. rail tonnage growth between 2006 and 2020. We believe CSX's growth opportunities are at the industry average, as we see above average future growth in intermodal traffic being offset by expected slow coal traffic growth. Even as the U.S. economy recovered over the past five years from a sharp economic slowdown, CSX's intermodal volumes have been relatively flat, near 1.2 million carloadings. Likewise, overall volumes have been flat, versus average annual growth of 1.7% for the overall industry.

We believe growth in CSX's intermodal business, representing 14% of 2007 revenue, will be driven by rising international trade and its cost savings over trucks for long-distance container movements, although we see CSX's service quality as lagging its primary competitor. Coal accounted for 26% of 2007 revenues. Most of this traffic originates from the Appalachian coal fields and is primarily delivered to power utilities. We expect CSX's domestic coal tonnage to experience average growth as its customers balance the high sulfur content of coal against using more costly fuel alternatives. However, export coal is expected to show above average growth due to rising demand from Europe. CSX's merchandise freight provided 50% of freight revenues in 2007, and includes chemical, forest products, metals, and agricultural products. We believe this business is sensitive to U.S. GDP trends, and faces average long-term volume growth prospects. We believe automotive freight, at 8% of revenues in 2007, has a weak volume growth outlook, due to slowing domestic manufacturing and consumer credit trends.

COMPETITIVE LANDSCAPE. The US rail industry has an oligopoly-like structure, with over 88% of revenues generated by the four largest railroads: CSX and Norfolk Southern Corp. operating on the East Coast, and Union Pacific Corp. and Burlington Northern Santa Fe Corp. operating on the West Coast. Railroads simultaneously compete for customers while cooperating by sharing assets, interfacing systems, and completing customer movements.

Key suppliers include locomotive and rail equipment manufacturers, fuel suppliers, and labor. CSX's employees, most of whom are unionized, enjoy above national average compensation due to their significant bargaining power. We believe the market power of CSX's customers varies; large freight integrators and automotive, coal, and utility companies may exert significant power, while smaller customers with limited alternatives are often price takers. Railroads compete with trucking, shipping, and pipeline transportation. Rail rates are generally lower than trucking rates, as service is slower and less flexible than trucking, which provides most U.S. transportation. We believe rising fuel prices increase the cost attractiveness of railroads over less fuel-efficient trucking, which should help support CSX's pricing and volumes.

IMPACT OF MAJOR DEVELOPMENTS. CSX was involved in a heated proxy fight with a group of hedge funds that in early 2008 sought to replace five of CSX's incumbent directors with a slate of their own, among other changes. An independent third party reported in late July that shareholders had elected four of the activists' nominees. Despite attempted legal challenges by CSX, the four directors were all installed on the Board of Directors by September 2008. The new directors, in our opinion, will not be able to bring about change on their own, being four out of a 12-person board of directors, but will increase the amount of debate regarding strategy and speed of implementation. In addition, we believe the challenge has already contributed to CSX increasing the size of its share buyback program and taking additional steps to boost operating returns.

FINANCIAL TRENDS. Improving asset utilization and rising freight prices helped ROIC, adjusted for operating leases, to rise from 8.7% in 2005 to 12.4% in 2007. We believe ROIC benefited in 2007 from lower cash taxes of $235 million, versus the $531 million paid in 2006. We believe this added nearly 200 basis points to ROIC for 2007. We expect ROIC in 2008 to be about 10.5%, which would surpass our estimated 9.3% cost of capital. In September 2008, the company updated its guidance for the 2008-2010 period. It expects to grow operating income 15%-20% annually, which is higher than the previous 13%-15% annual growth target. We expect contract repricings and additional volumes to be the primary contributors. The company also indicated that it is targeting 20%-25% annual EPS growth over the same period, up from a prior forecast of 18%-21%. In March 2008, CSX again expanded its share buyback, by another $2.4 billion. We note that CSX's board of directors already had increased its share buyback authorization to $3.0 billion in May 2007 from the $2 billion announced three months earlier. As of September 2008, the company had authorization to purchase about $2.0 billion in shares, representing about 50 million shares, or 12% of the shares outstanding.

Corporate Information

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Officers

Chrmn, Pres & CEO
M.J. Ward

EVP & CFO
O. Munoz

SVP, Secy & General Counsel
E.M. Fitzsimmons

Chief Acctg Officer & Cntlr
C.T. Sizemore

Treas
D.A. Boor

Board Members
D. M. Alvarado
A. Behring
J. B. Breaux
A. B. Fogarty
S. T. Halverson
C. Hohn
E. J. Kelly, III
G. H. Lamphere
J. D. McPherson
T. O'Toole
D. M. Ratcliffe
D. J. Shepard
M. J. Ward

Domicile
Virginia

Founded
1978

Employees
35,443

Stockholders
46,749

CSX Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 2+

1	2	3	4	5

LOWEST — HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5)

Fair Value Calculation $32.10 Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that CSX is fairly valued

Investability Quotient Percentile 86

LOWEST = 1 — HIGHEST = 100

CSX scored higher than 86% of all companies for which an S&P Report is available

Volatility LOW | AVERAGE | HIGH

Technical Evaluation BEARISH Since September, 2008, the technical indicators for CSX have been BEARISH.

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	1.97	1.68	1.34	1.12
Price/EBITDA	6.34	5.65	4.94	5.21
Price/Pretax Income	10.20	8.71	11.17	14.16
P/E Ratio	16.08	12.25	16.08	21.58
Avg. Diluted Shares Outstg (M)	448.3	465.9	456.0	450.1

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	4.85	8.06	5.05	-0.34
Net Income	-6.41	46.62	37.63	21.05
Ratio Analysis (Annual Avg.)				
Net Margin (%)	12.22	11.42	8.38	6.51
% LT Debt to Capitalization	30.42	26.97	29.96	33.57
Return on Equity (%)	13.91	12.15	8.89	7.30

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	21.14	20.42	18.25	15.77	15.01	14.52	14.32	14.13	13.20	13.55
Cash Flow	4.71	4.67	3.41	2.55	1.94	2.62	2.16	2.76	1.46	2.73
Earnings	2.74	2.82	1.59	0.94	0.44	1.10	0.69	0.44	0.12	1.26
S&P Core Earnings	2.74	2.57	1.60	0.90	0.66	0.85	0.59	NA	NA	NA
Dividends	0.54	0.63	0.22	0.20	0.20	0.20	0.40	0.60	0.60	0.60
Payout Ratio	20%	22%	14%	21%	45%	18%	58%	136%	NM	48%
Prices:High	51.88	38.30	25.80	20.23	18.15	20.70	20.65	16.72	26.97	30.38
Prices:Low	33.50	24.29	18.45	14.40	12.75	12.55	12.41	9.75	14.41	18.25
P/E Ratio:High	19	14	16	22	41	19	30	38	NM	24
P/E Ratio:Low	12	9	12	15	29	11	18	22	NM	15
Income Statement Analysis (Million $)										
Revenue	10,030	9,566	8,618	8,020	7,793	8,152	8,110	8,191	10,811	9,898
Operating Income	3,112	2,837	2,345	1,730	1,269	1,776	1,579	1,405	1,685	1,790
Depreciation	883	867	833	730	643	649	622	600	621	630
Interest Expense	417	392	423	435	418	445	518	543	521	506
Pretax Income	1,932	1,841	1,036	637	265	723	448	656	130	808
Effective Tax Rate	36.5%	28.8%	30.5%	34.4%	28.7%	35.4%	34.6%	13.9%	67.7%	29.2%
Net Income	1,226	1,310	720	418	189	467	293	565	51.0	537
S&P Core Earnings	1,228	1,194	729	405	280	363	249	NA	NA	NA
Balance Sheet & Other Financial Data (Million $)										
Cash	714	461	309	859	368	264	618	684	974	533
Current Assets	2,491	2,672	2,372	2,987	1,903	1,789	2,074	2,046	2,563	1,984
Total Assets	25,534	25,129	24,232	24,581	21,760	20,951	20,801	20,491	20,720	20,427
Current Liabilities	2,671	2,522	2,979	3,317	2,210	2,454	3,303	3,280	3,473	2,600
Long Term Debt	6,470	5,362	5,093	6,234	6,886	6,519	5,839	5,810	6,196	6,432
Common Equity	8,685	9,863	8,918	7,858	7,569	7,091	7,060	6,017	5,756	5,880
Total Capital	21,272	21,335	20,093	20,071	18,207	17,177	16,520	15,211	15,179	15,485
Capital Expenditures	1,773	1,639	1,136	1,030	1,059	1,080	930	913	1,517	1,479
Cash Flow	2,109	2,177	1,553	1,148	832	1,116	915	1,165	623	1,167
Current Ratio	0.9	1.1	0.8	0.9	0.9	0.7	0.6	0.6	0.7	0.8
% Long Term Debt of Capitalization	30.4	25.1	25.3	31.1	37.8	38.0	35.3	38.2	40.8	41.5
% Net Income of Revenue	12.2	13.7	8.4	5.2	2.4	5.7	3.6	6.9	0.5	5.4
% Return on Assets	4.8	5.3	2.9	1.8	0.9	2.2	1.4	2.7	0.2	2.7
% Return on Equity	13.9	14.0	8.6	5.4	2.6	6.6	4.2	9.6	0.9	9.2

Data as orig reptd., bef. results of disc opers/spec items Per share data adj for stk. divs.; EPS diluted E-Estimated NA-Not Available NM-Not Meaningful NR-Not Ranked. UR-Under Review

CSX Corp

Sub-Industry Outlook

Our fundamental outlook for the S&P Railroads Index is neutral. We believe freight rates, excluding fuel, will rise in the mid-single digits in the coming year as railroads use the generally tight network capacity to revise contract terms upon renewal. Volume weakness in market segments such as construction materials, autos and intermodal is expected to remain into 2009, while coal and grain are flat. Comparisons in 2009 will benefit from the Midwest flooding and hurricanes along the Gulf Coast that cut into volumes and pushed operating costs higher. Third quarter earnings reports from the carriers showed a boost from declining diesel fuel prices and the "catch up" in surcharges. Nevertheless, we see neutral valuation indications, with most railroad stocks near their historical average and regulatory risk rising. We note that an increasing proportion of earnings growth has been the result of aggressive share buyback programs, which in the current credit-constrained environment will likely slow.

Rail revenues rose about 5% in 2007, while operating earnings were up just over 6%. Traffic in ton miles (weight times distance) decreased about 1.0% in the U.S. in 2007, and decreased 0.9% year to date through December 20, according to Association of American Railroads estimates. Carloadings declined 2.5% in 2007, and were down 1.9% year to date through December 20. After reaching record levels in 2006, intermodal volumes declined 2.1% in 2007, to 12.0 million trailers or containers. Through December 20 of this year, intermodal units were down another 4.0%.

Our longer-term outlook for railroads is favorable, with the industry's core traffic base (coal, grain, and chemicals) increasing volumes in line with the economy. We see railroads' greater fuel efficiency relative to other transportation modes, along with highway congestion and driver availability, as factors that could drive more industrial and intermodal shipments to the rails over the longer-term. However, the rail carriers face considerable infrastructure expenditures before they can accommodate these additional volumes. Over the past five years, capital expenditures by the leading railroads exceeded 14% of annual revenues.

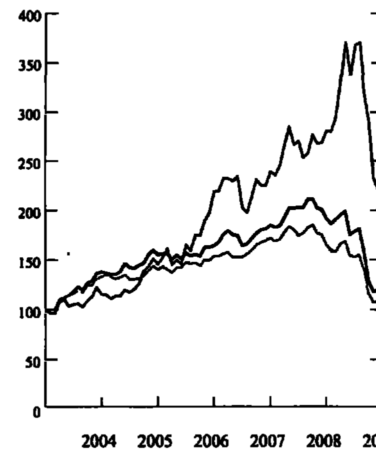
The S&P Railroads Index was down 20.8% year to date through December 19, versus a 39.3% decline for the S&P 1500. The sub-industry index gained 19.5% in 2007, versus the S&P 1500's 3.6% increase.

-Kevin Kirkeby, CFA

Stock Performance

GICS Sector: Industrials
Sub-Industry: Railroads

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/31/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Railroads Peer Group*: Railroads (U.S.) - Major

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
CSX Corp	**CSX**	**12,710**	**32.22**	**70.70/30.01**	**1.15**	**2.7**	**9**	**32.10**	**B+**	**86**	**12.2**	**30.4**
Burlington Northn Santa Fe	BNI	24,014	70.15	114.58/68 31	1.00	2.3	12	68.60	A-	92	11.6	28.3
Kansas City Southern	KSU	1,840	20.18	55.90/15.71	1.75	Nil	10	21.10	B-	31	8.8	30.9
Norfolk Southern	NSC	16,037	43.31	75.53/41.36	1.42	3.0	10	44.80	B+	88	15.5	27.5
Union Pacific	UNP	23,048	45.51	85.80/41.84	1.16	2.4	11	39.60	A	94	11.4	22.7

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization

S&P Analyst Research Notes and other Company News

January 13, 2009
CSX announces preliminary Q4 EPS of $0.63, which includes a noncash impairment charge of about $0.27 related to write-down of its investment in The Greenbrier resort in White Sulphur Springs, West Virginia. Excluding this charge, EPS would be about $0.90, vs. Street's view of $0.98. Expects Q4 revenue of about $2.7B, driven by higher yields and fuel recovery, which are expected to offset the impact of significantly lower volumes.

January 13, 2009
10:40 am ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF CSX CORP (CSX 32.67****): CSX warns that Q4 EPS will be about $0.90, excluding $0.27 in previously announced Greenbrier-related writedowns. This is $0.07 below our estimate. Reflecting ongoing volume weakness, we trim our full-year '08 EPS estimate by $0.07 to $3.60 and '09's by $0.17 to $3.85. We also lower our 12-month target price by $4 to $41, on updated DCF and relative metrics. Still, with initiatives to improve operating efficiency underway and valuations near their historical lows, and below peer-averages, we think CSX shares are undervalued, and recommend purchase. /KKirkeby-CFA

January 5, 2009
12:16 pm ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF CSX CORP (CSX 35.19****): In light of recent volumes, down nearly 9% in Q4, and the likelihood carloadings will continue weak through first half '09, we lower our '09 EPS estimate $0.17 to $4.02, but we keep '08's at $3.67. To reflect lower peer valuations and our updated DCF model, we cut our 12-month target price by $15 to $45. Even so, with CSX making moves to improve its operations, as evidenced by its announcement Jan. 2 that it is examining strategic options for its Greenbrier resort, and with valuation metrics at the low end of historical range, we consider the shares undervalued. /KKirkeby-CFA

December 5, 2008
CSX Corp. announced the appointment of Louis E. Renjel as vice president-strategic infrastructure initiatives. The company reported Louis will help communities meet their transportation needs while increasing the capability of CSX to accommodate long-term growth. Louis experience in the public and private sectors and his leadership in developing environmental solutions make Louis uniquely qualified for this assignment. Before joining CSX, Renjel was a director of government relations for Cummins Inc. From 1999 to 2003, he worked with U.S. Senator James Inhofe of Oklahoma, first as legislative assistant and then as deputy staff director of the U.S. Senate Committee on Environment and Public Works. Renjel has also served as associate director of environmental and regulatory affairs at the U.S. Chamber of Commerce. In his new assignment, Renjel will be located in Jacksonville. He succeeds Lisa A. Mancini, who was recently named senior vice president-human resources and labor relations.

November 17, 2008
CSX Corp. announced the appointment of Lisa Mancini as senior vice president, human resources and labor relations. Mancini will report to Michael J. Ward, chairman, president and CEO. She succeeds Robert J. Haulter, who is retiring on December 31, 2008, after a distinguished 35-year career. Mancini has served as the chief operating officer of the San Francisco Municipal Railway, deputy executive director of the San Francisco Municipal Transportation Agency, and a key operating executive for the Southeastern Pennsylvania Transportation Authority. She joined CSX in 2003 and was named vice president-labor relations in 2004. Over the past year, she has been leading CSX's efforts to create public-private partnerships to achieve transportation solutions throughout the country.

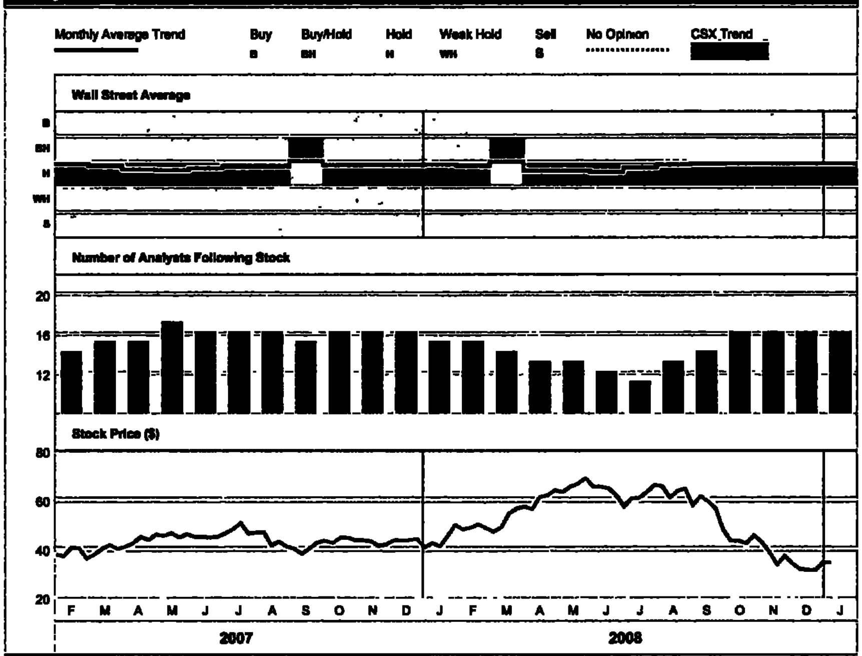
October 15, 2008
CSX posts $0.94 vs. $0.67 Q3 EPS from cont. ops on 18% higher revenue. However, says "taking into account current economic conditions," CSX is now targeting low end of its '08 EPS guidance of $3.65-$3.75. Also, through 2010, CSX continues to target compound annual growth in operating income and EPS of 15%-20% and 20%-25%, respectively, as well as a high-60's operating ratio by 2010. CSX noted it has strong liquidity, access to credit and expects free cash flow of about $1B in '08.

October 15, 2008
10:17 am ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF CSX CORP. (CSX 44.68****): Q3 EPS of $0.94, before about $0.06 in costs tied to recent hurricanes, vs. $0.67 misses our $1.03 estimate. Pricing gains above 6% helped CSX offset a 2% volume decline. But with the volume environment likely to remain challenged through Q4, particularly for auto-related traffic, we are lowering our '08 EPS estimate by $0.05 to $3.67. Our '09 forecast remains $4.19, as we expect productivity gains and more stable fuel costs to drive margin expansion. Even so, we are cutting our 12-month target price by $9 to $60 on a lowered relative valuation in line with the 10-year average. /KKirkeby-CFA

CSX Corp

STANDARD &POOR'S

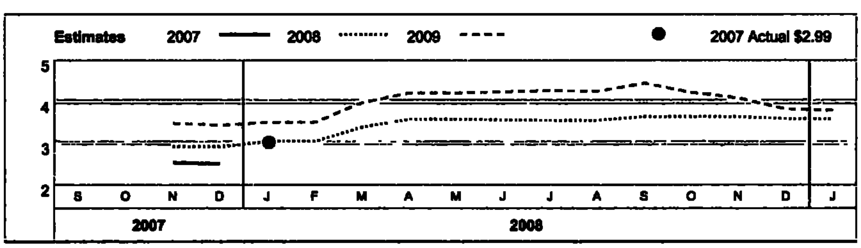
Analysts' Recommendations



Of the total 17 companies following CSX, 16 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	12	2	2
Buy/Hold	5	31	4	4
Hold	8	50	9	9
Weak Hold	1	6	1	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	16	100	16	16

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2009	3.81	4.31	3.30	16	8.3
2008	3.60	3.70	3.53	14	8.8
2009 vs. 2008	▲ 6%	▲ 16%	▼ -7%	▲ 14%	▼ -6%
Q4'09	1.01	1.15	0.87	9	31.3
Q4'08	0.98	1.08	0.90	15	32.3
Q4'09 vs. Q4'08	▲ 3%	▲ 6%	▼ -3%	▼ -40%	▼ -3%

A company's earnings outlook plays a major part in any investment decision Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Corp.
BB&T Capital Markets
BMO Nesbitt Burns
Barclays Capital
Credit Suisse First Boston
Dahlman Rose & Co.
Deutsche Bank
Goldman Sachs & Co.
JP Morgan Securities
Longbow Research
Macquarie Research Equities
Merrill Lynch Research
Morgan Stanley & Company
Morgan, Keegan & Company, Inc.
Stifel Nicolaus & Co.
UBS Warburg
When2trade Group

Wall Street Consensus vs. Performance

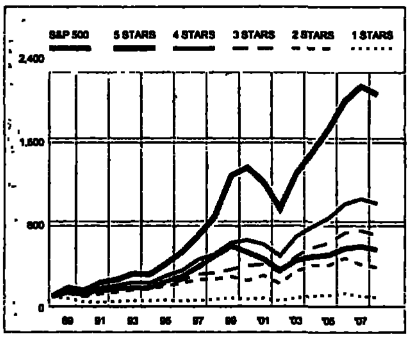
For fiscal year 2008, analysts estimate that CSX will earn $3.60. For the 3rd quarter of fiscal year 2008, CSX announced earnings per share of $0.94, representing 26% of the total annual estimate. For fiscal year 2009, analysts estimate that CSX's earnings per share will grow by 6% to $3.81.

CSX Corp

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large *and representative sample of stocks. The range of* scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
CSX Corp

	Raw Score	Max Value
Proprietary S&P Measures	61	115
Technical Indicators	28	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	16	75
IQ Total	**124**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market, NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

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In North America: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 27.0% of issuers with buy recommendations, 61.2% with hold recommendations and 11.8% with sell recommendations.

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Globally: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 28.1% of issuers with buy recommendations, 58.3% with hold recommendations and 13.6% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

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For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc., Standard & Poor's, 55 Water St., New York, NY 10041.

Exhibit E

S&P Report on NS

STANDARD & POOR'S

Norfolk Southern Corp

S&P Recommendation	Price	12-Mo. Target Price	Investment Style
BUY ★★★★★	$34.15 (as of Jan 23, 2009)	$60.00	Large-Cap Blend

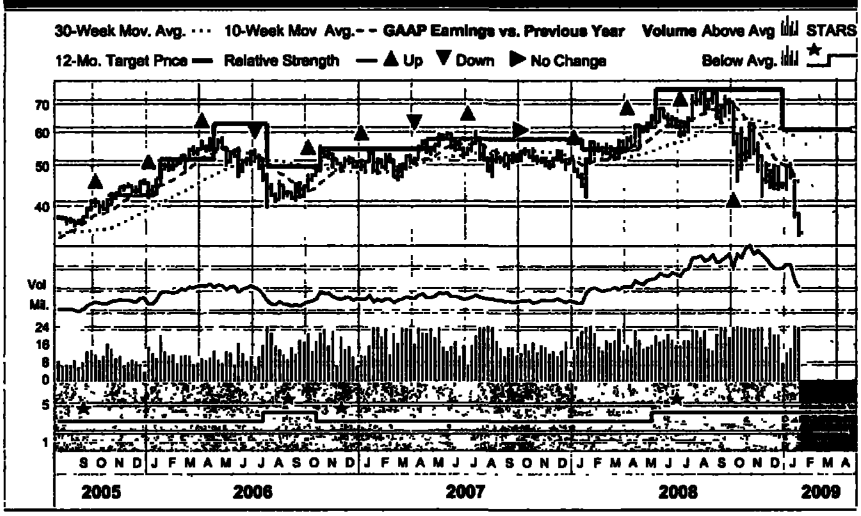
GICS Sector Industrials
Sub-Industry Railroads

Summary This railroad operates 21,200 route miles serving 22 eastern states, the District of Columbia, and Ontario, Canada.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$75.53–33.45	S&P Oper. EPS 2008E	4.43	Market Capitalization(B)	$12.645	Beta	1.42
Trailing 12-Month EPS	$4.33	S&P Oper. EPS 2009E	4.68	Yield (%)	3.75	S&P 3-Yr. Proj. EPS CAGR(%)	12
Trailing 12-Month P/E	7.9	P/E on S&P Oper. EPS 2008E	7.7	Dividend Rate/Share	$1.28	S&P Credit Rating	BBB+
$10K Invested 5 Yrs Ago	$15,983	Common Shares Outstg. (M)	370.3	Institutional Ownership (%)	70		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by **Kevin Kirkeby** on December 22, 2008, when the stock traded at **$ 44.30**.

Highlights

- We consider NSC to be on track for revenue growth of 15% in 2008, with nearly all of the increase coming from pricing and fuel surcharges. Volumes will be down nearly 3% this year, in our view, due mostly to construction and automotive weakness. Our forecast for 3.0% revenue growth in 2009 reflects higher average prices, a 1% decline in volumes, and a flattening in the contribution from fuel surcharges. While we expect its coal franchise to remain strong, further production cuts from automakers will weigh on volumes through much of the year, in our view.
- We see operating margins fractionally wider in 2009 due to moderating fuel prices and the catch-up in fuel cost recoveries. Margins should also receive a boost as new engines and higher capacity railcars are deployed. Still, we expect some upward pressure on wages due to the new labor contracts.
- Net interest expenses are likely to increase in 2009 as share repurchases reduce its cash position. As of September 2008, NSC had 14.5 million shares remaining under its buyback authorization.

Investment Rationale/Risk

- Medium-term trends in NSC's primary markets remain favorable and support rising traffic and prices, in our opinion. We see investments in its network improving capacity on heavily trafficked lines like the Heartland Corridor, and leading to higher railcar utilization and greater system fluidity. Looking beyond the current economic uncertainty and volume weakness at NSC, we believe a valuation near the historical average, and in line with peers, is warranted.
- Risks to our recommendation and target price include weaker-than-anticipated coal shipments, rising competition in its shorter routes where trucks are able to compete effectively, severe weather, a new round of production cuts by auto manufacturers, and unfavorable changes in regulatory framework.
- Blending a forward P/E of about 12.2X our next 12 months EPS estimate, near the five-year average, with our DCF model, which assumes a 9.5% weighted average cost of capital, 13% average EPS growth over the next five years and a 3.5% terminal growth rate (yielding an intrinsic value of $63), we arrive at our 12-month target price of $60.

Qualitative Risk Assessment

LOW | **MEDIUM** | HIGH

Our risk assessment reflects what we see as NSC's exposure to economic cycles, regulations, labor and fuel costs, significant capital expenditure requirements, and challenges in maintaining system fluidity, offset by our view of a diverse customer base, historically positive free cash flow, and moderate financial leverage.

Quantitative Evaluations

S&P Quality Ranking B+

D | C | B- | B | **B+** | A- | A | A+

Relative Strength Rank WEAK

18

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2008	2,500	2,765	2,894	--	--
2007	2,247	2,378	2,353	2,454	9,432
2006	2,303	2,392	2,393	2,319	9,407
2005	1,961	2,154	2,155	2,257	8,527
2004	1,693	1,813	1,857	1,949	7,312
2003	1,561	1,633	1,598	1,676	6,468

Earnings Per Share ($)

2008	0.76	1.18	1.37	E1.12	E4.43
2007	0.71	0.98	1.02	1.02	3.68
2006	0.72	0.89	1.02	0.95	3.57
2005	0.47	1.04	0.73	0.87	3.11
2004	0.40	0.54	0.72	0.65	2.31
2003	0.54	0.35	0.35	0.13	1.05

Fiscal year ended Dec. 31. Next earnings report expected NA. EPS Estimates based on S&P Operating Earnings, historical GAAP earnings are as reported

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.290	01/22	01/30	02/01	03/10/08
0.290	04/22	04/30	05/02	06/10/08
0.320	07/22	07/30	08/01	09/10/08
0.320	10/21	11/05	11/07	12/10/08

Dividends have been paid since 1901 Source Company reports

Norfolk Southern Corp

Business Summary December 22, 2008

CORPORATE OVERVIEW. Norfolk Southern provides rail transportation service in the eastern U.S., operating over 21,000 miles of road, with an extensive intermodal and coal service network and a significant general freight business, including an automotive business that is the largest in North America. NSC owns 58% of Conrail's shares, with CSX holding the remainder, and holds 50% voting rights. NSC and CSX operate separate portions of Conrail's rail routes and assets. NSC's non-rail activities includes real estate and natural resources.

MARKET PROFILE. We believe NSC's intermodal business, representing 20% of 2007 freight revenues, will be NSC's fastest-growing segment longer term, driven by rising international trade and its cost savings over trucks for long-distance container movements. We think the superior system fluidity of its extensive intermodal network on the East Coast, supported by ongoing investment in facilities, will provide NSC with a continuing edge in garnering East Coast intermodal traffic. Coal, which we believe is NSC's most profitable segment, accounted for 25% of 2007 freight revenues. Most of this traffic originates from the Appalachian coal fields, and is primarily delivered to power utilities. General merchandise, sensitive to U.S. GDP trends, provided 55% of freight revenues in 2007. We believe chemicals and automotive, representing 12% and 10% of 2007 freight revenues, respectively, are significant general merchandise subsegments that are facing low long-term volume growth prospects. We consider NSC to have considerable exposure to the auto market since it serves 29 assembly plants, the majority of which belong to the domestic manufacturers Ford, Chrysler and General Motors.

COMPETITIVE LANDSCAPE. The U.S. rail industry has an oligopoly-like structure, with over 80% of revenues generated by the four largest railroads: NSC and CSX Corp. operating on the East Coast, and Union Pacific Corp. and Burlington Northern Santa Fe Corp. operating on the West Coast. Railroads simultaneously compete for customers while cooperating by sharing assets, interfacing systems, and completing customer movements. Key suppliers include locomotive and rail equipment manufacturers, fuel suppliers, and labor. NSC's employees, about 85% of whom are unionized, enjoy above national average compensation due to their significant bargaining power.

We believe the market power of NSC's customers varies; large freight integrators, coal and utility companies may exert significant pricing power, while smaller customers with limited alternatives are often price takers. Railroads compete with trucking, shipping, and pipeline transportation. Rail rates are generally lower than trucking rates, as service is slower and less flexible, in our view, than trucking, which provides most U.S. transportation. We believe rising fuel prices increase the cost attractiveness of railroads over less fuel-efficient trucking, which should help support NSC's pricing and volumes over the next five years, assisted by NSC's relatively strong freight service quality.

FINANCIAL TRENDS. We consider railroads to be a mature industry, and we expect 2.3% annualized U.S. rail tonnage growth from 2007 to 2020. We believe NSC's growth opportunities are at the industry average, as we see above-average future growth in intermodal traffic and export coal being offset by limited improvement in automotive traffic growth. Over the past 10 years, NSC's intermodal volumes have expanded at a compound annual growth rate of 7.8%, and total carloads have risen 4.8%, compared to 4.0% and 0.9%, respectively, for the industry. We calculate that return on invested capital (ROIC) has over the past 10 years averaged 10.9% at NSC, versus 11.3% for the industry. We see rising asset utilization and increased freight pricing helping ROIC to rise from 7.4% in 2003 to above 11.0% in 2008, which would surpass our 9.5% estimate of NSC's cost of capital.

Corporate Information

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Officers

Chrmn, Pres & CEO
C.W. Moorman, IV

EVP & CIO
D.H. Butler

COO
S.C. Tobias

Chief Admin Officer
J.P. Rathbone

EVP & CFO
J.A. Squires

Board Members
G. L. Baliles
D. A. Carp
G. R. Carter
A. D. Correll
L. Hilliard
K. N. Horn
B. M. Joyce
S. F. Leer
M. D. Lockhart
C. W. Moorman, IV
J. P. Reason

Domicile
Virginia

Founded
1980

Employees
30,806

Stockholders
36,955

Norfolk Southern Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 1+

1 2 3 4 5

LOWEST HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $31.20

Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that NSC is slightly overvalued by $2.95 or 8.6%

Investability Quotient Percentile 88

LOWEST = 1 HIGHEST = 100

NSC scored higher than 88% of all companies for which an S&P Report is available.

Volatility LOW AVERAGE HIGH

Technical Evaluation BEARISH

Since September, 2008, the technical indicators for NSC have been BEARISH

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	2.13	2.22	2.17	1.98
Price/EBITDA	6.02	6.31	6.36	6.25
Price/Pretax Income	8.97	9.35	10.89	11.10
P/E Ratio	13.71	14.08	14.43	15.66
Avg. Diluted Shares Outstg (M)	397.8	414.7	412.3	399.3

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-0.01	8.91	9.90	8.55
Net Income	-1.15	16.52	32.93	22.21
Ratio Analysis (Annual Avg.)				
Net Margin (%)	15.56	15.44	13.06	9.55
% LT Debt to Capitalization	27.51	28.15	31.30	37.27
Return on Equity (%)	15.14	15.22	12.82	9.38

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	27.12	24.19	22.66	19.98	17.83	16.71	15.78	15.17	15.53	15.61
Cash Flow	5.63	5.50	5.02	3.83	2.40	2.50	2.27	1.80	1.91	2.83
Earnings	3.68	3.57	3.11	2.31	1.05	1.18	0.94	0.45	0.63	1.65
S&P Core Earnings	3.48	3.43	2.97	2.13	0.95	0.70	0.41	NA	NA	NA
Dividends	0.96	0.68	0.48	0.46	0.30	0.26	0.24	0.80	0.80	0.80
Payout Ratio	26%	19%	15%	20%	29%	22%	26%	178%	127%	48%
Prices:High	59.77	57.71	45.81	36.69	24.62	26.98	24.11	22.75	36.44	41.75
Prices:Low	45.38	39.10	29.60	20.38	17.35	17.20	13.41	11.94	19.63	27.44
P/E Ratio:High	16	16	15	16	23	23	26	51	58	25
P/E Ratio:Low	12	11	10	9	17	15	14	27	31	17
Income Statement Analysis (Million $)										
Revenue	9,406	9,407	8,527	7,312	6,468	6,270	6,170	6,159	5,195	4,221
Operating Income	3,334	3,307	2,904	2,311	1,592	1,158	1,521	1,150	1,207	1,502
Depreciation	775	750	787	609	528	515	514	517	489	450
Interest Expense	482	493	500	506	497	518	553	551	561	516
Pretax Income	2,237	2,230	1,697	1,302	586	706	553	250	351	845
Effective Tax Rate	34.6%	33.6%	24.5%	29.1%	29.9%	34.8%	34.5%	31.2%	31.9%	25.4%
Net Income	1,464	1,481	1,281	923	411	460	362	172	239	630
S&P Core Earnings	1,377	1,417	1,224	849	365	270	155	NA	NA	NA
Balance Sheet & Other Financial Data (Million $)										
Cash	206	527	289	579	284	184	204	Nil	37.0	5.00
Current Assets	1,675	2,400	2,650	1,967	1,425	1,299	1,047	849	1,371	913
Total Assets	26,144	26,028	25,861	24,750	20,596	19,956	19,418	18,976	19,250	18,180
Current Liabilities	1,948	2,093	1,921	2,201	1,801	1,853	2,386	1,887	1,924	1,117
Long Term Debt	6,132	6,109	6,616	6,863	6,800	7,006	7,027	7,339	7,556	7,483
Common Equity	9,727	9,615	9,289	7,990	6,976	6,500	6,090	5,824	5,932	5,921
Total Capital	22,290	22,168	22,525	21,403	17,008	16,561	15,943	15,958	16,225	15,998
Capital Expenditures	1,341	1,178	1,025	1,041	720	689	746	731	912	956
Cash Flow	2,239	2,231	2,068	1,532	939	975	876	689	728	1,080
Current Ratio	0.9	1.1	1.4	0.9	0.8	0.7	0.4	0.4	0.7	0.8
% Long Term Debt of Capitalization	27.5	27.6	29.4	32.1	40.0	42.3	44.1	46.0	46.6	46.8
% Net Income of Revenue	15.6	15.7	15.0	12.6	6.4	7.3	5.9	2.8	4.6	14.9
% Return on Assets	5.6	5.7	5.1	4.1	2.0	2.3	1.9	0.9	1.3	3.5
% Return on Equity	15.1	15.7	14.8	12.3	6.1	7.3	6.1	2.9	4.0	11.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs., EPS diluted. E-Estimated NA-Not Available NM-Not Meaningful NR-Not Ranked. UR-Under Review.

Norfolk Southern Corp

Sub-Industry Outlook

Our fundamental outlook for the S&P Railroads Index is neutral. We believe freight rates, excluding fuel, will rise in the mid-single digits in the coming year as railroads use the generally tight network capacity to revise contract terms upon renewal. Volume weakness in market segments such as construction materials, autos and intermodal is expected to remain into 2009, while coal and grain are flat. Comparisons in 2009 will benefit from the Midwest flooding and hurricanes along the Gulf Coast that cut into volumes and pushed operating costs higher. Third quarter earnings reports from the carriers showed a boost from declining diesel fuel prices and the "catch up" in surcharges. Nevertheless, we see neutral valuation indications, with most railroad stocks near their historical average and regulatory risk rising. We note that an increasing proportion of earnings growth has been the result of aggressive share buyback programs, which in the current credit-constrained environment will likely slow.

Rail revenues rose about 5% in 2007, while operating earnings were up just over 6%. Traffic in ton miles (weight times distance) decreased about 1.0% in the U.S. in 2007, and decreased 0.9% year to date through December 20, according to Association of American Railroads estimates. Carloadings declined 2.5% in 2007, and were down 1.9% year to date through December 20. After reaching record levels in 2006, intermodal volumes declined 2.1% in 2007, to 12.0 million trailers or containers. Through December 20 of this year, intermodal units were down another 4.0%.

Our longer-term outlook for railroads is favorable, with the industry's core traffic base (coal, grain, and chemicals) increasing volumes in line with the economy. We see railroads' greater fuel efficiency relative to other transportation modes, along with highway congestion and driver availability, as factors that could drive more industrial and intermodal shipments to the rails over the longer-term. However, the rail carriers face considerable infrastructure expenditures before they can accommodate these additional volumes. *Over the past five years, capital expenditures by the* leading railroads exceeded 14% of annual revenues.

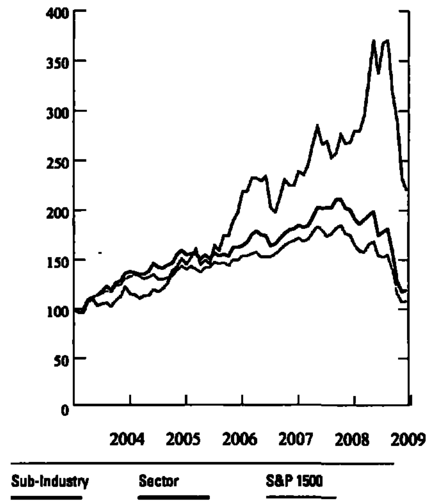
The S&P Railroads Index was down 20.8% year to date through December 19, versus a 39.3% decline for the S&P 1500. The sub-industry index gained 19.5% in 2007, versus the S&P 1500's 3.6% increase.

-Kevin Kirkeby, CFA

Stock Performance

GICS Sector: Industrials
Sub-Industry: Railroads

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/31/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Railroads Peer Group*: Railroads (U.S.) - Major

Peer Group	Stock Symbol	Stk Mkt. Cap. (Mil $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Norfolk Southern	**NSC**	**12,645**	**34.15**	**75.53/33.45**	**1.42**	**3.7**	**8**	**31.20**	**B+**	**88**	**15.5**	**27.5**
Burlington Northn Santa Fe	BNI	21,676	63.32	114.58/59.91	1.00	2.5	10	43.80	A-	92	11 7	44.0
CSX Corp	CSX	11,376	28.84	70.70/27.77	1.15	3.1	9	28 90	B+	86	12.1	47.3
Kansas City Southern	KSU	1,543	16.90	55.90/15.56	1.75	Nil	8	17.50	B-	31	8.8	30.9
Union Pacific	UNP	21,523	42.50	85.80/37.55	1.16	2.5	10	35 60	A	94	11.4	22.7

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization

S&P Analyst Research Notes and other Company News

December 19, 2008
12:43 pm ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF NORFOLK SOUTHERN (NSC 45.49****): Recent industry figures indicate that NSC's carloadings are down 5.4% in the current quarter through 12/13, compared with a 10.3% decline for the Railroads sub-industry. Despite increased coal shipments, NSC volumes are being dragged down by autos and metals. We keep our '08 EPS estimate of $4.43, as we see a catch-up in fuel recoveries offsetting weaker carloadings. However, we are trimming our '09 estimate $0.19 to $4.68 to reflect a greater uncertainty about production levels by the Big 3 automakers. Further, we cut our target price by $15 to $60 on lower relative valuations. /KKirkeby-CFA

October 22, 2008
10:16 am ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF NORFOLK SOUTHERN (NSC 55.21****): Q3 EPS of $1.37 vs. $0.97 exceeds our $1.09 estimate on a 24% gain in yield but 1% volume decline. Coal and agriculture shipments continued to increase, but auto and related shipments remain a headwind. We see this dynamic extending into '09. Also, we think NSC has room to convert more traffic to intermodal in its relatively dense eastern lanes. We are boosting our EPS estimate for '08 by $0.34 to $4.43 to reflect Q3 outperformance and lower share count, and '09's by $0.21 to $4.87. We keep our target price of $75, based on DCF and relative valuations. /K.Kirkeby-CFA

September 24, 2008
Norfolk Southern Corp. appointed Michael D. Lockhart as Director. He is chief executive officer of Armstrong World Industries Inc. Lockhart joined Armstrong in 2000. Prior to that, he was chairman and chief executive officer of General Signal Corporation from 1995 until it was acquired in 1998. He joined General Signal as president and chief operating officer in 1994. From 1981 until 1994, Lockhart worked for General Electric Company in various executive capacities in GE Capital, GE Transportation Systems, and GE Aircraft Engines.

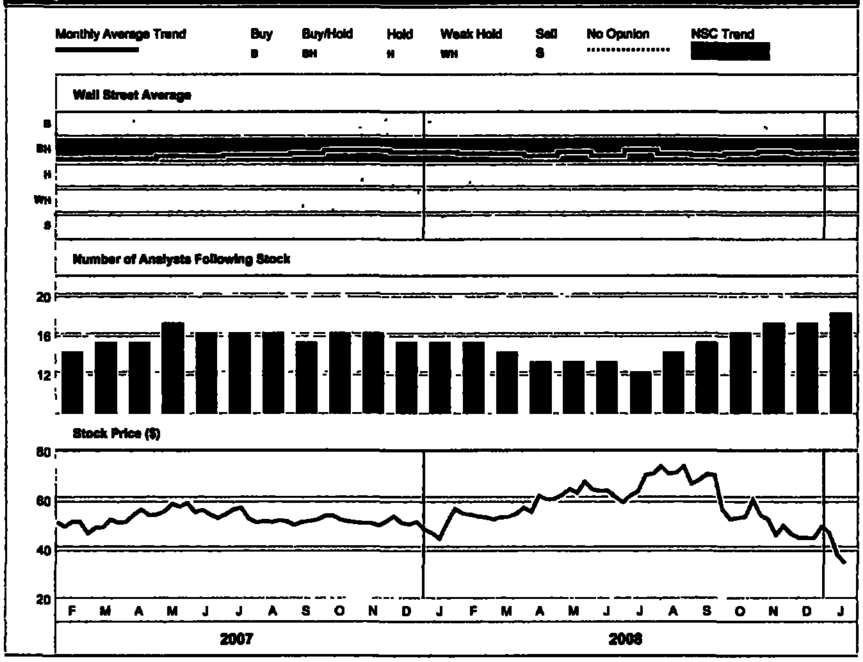
September 23, 2008
08:59 am ET ... S&P MAINTAINS BUY RECOMMENDATION ON SHARES OF NORFOLK SOUTHERN (NSC 66.97****): Despite recent stock market turbulence, we see little change in NSC's operating environment. Recent data suggest that industry volumes are down about 1% for Q3 through Sept. 13. At NSC, weakness in automotive shipments is offsetting gains in coal. However, Q3 margins are likely to benefit from a decline in diesel fuel prices. We think core pricing remains strong and will contribute to earnings growth in the next several quarters. Our EPS estimates for '08 and '09 stay $4.09 and $4.66, respectively. Based on our DCF and relative valuation models, we keep our target price at $75. /KKirkeby-CFA

September 10, 2008
UP 1.19 to 63.75... UBS Financial upgrades NSC, BNI to buy from neutral. NSC unavailable....

September 10, 2008
10:10 am ET ... NORFOLK SOUTHERN CORP. (NSC 65.08) UP 2.52, UBS FINANCIAL UPGRADES NORFOLK SO. (NSC), BURLINGTON NO. (BNI) TO BUY FROM NEUTRAL... Analyst Rick Paterson tells salesforce railroad multiples have compressed along with the market last week and yesterday, which he thinks provides room for a 10%-plus bounce in the group, provided a trigger emerges. Believes trigger will be particularly strong Q3 earnings season powered by falling fuel costs in face of peaking fuel surcharge. Sees most rail companies beating expectations, some substantially; expects rail stocks to rally through reporting season. Sees $1.26 Q3 EPS for NSC, better than Street's $1.19. Raises Q3 EPS estimate for BNI to $1.75, higher than $1.66 consensus and $1.60-$1.65 guidance: sees $6.10 '08 EPS. /LBissell

Norfolk Southern Corp

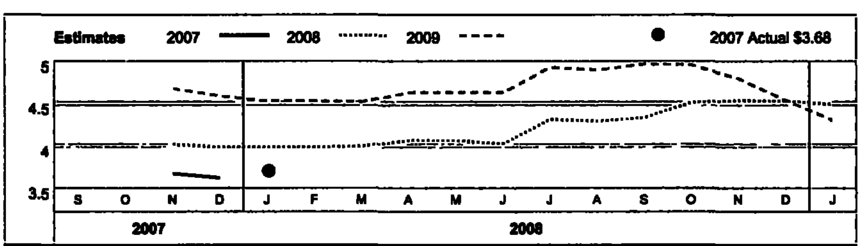
Analysts' Recommendations



Of the total 17 companies following NSC, 18 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	5	28	5	4
Buy/Hold	5	28	5	6
Hold	8	44	7	6
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	18	100	17	16

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2009	4.31	4.84	3.52	18	7.9
2008	4.50	4.58	4.36	16	7.6
2009 vs. 2008	▼ -4%	▲ 6%	▼ -19%	▲ 13%	▲ 4%
Q4'09	1.18	1.46	0.91	10	28.9
Q4'08	1.18	1.25	1.06	17	28.9
Q4'09 vs. Q4'08	0%	▲ 17%	▼ -14%	▼ -41%	0%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Corp.
BB&T Capital Markets
BMO Nesbitt Burns
Barclays Capital
Credit Suisse First Boston
Dahlman Rose & Co.
Deutsche Bank
Goldman Sachs & Co.
JP Morgan Securities
Longbow Research
Macquarie Research Equities
Merrill Lynch Research
Morgan Stanley & Company
Morgan, Keegan & Company, Inc.
RBC Capital Markets (Canada)
Stifel Nicolaus & Co.
UBS Warburg

Wall Street Consensus vs. Performance

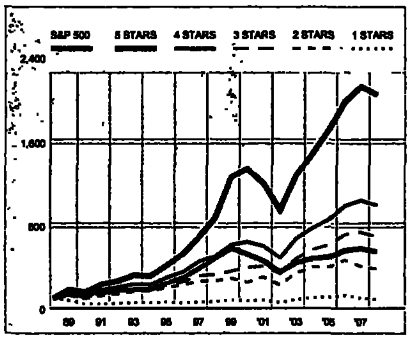
For fiscal year 2008, analysts estimate that NSC will earn $4.50. For the 3rd quarter of fiscal year 2008, NSC announced earnings per share of $1.37, representing 30% of the total annual estimate. For fiscal year 2009, analysts estimate that NSC's earnings per share will decline by 4% to $4.31.

Norfolk Southern Corp

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of *scores in the array of this sample has been aligned with* the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued, 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Norfolk Southern

	Raw Score	Max Value
Proprietary S&P Measures	81	115
Technical Indicators	30	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	19	75
IQ Total	**129**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial *information. Issuer Credit Ratings may be changed,* suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap, NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services
Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

S&P Global STARS Distribution

In North America: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 27.0% of issuers with buy recommendations, 61.2% with hold recommendations and 11.8% with sell recommendations.

In Europe: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services Europe have recommended 30.4% of issuers with buy recommendations, 45.3% with hold recommendations and 24.3% with sell recommendations.

In Asia: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services Asia have recommended 33.9% of issuers with buy recommendations, 54.4% with hold recommendations and 11.7% with sell recommendations.

Globally: As of December 31, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 28.1% of issuers with buy recommendations, 58.3% with hold recommendations and 13.6% with sell recommendations

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy)**: Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.

Exhibit F

S&P Report on UP

Union Pacific Corp

STANDARD &POOR'S

S&P Recommendation	Price	12-Mo. Target Price	Investment Style
SELL ★★★★★	$42.50 (as of Jan 23, 2009)	$40.00	Large-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

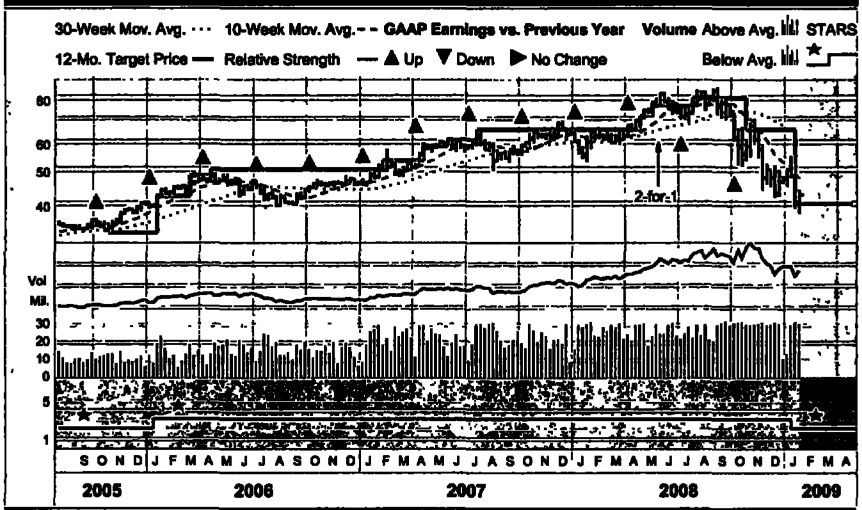
GICS Sector Industrials
Sub-Industry Railroads

Summary Union Pacific operates the largest U.S. railroad, with over 32,200 miles of rail serving the western two-thirds of the country.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$85.80–37.55	S&P Oper. EPS 2008E	4.44	Market Capitalization(B)	$21.523	Beta	1.16
Trailing 12-Month EPS	$4.17	S&P Oper. EPS 2009E	4.55	Yield (%)	2.54	S&P 3-Yr. Proj. EPS CAGR(%)	12
Trailing 12-Month P/E	10.2	P/E on S&P Oper. EPS 2008E	9.6	Dividend Rate/Share	$1.08	S&P Credit Rating	BBB
$10K Invested 5 Yrs Ago	$14,018	Common Shares Outstg. (M)	506.4	Institutional Ownership (%)	85		

Price Performance



Options: CBOE, Ph

Analysis prepared by **Kevin Kirkeby** on January 13, 2009, when the stock traded at **$ 44.34.**

Highlights

- We forecast that revenue growth will slow to just 1.5% in 2009, after the expected 11% gain in 2008. We see underlying pricing holding firm during the year, with carloadings down 2%. In our view, volume weakness will continue through much of the year in UNP's automotive and intermodal segments. In contrast to 2008, we believe coal and agricultural volumes will decline as the economic slowdown results in less electricity usage, as well as cuts in steel and ethanol production. Fuel surcharges, which are largely a cost pass-through, should decline during 2009, in our view.

- We see a further widening of margins in 2009, from pricing initiatives and improved productivity. UNP's efforts to incorporate newer locomotives into the fleet should reduce fuel consumption. Opportunities for additional contract repricings, in our view, are limited, with about 2% of contracts up for renewal in 2009.

- We forecast 2009 operating EPS of $4.70, up about 6% from the $4.44, excluding one-time items, we estimate for 2008. This includes an estimated 2% reduction in share count from September 2008 levels.

Investment Rationale/Risk

- We think UNP can achieve annualized revenue growth of 7% over the next four years, slightly below peers. In the near term, however, we think there is increased risk for a volume shortfall given the company's exposure to autos, ethanol and chemicals, each of which is considered premium traffic. With an increasing proportion of EPS growth coming from share buybacks, and above peer-average investment requirements over the next several years, we think the shares are overvalued.

- Risks to our recommendation and target price include a recovery in consumer spending and general economic growth, the inclusion of an infrastructure tax credit in the government's stimulus efforts, and an uneventful growing season that allows for higher grain yields.

- Our relative valuation model suggests a forward enterprise value to EBITDA multiple of about 4.5X, which is at the bottom of the 10-year historical range, and a value of $35. Our discounted cash flow model, which assumes a 9.8% weighted average cost of capital and a 3.5% terminal growth rate, estimates an intrinsic value of $45. Blending these models, we arrive at our 12-month target price of $40.

Qualitative Risk Assessment

LOW | MEDIUM | HIGH

Our risk assessment reflects UNP's exposure to economic cycles, regulations, and labor and fuel costs, coupled with significant capital expenditure requirements and challenges in maintaining system fluidity, offset by our view of the company's historically positive cash flow generation and moderate financial leverage.

Quantitative Evaluations

S&P Quality Ranking **A**

D | C | B- | B | B+ | A- | A | A+

Relative Strength Rank **MODERATE**

33

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2008	4,270	4,568	4,846	--	--
2007	3,849	4,046	4,191	4,197	16,283
2006	3,710	3,923	3,983	3,962	15,578
2005	3,152	3,344	3,461	3,621	13,578
2004	2,893	3,029	3,076	3,217	12,215
2003	2,736	2,894	2,956	2,965	11,551

Earnings Per Share ($)

2008	0.85	1.02	1.38	E1.26	E4.44
2007	0.71	0.83	1.00	0.93	3.46
2006	0.58	0.72	0.77	0.89	2.96
2005	0.24	0.44	0.69	0.55	1.93
2004	0.32	0.30	0.39	0.15	1.15
2003.	0.30	0.55	0.61	0.64	2.04

Fiscal year ended Dec. 31. Next earnings report expected: Late January. EPS Estimates based on S&P Operating Earnings, historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
2-for-1	05/01	05/29	05/12	05/28/08
0.220	05/01	06/04	06/06	07/01/08
0.270	07/31	08/27	08/29	10/01/08
0.270	11/20	11/26	12/01	01/02/09

Dividends have been paid since 1900. Source: Company reports.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

Union Pacific Corp

Business Summary January 13, 2009

CORPORATE OVERVIEW. We believe that Union Pacific, operating the largest U.S. railroad, will focus on improving service levels, system fluidity, and removing bottlenecks--challenges that we believe hampered its results in 2004 and 2005. UNP's system spans about 32,200 miles, linking Pacific Coast and Gulf Coast ports to midwestern and eastern gateways, and schedules are coordinated with other carriers.

MARKET PROFILE. We believe UNP's intermodal business, representing 19% of 2007 freight revenue, will be UNP's fastest-growing segment longer term, driven by rising international trade and the outsourcing of manufacturing to Asia. However, the weakening economy, and homebuilding sector weakness in particular, slowed revenue growth for the segment to a low single-digit rate in 2007, following double-digit gains in both 2005 and 2006. Industrial products, sensitive to GDP trends, provided 20% of freight revenues in 2007, and included building products, metals and minerals. Energy accounted for 20% of 2007 freight revenues. UNP is a major transporter of low-sulfur coal, with about 67% of its energy traffic consisting of coal originating in the Powder River Basin of Wyoming and Montana, primarily delivered to power utilities. We believe chemicals, agricultural products, and automotive, representing 15%, 17%, and 9% of 2007 freight revenues, respectively, all face low long-term volume growth prospects.

COMPETITIVE LANDSCAPE. The U.S. rail industry has an oligopoly-like structure, with over 80% of revenues generated by the four largest railroads: UNP and Burlington Northern Santa Fe Corp. (BNI, hold, $96) operating on the West Coast, and CSX Corp. (CSX: buy, $56) and Norfolk Southern Corp. (NSC: buy, $66) operating on the East Coast. Railroads simultaneously compete for customers while cooperating by sharing assets, interfacing systems, and completing customer movements. Key suppliers include locomotive and rail equipment manufacturers, fuel suppliers, and labor. UNP's employees, about 85% of whom are unionized, enjoy above national average compensation due to their significant bargaining power.

We believe the market power of UNP's customers varies; large freight integrators, coal and utility companies may exert some degree of power, while smaller customers with limited alternatives are often price takers. Railroads compete with trucking, shipping, and pipeline transportation. Rail rates are generally lower than trucking rates, as service is slower and less flexible than trucking, which provides most U.S. transportation. We believe the rising price of fuel increases the cost attractiveness of railroads over less fuel-efficient trucking, which should help support UNP's pricing and volumes over the next five years. However, we think intermodal freight service levels must improve to gain market share from trucking.

FINANCIAL TRENDS. We consider railroads a mature industry, and we expect 2.3% annualized U.S. rail tonnage growth from 2006 to 2020. We believe UNP has below industry average growth opportunities due to our view of its smaller service offering in intermodal transportation and the physical capacity constraints of its rail network, which requires increased investment to support volume growth. Over the past five years, UNP's intermodal volumes have grown at a compound annual growth rate of 3.2%, and total carloads have risen 1.3%, both at less than half the pace of its closest competitor. We calculate that return on invested capital (ROIC) has over the past five years averaged 10.0% at UNP, versus 11.3% for the industry. Improved service levels and freight pricing helped ROIC rise from 8.6% in 2004 and 2005 to 11.5% in 2007, in our opinion. Although we expect UNP's ROIC to remain below average for the industry, it was above the company's estimated 8.7% cost of capital in 2007 and 2008.

Corporate Information

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Fax
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Website
http://www.up.com

Officers

Chrmn, Pres & CEO
J.R. Young

EVP & CFO
R.M. Knight, Jr.

SVP & Secy
B.W. Schaefer

SVP & General Counsel
J.M. Hemmer

SVP & CIO
L.L. Tennison

Board Members
A. H. Card, Jr.
E. B. Davis, Jr.
T. J. Donohue, Jr.
A. W. Dunham
J. R. Hope
C. C. Krulak
M. R. McCarthy
M. W. McConnell
T. F. McLarty, III
S. R. Rogel
J. H. Villarreal
J. R. Young

Domicile
Utah

Founded
1862

Employees
50,089

Stockholders
35,295

Union Pacific Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 2+ — 2

LOWEST — HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $35.60 — Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that UNP is overvalued by $8.90 or 18.2%.

Investability Quotient Percentile 94

LOWEST = 1 — HIGHEST = 100

UNP scored higher than 94% of all companies for which an S&P Report is available

Volatility LOW AVERAGE HIGH

Technical Evaluation BEARISH — Since November, 2008, the technical indicators for UNP have been BEARISH

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	2.07	1.61	1.58	1.44
Price/EBITDA	7.18	6.07	7.22	7.33
Price/Pretax Income	11.21	9.91	14.94	20.60
P/E Ratio	18.18	15.58	20.91	29.19
Avg. Diluted Shares Outstg (M)	536.8	544.0	533.0	524.4

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	4.53	10.51	6.88	4.22
Net Income	15.50	46.44	10.23	NM
Ratio Analysis (Annual Avg.)				
Net Margin (%)	11.39	9.75	8.67	8.46
% LT Debt to Capitalization	22.73	21.55	23.62	29.23
Return on Equity (%)	12.01	10.29	8.97	9.89

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	31.73	28.34	25.58	24.25	23.93	21.00	19.15	17.54	16.15	14.97
Cash Flow	5.92	5.23	4.13	3.27	3.96	4.60	3.93	3.67	3.46	0.89
Earnings	3.46	2.96	1.93	1.15	2.04	2.53	1.89	1.67	1.56	-1.29
S&P Core Earnings	3.37	2.86	1.66	1.05	1.88	1.92	1.41	NA	NA	NA
Dividends	0.75	0.60	0.60	0.60	0.50	0.42	0.40	0.40	0.40	0.52
Payout Ratio	22%	20%	31%	52%	24%	16%	21%	24%	26%	NM
Prices:High	68.78	48.75	40.63	34.78	34.75	32.58	30.35	26.41	33.94	31.88
Prices:Low	44.79	38.81	29.09	27.40	25.45	26.50	21.88	17.13	19.50	18.66
P/E Ratio:High	20	16	21	30	17	13	16	16	22	NM
P/E Ratio:Low	13	13	15	24	13	10	12	10	13	NM
Income Statement Analysis (Million $)										
Revenue	16,283	15,578	13,578	12,215	11,551	12,491	11,973	11,878	11,273	10,553
Operating Income	4,696	4,121	2,970	2,406	3,200	3,530	2,072	2,043	2,887	1,446
Depreciation	1,321	1,237	1,175	1,111	1,067	1,206	1,174	1,140	1,083	1,070
Interest Expense	482	477	504	527	574	633	701	723	733	714
Pretax Income	3,009	2,525	1,436	856	1,637	2,016	1,533	1,310	1,202	-696
Effective Tax Rate	38.4%	36.4%	28.6%	29.4%	35.5%	33.5%	37.0%	35.7%	34.9%	NM
Net Income	1,855	1,606	1,026	604	1,056	1,341	966	842	783	-633
S&P Core Earnings	1,808	1,553	886	551	972	1,003	708	NA	NA	NA
Balance Sheet & Other Financial Data (Million $)										
Cash	878	827	773	977	527	369	113	105	175	176
Current Assets	2,594	2,411	2,325	2,290	2,089	2,152	1,542	1,285	1,314	1,502
Total Assets	38,033	36,515	35,620	34,589	33,460	32,764	31,551	30,499	29,888	29,374
Current Liabilities	3,041	3,539	3,384	2,516	2,456	2,701	2,692	2,962	2,885	2,932
Long Term Debt	7,543	6,000	6,760	7,981	7,822	8,928	9,386	9,644	9,926	10,011
Common Equity	15,585	15,312	13,707	12,655	12,354	10,651	9,575	8,662	8,001	7,393
Total Capital	33,178	31,008	29,949	29,816	29,345	28,057	26,843	25,449	24,642	23,712
Capital Expenditures	2,496	2,242	2,169	1,876	1,752	1,887	1,736	1,783	1,834	2,111
Cash Flow	3,176	2,843	2,201	1,715	2,123	2,547	2,140	1,982	1,866	437
Current Ratio	0.9	0.7	0.7	0.9	0.9	0.8	0.6	0.4	0.5	0.5
% Long Term Debt of Capitalization	22.7	19.3	22.6	26.8	26.7	31.8	35.0	37.9	40.3	42.2
% Net Income of Revenue	11.4	10.3	7.6	4.9	9.1	10.7	8.1	7.1	6.9	NM
% Return on Assets	5.0	4.5	2.9	1.8	3.2	4.2	3.1	2.8	2.6	NM
% Return on Equity	12.0	11.1	7.8	4.8	9.2	13.3	10.6	10.1	10.2	NM

Data as orig reptd., bef. results of disc opers/spec items Per share data adj for stk divs, EPS diluted E-Estimated. NA-Not Available NM-Not Meaningful NR-Not Ranked UR-Under Review.

STANDARD &POOR'S

Union Pacific Corp

Sub-Industry Outlook

Our fundamental outlook for the S&P Railroads Index is neutral. We believe freight rates, excluding fuel, will rise in the mid-single digits in the coming year as railroads use the generally tight network capacity to revise contract terms upon renewal. Volume weakness in market segments such as construction materials, autos and intermodal is expected to remain into 2009, while coal and grain are flat. Comparisons in 2009 will benefit from the Midwest flooding and hurricanes along the Gulf Coast that cut into volumes and pushed operating costs higher. Third quarter earnings reports from the carriers showed a boost from declining diesel fuel prices and the "catch up" in surcharges. Nevertheless, we see neutral valuation indications, with most railroad stocks near their historical average and regulatory risk rising. We note that an increasing proportion of earnings growth has been the result of aggressive share buyback programs, which in the current credit-constrained environment will likely slow.

Rail revenues rose about 5% in 2007, while operating earnings were up just over 6%. Traffic in ton miles (weight times distance) decreased about 1.0% in the U.S. in 2007, and decreased 0.9% year to date through December 20, according to Association of American Railroads estimates. Carloadings declined 2.5% in 2007, and were down 1.9% year to date through December 20. After reaching record levels in 2006, intermodal volumes declined 2.1% in 2007, to 12.0 million trailers or containers. Through December 20 of this year, intermodal units were down another 4.0%.

Our longer-term outlook for railroads is favorable, with the industry's core traffic base (coal, grain, and chemicals) increasing volumes in line with the economy. We see railroads' greater fuel efficiency relative to other transportation modes, along with highway congestion and driver availability, as factors that could drive more industrial and intermodal shipments to the rails over the longer-term. However, the rail carriers face considerable infrastructure expenditures before they can accommodate these additional volumes. *Over the past five years, capital expenditures by the* leading railroads exceeded 14% of annual revenues.

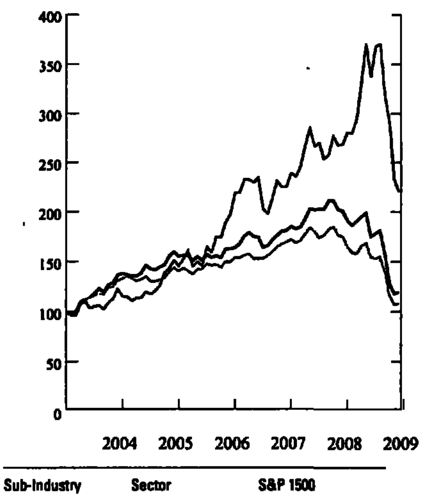
The S&P Railroads Index was down 20.8% year to date through December 19, versus a 39.3% decline for the S&P 1500. The sub-industry index gained 19.5% in 2007, versus the S&P 1500's 3.6% increase.

-Kevin Kirkeby, CFA

Stock Performance

GICS Sector: Industrials
Sub-Industry: Railroads

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/31/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Railroads Peer Group*: Railroads (U.S.) - Major

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Union Pacific	**UNP**	**21,523**	**42.50**	**85.80/37.55**	**1.16**	**2.5**	**10**	**35.60**	**A**	**94**	**11.4**	**22.7**
Burlington Northn Santa Fe	BNI	21,676	63.32	114.58/59.91	1.00	2.5	10	43.60	A-	92	11.7	44.0
CSX Corp	CSX	11,376	28.84	70.70/27.77	1.15	3.1	9	28.90	B+	86	12.1	47.3
Kansas City Southern	KSU	1,543	16.90	55.90/15.56	1.75	Nil	8	17.50	B-	31	8.8	30.9
Norfolk Southern	NSC	12,645	34.15	75.53/33.45	1.42	3.7	8	31.20	B+	88	15.5	27.5

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization

S&P Analyst Research Notes and other Company News

January 22, 2009
UNP posts $1.31 vs. $0.93 Q4 EPS on 2.4% revenue rise. Says Q4 benefitted from lower fuel costs, better pricing, productivity gains, all of which helped offset the impact of declining volumes in the difficult economic environment.

January 22, 2009
11:10 am ET ... S&P REITERATES SELL RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 42.18**): Q4 EPS of $1.31 vs. $0.93 exceeds our $1.26 estimate on better-than-expected fuel recoveries. Due to economic uncertainties, UNP plans to slow spending on both capital projects and stock buybacks in '09. We are trimming our EPS estimate for '09 by $0.15 to $4.55 to reflect the idled factories that are weighing on January volumes and an expected decline in fuel surcharges. Given its traffic mix, we remain concerned that UNP's volume declines will be significant in the next several quarters. We keep our target price of $40, based on DCF and relative metrics. /K.Kirkeby-CFA

January 13, 2009
11:32 am ET ... S&P LOWERS RECOMMENDATION ON SHARES OF UNION PACIFIC TO SELL FROM HOLD (UNP 44.65**): Recently announced production cuts in coal and ethanol, coupled with auto and chemical shipments that appear to still be weakening, prompt us to lower our volume outlook for UNP during '09, from flat to a 2% decline. We also cut our EPS estimate for the year by $0.46 to $4.70. Although UNP valuations have come down and are near the peer average, we think the risk has increased that UNP's volumes surprise to the downside in the next several quarters. After updating our DCF and relative valuation models, we cut our target price by $25 to $40. /KKirkeby-CFA

December 9, 2008
Union Pacific Corp. announced that Jose H. Villarreal, 55, will become a member of the company's board of directors effective January 1, 2009. Mr. Villarreal serves as an advisor to Akin, Gump, Strauss, Hauer & Feld, LLP, a national law firm with offices around the country and overseas, including San Antonio, Texas, and Washington, D.C. He previously served as an assistant attorney general in the public finance division of the Texas attorney general's office. Mr. Villarreal currently serves on the board of directors of the PMI Group and First Solar Inc.

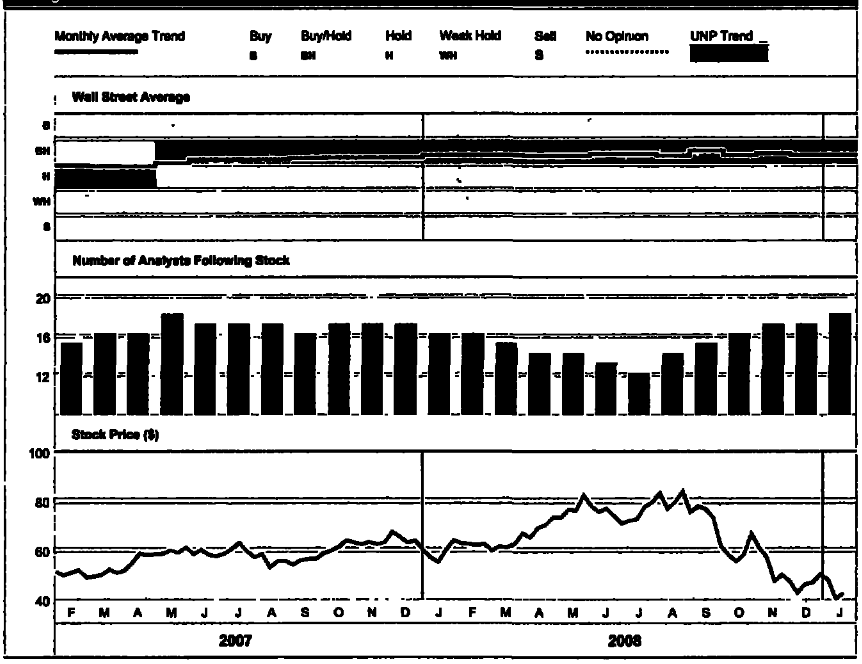
November 18, 2008
12:32 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 57.36***): Recent data indicate UNP's carloadings are down 8% for Q4 through 11/8. But while volumes are tracking below its mid-October guidance, we believe the company can still achieve its targeted EPS range for Q4 of $1.25-$1.35, with the sharp decline in diesel fuel prices and additional share repurchases providing the offsetting boost. We leave our EPS estimates at $4.44 and $5.16 for '08 and '09, respectively. We also keep our target price at $65, based on our DCF model and an enterprise value-to-EBITDA ratio near its historical average. /KKirkeby-CFA

October 23, 2008
10:23 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF UNION PACIFIC (UNP 59.66***): Excluding one-time items, Q3 EPS of $1.35, vs. $1.00, beats our $1.30 estimate on a favorable mix shift and stock repurchases. We boost our EPS for '08 by $0.14 to $4.44 and '09's by $0.36 to $5.16. However, with a worsening outlook for global growth and the U.S. consumer, we see little scope for recovery in intermodal and automotive, and now see reduced visability on agricultural carloadings. We lower the valuations, toward historical averages, used in our DCF and enterprise value-to-EBITDA models, and cut our target price by $15 to $65. /K.Kirkeby-CFA

October 15, 2008
Union Pacific Corp. announced that Michael R. McCarthy, 57, has been elected to the company's board of directors, effective October 1, 2008. Mr. McCarthy serves as chairman of McCarthy Group, LLC, an Omaha-based investment firm he co-founded in 1986. He is responsible for the management of McCarthy Group and is chairman of the company's underwriting committee. He also is a director of Peter Kiewit Sons' Inc., Cabela's Incorporated and several portfolio companies affiliated with McCarthy Group's private equity business.

Union Pacific Corp

Analysts' Recommendations



Of the total 17 companies following UNP, 18 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	22	4	4
Buy/Hold	8	44	7	6
Hold	6	33	6	6
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	18	100	17	16

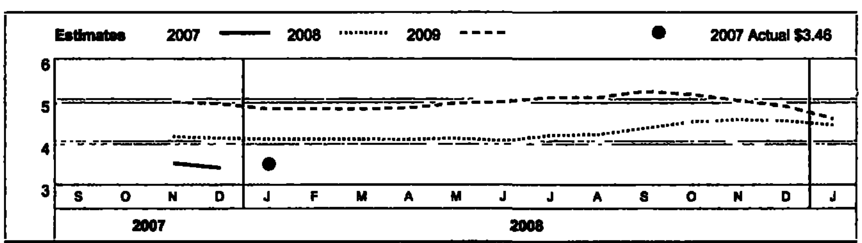
Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Corp.
BB&T Capital Markets
BMO Nesbitt Burns
Barclays Capital
Credit Suisse First Boston
Dahlman Rose & Co.
Deutsche Bank
Goldman Sachs & Co.
JP Morgan Securities
Longbow Research
Macquarie Research Equities
Merrill Lynch Research
Morgan Stanley & Company
Morgan, Keegan & Company, Inc.
RBC Capital Markets (Canada)
Stifel Nicolaus & Co.
UBS Warburg

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2009	4.60	5.26	4.00	18	9.2
2008	4.44	4.44	4.44	1	9.6
2009 vs. 2008	▲4%	▲18%	▼-10%	▲1700%	▼-4%
Q4'09	1.28	1.57	1.30	12	33.2
Q4'08	1.23	1.32	1.11	17	34.6
Q4'09 vs. Q4'08	▲4%	▲19%	▲17%	▼-29%	▼-4%

A company's earnings outlook plays a major part in any investment decision Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years This graph shows the trend in analyst estimates over the past 15 months

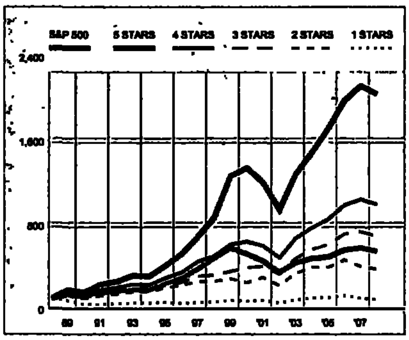
Wall Street Consensus vs. Performance

For fiscal year 2008, analysts estimate that UNP will earn $4.44. For the 3rd quarter of fiscal year 2008, UNP announced earnings per share of $1.38, representing 31% of the total annual estimate. For fiscal year 2009, analysts estimate that UNP's earnings per share will grow by 4% to $4.60.

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern The Qualitative Risk Assessment is a relative ranking to the S&P U S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's *proprietary quantitative model that incorporates* both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Union Pacific

	Raw Score	Max Value
Proprietary S&P Measures	80	115
Technical Indicators	29	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	17	75
IQ Total	**145**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board, OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services
Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, *Standard & Poor's Malaysia Sdn Bhd, and Standard &* Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports
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★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell)** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc., Standard & Poor's, 55 Water St., New York, NY 10041.

Exhibit G

Marie Leone, "Tax Tip: Spend Your Way Out of the Recession," February 2, 2009, http://www.cfo.com/ article.cfm/ 13052354/c_13048729

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Tax Tip: Spend Your Way Out of the Recession

Cutting capex spending during an economic downturn may trigger higher tax payments and reduce cash flow, a new study says.

Marie Leone, CFO.com | US
February 2, 2009

As capital-intensive companies in the United States put the brakes on capital spending, it's likely that their taxable income will climb — and so will their tax bill. That's because the slowdown in spending is likely to eat away at any deferred tax benefit that might have offset taxable income, says a new study released today by the Georgia Tech Financial Analysis Lab.

The trend may become worrisome as the recession deepens, according to the study's author, Charles Mulford, a Georgia Tech accounting professor and director of the Financial Analysis Lab. Indeed, capital-intensive companies — including those operating in the mining, pulp and paper, utility, railroad, communication, and airline industries — traditionally have sizable deferred tax liabilities, which are paid in the future but are used to offset current taxable income.

These tax benefits are linked to the depreciation schedules of capital equipment and can exist indefinitely, says Mulford, as long as companies continue to purchase new equipment. But once capital expenditure (capex) spending stops, deferred tax liabilities begin to come due, and the associated payment to the IRS reduces cash flow.

"This is not about earnings, but rather about cash flow pain," Mulford tells CFO.com. The connection between capex spending, deferred tax benefits, and ultimately cash flow is largely ignored by corporate managers, he says. However, the link is not missed by lenders.

To be sure, Mulford says that many banks have quizzed him about potential corporate clients with large deferred tax liabilities. "In the past, commercial lenders have asked me whether it is likely that companies with large deferred tax liabilities will run into cash flow problems, and I always respond, 'only if they stop capex spending.' "

The new study, co-authored by research assistants Jason Blake and Sohel Surani, looks at the 2007 financial statements of two sets of North American companies that are both capital-intensive in nature and have "significant" deferred tax liabilities, meaning that the liabilities are well above the national average. The companies fell into three industry categories: large distribution networks such as electricity, gas, telecom, and broadcast providers; mining companies, including precious metals, minerals, oil and gas exploration, and production companies; and transportation companies (trucking, railroad companies) or those that maintain large fleets, like Coca-Cola Enterprises.

The tax deferral is based on a U.S. tax code rule that allows companies to accelerate their depreciation of capital equipment. Mulford explains that deferred tax liabilities are taxes that companies can avoid paying in the current period with the understanding that they will be paid in the future. In general, the liabilities arise when there is a difference between the income a company reports to the IRS and the income it reports in its financial statements for accounting purposes.

The single largest contributor to deferred tax liabilities is the difference in depreciation charges between the two types of reported income, says the report. As a way to encourage companies to increase their capex spending, the federal government allows them to accelerate the depreciation of long-lived or capital assets. In practice, depreciation of a capital asset is sped up during the early years of the asset's life. So, as a company receives the tax benefit, it can plow the tax savings back into more capital equipment and start the deferred tax benefit cycle again.

The net result is that companies report higher depreciation charges on their tax returns than they report in their financial statements during the early years of the asset's life. In practical terms, the deferred tax liability acts like a temporary interest-free loan from the government, something no company wants to turn down. Eventually, however, the taxable income and accounting income have to match up over the lifetime of the asset.

The true-up period occurs during the later years of the asset's life when the depreciation expense recorded on the tax return declines, pushing taxable income higher than the financial statement income. At that time, the "loan" must be repaid when depreciation differences between taxable income and financial statement income reverse. That usually happens when companies stop capex spending, and therefore stop amassing the related tax deferral benefits.

The study cites more than 40 capital-intensive companies that have reduced capex spending in 2007 (see table). Oil company Anadarko Petroleum topped the list with $10 billion in net deferred tax liabilities, representing nearly 21 percent of the company's total assets.

Mulford says that the cash flow affects of reduced capex spending likely won't be evident in the 2008 numbers, which he will be examining soon. Rather, the consequences of slowed spending will come into focus when 2009 and 2010 numbers are released, if purchases don't pick up.

The study also looks at 50 capital-intensive companies that have large deferred tax liabilities, but increased capital spending. Those companies are as diverse as Norfolk Southern, Harry Winston Diamond, Consolidated Edison, and MGM Mirage, and in some cases show increased spending of 700 percent (Cano Petroleum) and 600 percent (Freeport-McMoran Copper & Gold).

Mulford doesn't think the current stimulus bill wending its way through Congress will do much to spark capital spending in these industries. By his lights, the stimulus package needs a "Reaganesque type" tax break in which companies are permitted to write off fixed assets on a shorter depreciation schedule. That would result in more tax write-offs up front, creating more deferred tax assets with which companies could offset their taxable income — and increase cash flow.

When the Spending Stopped

Ten capital-intensive companies that cut capex spending in 2007 and now face the risk of big tax bills coming due.

Company	% Change in Capex	Net DTLs (millions)	Net DTLs as % of Total Assets
Anadarko Petroleum	(7.07)	$10,000	20.81
Marten Transport	(38.64)	$70	17.20
Hunt Transport Svcs.	(24.76)	$302	16.19
NStar	(15.49)	$1,200	15.79
GATX	(37.82)	$722	15.3
D&E Communications	(7.26)	$70	13.89
Werner Enterprises	(66.76)	$170	12.89
Sprint Nextel	(16.33)	$8,200	12.86
Weyerhaeuser	(7.56)	$3,000	12.47
Embarq	(10.18)	$1,100	11.84

Recession Spending

Ten capital-intensive companies that increased capex spending in 2007 and continue to maintain sizable deferred tax liabilities.

Company	% Change in Capex	Net DTLs (millions)	Net DTLs as % of Total Assets
Yamana Gold	24.56	$2,600	25.94
Union Pacific	11.33	$10,000	25.54
Burlington Northern Santa Fe	11.62	$8,200	24.40
Norfolk Southern	13.84	$6,200	23.87
Harry Winston Diamond	53.12	$330	22.06
Coeur D'Alene Mines	46.61	$569	21.47
Panhandle Oil & Gas	22.81	$17	21.43
Ultra Petroleum	39.05	$341	19.22
LIN TV	12.63	$375	18.90
Cabot Oil & Gas	19.21	$411	18.63

Source: "Capital-Intensive Firms and the Risk of Increased Tax Payments in a Recession," Georgia Tech Financial Analysis Lab, February 2009.

Exhibit H

Marie Leone, "Study: Bonus Depreciation Boosts Cash Flows," April 13, 2009, http://www.cfo.com/article.cfm/13479177

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Study: Bonus Depreciation Boosts Cash Flows

Some companies are enjoying a temporary increase in operating cash as result of the tax benefit tied to the government's accelerated depreciation program.

Marie Leone, CFO.com | US
April 13, 2009

The temporary boost to operating cash spurred by the bonus depreciation deduction enacted last year just starting to show up on corporate financial statements. Some companies are benefiting mightily, according to a new study by RiskMetrics Group.

At least for now. The temporary bump in cash flow companies are getting by deferring tax payments will reverse over time - albeit at a slower pace and, perhaps, when the economy has improved a bit.

The bonus depreciation deduction, which was passed in 2008 as part of the Economic Stimulus Act, was extended for another year in February, when the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law. The aim of the provisions have been to encourage companies to increase spending on major pieces of equipment by allowing them to accelerate the depreciation of long-lived or capital assets.

Specifically, companies are allowed to claim a deduction equal to 50% of the cost of a qualified asset. A qualified asset is a piece of capital equipment that has been bought and put into service in the year in which the bonus applies. The deferred tax payments are spread out over the remaining life of the asset, starting in year two. The other 50% of the asset's cost is subject to the regular depreciation schedule set by the Internal Revenue Service. To qualify for the 2009 deduction, companies must buy the equipment and put it into service, before Jan. 1, 2010.

While the bonus deduction is temporary, that's a small price to pay for what can be a considerable increase in cash flow, according to study author Zhen Deng, a RiskMetrics analyst. She calls the bonus depreciation deduction a government-sponsored "freebie," that is especially useful during a credit crunch when many companies are fighting off liquidity problems. She also explains that the deduction is "a pure tax play," meaning that it does not affect net income or earnings.

Rather, the deduction is a "timing issue," says Deng, referring to the opportunity companies have to postpone their tax payment. "Considering the time value of money, deferring cash payments - even when there is not a liquidity crunch - is always a good thing."

The research company worked up two metrics to illustrate the effects of the deduction, according to Deng. The report looks at a ratio that compares the estimated cash benefit of the deduction to a company's capital expenditures. In addition, it examines a ratio that compares the cash benefit to operating cash flow.

Finding the companies to examine were a challenge, says Deng. "You can see signs but you cannot be certain" which companies claimed a bonus deduction unless it is revealed in the financial statement footnotes, she told CFO.com.

The study highlighted 10 companies that quantified the impact of the bonus depreciation in their 2008 financial statements, including CSX Corporation, Ryder System, and Southwest Gas. For example, CSX has a 6% cash-benefit-to-operating cash-flow ratio, which means that for every $100 the railroad company reports in operating cash flow, $6 is attributable to tax savings.

Similarly, a 9% cash benefit-to-capital-expenditure ratio means that for every $100 of reported capex, CSX gets $9 of tax savings. Meanwhile, Southwest Gas came in at 8% in both categories, with Ryder System registering 6% in each category. Utility company Vectren has a 13% cash- benefit-to-capex ratio, the highest of the group, while at 22%, OGE Energy has the highest cash benefit-to-cash flow ratio.

The study also named 16 other companies that will likely benefit from the 2008 deduction, identified by criteria that make the companies good candidates for claiming the deduction. That group includes Comcast, Fluor, Pactiv, and PepsiCo, all companies that carried a deferred tax liability and recorded more than 10% increase in its DTL in 2008 but did not record a corresponding increase in capital expenditures. Further, all of the companies attributed a significant portion of the hike in DTL to either depreciation or property, plant and equipment.

Of the group of 16, the study gleaned enough information from financial statements to estimate the cash benefit as compared to the operating cash flow. Comcast had the highest ratio at 7%, while Pepsi was flat at 0%. Both Iron Mountain and Pactiv came in at 5%.

Exhibit I

Dr. Charles W. Mulford, Director of the George Tech Financial Analysis Lab, and Jason Blake,"Capital Intensive firms and the Risk of Increased Tax Payments in a Recession," February 2009, http://mgt.gatech.edu/fac_research/centers_initiatives/finlab/finlab_files/May%202009/1Gatech.Finlab.Ind%20Intro.Q4.08.pdf

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Capital Intensive Firms and the Risk of Increased Tax Payments in a Recession

EXECUTIVE SUMMARY

Through accelerated depreciation deductions, capital intensive firms are able to postpone or defer the payment of significant amounts of income taxes. Provided they continue their capital spending, these taxes can be deferred indefinitely, providing companies with what is essentially a long-term, interest-free loan from the federal government. However, when capital expenditures are reduced for an extended period, required tax payments will grow as deferred tax liabilities decline and tax payments postponed from prior years become due. Our expectation is that in a deep and continuing recession, as is being experienced currently, firms will reduce capital spending. As a result, capital intensive firms may begin to experience increases in tax payments, resulting in cash payments for taxes that exceed the amount of income tax expense reported on the income statement.

In this research report we use data for 2007 to identify capital intensive firms with significant deferred tax liabilities. The sample firms are divided into two groups: firms with increasing capital expenditures and deferred tax liabilities and firms with decreasing capital expenditures and deferred tax liabilities. While all of the firms are at risk for increased tax payments resulting from an extended period of reduced capital expenditures, the firms in the latter group are more likely to see higher tax payments. Investors may not be expecting such higher tax payments, especially during a recession.

February 2009

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Georgia Tech Financial Analysis Lab

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Because our Lab is housed within a university, all of our research reports have an educational quality, as they are designed to impart knowledge and understanding to those who read them. Our focus is on issues that we believe will be of interest to a large segment of stock market participants. Depending on the issue, we may focus our attention on individual companies, groups of companies, or on large segments of the market at large.

A recurring theme in our work is the identification of reporting practices that give investors a misleading signal, whether positive or negative, of corporate earning power. We define earning power as the ability to generate a sustainable stream of earnings that is backed by cash flow. Accordingly, our research may look into reporting practices that affect either earnings or cash flow, or both. At times, our research may look at stock prices generally, though from a fundamental and not technical point of view.

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Capital Intensive Firms and the
Risk of Increased Tax Payments in a Recession

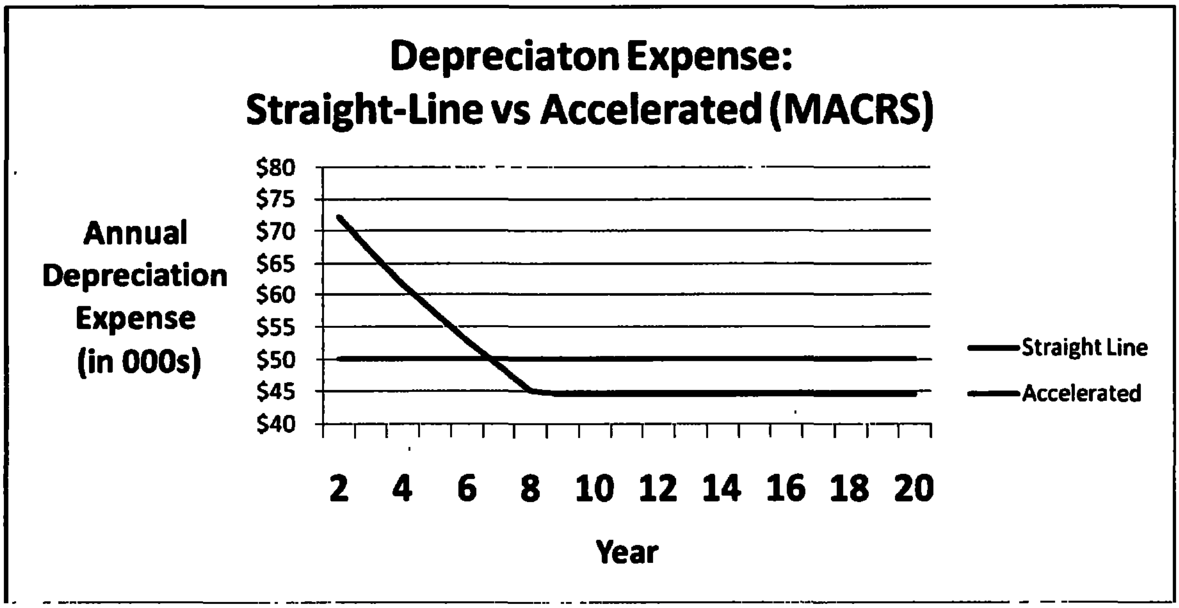
Companies Named in this Report

Deferred Tax Liabilities and Increased Tax Payments

A common attribute of capital intensive firms is that they report sizable, and typically growing, deferred tax liabilities. Deferred tax liabilities (DTLs) represent income taxes to be paid on future taxable income. DTLs are caused by differences that arise between taxable income as reported on a company's income tax return and pre-tax book income as reported on its GAAP-based income statement. Differences in depreciation charges between taxable and book income are the single largest contributor to deferred tax liabilities. In order to encourage firms to increase capital spending, when computing taxable income, the U.S. tax code permits companies to depreciate long-lived or capital assets on an accelerated basis. This accelerated method of depreciation, referred to in the tax code as MACRS (Modified Accelerated Cost Recovery System), allows firms to depreciate more of a capital asset's cost in the early years of its life than in the later years. Typically, these same assets are depreciated on a straight-line basis, that is, with equal annual depreciation charges, when computing pre-tax book income for purposes of reporting to shareholders. The net result is higher depreciation charges on the tax return than on the books in the early years of a capital asset's life. Higher depreciation charges lower taxable income below pre-tax book income and lower current tax expense, the amount of income taxes currently due and payable per the income tax return below total tax expense, the amount of income tax expense reported on the income statement.

Over the lifetime of a capital asset, the cumulative amount of depreciation expense recorded on the tax return and on the income statement must be the same. Accordingly, in later years depreciation expense recorded on the tax return will decline, pushing taxable income higher than pre-tax book income. Thus, such depreciation-related differences between taxable income and pre-tax book income are referred to as temporary differences because the differences disappear over time. Lower taxable income in early years due to higher tax-related depreciation charges is replaced with higher future taxable income as depreciation charges decline. In the process, income taxes deferred in the early going become due and payable later.

An example of the mechanics of a depreciation-related temporary difference is demonstrated in Figure 1. Note that while depreciation expense is a higher amount in earlier years under MACRS, the accelerated depreciation method used for tax purposes, the depreciation deduction declines as the capital asset ages. Straight line depreciation, which is used for book purposes, is the same amount each year. Such a straight-line method is more representative of how the asset's utility is consumed over time than accelerated depreciation. Thus, in early years accelerated depreciation exceeds straight-line depreciation. In later years, straight-line depreciation exceeds accelerated depreciation.



The Benefits of Deferred Tax Liabilities

Deferred tax liabilities offer obvious tax benefits. In effect, a deferred tax liability represents an interest-free loan from the federal government to be repaid later when depreciation differences between the tax return and books reverse. Of course, if capital-intensive firms were to continue making capital expenditures and growing their capital asset base, then declining depreciation charges for tax purposes could be offset with new accelerated depreciation charges, postponing the payment of taxes indefinitely or at least until capital expenditures declined.

Consider, for example, SkyWest, Inc., a capital intensive firm with growing deferred tax liabilities. SkyWest reports capital expenditures that ranged between 7.9% and 16.7% of revenues for the period 2005 to 2007. As a comparison, during that same period, the average company reported capital expenditures of about 4.4% of revenue. From the 2007 annual report we see the following:

From the SkyWest, Inc., income statement (amounts in thousands):

Taxes on Income Statement	2007	2006	2005
Income before Income Taxes[a]	$250,321	$240,027	$179,626
Provision for Income Taxes[b]	$91,129	$94,221	$67,359
a – Income before Income Taxes is also known as Pre-tax Income			
b – Provision for Income Taxes is also known as Total Tax Expense			

From the SkyWest, Inc., income tax note (amounts in thousands):

Total Tax Expense Breakdown	2007	2006	2005
Current Tax Provision (Benefit)[a]			
Federal	($14,355)	($41,914)	$45,714
State	($736)	($8,419)	$5,798
Current Tax Provision (Benefit)	($15,091)	($50,333)	$51,512
Deferred Tax Provision[b]			
Federal	$99,026	$123,646	$13,124
State	$7,194	$20,908	$2,723
Deferred Tax Provision	$106,220	$144,554	$15,847
Provision for Income Taxes[c]	$91,129	$94,221	$67,359
a – Current Tax Provision is also known as Current Tax Expense			
b – Deferred Tax Provision is also known as Deferred Tax Expense			
c – Provision for Income Taxes is also known as Total Tax Expense			

Deferred Tax Assets and Liabilities Breakdown	2007	2006
Deferred Tax Assets		
Accrued Benefits	$20,134	$16,560
Net Operating Loss Carry forward	$25,738	$55,332
AMT Credit Carry forward	$24,511	$2,266
Deferred Aircraft Credits	$45,531	$31,795
Accrued Reserves and Other	$7,739	$9,779
Total Deferred Tax Assets	$123,653	$115,732
Deferred Tax (Liabilities)		
Accelerated Depreciation	($490,134)	($355,103)
Maintenance and Other	($8,989)	($29,879)
Total Deferred Tax (Liabilities)	($499,123)	($384,982)
Net Deferred Tax (Liability)	($375,470)	($269,250)

Referring to the data above we see that in 2007, SkyWest's effective tax rate, which measures the percentage of pre-tax income that is subject to tax and is calculated as the ratio of total tax expense / pre-tax income, is $91,129,000 / $250,321,000, or 36.4%. However, for the same period, the current tax rate, which measures the percentage of pre-tax income that actually results in income taxes paid or payable during the period and is calculated as current tax expense /

pretax income, is -$15,091,000 / $250,321,000, or -6.03%. A negative current tax rate, as is the case here, indicates that the company is getting a tax benefit, that is, a refund of taxes paid in a previous year. Note that the difference between total tax expense of $91,129,000 and current tax expense of $-15,091,000 is deferred tax expense of $106,220,000. This deferred tax expense represents income taxes for the year for which payment has been postponed to future time periods. While SkyWest expensed $91,129,000 in total tax expense for the year, $106,220,000 was deferred leaving a current refund of $15,091,000 as the difference. Also note that the difference between the net deferred tax liability in 2007 and 2006 is deferred tax expense for 2007 ($375,470,000 minus $269,250,000, which is $106,220,000.) During 2007 the company recorded deferred income tax expense of $106,220,000, which causes an increase in a net deferred tax liability on the balance sheet representing taxes to be paid in future years.

The cumulative total amount of taxes deferred by the company, reported as net deferred tax liability, is also shown in the income tax footnote. SkyWest reports a net deferred tax liability of $375,470,000, consisting of gross deferred tax liabilities of $499,123,000 less deferred tax assets, which are tax savings to be derived from future tax deductions and are primary the result of expenses reported on the books in advance of their deduction for tax purposes, of $123,653,000.

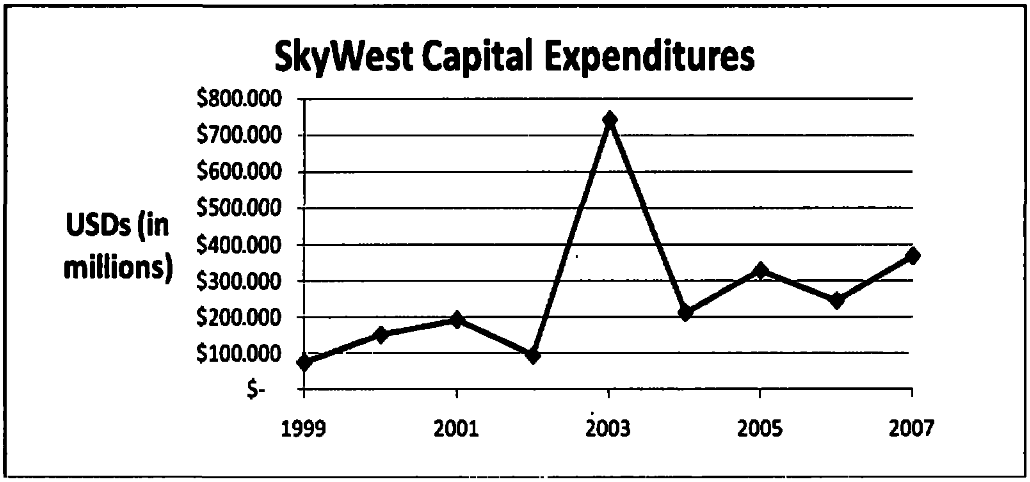
Note that Accumulated Depreciation is the single largest item causing SkyWest to report a net deferred tax liability. The $490,134,000 deferred tax liability is measured as the income tax rate times the cumulative excess of accelerated depreciation expense computed for tax purposes over straight-line deprecation computed for income-statement purposes. The depreciation-related temporary difference is supported by the company's significant and growing capital expenditures. For example, as seen in the following excerpts from the company's statement of cash flows, capital expenditures at SkyWest increased to $368,392,000 in 2007 from $245,512,000 in 2006.

From the SkyWest, Inc., statement of cash flows (amounts in thousands):

Cash Flows from Investing Activities	2007	2006	2005
Acquisition of Property and Equipment			
Aircraft and Rotable Spare Parts	($298,519)	($206,426)	($214,164)
Deposits of Aircraft	($32,326)	($416)	($101,345)
Buildings and Ground Equipment	($37,547)	($38,670)	($12,745)
Total Capital Expenditures	($368,392)	($245,512)	($328,254)

Brackets "( )" denote outflows of cash.

Evidence of the company's longer-term commitment to capital spending can be seen in the following graph.



SkyWest, Inc. is a capital intensive firm with significant and growing capital expenditures. As long as the company remains committed to capital spending, its depreciation-related temporary differences should continue to grow, enabling the firm to maintain a growing balance in deferred tax liabilities. The question that arises, however, is what happens to deferred tax liabilities when capital spending is reduced?

The Dangers of Deferred Tax Liabilities

When capital expenditures are reduced, depreciation-related temporary differences will decline, resulting in reductions in deferred tax liabilities. Income taxes, the payment of which was deferred in previous periods, will then come due, resulting in higher tax payments. Such increased tax payments may occur during difficult economic times as companies deal with slack demand by reducing capital spending. Consider, for example, the financial statement excerpts for Bob Evans Farms, Inc.

From the Bob Evans Farms, Inc. statement of cash flows (amounts in thousands):

Cash Flows from Investing Activities	2008	2007	2006	2005	2004
Purchase of property, plant and equipment	$(120,955)	$(84,242)	$(112,860)	$(139,587)	$(141,037)

Brackets "( )" denote outflows of cash.

At Bob Evans, capital spending trended downward to $84,242,000 in 2007, from as high as $141,037,000 in 2004. Such a reduction in capital expenditures will gradually lead to reversing depreciation-related temporary differences and increasing income taxes paid. The increase in capital expenditures in 2008 will, however, help to mitigate rising income taxes paid.

Evidence of increasing income taxes paid at Bob Evans Farms can be seen in the excerpts from the income statements and income tax footnotes provided below.

From the Bob Evans Farms, Inc. income statements (all amounts in thousands):

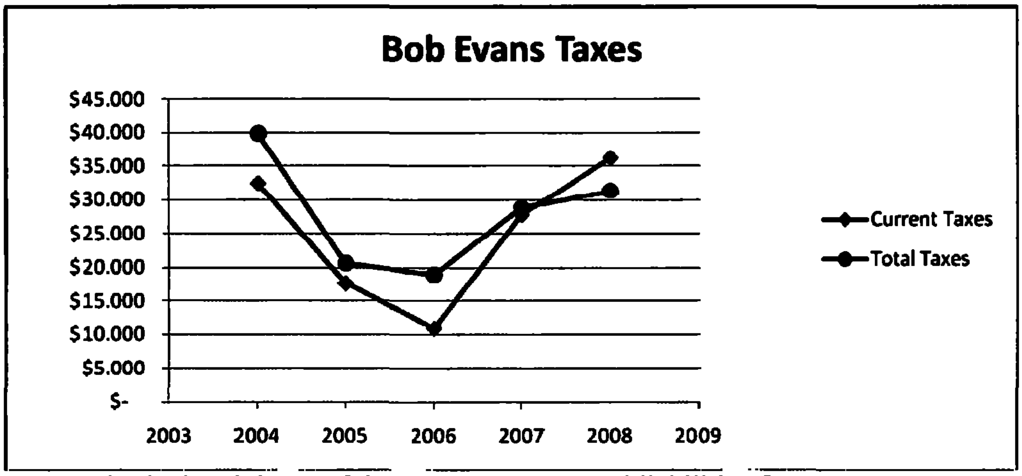
Taxes on Income Statement	2008	2007	2006	2005	2004
Income before Income Taxes[a]	$96,250	$89,427	$73,712	$57,672	$111,990
Provision for Income Taxes[b]	$31,374	$28,885	$18,938	$20,704	$39,955
a – Income before Income Taxes is also known as Pre-tax Income b – Provision for Income Taxes is also known as Total Tax Expense					

From the Bob Evans Farms, Inc., income tax note (all amounts in thousands):

Total Tax Expense Breakdown	2008	2007	2006	2005	2004
Current					
Federal	$31,674	$23,332	$6,527	$14,779	$29,590
State	$4,560	$4,472	$4,479	$2,919	$2,894
Total Current Tax Expense	$36,234	$27,804	$11,006	$17,698	$32,484
Deferred, primarily federal	($4,860)	$1,081	$7,932	$3,006	$7,471
Total Tax Provisions[a]	$31,374	$28,885	$18,938	$20,704	$39,955
a – Total Tax Provisions are also known as Total Tax Expenses					

From the income statement data provided above it can be seen that as pre-tax income increased, the provision for income taxes also increased, to $31,374,000 in 2008, up from $28,885,000 in 2007 and $18,938,000 in 2006. Each year, however, through 2007, because of deferred income taxes, current tax expense was actually less than the provision for income taxes. Consider, for example, 2007, a year when the tax provision was $28,885,000, current tax expense was $27,804,000. Similarly, in 2006, the income tax provision was $18,938,000 and current tax expense was only $11,006,000. However, in 2008, owing at least partially to reversing depreciation-related temporary differences, current tax expense of $36,234,000 exceeded the income tax provision of $31,374,000 by $4,860,000. That year, total tax expense was 32.6% of pre-tax income ($31,374,000 / $96,250,000) while current tax expense was 37.6% of pre-tax income ($36,234,000 / $96,250,000).

The following graphical display shows that while income tax expense at Bob Evans Farms (referred to as total taxes) exceeded current tax expense each year for the period 2004 – 2007, in 2008 total tax expense was exceeded by current tax expense.



As seen in the breakdown of deferred tax assets and liabilities for Bob Evans Farms presented below, deferred tax liabilities related to accelerated depreciation declined in 2008 to $81,644,000 from $82,613,000 in 2007. That decline indicates that reversing temporary differences for depreciation added $969,000 to income taxes due and payable in 2008.

From the Bob Evans Farms, Inc., incomes tax note (all amounts in thousands):

Deferred Tax Assets and Liabilities Breakdown	2008	2007	2006	2005	2004
Deferred Tax Assets					
Loss on impaired assets	$7,611	$7,566	$7,546	$7,456	$7,546
Self-insurance	$6,941	$6,912	$7,089	$7,861	$6,453
Vacation pay	$1,817	$1,755	$1,842	$1,755	$1,381
Stock and deferred compensation plans	$15,647	$12,894	$9,634	$8,740	$7,385
Accrued bonus	$839	$116	$105	$210	$440
Tax credits	$2,884	$4,520	$6,925	$10,525	0
Deferred rent	$5,777	$5,239	$4,228	$6,233	0
Inventory and other	$1,331	$1,389	$1,281	$797	$595
Total deferred tax assets	$42,847	$40,391	$38,650	$43,667	$23,800

Deferred tax liabilities					
Accelerated depreciation / asset disposals	$81,644	$82,613	$79,900	$75,607	$52,992
Intangible assets	$20,756	$22,209	$22,073	$22,392	0
Other	$59	$41	$68	$1,127	$1,379
Total deferred tax liabilities	$102,459	$104,863	$102,041	$99,126	$54,371
Net deferred tax liabilities	$59,612	$64,472	$63,391	$55,459	$30,571

Bob Evans is paying more taxes in 2008 than the amount of income tax expense accrued on its income statement. These higher tax payments are due, at least in part, to the reversal of taxes deferred from prior years. These deferred tax liabilities are coming due because capital expenditures have been declining. The purpose of this study is to identify other companies who may be more likely to see increasing income taxes paid in a continuing economic downturn.

Data Set

For our data we used the Compustat (North American) database for fiscal year 2007 with the following criteria:

- No financial services firms (NAICS < 520000 and NAICS >= 530000)
- Revenues in excess of $100 million USD
- Positive earnings (pre-tax income > 0)
- Capital expenditures / revenue > sample mean of 4.4%
- Gross deferred tax liabilities / total assets > sample mean of 3.0%.
- Net deferred tax liabilities > 0 (Net deferred tax liabilities are net of deferred tax assets).

We then separated the firms into two categories:

- Group 1 – The No DTL Reversal Group (2007). Capital expenditures are increasing and gross deferred tax liabilities are increasing. Specifically, the sample is comprised of firms where:
    - The % Δ in Capital expenditures > 0 (firms with increasing capital expenditures) and
    - The % Δ in Gross DTL > 0 (firms with increasing gross deferred tax liabilities).

  We identified the 50 firms with the largest % increase in Gross DTL. These firms were then sorted on Net DTL / Total Assets, from highest to lowest.

  Group 1 consists of capital intensive firms with significant deferred tax liabilities. With increasing capital expenditures, these firms are taking the steps necessary to continue growing their deferred tax liabilities. At present, those deferred tax liabilities are showing no signs of reversal, and, as such, the companies are continuing to postpone the payment of taxes deferred from prior years. Importantly, as long as the firms in this group continue to increase their capital spending, they are in no danger of reversing deferred tax liabilities. However, with the decline in business conditions witnessed in 2008 and expected for 2009, it may be difficult for these firms to continue increasing their capital spending.

  The Group 1 firms are presented in Table 1. Note how significant the net deferred tax liabilities are for these firms. For some, the future tax liability ranges as high as $9.7 billion (Union Pacific Corp.) and as much as 25.9% of total assets (Yamana Gold, Inc.)

- Group 2 – The DTL Reversal Group (2007). Capital Expenditures are decreasing and gross deferred tax liabilities are decreasing. Specifically, the sample is comprised of firms where:
    - The % Δ in Capital expenditures < 0 (firms with decreasing capital expenditures) and
    - The % Δ in Gross DTL < 0 (firms with increasing gross deferred tax liabilities).

There were 42 firms that met these criteria. We sorted them on Net DTL / Total Assets, from highest to lowest.

Group 2 also consists of capital intensive firms with significant deferred tax liabilities. However, these firms reduced their capital spending in 2007 and were experiencing decreasing gross deferred tax liabilities. For these companies, taxes deferred in prior years are coming due and increasing the firms' tax burdens. Given the amount of the deferred tax liabilities reported by these companies, the taxes due in future years could be substantial. For example, referring to Table 2, firms on the list show net deferred tax liabilities that range as high as $10.1 billion and as much as 20.8% of total assets (Anadarko Petroleum Corp.). Of course these companies can avoid the payment of taxes deferred from prior years by increasing their capital spending. But that is a tall order to fill in the middle of a serious economic recession.

Table 1. Group 1 - No DTL Reversal Group (2007) Capital Expenditures Increasing and DTLs Increasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
YAMANA GOLD INC	27.29%	722.27%	24.56%	$ 2,567.37	25.94%
UNION PACIFIC CORP	26.42%	3.65%	11.33%	$ 9,714.00	25.54%
BURLINGTON NORTHERN SANTA FE	27.31%	3.31%	11.62%	$ 8,194.00	24.40%
NORFOLK SOUTHERN CORP	26.45%	0.44%	13.84%	$ 6,241.00	23.87%
HARRY WINSTON DIAMOND CORP	24.80%	11.10%	53.12%	$ 329.54	22.06%
COEUR D'ALENE MINES CORP	21.62%	3256.60%	46.61%	$ 569.28	21.47%

Table 1 (continued). Group 1 - No DTL Reversal Group (2007) Capital Expenditures Increasing and DTLs Increasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
PANHANDLE OIL & GAS INC	23.34%	10.83%	22.81%	$ 16.83	21.43%
ULTRA PETROLEUM CORP	20.61%	41.22%	39.05%	$ 341.41	19.22%
LIN TV CORP	25.01%	0.38%	12.63%	$ 374.55	18.90%
CABOT OIL & GAS CORP	21.99%	28.02%	19.21%	$ 411.40	18.63%
P.A.M. TRANSPORTATION SVCS	19.56%	3.53%	42.33%	$ 58.62	18.32%
FREEPORT-MCMORAN COP&GOLD	21.44%	854.09%	600.49%	$ 7,359.00	18.10%
MCGRATH RENTCORP	19.83%	11.20%	0.28%	$ 115.89	18.04%
PLAINS EXPLORATION & PROD CO	21.49%	339.96%	21.45%	$ 1,729.54	17.84%
EOG RESOURCES INC	18.04%	31.52%	30.50%	$ 2,146.75	17.76%
AGNICO EAGLE MINES LTD	17.70%	432.15%	181.19%	$ 478.21	17.48%
NOBLE ENERGY INC	20.06%	6.73%	4.24%	$ 1,853.26	17.11%
COCA-COLA ENTERPRISES INC	19.32%	0.17%	6.35%	$ 3,984.00	16.57%
CANO PETROLEUM INC	18.64%	3.05%	700.26%	$ 32.37	16.07%
QUESTAR CORP	16.78%	17.01%	52.64%	$ 947.30	15.94%
PUBLIC SERVICE ENTRP GRP INC	19.95%	8.34%	32.81%	$ 4,454.00	15.69%
CONSOLIDATED EDISON INC	19.83%	5.98%	4.29%	$ 4,386.00	15.47%
NEWFIELD EXPLORATION CO	21.19%	12.72%	52.46%	$ 1,069.00	15.30%
SWIFT ENERGY CO	15.68%	6.73%	16.70%	$ 294.25	14.94%

Table 1 (continued). Group 1 - No DTL Reversal Group (2007) Capital Expenditures Increasing and DTLs Increasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
MGM MIRAGE	15.66%	1.21%	54.85%	$ 3,353.21	14.75%
PETROHAWK ENERGY CORP	17.79%	6.44%	159.26%	$ 669.11	14.32%
SOUTHWESTERN ENERGY CO	21.98%	48.20%	78.57%	$ 514.65	14.21%
WESTAR ENERGY INC	18.42%	1.13%	115.68%	$ 899.60	14.07%
RANGE RESOURCES CORP	17.59%	16.20%	56.25%	$ 563.88	14.04%
CNX GAS CORP	16.56%	46.09%	131.58%	$ 189.68	13.74%
XTO ENERGY INC	14.53%	19.21%	141.49%	$ 2,590.00	13.69%
EDISON INTERNATIONAL	19.92%	1.27%	11.44%	$ 5,029.00	13.39%
ENCANA CORP	13.54%	1.78%	32.38%	$ 6,208.00	13.22%
SEACOR HOLDINGS INC	14.38%	8.57%	40.84%	$ 470.52	13.18%
APACHE CORP	13.76%	8.57%	3.71%	$ 3,711.52	12.96%
CHESAPEAKE ENERGY CORP	14.23%	16.24%	11.22%	$ 3,965.00	12.90%
PIONEER NATURAL RESOURCES CO	17.22%	8.28%	46.99%	$ 1,111.34	12.90%
QUICKSILVER RESOURCES INC	13.86%	73.84%	70.83%	$ 355.70	12.81%
SOUTHERN CO	18.75%	1.87%	18.40%	$ 5,857.00	12.79%
GREAT PLAINS ENERGY INC	17.32%	0.20%	9.19%	$ 605.00	12.53%
HELMERICH & PAYNE	13.07%	30.60%	69.07%	$ 351.98	12.20%
MEADWESTVACO CORP	16.19%	5.85%	14.90%	$ 1,186.00	12.06%

Table 1 (continued). Group 1 - No DTL Reversal Group (2007) Capital Expenditures Increasing and DTLs Increasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
GREY WOLF INC	13.14%	24.44%	11.68%	$ 145.50	12.04%
MDU RESOURCES GROUP INC	14.72%	16.93%	9.69%	$ 660.97	11.82%
METHANEX CORP	14.00%	2.59%	424.10%	$ 338.60	11.80%
RAM ENERGY RESOURCES INC	19.16%	425.10%	43.30%	$ 67.27	11.59%
ALLIANT ENERGY CORP	14.52%	12.89%	47.40%	$ 824.00	11.46%
EMPIRE DISTRICT ELECTRIC CO	14.04%	10.39%	52.57%	$ 166.37	11.30%
HELIX ENERGY SOLUTIONS GROUP	13.32%	51.62%	101.15%	$ 611.70	11.22%
WILLIAMS COS INC	13.79%	0.71%	12.23%	$ 2,797.00	11.16%

[a]Gross DTL / Total Assets – Gross DTL is not net of deferred tax assets.

Table 2. Group 2 - DTL Reversal Group (2007) Capital Expenditures Decreasing and DTLs Decreasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
ANADARKO PETROLEUM CORP	23.50%	-21.33%	-7.07%	$ 10,087.00	20.81%
MARTEN TRANSPORT LTD	19.12%	-5.76%	-38.64%	$ 70.07	17.20%
HUNT (JB) TRANSPRT SVCS INC	17.73%	-3.54%	-24.76%	$ 301.63	16.19%
NSTAR	17.75%	-1.73%	-15.49%	$ 1,224.93	15.79%
GATX CORP	17.41%	-5.46%	-37.82%	$ 722.80	15.30%
D & E COMMUNICATIONS INC	15.84%	-5.54%	-7.26%	$ 69.60	13.89%
WERNER ENTERPRISES INC	19.49%	-3.60%	-66.76%	$ 170.26	12.89%
SPRINT NEXTEL CORP	17.18%	-9.85%	-16.33%	$ 8,242.00	12.86%
WEYERHAEUSER CO	16.89%	-10.56%	-7.56%	$ 2,968.00	12.47%
EMBARQ CORP	14.86%	-6.44%	-10.18%	$ 1,054.00	11.84%
DOMINION RESOURCES INC	15.78%	-10.77%	-1.97%	$ 4,302.00	11.00%
PIKE ELECTRIC CORP	14.42%	-7.77%	-36.08%	$ 53.63	9.83%
SOUTHWEST GAS CORP	11.12%	-0.08%	-1.29%	$ 340.53	9.28%
FISHER COMMUNICATIONS INC	11.50%	-23.80%	-39.91%	$ 44.49	9.16%
SPEEDWAY MOTORSPORTS INC	10.60%	-6.19%	-35.03%	$ 140.42	8.90%
DUKE ENERGY CORP	10.94%	-34.81%	-7.57%	$ 4,323.00	8.70%
NICOR INC	10.32%	-1.86%	-7.58%	$ 362.90	8.53%

Table 2 (continued). Group 2 - DTL Reversal Group (2007) Capital Expenditures Decreasing and DTLs Decreasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets[a]	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
ENTRAVISION COMMUNICATIONS	12.93%	-0.90%	-35.50%	$ 111.90	8.19%
AVIS BUDGET GROUP INC	11.03%	-33.62%	-36.55%	$ 970.00	7.78%
UNITIL CORP	10.32%	-6.08%	-3.39%	$ 33.40	7.04%
DOLLAR THRIFTY AUTOMOTIVE GP	13.56%	-3.40%	-17.13%	$ 267.41	6.87%
ST JOE CO	8.99%	-56.58%	-5.71%	$ 83.54	6.61%
TELEPHONE & DATA SYSTEMS INC	6.60%	-45.22%	-3.17%	$ 555.59	5.62%
CAMBREX CORP	7.57%	-29.53%	-32.20%	$ 18.86	5.05%
PRIMEDIA INC	4.77%	-82.98%	-23.95%	$ 12.26	4.77%
IOWA TELECOM SERVICES INC	12.83%	-23.61%	-4.33%	$ 35.52	4.27%
SUREWEST COMMUNICATIONS	7.53%	-15.90%	-2.83%	$ 20.25	4.18%
BUCKEYE TECHNOLOGIES INC	11.03%	-1.50%	-0.86%	$ 37.13	3.90%
HEADWATERS INC	7.17%	-0.89%	-8.26%	$ 61.55	3.72%
INTERNATIONAL COAL GROUP INC	16.80%	-4.33%	-3.16%	$ 47.36	3.63%
TRONOX INC	10.18%	-6.15%	-10.82%	$ 53.50	3.10%
MOLSON COORS BREWING CO	7.54%	-5.31%	-4.04%	$ 371.17	2.76%
ENERGY PARTNERS LTD	10.15%	-4.03%	-7.19%	$ 20.88	2.56%
POLYMER GROUP INC	4.21%	-49.09%	-10.92%	$ 17.77	2.37%
PEABODY ENERGY CORP	14.21%	-3.48%	-1.11%	$ 216.97	2.24%

Table 2 (continued). Group 2 - DTL Reversal Group (2007) Capital Expenditures Decreasing and DTLs Decreasing (dollar amounts in millions)

Company Name	Gross DTL / Total Assets*	% Δ in Gross DTL	% Δ in CapEx	Net DTLs	Net DTLs / Total Assets
RUBY TUESDAY INC	7.03%	-1.04%	-7.08%	$ 22.90	1.80%
MERIDIAN RESOURCE CORP	9.30%	-17.01%	-17.55%	$ 8.07	1.67%
CABLEVISION SYS CORP -CL A	13.45%	-3.48%	-11.85%	$ 93.75	1.03%
SIRIUS XM RADIO INC	12.55%	-6.64%	-34.62%	$ 12.77	0.75%
BARRICK GOLD CORP	6.26%	-2.62%	-3.77%	$ 119.00	0.54%
SIX FLAGS INC	14.23%	-10.86%	-5.66%	$ 14.90	0.51%
LIBBEY INC	5.71%	-7.65%	-41.41%	$ 3.61	0.40%

*Gross DTL / Total Assets – Gross DTL is not net of deferred tax assets

Conclusions

To encourage capital spending, Congress provided increased tax deductions for accelerated depreciation based on a company's investment in capital assets. Accelerated depreciation permits firms to postpone or defer the payment of income taxes to the future. Further, as long as capital spending is maintained, these taxes can be deferred indefinitely, providing what is effectively a long-term, interest-free loan from the federal government. There is a catch, however. If capital expenditures are reduced, taxes deferred in prior years come due and can dramatically increase a company's income tax bill.

The purpose of this report is to identify capital intensive companies who have benefitted substantially from accelerated depreciation deductions. We think that these companies are at risk for increased income taxes from reductions in capital spending that may arise from a slowing economy. We looked at data in 2007. We first identified firms who were growing capital expenditures and were continuing to enjoy increasing deferred tax liabilities. At present, these firms are not significantly at risk for increased tax payments. However, that prospect would change with a protracted reduction in capital spending. In a second group we identified firms who in 2007 had begun to reduce their capital spending and were seeing a reversal of their deferred tax liabilities. If they continue to reduce their capital expenditures, these firms could see substantial tax payments coming due in future years.

During our analysis we noticed that the capital intensive companies in both groups clustered in three general categories. For example, in one category there were firms with large distribution networks. Firms in this category included electricity distributors (Duke Energy Corp. and Consolidated Edison, Inc), gas distributors (NICOR, Inc and Southwest Gas Corp.), telecom providers (Sprint Nextel and Iowa Telecom Services, Inc.) and broadcast radio and TV networks (Fisher Communications and LIN TV Corp.). The second major category is comprised of firms involved in the extraction, processing and distribution of natural resources. Firms in this category include mining operations (AgNiCo Eagle Mines Ltd and International Coal Group) and oil and gas exploration, production and distribution (Cano Petroleum Inc, Anadarko Petroleum Corp. and Williams Companies, Inc.). Our final category was characterized by companies that maintain large fleets, whether they are trucking firms (JB Hunt Transportation Services, Inc), railroads (Burlington Northern Santa Fe) or businesses with large truck fleets (Coca-Cola Enterprises Inc.).

All of these companies are very capital intensive and have very large deferred tax liabilities, implying that future tax payments could be substantial. The firms could continue their capital spending and avoid a reversal of deferred tax liabilities. However, given the severity of the current recession, such a development is not likely for all of the firms in our two groups.

The timing of the payment of deferred taxes is difficult to gauge. One year of reduced capital spending typically does not result in a reversal of deferred tax liabilities. The assets being depreciated are long-lived and it takes time for lower capital expenditures to translate into an overall reduction in depreciation charges for tax purposes. Accordingly, for the firms in Table 1, a reduction in capital spending in 2008, even if continued into 2009 may not result in an increase in income taxes paid. The companies listed in Table 2, however, are already seeing a reversal of their reported deferred tax liabilities. A continued reduction in capital expenditures in 2008 and 2009 is more likely to result in increased income tax payments.

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of May 2009 I have caused true and accurate copies of the foregoing Reply Comments of the Western Coal Traffic League to be served upon all parties on the service list in this proceeding.

Robert D. Rosenberg