ASSOCIATION OF AMERICAN RAILROADS

216143

Law Department
Louis P. Warchot
Senior Vice President-Law &
General Counsel

March 31, 2006

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D.C. 20423

Re: Ex Parte No. 558 (Sub-No. 9), Railroad Cost of Capital – 2005

Dear Secretary Williams:

Please find enclosed an original and ten (10) copies of the Comments of the Association of American Railroads and Its Member Railroads in the proceeding referenced above. A copy of the same on a disk in MS Word format is also provided for the Board's convenience.

Please date-stamp the extra copy of the Comments and this letter, provided for that purpose, and return the same to the undersigned, via the individual hand delivering them.

Respectfully submitted,

Louis P. Warchot

Enclosures

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216143

BEFORE THE
SURFACE TRANSPORTATION BOARD

RAILROAD COST OF CAPITAL — 2005	)	EX PARTE NO. 558 (Sub- No. 9)

COMMENTS OF THE ASSOCIATION OF AMERICAN RAILROADS AND ITS MEMBER RAILROADS

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March 31, 2006

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Verified Statements

Tab	Witness*	Subject
1	Craig F. Rockey	The railroads' market value capital structure, overall cost of capital, cost of common and preferred equity, and cost of all types of debt.

*Verified statements are referenced in these comments by witness name – viz., V.S. Rockey at _____

BEFORE THE
SURFACE TRANSPORTATION BOARD

RAILROAD COST OF CAPITAL — 2005	)	EX PARTE NO. 558 (Sub- No. 9)

COMMENTS OF THE ASSOCIATION OF AMERICAN RAILROADS AND ITS MEMBER RAILROADS

By order served December 20, 2005, the Surface Transportation Board (STB/Board) instituted this proceeding to determine the railroads' cost of capital for the year 2005. That determination, as the Board noted, will enable it to make the statutorily required (49 U.S.C. 10701 (d)(2), 10704(a)(2)) annual individual railroad revenue adequacy determination for 2005. The Board noted further that the cost of capital determination may also be used in various other STB railroad proceedings. See Ex Parte No. 558 (Sub-No. 9) *Railroad Cost of Capital – 2005* (Served December 20, 2005) (Slip Op. 1).

The railroads, through the Association of American Railroads (AAR), are submitting herewith their calculation of (1) the railroads' 2005 cost of common equity capital; (2) the railroads' 2005 current cost of preferred equity capital; (3) the railroads' current 2005 cost of debt capital and (4) the 2005 capital structure mix of the railroad industry on a market value basis.

AAR, through the attached verified statement of Craig F. Rockey, Vice President, Policy and Economics of the Association of American Railroads. This statement establishes the following:

1. The 2005 cost of debt capital is 5.36 (VS. Rockey pp. 2, 27, 28).
2. There is no preferred equity capital for 2005 (VS. Rockey p. 2, 27, 28).
3. The 2005 cost of common equity capital is 15.19 (VS. Rockey pp. 2, 14, 28).
4. The capital structure of the railroad industry is 30.4 percent debt, 0.0 percent preferred equity and 69.6 percent common equity. (VS. Rockey p. 2, 28).

From these data Mr. Rockey concludes that the overall railroad industry cost of capital for 2005 is 12.2 percent (V. S. Rockey pp. 2, 28).

I. Introduction

The sole purpose of this proceeding is to determine the railroad industry's cost of capital for 2005. Thus, while the revenue adequacy standards are not at issue in this proceeding, it has been held that the current cost of capital will continue to be the sole standard of revenue adequacy, and that the cost of capital will be computed using the current cost of debt and market value weights. See Ex Parte No. 393 (Sub-No. 1), *Standards for Railroad Revenue Adequacy*, 3 I.C.C. 2d 261 (1986), *aff'd sub. nom., Consolidated Rail Corporation v. United States*, 855 F.2d 78 (3rd Cir. 1988).

II. The Cost of Common Equity Capital

The Discounted Cash Flow (DCF) methodology has been used in all previous cost of capital proceedings to determine the cost of equity. The validity of the DCF approach is

recognized by nearly every rate of return analyst in the United States, and among federal and state regulatory agencies, the DCF model is the most widely used method for determining the cost of equity.[1] Mr. Rockey has established the DCF methodology in his calculation of the cost of common equity in this proceeding.

Under the DCF methodology, the cost of common equity is determined by adding together the dividend yield (the expected dividend for the next period divided by the common stock price) and the expected growth rate. The dividend yield is computed using publicly available data from the stock market. In all cost of capital proceedings since 1982, the Board has determined the expected growth rate by using a truncated average of published long-term earnings growth forecasts by a large number of security analysts to obtain an estimate of the investors' consensus of earnings growth expectations. The use of analysts' forecasts to estimate the composite growth rate is the most accurate approach available. As the Board has properly recognized, this part of the DCF formula measures investors' expectations, and a consensus of analysts' forecasts is the best evidence of those expectations. V.S. Rockey at pp. 10-11.

In cost of capital proceedings prior to Ex Parte No. 473, *Railroad Cost of Capital — 1987*, 4 I.C.C. 2d 621 (1988), the expected growth rate was calculated based on the consensus forecasts made by a group of prominent investment analysts who follow the rail industry. Commencing with Ex Parte No. 473, however, the Board expressed a preference for use of consensus analyst five-year (long term) earnings per share growth rate forecasts published in

[1] V.S. Rockey at 8-9; National Association of Regulatory Utility Commissioners, *Utility Regulatory Policy in United States and Canada 1995-1996*, at pp. 269, 530, 603, and 631 (December 16, 1996).

Institutional Brokers Estimate System (IBES) reports.[2] AAR has accordingly used IBES data in determining the expected growth rate in this proceeding. Rockey at p. 8–11.

Based on a four-railroad composite (determined using established procedures) and the identical DCF procedures used in the last twelve cost of capital proceedings, Mr. Rockey estimates that the cost of common equity capital for 2005 is 15.19 percent. V.S. Rockey at p. 14.

III. The Cost Of Preferred Equity Capital

Preferred stock is a hybrid security which has some characteristics of debt and some characteristics of equity. Its cost depends on its specific features. The methodology used by the Board in the last fourteen proceedings applies the following criteria:

(a) Where the preferred is not convertible into common stock, and where the corporation is not required to redeem the preferred at specific times, the cost of preferred equity is equal to its current dividend yield.

(b) Where the preferred is not convertible but is subject to mandatory redemption providing holders of the instrument with a premium, the cost is equal to the current dividend yield, plus the present value of the premium.

[2] I/B/E/S International has been acquired by Thomson Financial, 195 Broadway, New York, N.Y. 10007. Thomson Financial has incorporated long term growth rates into its ThomsonOneFinancial database of financial results and analysts' reports.

(c) Where the preferred is convertible at the option of the holder, and the market values of the preferred and common indicate that conversion is likely to occur or that the conversion right controls the price of the preferred, the preferred has the same cost as common equity.

Because the railroads had no preferred stock outstanding at the end of 2005, there is no 2005 cost of preferred equity capital. V.S. Rockey at p. 2, 27.

IV. The Cost Of Debt

To determine the cost of debt, Mr. Rockey has computed the average current bond yield for all 63 of the publicly traded bonds (during 2005) of the sample railroads that comprise the composite railroad. This methodology is identical to that used in the last 15 cost of capital proceedings. See *Ex Parte No. 558 (Sub 4) Railroad Cost of Capital – 2004*, S.T.B. ___ (Served June 21, 2005). Under this approach, the bond yield is effectively based on a sample representing 76.0 percent of the total market value of the bonds issued by the railroads in the sample. As the Board has recognized, equipment trust certificates (ETCs) and conditional sales agreements (CSAs) are not actively traded in secondary markets. Their costs were therefore estimated by comparing them to the yields on Treasury securities that are actively traded.[3] This is the same methodology used by the Board in the last 18 proceedings. The composite current cost of debt is the market-weighted average cost of bonds, ETCs, and CSAs, plus a small floatation cost. Using the Board's established methodology, the railroads' 2005 cost of debt is 5.36 percent. V.S. Rockey at p. 27.

V. The 2005 Capital Structure Of The Railroad Industry and the Overall Cost Of Capital

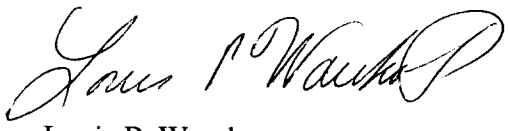
Pursuant to the Board's December 19, 2005 decision, the market values of debt, preferred equity, and common equity were compiled to compute the 2005 capital structure of the railroad industry. The railroads' market value capital structure on a market value basis is 30.4 percent debt, 69.6 percent common equity capital, and 0.0 percent preferred equity capital. V.S. Rockey at p. 28. Based upon this capital structure, the overall 2005 cost of capital is 12.2 percent, compared to a 2004 figure of 10.1 percent. V.S. Rockey at 28.

[3] V.S. Rockey at 18–23.

Conclusion

The Board should determine that the railroads' cost of capital for 2005 is 12.2 percent.

Respectfully submitted,



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March 31, 2006

BEFORE THE

SURFACE TRANSPORTATION BOARD

EX PARTE NO. 558 (Sub-No. 9)

RAILROAD COST OF CAPITAL — 2005

VERIFIED STATEMENT

OF

CRAIG F. ROCKEY

VICE PRESIDENT — POLICY AND ECONOMICS

ASSOCIATION OF AMERICAN RAILROADS

March 31, 2006

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Verified Statement
of
Craig F. Rockey

I. Introduction

My name is Craig F. Rockey. I am Vice President – Policy and Economics of the Association of American Railroads (AAR), with offices at 50 F Street, N.W.; Washington, DC 20001. The AAR is the trade association for the nation's railroads, as well as the railroads of Canada and Mexico. The AAR's United States railroad members, which include all of the Class I railroads, account for 95 percent of our nation's total railroad freight operating revenue.

The AAR serves as the central agency of the railroad industry for the collection and analysis of economic and financial data and it represents the industry in regulatory proceedings before the Surface Transportation Board ("STB" or "Board"). In particular, the AAR has participated in all of the STB proceedings addressing revenue adequacy standards and the annual cost of capital determinations.

Aside from other responsibilities, I have conducted or directed a wide range of analyses or projects addressing regulatory, legislative and internal issues relevant to the railroad industry. Furthermore, I have testified before federal, state, and local regulatory agencies, and have been an expert witness for the railroad industry on economic, statistical, and financial matters over the past 28 years. A summary of my qualifications and experience appears at the end of this statement.

In this submission, I am responding to the Board's decision of December 19, 2005 (served December 20), instituting the proceeding to determine the railroad industry's 2005 cost of capital — Ex Parte No. 558 (Sub-No. 9), *Railroad Cost of Capital — 2005* ("Ex Parte 558

Decision"). In my statement, I calculate the cost of capital for the railroad industry using the procedures accepted in previous STB proceedings. This statement presents the details for calculating the necessary components for the overall cost of capital calculation: the market value capital structure, the cost of common equity capital, the cost of preferred equity capital, and cost of debt.

I conclude that the 2005 cost of capital for the railroad industry is 12.2 percent. This estimate is based on a cost of common equity capital of 15.19 percent; a current cost of debt of 5.36 percent; and market value weights for common equity and debt of 69.6 percent and 30.4 percent, respectively. There were no preferred stock issues outstanding in 2005. Therefore, the cost of preferred equity capital has not been calculated, and the market value weight for preferred equity capital is zero percent.

II. Determining The Cost Of Capital

A. Defining the Cost of Capital

The cost of capital is the minimum rate of return on investment which the providers of capital require as a condition for undertaking an investment. In essence, it is the threshold rate of return on investment which makes capital investment attractive. The cost of capital is an opportunity cost in that it recognizes what investors sacrifice by not investing their funds elsewhere. Investment funds generally flow to projects and companies where the expected returns are thought to at least equal to the expected returns available of other investment opportunities, giving consideration to the relative (or commensurate) risk of investment.

As an example of the cost of capital, assume that an investment in a company is valued at $1,000 and that the current rate of return on that investment generated by that company is $70,

equating to 7.0 percent. The investors in that company would generally not elect to keep their money in this company if, assuming equal risk, other investment opportunities offer expectations of greater returns. It may be that the cost of capital to this company is 12.0 percent, because that is the rate of return on investment required to attract investors and to keep investors from ultimately transferring their funds to alternative investments. In this case, the 12.0 percent return on investment to be found elsewhere is the opportunity cost, and thus, the cost of capital to the firm. Simply stated, that company's investors "demand" the opportunity (or expected) rate of return on investment or they will move their funds to alternative choices that provide such expectations. In general, higher interest rates will cause a company's cost of capital to be higher since competing investment opportunities will earn higher returns.

B. The Composite Railroad Approach

The STB has adopted a composite railroad approach to computing an industry-wide cost of capital. This approach relies upon data from a sample of railroads meeting criteria established by the Board in Ex Parte No. 458, *Railroad Cost of Capital — 1984*, 1 I.C.C. 2d 989, 1003–1004 (1985). The composite approach is both statistically and economically sound for several reasons. First, the current cost of investment-grade debt does not vary significantly among major railroads, because major railroads face similar market pressures from such forces as the economic climate, foreign trade policy, regulation and competition. Second, while there may be estimation errors associated with the direct measurement of the cost of equity for individual railroads, an industry-wide calculation tends to average out such errors. Third, financial theory indicates that, when computing the cost of capital based on current debt costs, increases (or decreases) in the debt/equity ratio cause corresponding increases (or decreases) in the cost of equity that result in a constant current cost of capital. (This relationship stems from the fact that as the percentage of

debt in the capital structure increases, the cost of equity increases as a result of the increased risk.) Use of an industry-wide debt/equity ratio and industry-wide costs of debt and equity are, therefore, appropriate.[1]

C. Selection of Railroads for Analysis

Under the criteria established by the Board for individual firm inclusion in the composite railroad sample, a company must meet certain criteria. (Ex Parte 558 Sub-No. 3 Decision at 1–2.)

The Board's criteria for inclusion in the sample are generally sound. First, as the Board has recognized, in order to determine the cost of equity using the DCF model, it is essential that the company has paid dividends throughout the year at issue and that the company's stock is actively traded on either the New York or American Stock Exchanges. These qualifications help to insure that the dividend yield component of the DCF model is accurately estimated.

Second, it is necessary to determine the cost of debt for the composite sample based on investment grade railroad debt issues[2] in order to avoid incorporating an estimate of the default premium associated with non-investment grade debt.

Finally, the composite must be representative of the railroad industry. The Board has determined that the company must operate a Class I railroad with at least 50 percent of its assets devoted to the railroad business.

This year there are four railroad corporations or holding companies in the sample under the Board's criteria: Burlington Northern Santa Fe Corporation, CSX Corporation, Norfolk

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[1] See, e.g., F. Modigliani and M. Miller, "The Cost of Capital, Corporation Finance and the Theory of Investment," *American Economic Review*, June 1958, p. 7; M. Miller, "Debt and Taxes," *Journal of Finance*, May 1977.

[2] Investment grade debt is defined as senior debt securities with a Rating of AAA to BBB.

Southern Corporation, and Union Pacific Corporation (see Table 1). The 2005 sample is composed of the same railroad entities that were included in the 2004 sample.

Table No. 1
Evaluation of Class I Railroads
Under Surface Transportation Board Selection Criteria
2005

Class I Railroad	Parent	Stock Symbol	Listed NYSE/ASE	Dividends Throughout 2005	Rail Assets Account For At Least 50% of Parent	Adequate Debt Rating
BNSF	Burlington Northern Santa Fe Corp.	BNI	Yes	Yes	Yes	Yes
CSX	CSX Corporation	CSX	Yes	Yes	Yes	Yes
CNGT*	Canadian National Railway Co.	CNI	Yes	---	Non-U.S. company	---
KCS	Kansas City Southern	KSU	Yes	No	Yes	Yes
NS	Norfolk Southern Corporation	NSC	Yes	Yes	Yes	Yes
SOO*	Canadian Pacific Railway Limited	CP	Yes	---	Non-U.S. company	---
UP	Union Pacific Corporation	UNP	Yes	Yes	Yes	Yes

* CNGT is Grand Trunk Corporation, and consists of most of the U.S. railroad operations of Canadian National Railway (CN). SOO is Soo Line Railroad, the western U.S. operations of Canadian Pacific Railway (CP). Following STB precedent, CN and Canadian Pacific were not included in the sample because both CN and CP are Canadian corporations – and the cost of capital proceeding is concerned with determining costs for U.S. railroads under STB jurisdiction.

As in past years, this year's sample includes a substantial percentage of both the revenues and assets of the entire rail industry. As shown in Table 2, based on the four quarters for 2005, the four-firm composite accounts for approximately 92.4 percent of the revenues and 89.6 percent of the assets of all Class I railroads in 2005. Accordingly, the sample is representative of the industry.

Table No. 2
Relative Size of the Railroad Composite Sample
2005
Twelve Months Ending December 31

Railroad	Revenue ($000)	Assets ($000)	Pct of Total Class I RR Revenue	Pct of Total Class I RR Assets
BNSF	$12,845,580	$32,777,776	27.9 %	25.8 %
CSX	7,688,738	22,146,905	16.7	17.4
NS	8,526,827	24,584,411	18.5	19.3
UP	13,545,349	34,515,246	29.4	27.1
Total	$42,606,494	$114,024,338	92.4	89.6
Total Class I	$46,115,752	$127,288,180	100.0 %	100.0 %

NOTE: Revenue and asset figures are from the Revenues, Expenses and Income reports and the Condensed Balance Sheet reports, submitted by Class I railroads to the STB for the fourth quarter of 2005.

D. Types of Railroad Capital

A firm's overall cost of capital is the opportunity cost of the funds available to the firm and to its investors. As an alternative to investing in a new project of average risk, a firm could repurchase a fraction of its outstanding securities at prevailing market prices. Because the expected rate of return on the total market value of a firm's outstanding securities reflects the opportunity cost of funds used in repurchasing such securities, the expected rate of return on the total market value of the firm's outstanding securities is equal to its overall cost of capital. The total capital of a firm generally includes common and preferred stock (equity), as well as debt. Each of these three sources of capital have different expected rates of return, and thus the overall cost of capital is a market value of the weighted average of the costs of common equity, preferred equity, and debt. In this statement, I calculate the market value for all three types of capital.

Different approaches are used to estimate the costs of the three types of capital. In this statement, I estimate the cost of common equity employing the DCF method. The cost of debt is calculated from market-determined yields on debt outstanding. The cost of preferred equity

capital has not been calculated, since none of the representative companies currently have preferred stock outstanding. Calculations for all three types of capital are based on average 2005 costs. I then compute the industry's overall cost of capital as a weighted average of the three costs using the market value for each type.

III. Common Equity Capital In 2005

A. The Market Value of Common Equity Capital

The market value for common equity capital was determined using stock prices and the number of shares outstanding. Appendix A shows each month's average daily stock price for each railroad with the number of shares outstanding. The daily stock prices used in the calculation were obtained from financial data bases, and averaged for each month. The number of shares outstanding were obtained from the railroads. A market value for each month was calculated using the average price and the number of shares outstanding. The average market value for the year is a simple average of the twelve months of market values.

Table 3 below summarizes the market value of common equity capital.

Table No. 3
Average Market Value
For Common Equity in 2005

Railroad Co.	Value ($000)	Weight %
BNI	$20,253,925.4	32.20 %
CSX	9,402,561.4	14.95
NSC	15,449,669.2	24.56
UNP	17,792,912.7	28.29
Total	$62,899,068.6	100.00 %
Prior Year	$46,836,195.7	
Change	34.3%	

B. The Discounted Cash Flow ("DCF") Method

The cost of equity is the opportunity cost of investing in a share of a firm's stock; i.e., the expected rate of return that investors require on the market value (purchase price) of the stock in light of alternative investment opportunities of comparable risk. Because investor expectations are not directly observable, analysts have developed methods of inferring the cost of equity from available financial data. The DCF method used in this statement to compute the cost of equity — the same method which has been used in the Board's previous cost of capital proceedings — relies upon observed stock prices and analyst growth forecasts. The DCF method is recognized as a valid approach to measuring the cost of equity by the overwhelming majority of financial experts in the country, and among federal and state regulatory agencies it is the most widely used method for determining the cost of equity. See National Association of Regulatory Utility Commissioners, *Utility Regulatory Policy in United States and Canada 1995–96* at pages 269, 530, 603 and 631 (December 16, 1996).

The DCF methodology requires an estimate of expected growth in earnings (the "g" component of the DCF formula shown on page 9), and the Board has in past proceedings encouraged the use of growth rate data developed by the Institutional Brokers Estimate System (IBES) for this purpose.[3] Accordingly, I have employed the DCF methodology using Thomson/IBES data, as relied on by the Board in its 2004 cost of capital determination in Ex Parte No. 558 (Sub-No. 8), *Railroad Cost of Capital — 2004* (June 2005).

The cost of equity under the DCF method is the discount rate which makes the present value of all expected returns from holding the stock, including both dividends and price

[3] The IBES data are available from Thomson Financial; 195 Broadway; New York, NY 10007. Thomson Financial has acquired I/B/E/S International.

appreciation, equal to the stock's current market value. In formulaic terms, under the DCF model the firm's cost of equity capital may be expressed as:

$$K = \frac{D_1}{P_0} + g$$

where:

K = the firm's cost of equity,

D_1 = the prospective annual dividend,

P_0 = the current price of the firm's stock, and

g = the expected rate of earnings growth.

The two terms in the formula, $\frac{D_1}{P_0}$ and *g*, correspond to the two forms of return from holding a stock — namely, dividends and price appreciation. The first term, $\frac{D_1}{P_0}$, is the expected dividend yield. The price appreciation component g arises from the growth in the firm's earnings and dividends over time. If the earnings of the firm grow at a rate of *g*, and if the earnings/price ratio of the firm's stock remains constant, the value of a share in the firm would also grow at a rate of *g*.

In the last 24 cost of capital proceedings, the STB used the current dividend yield, D_0, multiplied by one plus one-half the growth rate, $\frac{D_0(1+g/2)}{P_0}$, rather than one plus the full growth rate to estimate $\frac{D_1}{P_0}$. This multiplier was adopted by the Board on the assumption that dividends are paid annually. Actually, railroads pay quarterly dividends and thus the agency's multiplier understates the expected dividend rate (see Appendix B), because it ignores the time value of money: i.e., the payment of four quarterly dividends over the next year is more valuable

than a single year-end dividend equal to the sum of the quarterly dividends. However, I agree with the previous statement of Dr. Robert H. Litzenberger, then Professor of Finance, Wharton School, University of Pennsylvania, in his testimony in Ex Parte No. 473, *Railroad Cost of Capital — 1987* on behalf of the railroad industry, that ". . .the use of the Commission's procedure is not a major source of bias..." Litzenberger Ex Parte No. 473 V.S. at 13.

1. Composite Growth Rate

In the past 24 cost of capital proceedings, the Board has used a consensus of security analysts' forecasts to obtain an estimate of the composite earnings growth rate. As the Board has recognized, the "g" component of the DCF formula measures investor's expectations, and a consensus of analysts' forecasts is the most accurate method available for estimating those expectations.

In its decision in Ex Parte No. 473, the Board expressed a preference for use of consensus analyst five-year earnings-per-share forecasts developed by IBES in lieu of the consensus five-year growth forecasts of prominent investment analysts that was employed in previous proceedings. I have, accordingly, employed Thomson Financial's IBES data in determining the composite growth rate in this proceeding. As in Ex Parte No. 491, *Railroad Cost of Capital — 1990,* where the Board focused on the issue of a truncated average vs. an overall average forecast where sufficient forecasts are available for a sample railroad, I have employed a truncated average[4] of IBES survey forecasts.

The methodology employed here, and shown in Appendix C, is identical to that employed and accepted by the STB in Ex Parte No. 491. The truncated average of the Thomson/IBES

[4] The Board has observed that a truncated average, which excludes the upper-most and lower-most forecasts, is more reliable than an overall average forecast. 4 I.C.C. 2d at 628.

survey forecasts for each railroad was calculated for each month and then averaged over the 12-month period January 2005 through December 2005. From Thomson/IBES data, the following are determined for each sample railroad for each of the 12 sample months during 2005: a simple average, the highest forecast, the lowest forecast, and the number of forecasts. The number of forecasts upon which the IBES sample average was based varied between a monthly high of six to a monthly low of three. For each of the four railroads in the industry composite, the 2005 average of the IBES monthly mean growth forecasts (both simple and truncated) is provided in Table 4. Using the weights derived in Table 3, the composite growth estimate based on the truncated means is 13.67 percent.

Table No. 4
Railroad Growth Rates – 2005

Railroad	Simple Average	Truncated Average	Railroad Weights
BNI	13.33 %	12.74 %	0.3220
CSX	15.46	15.52	0.1495
NSC	15.36	14.92	0.2456
UNP	12.96	12.67	0.2829
Total			1.0000
Averages			
Unweighted	14.28	13.96	
Weighted	14.04 %	**13.67 %**	

As summarized in Table 4, the 13.67 percent composite growth estimate is calculated as follows:

Step 1 A simple average rate of 14.28 percent is computed from the IBES estimates based on monthly averages for each railroad;

Step 2 The high and low rates are deleted in each month for each railroad and a truncated simple average of 13.96 percent is derived;

Step 3 Railroad weights are calculated using average daily closing prices and the number of shares outstanding at the end of each quarter (as reported by the sample railroads). Quarterly data is adjusted with specific monthly data when there are new issues of common stock; and

Step 4 The weights for each railroad are multiplied by each railroad's truncated average to derive a weighted-average, truncated growth rate of 13.67 percent.

Thus, the Thomson/IBES consensus forecast provides an estimate of 13.67 percent for the average 2005 long-term growth expectations of investors. The 2005 average estimate of the industry's growth expectation is 228 basis points (2.28 percentage points) higher than the 2004 estimate used by the Board in its previous (2004) cost of capital determination, Ex Parte No. 558 (Sub-No. 8) of 11.39 percent.

2. Composite Dividend Yield

Using the same methodology relied upon by the Board in prior proceedings, I have determined the 2005 dividend yield for the composite railroad as an average of the composite dividend yield for each month using the average of all daily closing stock prices for that month.[5] Table 5 summarizes the calculation of the composite current dividend yield, and Appendix D provides more detail.

[5] Closing stock prices from the New York Stock Exchange were obtained from MSN Money (http://moneycentral.msn.com) as reported by Commodity Systems, Inc.

Table No. 5
Current Dividend Yield – 2005

Railroad	Average Yield	Railroad Weights
BNI	1.38 %	0.3220
CSX	0.99	0.1495
NSC	1.32	0.2456
UNP	1.78	0.2829
Total		1.0000
Averages		
Unweighted	1.37	
Weighted	1.42 %	

The estimate of the 2005 average current dividend yield for the composite railroad is 1.42 percent. This estimate is 25 basis points lower than the 2004 average dividend yield determined by the Board in Ex Parte No. 558 (Sub-No. 8), i.e., 1.67 percent.

3. Application of Data to DCF Model

The 13.67 percent growth rate and the 1.42 percent dividend yield for the composite railroad produces a 2005 average cost of equity capital estimate of 15.19 percent. That is:

$$K = [\frac{D_0}{P_0} x(1 + g/2] + g$$

$$= [(1.42) \times (1.06835)] + 13.67$$

$$= 15.19\ \%\ ^{6}$$

[6] The cost of common equity normally includes flotation costs because the net proceeds from the issues are reduced by both the underwriter's spread and the price pressure effect at the time of announcement of the stock issue. My calculation, however, does not include flotation costs. This is because the Commission has, in the past, allowed the inclusion of flotation costs for common equity only where a railroad has issued common equity capital in the year at issue — in this case, 2005. Ex Parte No. 506, 8 I.C.C. 2d at 414–415. No new common equity capital was issued by any of the composite railroads in 2005, and therefore flotation costs were not included in my calculation.

C. Conclusion as to Cost of Equity Capital

The average 2005 cost of equity estimate for the composite railroad is 15.19 percent. The procedures used to obtain these estimates are identical to those used by the Board to obtain the estimates in the most recent previous proceeding. These procedures provide consistent and reliable annual average cost of equity estimates.

IV. Debt Capital in 2005

The current cost of debt must be determined from the current market-determined yields on all debt outstanding. This approach is necessary, and in past Board Cost of Capital decisions[7] has been accepted as appropriate, because:

(1) there is a lack of new issues from which to develop a representative current cost;

(2) the stated rate of interest/dividend payment to the investor is not always the same as the cost to the railroad. For example, when securities are issued, the total amount paid by investors is seldom received by the firm. Administrative fees, such as compensation paid to investment bankers, reduce the proceeds to the firm. The effect of this is to increase the cost of the securities to the firm; and

(3) the maturity mix and the type of security (equipment trust certificates, conditional sales agreements, long-term debt) of new security issues may be different from the average of existing securities. Because of the effect that length of maturity and type of security has on its current cost, the use of only new issues would not accurately measure the current cost.

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[7] Ex Parte Nos. 415, 436, 452, 458, 464, 466, 473, 478, 486, 491, 506, 513, 518, 523, 523 (Sub-No. 1), 558, 558 (Sub-No. 1), 558 (Sub-No. 2), 558 (Sub-No. 3), 558 (Sub-No. 4), 558 (Sub-No. 5), 558 (Sub-No. 6), 558 (Sub-No. 7), and 558 (Sub-No. 8).

A. Bonds, Notes and Debentures

To determine the cost and market value of bonds, notes and debentures, I have used information on bond prices and yields as found in Standard & Poor's *Bond XpressFeed* data base.[8] As in previous Cost of Capital determinations, my cost calculations are based on *all* bonds, notes, and debentures for the sample railroads which were publicly traded during the year at issue. The publicly traded bonds represent 76 percent of the market value of the bonds issued by the railroads in the sample.[9] Appendix E details for each of the 63 publicly traded bonds an identification, maturity date, coupon, and amount outstanding; and it calculates the average 2005 yield and price for each bond based on a simple average of the monthly data. The market value of bonds, notes, and debentures includes both traded and non-traded securities. Appendix E also contains a summary for traded and non-traded bonds, notes, and debentures for each railroad.

1. Market Value of Bonds, Notes, and Debentures

Based on the identical methodology employed in previous Cost of Capital proceedings, the average market value for traded bonds, notes, and debentures has been calculated. Table 6 is a summary of the market value calculations.

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[8] Standard & Poor's (S&P) *Bond XpressFeed* provides financial and statistical data on approximately 6,200 corporate bonds, and is essentially an electronic version of the Standard & Poor's Bond Guide.

[9] The only bonds not included in the *Bond XpressFeed* are bonds that are not publicly traded. There is no practical way to obtain yields and prices for bonds which are privately held.

Table No. 6
Bonds, Notes and Debentures
Average Market Value

Railroad Co.	Traded Value ($000)	Non-Traded Value ($000)	Total Value ($000)	Weight Based on Traded
BNI	$4,969,320	$495,195	$5,464,515	28.28 %
CSX	2,402,213	2,660,086	5,062,299	13.67
NSC	5,413,798	1,373,694	6,787,492	30.81
UNP	4,786,225	1,025,957	5,812,182	27.24
Total	$17,571,556	$5,554,932	$23,126,488	100.00 %
Prior Year	$18,499,969	$6,408,110	$24,908,079	
Change	-5.0%	-13.3%	-7.2%	

The market value for traded bonds, notes, and debentures was computed using the average 2005 price for each traded bond as found in Appendix E. For each traded bond, an average price was calculated based on the simple average of monthly prices. The traded prices represent what the investor is willing to pay for the bond in relation to its coupon and maturity date. If a security was issued during the year, its value is pro-rated by the ratio of months outstanding to the twelve-month year.

The 2005 market value for all outstanding traded bonds, notes, and debentures issued by the composite railroad (comprising 63 issues) is summarized in the front of Appendix E, which lists book values for non-traded debt and lists details for each of the traded securities. Where market prices were not available, I assumed that investors would pay the "face value" on the bond. This assumption may slightly increase or decrease the market value of the particular issue depending upon the relationship of the instruments stated rate and the comparable market rate. However, this possible variation is not likely to significantly affect the overall estimate of the cost of debt capital because in this year 71.5 percent of the book value of bonds was priced at market.

The market values for bonds, notes, and debentures were derived by multiplying the average market price times the amount of debt outstanding[10] as of December 31, 2005. The market value for bonds, notes, and debentures that traded was $17,571.6 million.

2. Current Cost of Bonds, Notes, and Debentures

Table 7 summarizes the yield or cost of each railroad's debt (bonds, notes, and debentures), which, when weighted by the market value of the traded debt, determines the sample composite cost of bonds, notes and debentures. This weighted average is 5.192 percent.

Table No. 7
Bonds, Notes and Debentures
Weighted Current Cost

Railroad Co.	Weight	Current Cost
BNI	28.28 %	5.269 %
CSX	13.67	4.990
NSC	30.81	5.387
UNP	27.24	4.992
Total	100.00	5.192 %

As noted earlier, the current cost for bonds, notes, and debentures is based on traded instruments issued by the sample railroads. Appendix E contains the average yield for each of the 63 traded securities as found in Standard & Poor's *Bond XpressFeed* data base. The average yield for each security is a simple average of the twelve month-end yields found in *Bond XpressFeed.* The traded portion of Appendix E summarizes the yield or cost of each railroad's debt, which, when weighted by the market value of the traded debt, determines the sample composite cost of bonds, notes and debentures of 5.192 percent. The weights used in Table 7, calculated in Table 6, are also based on the traded portion of Appendix E.

[10] Securities that were issued during the year were pro-rated by the ratio of the number of months outstanding to the twelve-month year, as done in past proceedings.

B. Equipment Trust Certificates

Equipment Trust Certificates (ETCs) are debt obligations that are secured by the particular equipment which is acquired with the instrument's proceeds. In the event of default, creditors may repossess and resell the equipment to pay off the debt obligations. Because ETCs are not actively traded in secondary markets, it is necessary to determine their cost by examining the return on other debt securities that are actively traded.

An ETC is generally serially issued. As such, each year during its life an equal amount (typically 1/15th) of the original amount must be retired. Consequently, an ETC may be thought of as a series of individual annually-retiring bonds. In fact, when ETCs are issued, each of the maturities is sold independently from the others. A serially issued debt instrument provides an investor with the ability to purchase only the maturities that interest him. To correctly compute the composite yield on a serially issued bond, the internal rate of return on the bond's principal and interest payments must be calculated.

As mentioned earlier, ETCs are not actively traded and their cost must be estimated by comparing them to the yield on other debt. To compare ETCs to other debt instruments, I compiled the yields to maturity (as detailed in Appendix F) for government bills, notes, and bonds having approximately the same maturities. A government yield curve for these securities (also in Appendix F) was prepared, which shows the relationship between the current costs, or yields to maturity, and maturity dates for government bonds (which, unlike ETCs, are actively traded in secondary markets).

These yield data have been adjusted by the Federal Reserve Board to reflect constant maturities. Thus, the data accurately reflect the 2005 relationships between yields and maturities. After determining the yields to maturity for government bonds of maturities similar to those of an

ETC, I adjusted those yields to reflect the risk associated with the ETCs as compared to government bonds. In Cost of Capital filings prior to Ex Parte No. 486, *Railroad Cost of Capital — 1989*, yield spreads between government bonds and ETCs were based on the publication *Analytical Record of Yields and Yield Spreads* prepared by the Bond Market Research Department of Salomon Brothers, Inc. However, Salomon Brothers has not compiled yields and yield spreads for ETCs since 1988. Accordingly, identical to the methodology approved by the Board for application in Ex Parte No. 486 and subsequent proceedings, yields and yield spreads used in this proceeding are based on new issues of ETCs by the sample railroads as compiled by the AAR.[11] (Identical to the methodology used in Ex Parte 486 and prior proceedings, the Salomon Brothers compilation of yields and yield spreads on comparable industrial instruments were used as a proxy for ETCs of the same rating[12] where there were no new ETC issues of a particular rating.)

In 2005 no new ETCs were issued by the sample railroads. Therefore, an alternative method of estimating yield spreads between government bonds and ETCs was necessary. I believe that recent historical yield spreads can be used to determine the current cost of ETCs. Consequently, I have determined the yield spread between ETCs and government bonds using an average of the spreads (government vs. BBB ETCs) used in the 1998, 1999, and 2000 Cost of

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[11] The only difference between the two methodologies is the specificity of the data base regarding the new issues. Salomon Brothers, Inc. included all new issues of ETCs (i.e., airlines, railroads, etc.) in computing yield spreads between government bonds and ETCs, while the AAR had included only new issues of ETCs by the sample railroads in computing yield spreads between government bonds and ETCs. Use of new issues of ETCs by the sample railroads is necessarily representative of the cost of ETCs because it is all-inclusive and reflects the actual cost of new ETC issuance.

[12] ETC's are rated by Standard & Poor's, a firm which specializes in analyzing and evaluating securities, according to the likelihood of a default by the railroad responsible to pay interest and to redeem the face value. The highest available rating, AAA, indicates the least risk of default. All other things being equal, investors will pay a higher price (or accept a lower yield) for a higher rated security than for a lower rated security.

Capital proceedings. The average spread between government bonds and new BBB ETCs for that period was 114 basis points. The yield spread of 114 basis points for 2005 is the same as the 2004 yield spread.

The methodology used is the same as the method employed and approved in previous proceedings to measure yield spread for ETCs. These risk-adjusted yields provide the basis to value each ETC.

Using formulae suggested by Standard Security Calculation Methods,[13] I determined the market value of each maturity comprising an ETC. In effect, these formulae make it possible to determine the price investors would pay in 2005 for the contractual interest payments and price appreciation for holding the instrument. It is the best possible evidence as to the current cost of

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[13]The formulae used to value these bonds are standards of the security industry. They are:

For bonds with less than six months to maturity:

$$DP = \left[\frac{100 + C/2}{1 + DY/360}\right] - \left[\frac{C}{2} * \frac{(180 - D)}{180}\right]$$

For bonds with six months or longer to maturity:

$$DP = \left[\frac{100}{(1 + Y/2)_{EXP}(N - 1 + D/180)}\right] + \left[\sum_{k=1}^{N} \frac{C/2}{(1 + Y/2)_{EXP}(K - 1 + D/180)}\right] - \left[C/2\frac{(180 - D)}{180}\right]$$

Where:
- DP = Dollar price of the bond
- C = Coupon rate as a percent per year
- D = Number of days from settlement date to coupon date
- Y = Yield to maturity as a decimal per year
- EXP = Raise the term on the left to the power indicated by the term on the right
- N = Whole number of coupons payable plus 13
- K = Compute for K, values 1 to N and sum the results

ETCs to the firm for the defined period. Computing the internal rate of return of the ETC prices and their associated cash flow streams established the current cost for ETCs. The weighted-average cost for all modeled Equipment Trust Certificates is shown in Table 8.

Table No. 8
Summary of Equipment Trust Certificates Modeled for 2005
($000)

Railroad	Amount Outstanding Beg.	Amount Outstanding Ending	Amount Outstanding Average	Yield	Current Market Value	Current Interest Amount	No. ETC
BNSF	$371,667	$330,724	$351,195	5.395%	$368,458	$19,877	11
CSX	$368,256	$317,120	$342,688	5.345%	$366,722	$19,600	12
NS	$200,040	$173,740	$186,890	5.363%	$195,483	$10,483	6
UP	$206,069	$182,127	$194,098	5.410%	$208,598	$11,285	5
Total	$1,146,032	$1,003,711	$1,074,871	5.376%	$1,139,261	$61,245	34

Weighing each railroad's yield by its current market value for modeled ETCs results in a current cost of 5.376 percent. A summary of each railroad's modeled ETC can be found in Appendix G, which includes a market value and a current yield. In addition, Appendix G also lists ETCs that were not modeled. ETCs can fail to be modeled for two reasons: (1) the instrument labeled by a railroad as an ETC does not have all of the characteristics typical of an ETC; or (2) the ETC has a floating rate (instead of fixed), making its rate for a particular future year uncertain. The market value of all modeled ETCs is $1,139.3 million. Assuming the market value of non-modeled ETCs is the same as its average book value results in a non-modeled market value of $335.3 million, and a market value for both modeled and non-modeled ETCs of $1,474.6 million.

C. Conditional Sales Agreements

Conditional Sales Agreements (CSAs) are another form of railroad financing that is treated by investors as debt securities because their interest obligations are essentially the same as

interest obligations on ETCs. Like ETCs, CSAs are not generally traded in secondary markets. Accordingly, as in prior proceedings, I determined their current cost from current yields on government bonds, in a similar manner to ETCs.

In Cost of Capital proceedings prior to Ex Parte No. 486, *Railroad Cost of Capital — 1989,* yield spreads for CSAs were estimated using the yield on new issues of CSAs and the Salomon Brothers, Inc. publication *Analytical Record of Yield and Yield Spreads* to determine the yields and yield spreads between government bonds, ETCs, and CSAs of similar rating.

However in 2005, as in 1989–1996 and 1998–2004, there were no issues of CSAs by the sample railroads. Therefore, an alternative method of estimating yield spreads was required. I believe that historical yield spread data can be used to determine the current cost of CSAs. Consequently, I have determined the yield spread for CSAs on the yield-spread relationship between ETCs and CSAs issued in 1997 and used in the 1997–2004 Cost of Capital proceedings. This is the most practical and accurate method available for determining the cost of CSAs. This alternative method of estimating yield spreads has been used and approved in prior proceedings.

In 1997, a new CSA was issued, the first since 1987. The yield spread of the new CSA over ETCs in 1997 was 32 basis points. I have used that yield spread and added it to the current ETC yield spread over government bonds of 114 basis points to estimate a 2005 CSA yield spread of 146 basis points over government bonds. Using this methodology, the current cost of Conditional Sales Agreements and their market value is shown in Table 9.

Table No. 9
Summary of Conditional Sales Agreements Modeled for 2005
($000)

Railroad	Amount Outstanding ($000) Beg.	Ending	Average	Interest Rate	Current Market Value	Current Interest Amount	No. CSA
BNSF	$0	$0	$0	--	$0	$0	0
CSX	90,963	79,593	85,278	5.666%	88,095	4,992	2
NS	0	0	0	--	0	0	0
UP	0	0	0	--	0	0	0
Total	$90,963	$79,593	$85,278	5.666%	$88,095	$4,992	2

Weighing each railroad's yield by its current market value for modeled CSAs results in a current cost of 5.666 percent. A summary of each railroad's modeled CSA can be found in Appendix H, which includes a market value and a current yield. In addition, Appendix H also lists CSAs that were not modeled. Like an ETC, CSAs can fail to be modeled for two reasons: (1) the instrument labeled by a railroad as a CSA does not have all of the characteristics typical of a CSA; or (2) the CSA has a floating rate (instead of fixed), making its rate for a particular future year uncertain. The market value of all modeled CSAs is $88.1 million. Assuming the market value of non-modeled CSAs is the same as its average book value results in a non-modeled market value of $53.9 million, and a market value for both modeled and non-modeled CSAs of $142.0 million.

D. All Other Debt

I have listed All Other Debt as capital leases and other miscellaneous debt such as commercial paper, demand deposits, and other instruments with extremely small amounts outstanding. Capital leases are contracts between two parties and as such take many forms.[14] Since leases are not traded in the marketplace, their current cost is not directly observable. The

[14] See generally 49 C.F.R. 1201, 2–20 for definitions.

lack of complete information with respect to leases necessitates that many assumptions be made to estimate their current cost and their values. While the cost of this form of debt is typically higher than that of more senior debt, I have elected to exclude computation of its specific cost from the overall cost of debt for the reasons stated above. For market value purposes, capital leases have been included at book value. This is the only practical option available.

Miscellaneous debt, such as commercial paper, demand deposits, and various instruments with extremely small amounts outstanding were also excluded from the current cost computations. The book value (assumed market value) of capital leases plus miscellaneous debt is $2,744.0 million; as a percent of the total market value of debt of the composite railroad, it is 10.0 percent. My treatment of capitalized leases and miscellaneous debt is the same approach accepted in prior Cost of Capital proceedings.

E. Floatation Costs for Debt Capital

When new debt is issued by a negotiated offering or a competitive bid, the issuing firm pays a fee to the investment banking firm or firms handling the offer. These fees, typically referred to as flotation costs, cover the banker's administrative costs in handling the sale (e.g., sales costs, taxes, and profits). Flotation costs generally vary by type of security. For ETCs and CSAs, the fees are extremely small, but costs increase as the administrative burden and underwriting risk increase (i.e., in order of increasing cost — ETCs and CSAs, bonds and notes, convertible bonds, and preferred stock and common stock). As discussed below, flotation costs directly reduce the gross proceeds available to the issuing firm.

An example helps to illustrate how flotation costs permanently increase the cost of debt to the railroad. If a railroad sells a 10-year bond with an annual coupon of 15 percent and investors are willing to pay $98 for each $100 in face value, the effective yield on the bond is

15.40 percent. Because the investment banker requires compensation (flotation costs) for his work, the railroad does not receive the full $98 from the investors. If flotation costs reduce the net proceeds to say $96, the effective cost to the railroad over the life of the bond is 15.82 percent. Therefore, flotation costs have increased the cost of debt from 15.40 to 15.82, or by 42 basis points. Proper accounting treatment requires the four dollars per $100 ($100 - $96) to be amortized on a straight line basis over the life of the bond. In addition, the Uniform System of Accounts requires the annual amortization to be charged directly to Account No. 548, Amortization of Discount on Funded Debt, a fixed charge item. This results in fixed charges for the year totaling $15.40 ($15.00 coupon payment + amortization of $0.20 discount + $0.20 flotation costs). It is important to note that these flotation costs are not recovered through operating costs but are fixed charges each year during the life of the bond. Also, it is evident that in order to reflect the total current cost of debt, flotation costs must be included.

A regulated firm requires the opportunity to cover flotation costs before it will have an incentive to make future capital expenditures. Before creditors will lend their funds, they must be assured that the railroad will have the opportunity to earn returns sufficient to cover all costs.

Due to the low volume of railroad bonds, notes, and debentures issued during the last several years, current flotation costs cannot be accurately determined by relying on recent railroad-specific data. However, the SEC's most recent study of flotation costs[15] provides data for 659 debt issues. It concludes that flotation costs as a percent of gross proceeds are 1.59 percent. On a 20-year bond, this equates to an increased yield of 0.16 percent. For purposes of measuring the flotation cost of bonds, I have used 0.16 percent.

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[15] *Cost of Flotation of Registered Securities 1971-1972*, Securities and Exchange Commission, December 1974.

The Securities and Exchange Commission (SEC) conducted a study of floatation costs using railroad ETC data for the years 1951, 1952 and 1955.[16] In that study, the SEC determined that ETC flotation costs averaged 0.89 percent of gross proceeds. This SEC result equates to a 0.13 percent yield increase. For CSAs, neither recent nor historical data are publicly available. I have therefore adopted the ETC figure of 0.13 percent, which is the same floatation cost for CSAs used in previous Cost of Capital proceedings.

To compute the overall effect of flotation cost on debt, the market value weight of the debt outstanding is multiplied by the respective flotation cost. As shown in Table 10, flotation costs increase the cost of debt by approximately 16 basis points (0.158 percentage points). The weights for each type of debt are based on market values for traded debt, as found in Tables 6, 8, and 9.

Table No. 10
Floatation Costs For Debt

Type of Debt	Market Weight	Floatation Cost
Bonds, Notes & Debentures	93.47%	0.160%
Equipment Trust Certificates	6.06%	0.130%
Conditional Sales Agreements	0.47%	0.130%
Total	100.00%	0.158%

F. Conclusion as to the Cost of Debt Capital and its Market Value

To determine the overall composite current cost of debt, I multiplied the cost of each category of debt times its market value proportion. Market values are properly used in this connection because they represent the amounts on which the current cost must be paid. Table 11 shows the results of this calculation.

[16] *Cost of Flotation of Corporate Securities 1951-1955*, Securities and Exchange Commission, June 1957.

Table No. 11
Composite Current Cost Of Debt

Type of Debt	Market Weight	Current Cost
Bonds, Notes & Debentures	93.47%	5.192%
Equipment Trust Certificates	6.06%	5.376%
Conditional Sales Agreements	0.47%	5.666%
Subtotal	100.00%	5.205%
Flotation Costs		0.158%
Weighted Cost of Debt		5.363%
Weighted Cost of Debt (Rounded)		**5.36%**

The current weighted cost of debt before floatation costs is 5.205 percent. The addition of floatation costs results in a rounded cost of debt of 5.36 percent. The total market value for traded and non-traded debt is $27,487.1 million. Details for the calculation of the overall cost of debt, the market value of traded debt, and the market value of all debt are provided in Appendix I.

V. Preferred Equity Capital in 2005

Like 2003 and 2004, no preferred stock issues were outstanding at the end of 2005 for the railroad companies comprising the railroad composite sample. Therefore, no cost for preferred equity capital has been calculated, and the market value for preferred equity capital is zero.

VI. The Overall Cost of Capital In 2005

A. Determination of Market Value Weights

As shown in Appendix A and Appendix I, the market value of debt and common equity are $27,487.1 million and $62,899.1 million, respectively. As mentioned in Section V, Preferred Equity Capital in 2005, the sample railroad companies had no preferred stock issues outstanding

at the end of 2005. Therefore, preferred equity capital has no weight in the overall cost of capital, and no cost was calculated. The figure for the market value of debt includes market values of bonds, notes, debentures, equipment trust certificates, and conditional sales agreements. Other debt and capitalized leases are included at their book value, because market values are difficult to determine (in some instances book values correspond to market values) and because these other instruments are a minimal portion of all railroad debt. Based on these calculations, the market value weights for debt and common equity are 30.4 percent and 69.6 percent, respectively.

B. The Overall Cost of Capital

Multiplying the cost of debt, the cost of common equity capital, and the cost of preferred equity capital by their respective market value proportions results in a 2005 average overall cost of capital of 12.2 percent, as shown below (see Table 12):

Table No. 12
Weighted Current Cost of Capital

	Market Value (mil)	Reference	Capital Structure Weight	Current Cost
Debt	$27,487.1	Appendix I	30.4 %	5.36 %
Common Equity	62,899.1	Tab 3-5, text	69.6	15.19
Preferred Equity	0.0		0.0	n/a
Total	$90,386.1		100.0	
Weighted Current Cost of Capital				12.202 or **12.2 %**

VII. Qualifications Of Craig F. Rockey

My name is Craig F. Rockey. I am Vice President — Policy and Economics for the Association of American Railroads (AAR), with offices located at 50 F Street, N.W., Washington, D.C. 20001. Among other responsibilities, my duties include the collection, analysis, and presentation of economic data related to railroads and their economic environment. One of my principal duties is conducting and supervising economic, financial, statistical and cost studies dealing with various aspects of the rail industry.

During my employment with the AAR, I have presented testimony before the Surface Transportation Board/Interstate Commerce Commission, Public Service Commission of Indiana, New York Department of Transportation, Ohio Public Utilities Commission, Pennsylvania Public Utility Commission, the West Virginia Public Service Commission, and the Illinois Department of Revenue. I routinely prepare and provide rail industry economic, financial and cost data; oversee the creation of databases, publications, and reports; and evaluate regulatory, legislative, and internal issues. Preceding my employment with the AAR, I was Senior Associate with the Washington, D.C.-based economic consulting firm of Snavely, King and Associates, Inc. In that capacity I was responsible for various feasibility studies, special reports, and submissions to federal, state, and private organizations.

I hold a Bachelor of Science degree in Transportation Economics from the University of Maryland and have undertaken related course work subsequently. I have articles published in transportation journals, have co-authored a book entitled *Small Railroads,* am a member of various professional organizations, and have consulted for railroads in Africa, Asia, and North America.

Calculation of Market Value for Each Month and for Year 2005

January

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$46.18	376,812,373	$17,401,195,385	0.310118
CSX	$38.65	215,528,753	8,330,186,303	0.148457
NSC	$35.40	399,712,442	14,149,820,447	0.252173
UNP	$62.30	260,519,878	16,230,388,399	0.289252
Total			$56,111,590,535	1.000000

February

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$47.96	376,812,373	$18,071,921,409	0.319967
CSX	$39.79	215,528,753	8,575,889,082	0.151838
NSC	$35.21	399,712,442	14,073,875,083	0.249181
UNP	$60.49	260,519,878	15,758,847,420	0.279014
Total			$56,480,532,994	1.000000

March

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$53.58	376,608,173	$20,178,665,909	0.321587
CSX	$42.42	216,561,055	9,186,519,953	0.146405
NSC	$37.32	425,181,449	15,867,771,677	0.252884
UNP	$66.64	262,817,606	17,514,165,264	0.279123
Total			$62,747,122,803	1.000000

Calculation of Market Value for Each Month and for Year 2005

April

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$50.28	376,608,173	$18,935,858,938	0.318684
CSX	$40.55	216,561,055	8,781,550,780	0.147791
NSC	$33.72	425,181,449	14,337,118,460	0.241289
UNP	$66.07	262,817,606	17,364,359,228	0.292236
Total			$59,418,887,407	1.000000

May

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$49.99	376,608,173	$18,826,642,568	0.322733
CSX	$41.36	216,561,055	8,956,965,235	0.153543
NSC	$31.72	425,181,449	13,486,755,562	0.231194
UNP	$64.93	262,817,606	17,064,747,158	0.292530
Total			$58,335,110,523	1.000000

June

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$48.84	373,236,338	$18,228,862,748	0.312968
CSX	$42.52	216,959,519	9,225,118,748	0.158384
NSC	$31.77	425,442,180	13,516,298,059	0.232059
UNP	$65.65	263,136,312	17,274,898,883	0.296589
Total			$58,245,178,437	1.000000

Calculation of Market Value for Each Month and for Year 2005

July

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$50.07	373,236,338	$18,687,943,444	0.310893
CSX	$44.54	216,959,519	9,663,376,976	0.160760
NSC	$33.60	425,442,180	14,294,857,248	0.237810
UNP	$66.37	263,136,312	17,464,357,027	0.290537
Total			$60,110,534,695	1.000000

August

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$54.54	373,236,338	$20,356,309,875	0.318014
CSX	$45.10	216,959,519	9,784,874,307	0.152863
NSC	$36.68	425,442,180	15,605,219,162	0.243791
UNP	$69.41	263,136,312	18,264,291,416	0.285332
Total			$64,010,694,760	1.000000

September

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$56.02	373,151,860	$20,903,967,197	0.322690
CSX	$44.58	216,239,119	9,639,939,925	0.148810
NSC	$37.57	427,299,835	16,053,654,801	0.247817
UNP	$68.68	264,746,674	18,182,801,570	0.280684
Total			$64,780,363,493	1.000000

Calculation of Market Value for Each Month and for Year 2005

October

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$58.74	373,151,860	$21,918,940,256	0.327790
CSX	$44.45	216,239,119	9,611,828,840	0.143742
NSC	$39.64	427,299,835	16,938,165,459	0.253304
UNP	$69.50	264,746,674	18,399,893,843	0.275164
Total			$66,868,828,398	1.000000

November

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$65.14	373,151,860	$24,307,112,160	0.337005
CSX	$47.54	216,239,119	10,280,007,717	0.142527
NSC	$42.68	427,299,835	18,237,156,958	0.252848
UNP	$72.91	264,746,674	19,302,680,001	0.267621
Total			$72,126,956,837	1.000000

December

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight
BNI	$67.90	371,571,199	$25,229,684,412	0.333933
CSX	$49.47	218,202,519	10,794,478,615	0.142873
NSC	$43.73	430,718,913	18,835,338,065	0.249300
UNP	$77.61	266,634,735	20,693,521,783	0.273894
Total			$75,553,022,876	1.000000

Calculation of Market Value for Each Month and for Year 2005

	Average For Year		
Railroad	Common Stock Price	Market Value	Railroad Weight
BNI	$54.10	$20,253,925,359	32.20%
CSX	$43.41	$9,402,561,373	14.95%
NSC	$36.59	$15,449,669,248	24.56%
UNP	$67.55	$17,792,912,666	28.29%
Total		$62,899,068,647	100.00%

Note: Market Values are full float, weights are rounded.

Discounted Cash Flow Model

The discounted cash flow (DCF) approach to the estimation of the cost of equity capital is similar to the method employed by an investor using fundamental analysis to value a common stock. The DCF approach estimates the firm's cost of equity capital as the rate that makes the discounted value of all future cash flows expected by investors equal to the current price of the firm's stock. The future cash flows expected by investors can be specified as a stream of expected dividends over a fixed investment horizon and the expected stock price at the end of that horizon.

The most familiar model used to derive the cost of equity capital is based on the simplifying assumption that the firm pays dividends annually and the next dividend is one year hence.

The subsequent analysis assumes that over a fixed investment horizon:

a) the firm's cost of capital, k, is constant;

b) the firm's annual dividends per share grow at a constant rate, g;

c) annual earnings per share grow at the same rate as annual dividends per share; and

d) the firm's price-earnings multiple is constant.

Under assumption (a), the price of the firm's stock may be expressed as:

$$P_0 = \left[\sum_{t=1}^{n} \frac{D_t}{(1+k)^t}\right] + \frac{P_n}{1+k} \qquad (1)$$

where:

k = the firm's cost of equity capital;

D_t = the firm's expected dividend t years hence,

P_0 = the current price per share of the firm's stock, and

g = the expected rate of growth in earnings and dividends over the investment horizon.

Under assumptions (b) and (c), the firm's dividend in year t is equal to:

$$D_t = D_1(1+g)^{t-1} \quad (2)$$

where:

D_1 = the firm's expected dividend one year hence.

Substituting the right hand side of equation (2) for D_t in equation (1), the price of the firm's stock may be expressed as:

$$P_0 = D_1\left[\sum_{t=1}^{t=n}\frac{(1+g)^{t-1}}{(1+k)^t}\right]+\frac{P_n}{(1+k)^n} \quad (3)$$

Since the firm's expected price-earnings ratio n years from now has been assumed to equal its current price-earnings ratio, the price of the firm's stock would be expected to grow at the same rate as its earnings.

$$P_n = P_0(1+g)^n \quad (4)$$

Recall that $P_n = \frac{P_n}{E_n}E_0(1+g_1)^n$ and $\frac{P_n}{E_n} = \frac{P_0}{E_0}$. The term in square brackets on the right hand side of equation (3) is a geometric progression which can be expressed as:

$$\left[\sum_{t=1}^{t=n}\frac{(1+g)^{t-1}}{(1+k)^t}\right] = \left(\frac{1}{k-g}\right)\left[1-\frac{(1+g)^n}{(1+k)^n}\right] \quad (5)$$

Combining equation (5) with equations (3) and (4), and rearranging, gives equation (6):

$$P_0\left[1-\frac{(1+g)^n}{(1+k)^n}\right] = D_1\left(\frac{1}{k-g}\right)\left[1-\frac{(1+g)^n}{(1+k)^n}\right] \quad (6)$$

Canceling the term in square brackets on both sides of equation (6) and solving for the cost of equity capital, k, yields equation (7):

7 $$k = \frac{D_1}{P_0} + g$$

Although most firms pay quarterly dividends, the relation expressed by equation (7) is the formula most commonly used in the estimation of the firm's cost of equity capital. For the next yearly dividend term in equation (5), the Commission in Ex Parte No. 436 used an estimate of the sum of the next four expected quarterly dividends. It used the last quarter's annualized dividend rate times (1 + 1/2 g).

Because railroads pay dividends quarterly, rather than annually, equation (7) gives a downward biased estimate of the cost of equity capital. Since there is a time value of money, quarterly dividends would be preferred by a shareholder to a single payment at year's end. The next three quarterly dividends would be worth $D_{11}(1+k)^{(3/4)}$, $D_{21}(1+k)^{(1/2)}$, and $D_{31}(1+k)^{(1/4)}$ dollars, respectively, when reinvested until year's end at the firm's cost of equity capital. The only difference between this model and the more familiar model that assumes annual dividends is the recognition of the value of receiving a dollar earlier rather than later. This assumption is implemented by modifying assumption (b), which did not explicitly specify the quarter-to-quarter growth rate of dividends, as follows:

(b') The firm's quarterly dividends per share grow at a constant rate from one quarter to the corresponding quarter in the following year.

Assuming that the firm pays dividends quarterly, and that for the next n years earnings and dividends grow at a constant rate, g, the firm's first quarter dividend in year one, D_{11}, will be equal to its first quarter dividend in year zero times one plus the growth rate, *i.e.*, $D_{11} = D_{10}(1+g)$. In general, the dividend in a given quarter would be equal to the product of the corresponding quarter's dividend in the prior year and one plus the rate of growth, *i.e.*, $D_{1t} = D_{1t-1}(1+g)$, $D_{2t} = D_{2t-1}(1+g)$, $D_{3t} = D_{3t-1}(1+g)$, and $D_{4t} = D_{4t-1}(1+g)$. Under these conditions, the current market value of the firm's stock, P_0, may be expressed as:

8 $$P_0 = \sum_{t=1}^{n}\sum_{q=1}^{4} \frac{D_{q1}(1+g)^{t-1}}{(1+k)^{[t-(4-q)/4]}} + \frac{P_n}{(1+k)^n}$$

The first term on the right hand side of equation (8) is a finite geometric progression whose solution is:

$$\frac{\sum_{q=1}^{4} D_{q1}(1+k)^{[(4-q)/4]}}{k-g}\left[1-\frac{(1+g)^n}{(1+k)^n}\right]$$

Under the assumption that $\frac{P_n}{E_n}=\frac{P_0}{E_0}$, and $P_n=\frac{P_n}{E_n}\left[E_0(1+g)^n\right]=P_0(1+g)^n$, equation (6) reduces to:

$$9 \qquad P_0=\frac{D^*_1}{k-g}$$

where:

$$D^*_1 \equiv \sum_{q=1}^{4} D_{q1}(1+k)^{[(4-q)/4]}$$

$$= D_{11}(1+k)^{(3/4)}+D_{21}(1+k)^{(1/2)}+D_{31}(1+k)^{(1/4)}+D_{41}$$

$$= D_{10}(1+k)^{(3/4)}+D_{20}(1+k)^{(1/2)}+D_{30}(1+k)^{(1/4)}+D_{40}$$

Under the assumption that the firm pays quarterly dividends, the firm's cost of equity capital may be expressed as:

$$10 \qquad k=\frac{D^*_1}{P_0}+g$$

For most firms, $D^*_1 > D_0(1+g/2)=4D_{40}(1+g/2)$. That is, $4D_{40}(1+g/2)$ is approximately equal to $(D_{10}+D_{20}+D_{30}+D_{40})(1+g)$, which is less than D^*_1, which equals $D_{10}(1+k)+D_{20}(1+k)^{(1/2)}+D_{30}(1+k)^{1/4}+D_{40}(1+g)$. Therefore, the Commission's procedure for estimating D_1 results in a slight understatement of the cost of equity capital.

Long-Term Growth Rates and Number of Analysts

Burlington Northern Santa Fe Corp.
2005

Month	Number of Estimates	High	Low	Mean	Truncated Average
January	6	16.000	10.000	12.750	12.63
February	5	14.000	10.000	12.100	12.17
March	5	14.000	10.000	12.100	12.17
April	5	14.000	10.000	11.800	11.67
May	5	14.000	8.000	11.400	11.67
June	6	21.000	8.000	13.000	12.25
July	5	22.000	8.000	13.600	12.67
August	4	22.000	10.000	15.000	14.00
September	5	22.000	10.000	14.400	13.33
October	5	22.000	10.000	14.400	13.33
November	5	23.000	10.000	14.600	13.33
December	5	23.000	10.000	14.800	13.67
Average				**13.330**	**12.74**

Note: Truncated Average is calculated by dropping high and low estimates and recalculating Mean. All other monthly values reported by Thomson Financial.

Source: Thomson Financial
195 Broadway
New York, NY 10007

Long-Term Growth Rates and Number of Analysts

CSX Corporation
2005

Month	Number of Estimates	High	Low	Mean	Truncated Average
January	5	18.000	10.000	13.000	12.33
February	4	15.000	10.000	11.750	11.00
March	3	15.000	10.000	12.333	12.00
April	4	16.000	10.000	13.250	13.50
May	4	16.000	7.000	11.250	11.00
June	5	16.000	7.000	11.600	11.67
July	5	25.200	7.000	15.840	15.67
August	4	25.200	12.000	21.050	23.50
September	5	26.000	12.000	19.640	20.07
October	5	25.500	12.000	19.540	20.07
November	6	25.500	12.000	18.783	18.80
December	5	25.500	12.000	17.500	16.67
Average				**15.460**	**15.52**

Note: Truncated Average is calculated by dropping high and low estimates and recalculating Mean. All other monthly values reported by Thomson Financial.

Source: Thomson Financial
195 Broadway
New York, NY 10007

Long-Term Growth Rates and Number of Analysts

Norfolk Southern Corporation
2005

Month	Number of Estimates	High	Low	Mean	Truncated Average
January	6	17.000	10.000	14.417	14.88
February	5	16.000	10.000	13.900	14.50
March	5	16.000	10.000	13.900	14.50
April	6	16.000	7.000	12.667	13.25
May	5	16.000	7.000	13.200	14.33
June	6	23.000	7.000	14.833	14.75
July	5	23.000	7.000	15.200	15.33
August	4	23.000	15.000	17.250	15.50
September	4	23.000	15.000	17.250	15.50
October	4	23.000	15.000	17.250	15.50
November	4	23.000	15.000	17.250	15.50
December	4	23.000	15.000	17.250	15.50
Average				**15.360**	**14.92**

Note: Truncated Average is calculated by dropping high and low estimates and recalculating Mean. All other monthly values reported by Thomson Financial.

Source: Thomson Financial
195 Broadway
New York, NY 10007

Long-Term Growth Rates and Number of Analysts

Union Pacific Corporation
2005

Month	Number of Estimates	High	Low	Mean	Truncated Average
January	5	13.000	7.000	10.600	11.00
February	4	13.000	7.000	10.000	10.00
March	4	13.000	7.000	10.000	10.00
April	3	13.000	7.000	10.000	10.00
May	3	13.000	7.000	10.000	10.00
June	4	13.000	4.000	8.500	8.50
July	4	21.000	7.000	12.750	11.50
August	3	21.000	7.000	13.667	13.00
September	4	29.000	7.000	17.500	17.00
October	4	29.000	7.000	17.500	17.00
November	4	29.000	7.000	17.500	17.00
December	4	29.000	7.000	17.500	17.00
Average				**12.960**	**12.67**

Note: Truncated Average is calculated by dropping high and low estimates and recalculating Mean. All other monthly values reported by Thomson Financial.

Source: Thomson Financial
195 Broadway
New York, NY 10007

Calculation of Composite Current Dividend Yield For Each Month and for Year 2005

January

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$46.18	376,812,373	$17,401,195,385	0.310118	$0.1700	1.47%	0.46%
CSX	$38.65	215,528,753	8,330,186,303	0.148457	$0.1000	1.03%	0.15%
NSC	$35.40	399,712,442	14,149,820,447	0.252173	$0.1100	1.24%	0.31%
UNP	$62.30	260,519,878	16,230,388,399	0.289252	$0.3000	1.93%	0.56%
Total			$56,111,590,535	1.000000			**1.48%**

February

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$47.96	376,812,373	$18,071,921,409	0.319967	$0.1700	1.42%	0.45%
CSX	$39.79	215,528,753	8,575,889,082	0.151838	$0.1000	1.01%	0.15%
NSC	$35.21	399,712,442	14,073,875,083	0.249181	$0.1100	1.25%	0.31%
UNP	$60.49	260,519,878	15,758,847,420	0.279014	$0.3000	1.98%	0.55%
Total			$56,480,532,994	1.000000			**1.47%**

March

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$53.58	376,608,173	$20,178,665,909	0.321587	$0.1700	1.27%	0.41%
CSX	$42.42	216,561,055	9,186,519,953	0.146405	$0.1000	0.94%	0.14%
NSC	$37.32	425,181,449	15,867,771,677	0.252884	$0.1100	1.18%	0.30%
UNP	$66.64	262,817,606	17,514,165,264	0.279123	$0.3000	1.80%	0.50%
Total			$62,747,122,803	1.000000			**1.35%**

Sources:
Daily Stock prices were obtained from financial databases, and averaged.
Number of Shares of Stock and Dividends were obtained from railroads and SEC 10-K reports.
Market Value is the Average Stock Price multiplied by the number of shares.
Individual railroad weights are based on the Market Value.

Calculation of Composite Current Dividend Yield For Each Month and for Year 2005

April

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$50.28	376,608,173	$18,935,858,938	0.318684	$0.1700	1.35%	0.43%
CSX	$40.55	216,561,055	8,781,550,780	0.147791	$0.1000	0.99%	0.15%
NSC	$33.72	425,181,449	14,337,118,460	0.241289	$0.1100	1.30%	0.31%
UNP	$66.07	262,817,606	17,364,359,228	0.292236	$0.3000	1.82%	0.53%
Total			$59,418,887,407	1.000000			**1.42%**

May

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$49.99	376,608,173	$18,826,642,568	0.322733	$0.1700	1.36%	0.44%
CSX	$41.36	216,561,055	8,956,965,235	0.153543	$0.1000	0.97%	0.15%
NSC	$31.72	425,181,449	13,486,755,562	0.231194	$0.1100	1.39%	0.32%
UNP	$64.93	262,817,606	17,064,747,158	0.292530	$0.3000	1.85%	0.54%
Total			$58,335,110,523	1.000000			**1.45%**

June

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$48.84	373,236,338	$18,228,862,748	0.312968	$0.1700	1.39%	0.44%
CSX	$42.52	216,959,519	9,225,118,748	0.158384	$0.1000	0.94%	0.15%
NSC	$31.77	425,442,180	13,516,298,059	0.232059	$0.1100	1.38%	0.32%
UNP	$65.65	263,136,312	17,274,898,883	0.296589	$0.3000	1.83%	0.54%
Total			$58,245,178,437	1.000000			**1.45%**

Sources:
Daily Stock prices were obtained from financial databases, and averaged.
Number of Shares of Stock and Dividends were obtained from railroads and SEC 10-K reports.
Market Value is the Average Stock Price multiplied by the number of shares.
Individual railroad weights are based on the Market Value.

Calculation of Composite Current Dividend Yield For Each Month and for Year 2005

July

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$50.07	373,236,338	$18,687,943,444	0.310893	$0.2000	1.60%	0.50%
CSX	$44.54	216,959,519	9,663,376,976	0.160760	$0.1000	0.90%	0.14%
NSC	$33.60	425,442,180	14,294,857,248	0.237810	$0.1300	1.55%	0.37%
UNP	$66.37	263,136,312	17,464,357,027	0.290537	$0.3000	1.81%	0.53%
Total			$60,110,534,695	1.000000			**1.53%**

August

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$54.54	373,236,338	$20,356,309,875	0.318014	$0.2000	1.47%	0.47%
CSX	$45.10	216,959,519	9,784,874,307	0.152863	$0.1000	0.89%	0.14%
NSC	$36.68	425,442,180	15,605,219,162	0.243791	$0.1300	1.42%	0.35%
UNP	$69.41	263,136,312	18,264,291,416	0.285332	$0.3000	1.73%	0.49%
Total			$64,010,694,760	1.000000			**1.44%**

September

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$56.02	373,151,860	$20,903,967,197	0.322690	$0.2000	1.43%	0.46%
CSX	$44.58	216,239,119	9,639,939,925	0.148810	$0.1000	0.90%	0.13%
NSC	$37.57	427,299,835	16,053,654,801	0.247817	$0.1300	1.38%	0.34%
UNP	$68.68	264,746,674	18,182,801,570	0.280684	$0.3000	1.75%	0.49%
Total			$64,780,363,493	1.000000			**1.43%**

Sources:
Daily Stock prices were obtained from financial databases, and averaged.
Number of Shares of Stock and Dividends were obtained from railroads and SEC 10-K reports.
Market Value is the Average Stock Price multiplied by the number of shares.
Individual railroad weights are based on the Market Value.

Calculation of Composite Current Dividend Yield For Each Month and for Year 2005

October

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$58.74	373,151,860	$21,918,940,256	0.327790	$0.2000	1.36%	0.45%
CSX	$44.45	216,239,119	9,611,828,840	0.143742	$0.1300	1.17%	0.17%
NSC	$39.64	427,299,835	16,938,165,459	0.253304	$0.1300	1.31%	0.33%
UNP	$69.50	264,746,674	18,399,893,843	0.275164	$0.3000	1.73%	0.48%
Total			$66,868,828,398	1.000000			**1.42%**

November

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$65.14	373,151,860	$24,307,112,160	0.337005	$0.2000	1.23%	0.41%
CSX	$47.54	216,239,119	10,280,007,717	0.142527	$0.1300	1.09%	0.16%
NSC	$42.68	427,299,835	18,237,156,958	0.252848	$0.1300	1.22%	0.31%
UNP	$72.91	264,746,674	19,302,680,001	0.267621	$0.3000	1.65%	0.44%
Total			$72,126,956,837	1.000000			**1.32%**

December

Railroad	Avg. Common Stock Price	Number Of Shares	Market Value	Weight	Dividend Paid	Dividend Yield	Weighted Yield
BNI	$67.90	371,571,199	$25,229,684,412	0.333933	$0.2000	1.18%	0.39%
CSX	$49.47	218,202,519	10,794,478,615	0.142873	$0.1300	1.05%	0.15%
NSC	$43.73	430,718,913	18,835,338,065	0.249300	$0.1300	1.19%	0.30%
UNP	$77.61	266,634,735	20,693,521,783	0.273894	$0.3000	1.55%	0.42%
Total			$75,553,022,876	1.000000			**1.26%**

The Simple Average of the 12 monthly dividend yields is: 1.42%
The Simple Average of the 12 monthly market values is: $62,899,068,647

Sources:
Daily Stock prices were obtained from financial databases, and averaged.
Number of Shares of Stock and Dividends were obtained from railroads and SEC 10-K reports.
Market Value is the Average Stock Price multiplied by the number of shares.
Individual railroad weights are based on the Market Value.

Appendix E
Bonds, Notes and Debentures

Burlington Northern Santa Fe Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Traded						
1	Note	MTN00005	1	12189QAB6	6.530%	07/15/37	$170,100	170,100	113.687	$193,381	5.610%	$10,849
2	Notes	MTN00010	2	12189TAM6	6.125%	03/15/09	204,663	204,663	105.019	214,936	4.630%	9,952
3	Notes	MTN00011	3	12189TAP9	7.875%	04/15/07	301,401	301,401	105.653	318,438	4.520%	14,393
4	Notes	MTN00014	4	12189TAT1	6.750%	07/15/11	400,000	400,000	110.049	440,196	4.810%	21,173
5	Notes	MTN00015	5	12189TAU8	5.900%	07/01/12	300,000	300,000	106.216	318,648	4.840%	15,423
6	Notes	MTN00016	6	12189TAV6	4.300%	07/01/13	250,000	250,000	96.212	240,531	4.880%	11,738
7	Notes	MTN00017	7	12189TAW4	4.875%	07/01/15	250,000	250,000	99.188	247,969	4.980%	12,349
8	Debentures	DEB00004	8	12189TAA2	7.000%	12/15/25	350,000	350,000	117.824	412,385	5.530%	22,805
9	Debentures	DEB00005	9	12189TAB0	6.875%	02/15/16	175,000	175,000	113.756	199,074	5.170%	10,292
10	Debentures	DEB00006	10	12189TAD6	7.290%	06/01/36	200,000	200,000	124.901	249,802	5.590%	13,964
11	Debentures	DEB00007	11	12189TAF1	7.250%	08/01/97	200,000	200,000	120.490	240,980	6.010%	14,483
12	Debentures	DEB00008	12	12189TAG9	6.875%	12/01/27	200,000	200,000	116.774	233,549	5.560%	12,985
13	Debentures	DEB00009	13	12189TAJ3	6.700%	08/01/28	200,000	200,000	114.869	229,738	5.550%	12,750
14	Debentures	DEB00010	14	12189TAN4	6.750%	03/15/29	200,000	200,000	115.634	231,269	5.560%	12,859
15	Debentures	DEB00011	15	12189TAK0	7.082%	05/13/29	200,000	200,000	119.902	239,803	5.570%	13,357
16	Debentures	DEB00012	16	12189TAQ7	8.125%	04/15/20	200,000	200,000	128.235	256,470	5.340%	13,695
17	Debentures	DEB00013	17	12189TAR5	7.950%	08/15/30	275,000	275,000	132.142	363,390	5.560%	20,204
18	Debentures	SFP - Debentures	18	121897WQ1	8.750%	02/25/22	200,000	200,000	134.597	269,195	5.540%	14,913
19	Mortgages	Bond Ser K	19	121899CD8	6.550%	01/01/20	3,978	3,978	107.438	4,274	5.780%	247
20	Mortgages	Bond Ser L	20	121899CC0	3.800%	01/01/20	6,195	6,195	80.219	4,970	5.840%	290
21	Mortgages	Bond Ser M	21	121899CH9	3.200%	01/01/45	12,998	12,998	56.760	7,378	6.110%	451
22	Mortgages	Bond Ser N	22	121899CF3	8.150%	01/01/20	2,506	2,506	120.406	3,017	6.010%	181
23	Mortgages	Bond Ser O	23	121899CE6	6.550%	01/01/20	15,378	15,378	104.917	16,134	6.030%	973
24	Mortgages	Bond Ser P	24	121899CG1	8.150%	01/01/20	5,566	5,566	119.552	6,654	6.090%	405
25	Mortgages	N P General Lien Bond	25	665585JP1	3.000%	01/01/47	34,479	34,479	78.713	27,139	4.070%	1,105
26												
27												
28												
29												
30												
Total							**$4,357,264**	**$4,357,264**		**$4,969,320**	**5.269%**	**$261,836**

Burlington Northern Santa Fe Corporation

December 31, 2005

	Type	Description	No. CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
				Not Traded							
1	Notes	MTN00012		7.125%	12/15/10	292,616	292,616	100.000	292,616		
2	Note	WAS00001 BNAI Washgtn		No Int.	10/01/11	209	209	100.000	209		
3	Jr Sub. Notes	Hybrid new 12/15/05		6.613%	12/15/55	500,000	20,833	100.000	20,833		
4	Mortgage	GOB00001 Topeka GOB		10.320%	01/01/14	21,386	21,386	100.000	21,386		
5	Mortgage	MOT00001 Empire of Am.		8.625%	10/01/08	3,028	3,028	100.000	3,028		
6	Mortgage	MOT00002 Lincoln Nat'l		8.625%	08/01/09	3,792	3,792	100.000	3,792		
7	Financing Oblig.	Joliet Arsenal		6.967%	08/01/22	138,231	138,231	100.000	138,231		
8	Financing Oblig.	Amory Sale		No Int.	01/01/32	15,100	15,100	100.000	15,100		
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Total						**$974,362**	**$495,195**		**$495,195**		

Burlington Northern Santa Fe Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Matures in 2006						
1	Debentures	DBN00003 SLSF			5.000%	01/01/06	8,025					
2	Mortgages	Bond Ser H		121899BX5	9.250%	10/01/06	275,000					
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6												
7												
8												
9												
10												
Total							**$283,025**					

Grand Totals

Total Traded and Not Traded	**$5,331,626**	**$4,852,459**		**$5,464,515**
Grand Total (for reconciliation to carrier data only)	**$5,614,651**			

From BNSF:

Total Notes	$2,168,989	
Total Debentures	2,408,025	
Junior Subordinated Notes	500,000	
Total Mortgages	384,307	
Financing Obligations	153,331	
Total	**$5,614,652**	(difference = rounding)

CSX Corporation
December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Traded						
1	Debenture	CSX Corp.	26	126408AM5	8.625%	05/15/22	$115,712	115,712	133.118	$154,033	5.570%	$8,580
2	Debenture	CSX Corp.	27	126408AQ6	8.100%	09/15/22	93,591	93,591	128.016	119,812	5.550%	6,650
3	Notes	CSX Corp.	28	126408BR3	6.250%	10/15/08	400,000	400,000	104.958	419,831	4.610%	19,354
4	Notes	CSX Corp.	29	126408GC1	4.875%	11/01/09	200,000	200,000	100.425	200,850	4.770%	9,581
5	Notes	CSX Corp.	30	126408AP8	6.750%	03/15/11	500,000	500,000	109.292	546,460	4.860%	26,558
6	Notes	CSX Corp.	31	126408GB3	6.300%	03/15/12	400,000	400,000	107.913	431,652	4.890%	21,108
7	Med Term Notes	CSX Corp.	32	12641LBM4	6.590%	05/19/08	50,000	50,000	104.503	52,252	4.900%	2,560
8	Med Term Notes	CSX Corp.	33	12641LBN2	6.500%	06/02/08	40,000	40,000	104.312	41,725	4.900%	2,045
9	Med Term Notes	CSX Corp.	34	12641LBT9	5.860%	10/06/08	3,000	3,000	102.794	3,084	4.930%	152
10	Med Term Notes	CSX Corp.	35	12641LBU6	6.800%	12/01/28	200,000	200,000	114.594	229,187	5.670%	12,995
11	Notes	CSX Corp.	36	126408GF4	5.300%	02/15/14	200,000	200,000	101.664	203,327	5.060%	10,288
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Total							**$2,202,303**	**$2,202,303**		**$2,402,213**	**4.990%**	**$119,871**

CSX Corporation
December 31, 2005

	Type	Description	No. CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
				Not Traded							
1	Debentures	CSX Corp.		7.450%	05/01/07	450,000	450,000	100.000	450,000		
2	Debentures	CSX Corp.		7.900%	05/01/17	384,769	384,769	100.000	384,769		
3	Debentures	CSX Corp.		7.950%	05/01/27	272,614	272,614	100.000	272,614		
4	Debentures	CSX Corp.		7.250%	05/01/27	83,312	83,312	100.000	83,312		
5	Debentures	CSX Corp.		8.300%	05/01/32	150,000	150,000	100.000	150,000		
6	Notes	CSX Corp.		5.500%	08/01/13	300,000	300,000	100.000	300,000		
7	Med Term Notes	CSX Corp.		9.780%	02/14/11	7,500	7,500	100.000	7,500		
8	Med Term Notes	CSX Corp.		9.870%	02/12/21	10,000	10,000	100.000	10,000		
9	Med Term Notes	CSX Corp.		6.350%	09/17/07	20,000	20,000	100.000	20,000		
10	Med Term Notes	CSX Corp.		6.400%	09/16/08	25,000	25,000	100.000	25,000		
11	Med Term Notes	CSX Corp. Conrail New issued 10-1-2005		4.400%	10/25/35	73,304	18,326	100.000	18,326		
12	Convertible	CSX Corp.		1.000%	10/30/21	468,093	468,093	100.000	468,093		
13	Monon Bond	CSXT and Other		6.000%	01/01/07	3,134	3,134	100.000	3,134		
14	Del Dot	CSXT and Other New Issued 3-1-2005		3.910%	03/01/10	5,451	4,542	100.000	4,542		
15	Pen Port	CSXT and Other		6.000%	12/01/12	17,100	17,100	100.000	17,100		
16	TORCO	CSXT and Other		6.450%	12/15/21	29,700	29,700	100.000	29,700		
17	CRR Tax Note	CSXT and Other New Issued 3-1-2005		4.520%	12/01/07	23,100	19,250	100.000	19,250		
18	30 Yr Tax Note	CSXT and Other		9.750%	06/01/20	227,171	227,171	100.000	227,171		
19	50 Yr Tax Note	CSXT and Other		7.875%	05/01/43	99,989	99,989	100.000	99,989		
20	N. Charleston	CSXT and Other		0.000%	N/A	1,089	1,089	100.000	1,089		
21	Amro 2	CSXT and Other		Floating	08/08/08	5,730	5,730	100.000	5,730		
22	Amro 3	CSXT and Other		Floating	04/30/08	8,496	8,496	100.000	8,496		
23	Amro 4	CSXT and Other		Floating	04/15/09	13,738	13,738	100.000	13,738		
24	Amro 5	CSXT and Other		Floating	04/28/10	27,081	27,081	100.000	27,081		
25	Amro 6	CSXT and Other		Floating	04/29/11	13,452	13,452	100.000	13,452		
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Total						**$2,719,823**	**$2,660,087**		**$2,660,086**		

CSX Corporation
December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Matures in 2006						
1	Debentures	CSX Corp			9.000%	08/15/06	94,270					
2	Notes	CSX Corp			2.750%	02/15/06	13,677					
3	Floating Rate De	CSX Corp			4.560%	08/03/06	242,053					
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Total							**$350,000**					

Grand Totals

Total Traded and Not Traded	**$4,922,126**	**$4,862,390**		**$5,062,299**
Grand Total (for reconciliation to carrier data only)	**$5,272,126**			

From CSX:

Long-Term Debt Corporate	$4,796,895
Long-Term Debt CSXT and Other	475,231
Total	**$5,272,126**

Norfolk Southern Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Traded						
1	Debentures	Conrail	37	209864AT4	9.750%	06/15/20	$313,741	313,741	130.619	$409,805	6.510%	$26,678
2	Med. Term Notes	Series A NSC	38	655844AA6	9.000%	03/01/21	83,372	83,372	137.180	114,370	5.440%	6,222
3	Med. Term Notes	Senior	39	655844AL2	6.200%	04/15/09	400,000	400,000	105.507	422,029	4.590%	19,371
4	Med. Term Notes	Senior	40	655844AN8	8.625%	05/15/10	300,000	300,000	116.163	348,490	4.840%	16,867
5	Med. Term Notes	Senior	41	655844AP3	6.750%	02/15/11	300,000	300,000	109.998	329,993	4.700%	15,510
6	Med. Term Notes	Senior	42	655844AQ1	7.250%	02/15/31	500,008	500,008	123.006	615,042	5.550%	34,135
7	Med. Term Notes	CR NSC 2025	43	655844AW8	5.590%	05/17/25	366,620	244,413	100.927	246,680	5.510%	13,592
8	Med. Term Notes	CR NSC 2007	44	655844AH1	7.350%	05/15/07	340,325	340,325	105.120	357,749	4.450%	15,920
9	Med. Term Notes	CR NSC 2017	45	655844AE8	7.700%	05/15/17	550,000	550,000	121.860	670,230	5.200%	34,852
10	Med. Term Notes	CR NSC 2027	46	655844AJ7	7.800%	05/15/27	450,000	450,000	127.907	575,582	5.570%	32,060
11	Med. Term Notes	CR NSC 2037	47	655844AF5	7.050%	05/01/37	716,600	716,600	120.446	863,119	5.650%	48,766
12	Med. Term Notes	CR NSC 2097	48	655844AK4	7.900%	05/01/97	350,000	350,000	131.631	460,709	6.000%	27,643
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Total							**$4,670,666**	**$4,548,459**		**$5,413,798**	**5.387%**	**$291,616**

Norfolk Southern Corporation

December 31, 2005

	Type	Description	No. CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
					Not Traded						
1	Debentures			7.875%	2043	138,085	138,085	100.000	138,085		
2	Notes	Senior		6.000%	04/30/08	200,000	200,000	100.000	200,000		
3	Notes	Sr. 2105 - New Pro 10.5 mo		6.000%	3/15/2105	300,000	262,500	100.000	262,500		
4	Notes	Senior - New Pro 7.5 mo		5.640%	05/17/29	350,000	218,750	100.000	218,750		
5	Notes	CR NSC 2014		5.257%	05/01/14	441,456	441,456	100.000	441,456		
6	Bond	NSC Poca Dev Timber		8.250%	10/01/19	75,734	75,734	100.000	75,734		
7	Zero Coupon	NSC Poca Dev Timber		8.250%	10/01/19	9,169	9,169	100.000	9,169		
8	Revenue Bonds	NS Rwy Marine Terminal		5.300%	08/15/13	27,200	27,200	100.000	27,200		
9	Derivative Adj	NS Rwy Marine Terminal				800	800	100.000	800		
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Total						**$1,542,444**	**$1,373,694**		**$1,373,694**		

Norfolk Southern Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Matures in 2006						
1	Notes	Series A		65584HAA7	7.400%	09/15/06	100,000					
2	Notes	Series A		65584HAB5	7.220%	09/15/06	100,000					
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4												
5												
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7												
8												
9												
10												
Total							**$200,000**					

Grand Totals

Total Traded and Not Traded	**$6,213,110**	**$5,922,153**		**$6,787,492**
Grand Total (for reconciliation to carrier data only)	**$6,413,110**			

From NS:

Income Debentures	$451,826
Marine Terminal	28,000
Med. Term Notes & NSC Conrail Notes	5,848,381
Poca Dev	84,903
Total	**$6,413,110**

Union Pacific Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Traded						
1	Debentures		49	907818CU0	6.250%	05/01/34	$246,326	246,326	109.005	$268,508	5.620%	$15,090
2	Debentures		50	907818CF3	6.625%	02/01/29	594,896	594,896	113.193	673,378	5.610%	37,777
3	Debentures		51	907818AZ1	7.000%	02/01/16	249,436	249,436	114.609	285,875	5.180%	14,808
4	Debentures		52	907818BY3	7.125%	02/01/28	247,865	247,865	118.381	293,425	5.670%	16,637
5	Notes		53	907818CQ9	3.875%	02/15/09	249,626	249,626	97.545	243,498	4.640%	11,298
6	Notes		54	907818CV8	4.875%	01/15/15	249,551	249,551	98.481	245,761	5.080%	12,485
7	Notes		55	907818CT3	5.375%	05/01/14	249,429	249,429	102.461	255,566	5.030%	12,855
8	Notes		56	907818CM8	5.750%	10/15/07	340,340	340,340	102.722	349,604	4.490%	15,697
9	Notes		57	907818CN6	6.125%	01/15/12	298,717	298,717	106.762	318,917	4.900%	15,627
10	Notes		58	907818CP1	6.500%	04/15/12	322,990	322,990	109.143	352,521	4.890%	17,238
11	Notes		59	907818BX5	6.625%	02/01/08	299,720	299,720	105.101	315,009	4.500%	14,175
12	Notes		60	907818CK2	6.650%	01/15/11	398,894	398,894	108.916	434,458	4.790%	20,811
13	Notes		61	907818BA5	7.250%	11/01/08	249,942	249,942	107.910	269,713	4.660%	12,569
14	Notes		62	907818CG1	7.375%	09/15/09	149,781	149,781	109.834	164,511	4.750%	7,814
15	Med. Term Notes	Series E	63	90782EGV0	6.790%	11/09/07	300,000	300,000	105.160	315,481	4.450%	14,039
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Total							**$4,447,513**	**$4,447,513**		**$4,786,225**	**4.992%**	**$238,920**

Union Pacific Corporation
December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
					Not Traded							
1	Debentures				5.375%	06/01/33	198,415	198,415	100.000	198,415		
2	Notes				3.625%	06/01/10	298,696	298,696	100.000	298,696		
3	Tax Exempt				Variable	2010 - 2026	156,540	156,540	100.000	156,540		
4	Med. Term Notes	Series B			9.2-9.3%	2005 - 2020	7,409	7,409	100.000	7,409		
5	Med. Term Notes	Series C			9.5-10.0%	2005 - 2020	44,123	44,123	100.000	44,123		
6	Med. Term Notes	Series D			9.17-9.4%	2005 - 2011	20,000	20,000	100.000	20,000		
7	Debt Security	KFW Loan			7.310%	12/15/12	84,335	84,335	100.000	84,335		
8	RR Tax Exempt	Albany County			2.550%	12/01/15	8,000	8,000	100.000	8,000		
9	Gen Inc.	MP Series A		606198LF4	4.750%	01/01/20	29,905	29,905	100.000	29,905		
10	Gen Inc.	MP Series B		606198LG2	4.750%	01/01/30	29,499	29,499	100.000	29,499		
11	Debentures	MP		606198LH0	5.000%	01/01/45	96,025	96,025	100.000	96,025		
12	Debentures	MP C&EI			5.000%	01/01/54	1,641	1,641	100.000	1,641		
13	Debt Security	IDCCA			3.000%	11/01/08	879	879	100.000	879		
14	Debt Security	Illinois DOT			3.000%	12/31/19	19,361	19,361	100.000	19,361		
15	Debt Security	Illinois DOT			3.000%	03/14/18	1,782	1,782	100.000	1,782		
16	Debt Security	Iowa DOT			3.000%	12/31/09	192	192	100.000	192		
17	Debt Security	ITCF 1999			5.750%	11/01/14	29,155	29,155	100.000	29,155		
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Total							**$1,025,957**	**$1,025,957**		**$1,025,957**		

Union Pacific Corporation

December 31, 2005

	Type	Description	No.	CUSIP	Coupon Rate	Maturity Date	Amt. Outstanding ($000) Year-End	Amt. Outstanding ($000) Used	Average Price	Market Value ($ 000)	Average Yield	Interest Cost ($ 000)
						Matures in 2006						
1	Notes			907818AY4	6.400%	02/01/06	250,000					
2	Notes			907818BW7	6.700%	12/01/06	250,092					
3	RR Tax Exempt	Port of Portland			2.550%	12/01/06	3,689					
4	CNW Track Reh	Railroad Phase I			2.000%	07/01/06	408					
5	CNW Track Reh	Belvedere-Rockford			3.000%	09/01/06	85					
6												
7												
8												
9												
10												
Total							**$504,274**					

Grand Totals

Total Traded and Not Traded	**$5,473,470**	**$5,473,470**	**$5,812,182**
Grand Total (for reconciliation to carrier data only)	**$5,977,744**		

From UP:

Debentures, Notes, Tax Exempt, and Medium Term Notes	$5,672,788
Misc. LTD (2nd page) including KFW, RR Tax Exempt, CNW, Mortgage, DOT, others	304,956
Total	**$5,977,744**

Burlington Northern Santa Fe Corporation

1

Type:	Note
Description:	MTN00005
CUSIP:	12189QAB6
Coupon Rate:	6.530%
Maturity Date:	7/15/37
Amount Outstanding ($ 000)	$170,100
Months Outstanding	12

End of Month	Price	Yield
January	111.653	5.73 %
February	111.650	5.73
March	110.698	5.79
April	113.921	5.59
May	116.775	5.42
June	119.028	5.29
July	114.748	5.54
August	118.292	5.33
September	113.074	5.64
October	110.053	5.83
November	110.982	5.77
December	113.369	5.62
Average	113.687	5.61 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

2

Type:	Notes
Description:	MTN00010
CUSIP:	12189TAM6
Coupon Rate:	6.125%
Maturity Date:	3/15/09
Amount Outstanding ($ 000)	$204,663
Months Outstanding	12

End of Month	Price	Yield
January	107.008	4.25 %
February	105.742	4.55
March	104.648	4.81
April	105.579	4.53
May	106.234	4.32
June	106.167	4.30
July	104.826	4.66
August	105.472	4.43
September	104.277	4.76
October	103.481	4.98
November	103.370	4.99
December	103.427	4.95
Average	105.019	4.63 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

3

Type:	Notes
Description:	MTN00011
CUSIP:	12189TAP9
Coupon Rate:	7.875%
Maturity Date:	4/15/07
Amount Outstanding ($ 000)	$301,401
Months Outstanding	12

End of Month	Price	Yield
January	108.404	3.85 %
February	107.436	4.18
March	106.595	4.45
April	106.589	4.33
May	106.344	4.30
June	105.908	4.40
July	105.064	4.74
August	105.400	4.38
September	104.716	4.66
October	104.116	4.90
November	103.759	5.00
December	103.499	5.03
Average	105.653	4.52 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

4

Type:	Notes
Description:	MTN00014
CUSIP:	12189TAT1
Coupon Rate:	6.750%
Maturity Date:	7/15/11
Amount Outstanding ($ 000)	$400,000
Months Outstanding	12

End of Month	Price	Yield
January	112.898	4.43 %
February	111.277	4.68
March	109.754	4.92
April	111.171	4.65
May	111.767	4.52
June	111.746	4.50
July	109.503	4.89
August	110.729	4.64
September	108.827	4.97
October	107.459	5.21
November	107.572	5.17
December	107.886	5.09
Average	110.049	4.81 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

5

Type:	Notes
Description:	MTN00015
CUSIP:	12189TAU8
Coupon Rate:	5.900%
Maturity Date:	7/1/12
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	108.412	4.55 %
February	106.716	4.80
March	105.694	4.95
April	107.260	4.69
May	107.734	4.60
June	107.936	4.56
July	106.168	4.84
August	107.639	4.58
September	105.086	5.00
October	103.663	5.24
November	103.855	5.20
December	104.428	5.09
Average	106.216	4.84 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

6

Type:	Notes
Description:	MTN00016
CUSIP:	12189TAV6
Coupon Rate:	4.300%
Maturity Date:	7/1/13
Amount Outstanding ($ 000)	$250,000
Months Outstanding	12

End of Month	Price	Yield
January	97.583	4.64 %
February	96.064	4.87
March	94.795	5.07
April	96.390	4.83
May	97.596	4.65
June	98.079	4.58
July	95.968	4.92
August	97.733	4.64
September	95.747	4.96
October	94.386	5.19
November	94.747	5.14
December	95.460	5.03
Average	96.212	4.88 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

7

Type:	Notes
Description:	MTN00017
CUSIP:	12189TAW4
Coupon Rate:	4.875%
Maturity Date:	7/1/15
Amount Outstanding ($ 000)	$250,000
Months Outstanding	12

End of Month	Price	Yield
January	100.492	4.81 %
February	98.941	5.01
March	97.217	5.24
April	99.414	4.95
May	101.101	4.73
June	101.329	4.70
July	99.139	4.99
August	101.005	4.74
September	98.709	5.04
October	97.213	5.25
November	97.660	5.19
December	98.033	5.14
Average	99.188	4.98 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

8

Type:	Debentures
Description:	DEB00004
CUSIP:	12189TAA2
Coupon Rate:	7.000%
Maturity Date:	12/15/25
Amount Outstanding ($ 000)	$350,000
Months Outstanding	12

End of Month	Price	Yield
January	118.195	5.52 %
February	116.241	5.66
March	114.736	5.77
April	117.665	5.55
May	120.549	5.34
June	122.634	5.19
July	119.333	5.42
August	121.524	5.26
September	116.928	5.59
October	114.390	5.78
November	115.143	5.72
December	116.553	5.61
Average	117.824	5.53 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

9

Type:	Debentures
Description:	DEB00005
CUSIP:	12189TAB0
Coupon Rate:	6.875%
Maturity Date:	2/15/16
Amount Outstanding ($ 000)	$175,000
Months Outstanding	12

End of Month	Price	Yield
January	115.935	4.98 %
February	113.668	5.22
March	111.557	5.45
April	113.768	5.19
May	116.013	4.93
June	116.813	4.83
July	113.887	5.15
August	116.166	4.88
September	113.365	5.19
October	111.345	5.42
November	110.610	5.50
December	111.949	5.33
Average	113.756	5.17 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

10

Type:	Debentures
Description:	DEB00006
CUSIP:	12189TAD6
Coupon Rate:	7.290%
Maturity Date:	6/1/36
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	126.673	5.49 %
February	124.402	5.62
March	122.699	5.72
April	125.312	5.56
May	127.643	5.43
June	130.000	5.30
July	125.857	5.53
August	129.585	5.32
September	123.061	5.69
October	119.971	5.87
November	120.827	5.82
December	122.783	5.70
Average	124.901	5.59 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

11

Type:	Debentures
Description:	DEB00007
CUSIP:	12189TAF1
Coupon Rate:	7.250%
Maturity Date:	8/1/97
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	121.955	5.94 %
February	119.355	6.07
March	116.489	6.22
April	120.531	6.01
May	123.593	5.85
June	126.375	5.72
July	121.143	5.98
August	125.504	5.77
September	119.152	6.08
October	115.562	6.26
November	116.674	6.20
December	119.547	6.05
Average	120.490	6.01 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

12

Type:	Debentures
Description:	DEB00008
CUSIP:	12189TAG9
Coupon Rate:	6.875%
Maturity Date:	12/1/27
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	117.745	5.50 %
February	115.705	5.64
March	113.586	5.79
April	116.645	5.57
May	119.076	5.40
June	121.703	5.22
July	118.266	5.45
August	120.271	5.31
September	115.780	5.62
October	112.878	5.83
November	113.667	5.77
December	115.970	5.60
Average	116.774	5.56 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

13

Type:	Debentures
Description:	DEB00009
CUSIP:	12189TAJ3
Coupon Rate:	6.700%
Maturity Date:	8/1/28
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	115.429	5.52 %
February	113.535	5.65
March	111.692	5.78
April	114.760	5.56
May	117.057	5.40
June	119.409	5.24
July	115.840	5.48
August	118.884	5.27
September	114.345	5.58
October	111.414	5.79
November	112.211	5.73
December	113.851	5.61
Average	114.869	5.55 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

14

Type:	Debentures
Description:	DEB00010
CUSIP:	12189TAN4
Coupon Rate:	6.750%
Maturity Date:	3/15/29
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	116.281	5.52 %
February	114.363	5.65
March	112.489	5.78
April	115.611	5.56
May	117.949	5.40
June	119.884	5.27
July	116.703	5.48
August	119.821	5.27
September	114.906	5.60
October	112.202	5.79
November	113.010	5.73
December	114.394	5.63
Average	115.634	5.56 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

15

Type:	Debentures
Description:	DEB00011
CUSIP:	12189TAK0
Coupon Rate:	7.082%
Maturity Date:	5/13/29
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	120.741	5.52 %
February	118.750	5.65
March	116.524	5.80
April	119.741	5.58
May	122.138	5.42
June	124.116	5.29
July	120.835	5.50
August	124.029	5.29
September	119.271	5.60
October	116.486	5.79
November	117.313	5.73
December	118.875	5.62
Average	119.902	5.57 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

16

Type:	Debentures
Description:	DEB00012
CUSIP:	12189TAQ7
Coupon Rate:	8.125%
Maturity Date:	4/15/20
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	131.166	5.14 %
February	128.700	5.33
March	126.235	5.53
April	128.546	5.33
May	131.002	5.12
June	132.233	5.01
July	128.225	5.33
August	131.373	5.06
September	126.839	5.43
October	124.104	5.66
November	124.679	5.60
December	125.718	5.50
Average	128.235	5.34 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

17

Type:	Debentures
Description:	DEB00013
CUSIP:	12189TAR5
Coupon Rate:	7.950%
Maturity Date:	8/15/30
Amount Outstanding ($ 000)	$275,000
Months Outstanding	12

End of Month	Price	Yield
January	133.057	5.52 %
February	131.173	5.63
March	128.682	5.78
April	132.061	5.57
May	134.879	5.40
June	137.070	5.27
July	133.592	5.47
August	136.605	5.29
September	131.323	5.60
October	127.911	5.81
November	128.495	5.77
December	130.852	5.62
Average	132.142	5.56 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

18

Type:	Debentures
Description:	SFP - Debentures
CUSIP:	121897WQ1
Coupon Rate:	8.750%
Maturity Date:	2/25/22
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	135.805	5.49 %
February	133.824	5.63
March	131.745	5.78
April	134.270	5.58
May	136.174	5.43
June	138.505	5.25
July	135.691	5.45
August	138.132	5.26
September	133.878	5.57
October	131.337	5.76
November	131.992	5.70
December	133.814	5.55
Average	134.597	5.54 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

19

Type:	Mortgages
Description:	Bond Ser K
CUSIP:	121899CD8
Coupon Rate:	6.550%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$3,978
Months Outstanding	12

End of Month	Price	Yield
January	103.500	6.18 %
February	108.000	5.74
March	108.000	5.74
April	107.625	5.77
May	107.625	5.77
June	107.625	5.77
July	107.625	5.76
August	107.625	5.76
September	107.625	5.76
October	108.000	5.71
November	108.000	5.71
December	108.000	5.71
Average	107.438	5.78 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

20

Type:	Mortgages
Description:	Bond Ser L
CUSIP:	121899CC0
Coupon Rate:	3.800%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$6,195
Months Outstanding	12

End of Month	Price	Yield
January	80.125	5.80 %
February	81.000	5.71
March	81.000	5.72
April	79.000	5.96
May	81.500	5.68
June	80.000	5.86
July	80.000	5.88
August	80.000	5.88
September	80.000	5.89
October	80.000	5.90
November	80.000	5.91
December	80.000	5.92
Average	80.219	5.84 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

21

Type:	Mortgages
Description:	Bond Ser M
CUSIP:	121899CH9
Coupon Rate:	3.200%
Maturity Date:	1/1/45
Amount Outstanding ($ 000)	$12,998
Months Outstanding	12

End of Month	Price	Yield
January	59.500	5.82 %
February	58.000	5.97
March	56.000	6.18
April	55.250	6.27
May	55.250	6.27
June	56.500	6.14
July	56.500	6.14
August	56.500	6.15
September	59.125	5.87
October	56.500	6.15
November	57.000	6.09
December	55.000	6.31
Average	56.760	6.11 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

22

Type:	Mortgages
Description:	Bond Ser N
CUSIP:	121899CF3
Coupon Rate:	8.150%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$2,506
Months Outstanding	12

End of Month	Price	Yield
January	117.875	6.28 %
February	125.000	5.63
March	120.125	6.06
April	119.000	6.16
May	122.000	5.88
June	120.625	6.00
July	120.625	5.99
August	120.625	5.98
September	120.625	5.98
October	120.625	5.97
November	118.000	6.21
December	119.750	6.03
Average	120.406	6.01 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

23

Type:	Mortgages
Description:	Bond Ser O
CUSIP:	121899CE6
Coupon Rate:	6.550%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$15,378
Months Outstanding	12

End of Month	Price	Yield
January	104.000	6.13 %
February	105.750	5.95
March	106.000	5.93
April	105.000	6.03
May	105.000	6.03
June	105.000	6.03
July	105.000	6.03
August	105.000	6.02
September	105.000	6.02
October	105.000	6.02
November	104.125	6.10
December	104.125	6.11
Average	104.917	6.03 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

24

Type:	Mortgages
Description:	Bond Ser P
CUSIP:	121899CG1
Coupon Rate:	8.150%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$5,566
Months Outstanding	12

End of Month	Price	Yield
January	117.625	6.30 %
February	119.500	6.12
March	118.000	6.26
April	118.000	6.26
May	119.875	6.07
June	122.375	5.84
July	120.500	6.00
August	120.500	5.99
September	120.500	5.99
October	119.250	6.09
November	119.250	6.09
December	119.250	6.09
Average	119.552	6.09 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

25

Type:	Mortgages
Description:	N P General Lien Bond
CUSIP:	665585JP1
Coupon Rate:	3.000%
Maturity Date:	1/1/47
Amount Outstanding ($ 000)	$34,479
Months Outstanding	12

End of Month	Price	Yield
January	Not Traded	- %
February	Not Traded	-
March	80.125	3.97
April	80.125	3.98
May	80.125	3.98
June	80.125	3.98
July	80.125	3.98
August	75.500	4.26
September	75.500	4.27
October	75.500	4.27
November	80.000	3.99
December	80.000	4.00
Average	78.713	4.07 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

26

Type:	Debenture
Description:	CSX Corp.
CUSIP:	126408AM5
Coupon Rate:	8.625%
Maturity Date:	5/15/22
Amount Outstanding ($ 000)	$115,712
Months Outstanding	12

End of Month	Price	Yield
January	131.215	5.75 %
February	129.568	5.87
March	127.452	6.03
April	130.179	5.81
May	137.573	5.25
June	139.253	5.12
July	135.018	5.42
August	137.755	5.21
September	133.473	5.52
October	130.921	5.71
November	131.586	5.65
December	133.420	5.50
Average	133.118	5.57 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

27

Type:	Debenture
Description:	CSX Corp.
CUSIP:	126408AQ6
Coupon Rate:	8.100%
Maturity Date:	9/15/22
Amount Outstanding ($ 000)	$93,591
Months Outstanding	12

End of Month	Price	Yield
January	126.581	5.69 %
February	124.971	5.81
March	122.886	5.97
April	125.586	5.75
May	132.106	5.25
June	133.786	5.12
July	129.640	5.42
August	132.359	5.21
September	128.157	5.52
October	125.651	5.71
November	126.322	5.65
December	128.151	5.50
Average	128.016	5.55 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

28

Type:	Notes
Description:	CSX Corp.
CUSIP:	126408BR3
Coupon Rate:	6.250%
Maturity Date:	10/15/08
Amount Outstanding ($ 000)	$400,000
Months Outstanding	12

End of Month	Price	Yield
January	107.376	4.08 %
February	106.175	4.38
March	105.236	4.62
April	105.820	4.41
May	105.836	4.36
June	105.712	4.36
July	104.521	4.71
August	105.115	4.47
September	104.049	4.80
October	103.316	5.02
November	103.186	5.04
December	103.150	5.02
Average	104.958	4.61 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

29

Type:	Notes
Description:	CSX Corp.
CUSIP:	126408GC1
Coupon Rate:	4.875%
Maturity Date:	11/1/09
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	102.222	4.35 %
February	100.927	4.65
March	99.855	4.90
April	100.822	4.67
May	101.481	4.50
June	101.569	4.47
July	100.088	4.85
August	101.061	4.59
September	99.832	4.91
October	98.947	5.16
November	99.039	5.14
December	99.256	5.08
Average	100.425	4.77 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

30

Type:	Notes
Description:	CSX Corp.
CUSIP:	126408AP8
Coupon Rate:	6.750%
Maturity Date:	3/15/11
Amount Outstanding ($ 000)	$500,000
Months Outstanding	12

End of Month	Price	Yield
January	111.709	4.53 %
February	110.641	4.70
March	109.131	4.95
April	110.427	4.69
May	110.620	4.63
June	110.397	4.65
July	108.764	4.94
August	110.147	4.65
September	108.356	4.98
October	107.050	5.22
November	107.098	5.19
December	107.164	5.16
Average	109.292	4.86 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

31

Type:	Notes
Description:	CSX Corp.
CUSIP:	126408GB3
Coupon Rate:	6.300%
Maturity Date:	3/15/12
Amount Outstanding ($ 000)	$400,000
Months Outstanding	12

End of Month	Price	Yield
January	109.904	4.64 %
February	108.753	4.81
March	107.263	5.04
April	108.904	4.76
May	108.820	4.76
June	109.535	4.62
July	107.575	4.94
August	109.049	4.67
September	107.150	4.99
October	105.717	5.23
November	106.013	5.16
December	106.273	5.10
Average	107.913	4.89 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

32

Type:	Med Term Notes
Description:	CSX Corp.
CUSIP:	12641LBM4
Coupon Rate:	6.590%
Maturity Date:	5/19/08
Amount Outstanding ($ 000)	$50,000
Months Outstanding	12

End of Month	Price	Yield
January	107.072	4.26 %
February	105.894	4.59
March	105.003	4.84
April	105.488	4.64
May	105.391	4.62
June	105.152	4.65
July	104.082	5.00
August	104.444	4.82
September	103.458	5.16
October	102.784	5.40
November	102.656	5.42
December	102.612	5.40
Average	104.503	4.90 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

33

Type:	Med Term Notes
Description:	CSX Corp.
CUSIP:	12641LBN2
Coupon Rate:	6.500%
Maturity Date:	6/2/08
Amount Outstanding ($ 000)	$40,000
Months Outstanding	12

End of Month	Price	Yield
January	106.836	4.27 %
February	105.656	4.60
March	104.766	4.85
April	105.265	4.65
May	105.202	4.62
June	104.981	4.65
July	103.901	5.00
August	104.285	4.81
September	103.294	5.16
October	102.618	5.39
November	102.486	5.42
December	102.450	5.40
Average	104.312	4.90 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

34

Type:	Med Term Notes
Description:	CSX Corp.
CUSIP:	12641LBT9
Coupon Rate:	5.860%
Maturity Date:	10/6/08
Amount Outstanding ($ 000)	$3,000
Months Outstanding	12

End of Month	Price	Yield
January	104.908	4.39 %
February	103.780	4.70
March	102.907	4.94
April	103.516	4.73
May	103.576	4.69
June	103.508	4.68
July	102.396	5.03
August	103.026	4.79
September	102.027	5.12
October	101.339	5.35
November	101.266	5.37
December	101.282	5.35
Average	102.794	4.93 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

35

Type:	Med Term Notes
Description:	CSX Corp.
CUSIP:	12641LBU6
Coupon Rate:	6.800%
Maturity Date:	12/1/28
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	114.803	5.66 %
February	113.637	5.74
March	111.801	5.87
April	114.875	5.65
May	116.590	5.53
June	118.469	5.40
July	115.366	5.61
August	118.398	5.40
September	113.896	5.71
October	111.261	5.90
November	112.061	5.84
December	113.965	5.70
Average	114.594	5.67 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

36

Type:	Notes
Description:	CSX Corp.
CUSIP:	126408GF4
Coupon Rate:	5.300%
Maturity Date:	2/15/14
Amount Outstanding ($ 000)	$200,000
Months Outstanding	12

End of Month	Price	Yield
January	103.332	4.84 %
February	101.779	5.05
March	100.273	5.26
April	102.103	5.00
May	103.084	4.86
June	103.487	4.80
July	101.437	5.09
August	103.294	4.82
September	101.137	5.13
October	99.594	5.36
November	99.926	5.30
December	100.518	5.21
Average	101.664	5.06 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

37

Type:	Debentures
Description:	Conrail
CUSIP:	209864AT4
Coupon Rate:	9.750%
Maturity Date:	6/15/20
Amount Outstanding ($ 000)	$313,741
Months Outstanding	12

End of Month	Price	Yield
January	131.520	6.47 %
February	130.051	6.59
March	129.277	6.65
April	130.752	6.52
May	132.653	6.34
June	134.031	6.22
July	130.963	6.47
August	133.319	6.26
September	129.674	6.57
October	127.533	6.75
November	128.021	6.70
December	129.634	6.54
Average	130.619	6.51 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

38

Type:	Med. Term Notes
Description:	Series A NSC
CUSIP:	655844AA6
Coupon Rate:	9.000%
Maturity Date:	3/1/21
Amount Outstanding ($ 000)	$83,372
Months Outstanding	12

End of Month	Price	Yield
January	137.886	5.43 %
February	135.876	5.58
March	134.697	5.66
April	137.894	5.40
May	140.022	5.23
June	140.559	5.18
July	137.030	5.44
August	140.345	5.18
September	136.508	5.46
October	134.000	5.65
November	134.906	5.57
December	136.434	5.44
Average	137.180	5.44 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

39

Type:	Med. Term Notes
Description:	Senior
CUSIP:	655844AL2
Coupon Rate:	6.200%
Maturity Date:	4/15/09
Amount Outstanding ($ 000)	$400,000
Months Outstanding	12

End of Month	Price	Yield
January	107.803	4.15 %
February	106.501	4.45
March	105.329	4.73
April	106.111	4.49
May	106.596	4.32
June	106.613	4.28
July	105.019	4.70
August	105.831	4.43
September	104.661	4.75
October	103.944	4.94
November	103.730	4.98
December	103.949	4.88
Average	105.507	4.59 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

40

Type:	Med. Term Notes
Description:	Senior
CUSIP:	655844AN8
Coupon Rate:	8.625%
Maturity Date:	5/15/10
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	119.841	4.37 %
February	117.999	4.69
March	117.227	4.79
April	117.643	4.65
May	117.929	4.54
June	117.491	4.57
July	115.352	4.98
August	116.279	4.72
September	114.568	5.05
October	113.281	5.29
November	113.139	5.27
December	113.211	5.20
Average	116.163	4.84 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

41

Type:	Med. Term Notes
Description:	Senior
CUSIP:	655844AP3
Coupon Rate:	6.750%
Maturity Date:	2/15/11
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	112.301	4.40 %
February	110.761	4.66
March	109.604	4.84
April	111.128	4.54
May	112.138	4.32
June	111.824	4.35
July	109.635	4.75
August	110.773	4.50
September	108.966	4.83
October	107.309	5.15
November	107.655	5.05
December	107.877	4.98
Average	109.998	4.70 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

42

Type:	Med. Term Notes
Description:	Senior
CUSIP:	655844AQ1
Coupon Rate:	7.250%
Maturity Date:	2/15/31
Amount Outstanding ($ 000)	$500,008
Months Outstanding	12

End of Month	Price	Yield
January	124.222	5.49 %
February	121.964	5.63
March	119.920	5.75
April	122.389	5.59
May	125.421	5.40
June	127.709	5.26
July	124.407	5.47
August	127.321	5.28
September	121.823	5.62
October	119.354	5.78
November	120.245	5.72
December	121.301	5.65
Average	123.006	5.55 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

43

Type:	Med. Term Notes
Description:	CR NSC 2025
CUSIP:	655844AW8
Coupon Rate:	5.590%
Maturity Date:	5/17/25
Amount Outstanding ($ 000)	$366,620
Months Outstanding	7.5

End of Month	Price	Yield
January	Not Traded	- %
February	Not Traded	-
March	Not Traded	-
April	Not Traded	-
May	101.695	5.44
June	103.933	5.26
July	101.236	5.49
August	103.956	5.26
September	99.962	5.59
October	98.009	5.76
November	98.723	5.69
December	99.904	5.59
Average	100.927	5.51 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

44

Type:	Med. Term Notes
Description:	CR NSC 2007
CUSIP:	655844AH1
Coupon Rate:	7.350%
Maturity Date:	5/15/07
Amount Outstanding ($ 000)	$340,325
Months Outstanding	12

End of Month	Price	Yield
January	107.613	3.83 %
February	106.686	4.15
March	105.996	4.35
April	106.042	4.23
May	105.883	4.18
June	105.549	4.23
July	104.756	4.54
August	104.823	4.37
September	104.043	4.73
October	103.519	4.94
November	103.331	4.95
December	103.195	4.91
Average	105.120	4.45 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

45

Type:	Med. Term Notes
Description:	CR NSC 2017
CUSIP:	655844AE8
Coupon Rate:	7.700%
Maturity Date:	5/15/17
Amount Outstanding ($ 000)	$550,000
Months Outstanding	12

End of Month	Price	Yield
January	123.505	5.10 %
February	121.755	5.26
March	120.344	5.39
April	122.149	5.20
May	122.947	5.11
June	124.846	4.91
July	122.107	5.17
August	124.483	4.92
September	121.481	5.21
October	119.456	5.41
November	119.915	5.35
December	119.332	5.40
Average	121.860	5.20 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

46

Type:	Med. Term Notes
Description:	CR NSC 2027
CUSIP:	655844AJ7
Coupon Rate:	7.800%
Maturity Date:	5/15/27
Amount Outstanding ($ 000)	$450,000
Months Outstanding	12

End of Month	Price	Yield
January	129.126	5.51 %
February	127.262	5.63
March	125.006	5.78
April	128.394	5.55
May	130.647	5.39
June	132.618	5.26
July	128.256	5.55
August	131.414	5.33
September	126.685	5.64
October	124.335	5.80
November	124.437	5.79
December	126.706	5.63
Average	127.907	5.57 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

47

Type:	Med. Term Notes
Description:	CR NSC 2037
CUSIP:	655844AF5
Coupon Rate:	7.050%
Maturity Date:	5/1/37
Amount Outstanding ($ 000)	$716,600
Months Outstanding	12

End of Month	Price	Yield
January	122.582	5.53 %
February	119.164	5.73
March	117.018	5.86
April	120.286	5.66
May	122.536	5.53
June	124.596	5.41
July	121.499	5.59
August	125.266	5.37
September	119.511	5.70
October	116.609	5.88
November	116.957	5.86
December	119.333	5.71
Average	120.446	5.65 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

48

Type:	Med. Term Notes
Description:	CR NSC 2097
CUSIP:	655844AK4
Coupon Rate:	7.900%
Maturity Date:	5/1/97
Amount Outstanding ($ 000)	$350,000
Months Outstanding	12

End of Month	Price	Yield
January	131.735	5.99 %
February	129.378	6.09
March	128.545	6.13
April	133.287	5.91
May	135.321	5.83
June	139.330	5.66
July	133.497	5.91
August	139.083	5.67
September	127.716	6.17
October	123.938	6.36
November	127.310	6.20
December	130.435	6.05
Average	131.631	6.00 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

49

Type:	Debentures
Description:	
CUSIP:	907818CU0
Coupon Rate:	6.250%
Maturity Date:	5/1/34
Amount Outstanding ($ 000)	$246,326
Months Outstanding	12

End of Month	Price	Yield
January	109.749	5.57 %
February	107.916	5.69
March	105.843	5.83
April	108.658	5.64
May	110.789	5.50
June	112.819	5.37
July	109.987	5.55
August	113.268	5.34
September	108.453	5.65
October	105.947	5.82
November	106.513	5.78
December	108.120	5.67
Average	109.005	5.62 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

50

Type:	Debentures
Description:	
CUSIP:	907818CF3
Coupon Rate:	6.625%
Maturity Date:	2/1/29
Amount Outstanding ($ 000)	$594,896
Months Outstanding	12

End of Month	Price	Yield
January	113.728	5.58 %
February	112.098	5.69
March	110.366	5.81
April	112.689	5.64
May	115.074	5.47
June	117.076	5.34
July	114.382	5.52
August	116.641	5.36
September	112.403	5.66
October	110.007	5.83
November	110.909	5.76
December	112.937	5.61
Average	113.193	5.61 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

51

Type:	Debentures
Description:	
CUSIP:	907818AZ1
Coupon Rate:	7.000%
Maturity Date:	2/1/16
Amount Outstanding ($ 000)	$249,436
Months Outstanding	12

End of Month	Price	Yield
January	116.665	5.01 %
February	114.595	5.22
March	113.126	5.38
April	115.114	5.15
May	116.506	4.98
June	117.609	4.85
July	114.620	5.18
August	117.026	4.89
September	113.564	5.27
October	111.675	5.49
November	112.048	5.44
December	112.755	5.34
Average	114.609	5.18 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

52

Type:	Debentures
Description:	
CUSIP:	907818BY3
Coupon Rate:	7.125%
Maturity Date:	2/1/28
Amount Outstanding ($ 000)	$247,865
Months Outstanding	12

End of Month	Price	Yield
January	117.847	5.72 %
February	117.501	5.74
March	116.452	5.81
April	118.816	5.64
May	120.210	5.54
June	122.669	5.37
July	118.941	5.63
August	121.933	5.42
September	117.672	5.71
October	114.987	5.90
November	115.756	5.84
December	117.788	5.69
Average	118.381	5.67 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

53

Type:	Notes
Description:	
CUSIP:	907818CQ9
Coupon Rate:	3.875%
Maturity Date:	2/15/09
Amount Outstanding ($ 000)	$249,626
Months Outstanding	12

End of Month	Price	Yield
January	98.809	4.19 %
February	97.797	4.48
March	97.092	4.70
April	97.830	4.50
May	98.513	4.31
June	98.426	4.34
July	97.275	4.72
August	98.024	4.49
September	97.183	4.78
October	96.424	5.06
November	96.551	5.05
December	96.616	5.05
Average	97.545	4.64 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

54

Type:	Notes
Description:	
CUSIP:	907818CV8
Coupon Rate:	4.875%
Maturity Date:	1/15/15
Amount Outstanding ($ 000)	$249,551
Months Outstanding	12

End of Month	Price	Yield
January	99.787	4.90 %
February	98.178	5.11
March	96.771	5.30
April	98.883	5.02
May	100.029	4.87
June	100.490	4.81
July	98.400	5.09
August	100.180	4.85
September	98.056	5.13
October	96.647	5.33
November	96.814	5.31
December	97.540	5.21
Average	98.481	5.08 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

55

Type:	Notes
Description:	
CUSIP:	907818CT3
Coupon Rate:	5.375%
Maturity Date:	5/1/14
Amount Outstanding ($ 000)	$249,429
Months Outstanding	12

End of Month	Price	Yield
January	104.017	4.83 %
February	102.648	5.01
March	101.105	5.22
April	103.054	4.95
May	103.819	4.84
June	104.284	4.77
July	102.378	5.03
August	104.120	4.78
September	102.037	5.07
October	100.370	5.32
November	100.554	5.29
December	101.140	5.20
Average	102.461	5.03 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

56

Type:	Notes
Description:	
CUSIP:	907818CM8
Coupon Rate:	5.750%
Maturity Date:	10/15/07
Amount Outstanding ($ 000)	$340,340
Months Outstanding	12

End of Month	Price	Yield
January	104.847	3.84 %
February	103.527	4.31
March	103.044	4.46
April	103.312	4.31
May	103.275	4.28
June	103.313	4.21
July	102.465	4.56
August	102.634	4.43
September	101.950	4.73
October	101.502	4.93
November	101.413	4.94
December	101.381	4.93
Average	102.722	4.49 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

57

Type:	Notes
Description:	
CUSIP:	907818CN6
Coupon Rate:	6.125%
Maturity Date:	1/15/12
Amount Outstanding ($ 000)	$298,717
Months Outstanding	12

End of Month	Price	Yield
January	109.029	4.59 %
February	107.755	4.78
March	106.302	5.01
April	107.378	4.82
May	107.899	4.72
June	107.933	4.70
July	105.751	5.07
August	107.911	4.67
September	106.081	4.98
October	104.816	5.20
November	105.097	5.14
December	105.194	5.11
Average	106.762	4.90 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

58

Type:	Notes
Description:	
CUSIP:	907818CP1
Coupon Rate:	6.500%
Maturity Date:	4/15/12
Amount Outstanding ($ 000)	$322,990
Months Outstanding	12

End of Month	Price	Yield
January	111.793	4.55 %
February	110.059	4.81
March	108.382	5.06
April	109.715	4.83
May	110.268	4.73
June	110.874	4.61
July	108.900	4.92
August	110.304	4.67
September	107.900	5.06
October	106.919	5.22
November	107.048	5.18
December	107.555	5.08
Average	109.143	4.89 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

59

Type:	Notes
Description:	
CUSIP:	907818BX5
Coupon Rate:	6.625%
Maturity Date:	2/1/08
Amount Outstanding ($ 000)	$299,720
Months Outstanding	12

End of Month	Price	Yield
January	107.837	3.83 %
February	106.314	4.30
March	105.693	4.46
April	105.654	4.41
May	105.783	4.30
June	105.667	4.28
July	104.816	4.56
August	105.070	4.38
September	104.150	4.72
October	103.560	4.92
November	103.390	4.95
December	103.279	4.94
Average	105.101	4.50 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

60

Type:	Notes
Description:	
CUSIP:	907818CK2
Coupon Rate:	6.650%
Maturity Date:	1/15/11
Amount Outstanding ($ 000)	$398,894
Months Outstanding	12

End of Month	Price	Yield
January	111.630	4.40 %
February	109.921	4.69
March	108.498	4.94
April	109.549	4.72
May	110.104	4.58
June	111.249	4.34
July	109.110	4.73
August	109.519	4.62
September	107.799	4.95
October	106.548	5.19
November	106.543	5.17
December	106.519	5.16
Average	108.916	4.79 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

61

Type:	Notes
Description:	
CUSIP:	907818BA5
Coupon Rate:	7.250%
Maturity Date:	11/1/08
Amount Outstanding ($ 000)	$249,942
Months Outstanding	12

End of Month	Price	Yield
January	111.078	4.03 %
February	109.772	4.34
March	108.788	4.56
April	109.125	4.41
May	108.978	4.38
June	108.930	4.34
July	107.379	4.77
August	107.743	4.59
September	106.429	4.97
October	105.508	5.24
November	105.532	5.18
December	105.661	5.07
Average	107.910	4.66 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

62

Type:	Notes
Description:	
CUSIP:	907818CG1
Coupon Rate:	7.375%
Maturity Date:	9/15/09
Amount Outstanding ($ 000)	$149,781
Months Outstanding	12

End of Month	Price	Yield
January	112.295	4.40 %
February	110.790	4.71
March	109.581	4.95
April	110.234	4.75
May	111.279	4.45
June	111.210	4.42
July	109.563	4.79
August	110.364	4.53
September	109.140	4.81
October	107.938	5.08
November	107.809	5.08
December	107.810	5.03
Average	109.834	4.75 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

63

Type:	Med. Term Notes
Description:	Series E
CUSIP:	90782EGV0
Coupon Rate:	6.790%
Maturity Date:	11/9/07
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	107.336	3.96 %
February	106.403	4.24
March	105.813	4.40
April	106.245	4.16
May	106.193	4.09
June	105.821	4.16
July	104.843	4.52
August	105.053	4.34
September	104.164	4.68
October	103.508	4.94
November	103.326	4.96
December	103.217	4.95
Average	105.160	4.45 %

Source: Standard & Poor's XpressFeed – Bond Package

Interest Rates on Selected Government Instruments

Yield in Percent Per Annum, Constant Maturity Rates for 2005

	3 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year
January	2.37	2.86	3.22	3.39	3.71	3.97	4.22	4.77
February	2.58	3.03	3.38	3.54	3.77	3.97	4.17	4.61
March	2.80	3.30	3.73	3.91	4.17	4.33	4.50	4.89
April	2.84	3.32	3.65	3.79	4.00	4.16	4.34	4.75
May	2.90	3.33	3.64	3.72	3.85	3.94	4.14	4.56
June	3.04	3.36	3.64	3.69	3.77	3.86	4.00	4.35
July	3.29	3.64	3.87	3.91	3.98	4.06	4.18	4.48
August	3.52	3.87	4.04	4.08	4.12	4.18	4.26	4.53
September	3.49	3.85	3.95	3.96	4.01	4.08	4.20	4.51
October	3.79	4.18	4.27	4.29	4.33	4.38	4.46	4.74
November	3.97	4.33	4.42	4.43	4.45	4.48	4.54	4.83
December	3.97	4.35	4.40	4.39	4.39	4.41	4.47	4.73
Average	**3.21**	**3.62**	**3.85**	**3.93**	**4.05**	**4.15**	**4.29**	**4.65**

Source: Federal Reserve statistical release H.15, Treasury Constant Maturities, Nominal

Equipment Trust Certificates for BNSF

Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current ($000) Market Value	Interest
1.	ATSF Series X	7/1/08	19,068	14,301	16,685	5.154%	1.03463	17,262	890
2.	BNSF Series Y	7/15/08	1,733	1,300	1,517	5.154%	1.03280	1,566	81
3.	ATSF Series Z	9/15/08	8,816	6,612	7,714	5.154%	1.02270	7,889	407
4.	BNSF Series AA (BN	2/15/09	18,975	15,180	17,078	5.207%	1.06384	18,168	946
5.	BNSF Series BB	11/1/09	20,710	16,568	18,639	5.207%	1.08873	20,293	1,057
6.	BNSF Series AA (AT	9/24/11	15,645	13,410	14,528	5.296%	1.07482	15,614	827
7.	BNSF 1999A	5/1/14	33,320	29,988	31,654	5.414%	1.03443	32,744	1,773
8.	BNSF 1999 KFW	6/28/16	95,492	87,534	91,513	5.479%	1.08075	98,902	5,419
9.	BNLC Dec98 KFW	1/2/2016	74,722	71,632	73,177	5.481%	1.02393	74,929	4,106
10.	BNLC 2000 KFW	4/19/15	36,784	33,440	35,112	5.448%	1.11685	39,215	2,136
11.	BNLC 2005-1 (1993	01/02/12	46,402	40,759	43,580	5.339%	0.96089	41,876	2,236
12.					--			--	--
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$371,667	$330,724	$351,195	**5.395%**		**$368,458**	$19,877

Note:
This list contains ETCs that can be used in the AAR's model to determine market value. Some debt instruments labeled as ETCs do not have all of the characteristics typical of an ETC, and therefore cannot be modeled. For example, ETCs with variable rates cannot be modeled.

Non-Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.	BNLC - Barbados	04/16/12	31,468	28,847
2.	BNLC - 1992 ETC	07/14/13	25,044	22,261
3.	BNLC - 1995A.PTT(K	07/01/13	6,912	6,630
4.	BNLC - 1995B.PTT(G	01/02/13	2,596	2,350
5.	BNLC - 1999 EDC	09/30/09	13,432	10,904
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$79,452	$70,992

Equipment Trust Certificates for BNSF (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2005 ($000) Beg.	Ending
1.	Series V	08/01/06	20,087	9,119
2.	Series W	08/01/06	4,068	2,034
3.	BNLC 1992A PIT	06/28/05	493	0
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$24,648	$11,153

Grand Totals (for reconciliation to carrier data)

	Balance For 2005 ($000) Beg.	Ending	
Total Modeled	$371,667	$330,724	
Total Non-Modeled	79,452	70,992	
Sub Total	451,119	401,716	
Total All Current	24,648	11,153	
Grand Total	475,767	412,869	
From BNSF:			
Total ETCs	$475,768	$412,870	
Difference	-$1	-$1	(rounding)

Equipment Trust Certificates for CSX

Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	ETC CSX Series A 223	3/1/07	11,400	7,600	9,500	5.095%	1.05440	10,017	510
2.	ETC CSX Series A 224	8/15/07	12,150	8,100	10,125	5.095%	1.03677	10,497	535
3.	ETC CSX Series A 226	3/16/08	19,600	14,700	17,150	5.154%	1.03099	17,681	911
4.	ETC CSX Series A 227	11/15/09	13,000	10,400	11,700	5.207%	1.08731	12,722	662
5.	ETC CSX Series B 228	3/15/10	23,400	19,500	21,450	5.253%	1.07775	23,118	1,214
6.	ETC CSX Series A 231	3/15/11	26,600	22,800	24,700	5.296%	1.05742	26,118	1,383
7.	ETC CSX Series A 233	5/15/08	32,806	26,720	29,763	5.153%	1.09405	32,562	1,678
8.	ETC CSX Series B 236	2/15/14	50,000	45,000	47,500	5.414%	1.01946	48,424	2,622
9.	ETC CSX Series B 237	4/15/14	40,000	36,000	38,000	5.414%	1.04258	39,618	2,145
10.	ETC CSX Series B 238	6/15/14	37,000	33,300	35,150	5.413%	1.08008	37,965	2,055
11.	ETC CSX Series B 239	4/1/15	56,100	51,000	53,550	5.448%	1.12490	60,238	3,282
12.	ETC CSX Series B 240	4/1/15	46,200	42,000	44,100	5.448%	1.08303	47,762	2,602
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$368,256	$317,120	$342,688	**5.345%**		**$366,722**	$19,600

Note:
This list contains ETCs that can be used in the AAR's model to determine market value. Some debt instruments labeled as ETCs do not have all of the characteristics typical of an ETC, and therefore cannot be modeled. For example, ETCs with variable rates cannot be modeled.

Non-Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.	ETC CSX Series A 225	04/16/12	6,000	4,000
2.	ETC CSX Series A 230	07/14/13	22,800	19,000
3.	ETC CSX Series A 234	07/01/13	28,000	24,000
4.	ETC CSX Series A 235	01/02/13	45,000	40,000
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$101,800	$87,000

Equipment Trust Certificates for CSX (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2005 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$0	$0

Grand Totals (for reconciliation to carrier data)

	Balance For 2005 ($000) Beg.	Ending
Total Modeled	$368,256	$317,120
Total Non-Modeled	101,800	87,000
Sub Total	470,056	404,120
Total All Current	0	0
Grand Total	470,056	404,120
From CSX:		
Total ETCs	$470,056	$404,120
Difference	$0	$0

Equipment Trust Certificates for NS

Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	NSR Series D	8/1/07	12,660	8,440	10,550	5.095%	1.02739	10,839	552
2.	NSR Series E	11/15/08	10,280	7,710	8,995	5.154%	1.02213	9,194	474
3.	NSR Series F	9/15/09	13,800	11,040	12,420	5.207%	1.06949	13,283	692
4.	NSR Series H	7/15/13	37,800	33,600	35,700	5.376%	1.00635	35,927	1,931
5.	NSR Series I	4/1/14	63,000	56,700	59,850	5.414%	1.03250	61,795	3,346
6.	NSR Series J	7/1/14	62,500	56,250	59,375	5.413%	1.08539	64,445	3,488
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
11.					--			--	--
12.					--			--	--
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$200,040	$173,740	$186,890	**5.363%**		**$195,483**	$10,483

Note:
This list contains ETCs that can be used in the AAR's model to determine market value. Some debt instruments labeled as ETCs do not have all of the characteristics typical of an ETC, and therefore cannot be modeled. For example, ETCs with variable rates cannot be modeled.

Non-Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.	NSR-Series K	3/15/2008	139,510	127,884
2.	NSR-Series L	2/15/07	44,824	41,376
3.	TCS Note - 9801*	5/1/2007	3,076	2,051
4.	TCS Note - 9802*	5/1/2007	3,009	2,006
5.	TCS Note - 9803*	11/1/2007	2,943	1,962
6.	TCS Note - 9804*	11/1/2007	3,004	2,003
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$196,366	$177,282

Equipment Trust Certificates for NS (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2005 ($000) Beg.	Ending
1.	NSR-Series B	03/01/06	7,200	3,600
2.	NSR-Series C	08/15/06	8,400	4,200
3.	TCS Note - 9701	05/15/06	479	239
4.	TCS Note - 9702	05/15/06	857	429
5.	TCS Note - 9703	10/15/06	2,200	1,080
6.	TCS Note - 9704	10/15/06	2,928	1,449
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$22,064	$10,997

Grand Totals (for reconciliation to carrier data)

	Balance For 2005 ($000) Beg.	Ending
Total Modeled	$200,040	$173,740
Total Non-Modeled	196,366	177,282
Sub Total	396,406	351,022
Total All Current	22,064	10,997
Grand Total	418,470	362,019
From NS:		
Total ETCs	$418,470	$362,019
Difference	$0	$0

Equipment Trust Certificates for UP

Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	ETC UPC Series C	2/1/12	33,200	29,050	31,125	5.337%	1.10237	34,311	1,831
2.	ETC UPC Series G	6/15/11	38,045	32,610	35,328	5.296%	1.06870	37,755	1,999
3.	ETC UPC Series H	12/1/11	32,900	28,200	30,550	5.296%	1.04899	32,047	1,697
4.	ETC UPC Series I	2/23/19	87,867	82,896	85,382	5.569%	1.07335	91,645	5,103
5.	ETC UPC Series 1992-1 SP	4/2/07	14,056	9,371	11,714	5.095%	1.09624	12,841	654
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
11.					--			--	--
12.					--			--	--
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$206,069	$182,127	$194,098	**5.410%**		**$208,598**	$11,285

Note:
This list contains ETCs that can be used in the AAR's model to determine market value. Some debt instruments labeled as ETCs do not have all of the characteristics typical of an ETC, and therefore cannot be modeled. For example, ETCs with variable rates cannot be modeled.

Non-Modeled ETCs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$0	$0

Equipment Trust Certificates for UP (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2005 ($000) Beg.	Ending
1.	ETC UPC Series B	10/1/2006	7,536	3,768
2.	SSW ETC No1 of '90	5/15/2005	4,666	0
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$12,202	$3,768

Grand Totals (for reconciliation to carrier data)

	Balance For 2005 ($000) Beg.	Ending
Total Modeled	$206,069	$182,127
Total Non-Modeled	0	0
Sub Total	206,069	182,127
Total All Current	12,202	3,768
Grand Total	218,271	185,895
From UP:		
Total ETCs	$218,271	$185,895
Difference	$0	$0

Conditional Sales Agreements for BNSF

Modeled CSAs

	CSA ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.					--			--	--
2.					--			--	--
3.	None.				--			--	--
4.					--			--	--
5.					--			--	--
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
	Total		$0	$0	$0	--		**$0**	$0

Note:
This list contains CSAs that can be used in the AAR's model to determine market value. Some debt instruments labeled as CSAs do not have all of the characteristics typical of a CSA, and therefore cannot be modeled. For example, CSAs with variable rates cannot be modeled.

Non-Modeled CSAs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2005 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$0	$0

Conditional Sales Agreements for CSX

Modeled CSAs

	CSA ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	CSX 422	10/22/12	40,945	35,827	38,386	5.666%	1.04018	39,928	2,262
2.	CSX 423	4/16/2012	50,018	43,766	46,892	5.666%	1.02718	48,167	2,729
3.					--			--	--
4.					--			--	--
5.					--			--	--
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
	Total		$90,963	$79,593	$85,278	**5.666%**		**$88,095**	$4,992

Note:
This list contains CSAs that can be used in the AAR's model to determine market value. Some debt instruments labeled as CSAs do not have all of the characteristics typical of a CSA, and therefore cannot be modeled. For example, CSAs with variable rates cannot be modeled.

Non-Modeled CSAs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.	CSA 424	Sept. 2014	59,914	53,923
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$59,914	$53,923

	Balance For 2005 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$150,877	$133,516

Conditional Sales Agreements for NS

Modeled CSAs

	CSA ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.					--			--	--
2.					--			--	--
3.	None.				--			--	--
4.					--			--	--
5.					--			--	--
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
	Total		$0	$0	$0	--		**$0**	$0

Note:
This list contains CSAs that can be used in the AAR's model to determine market value. Some debt instruments labeled as CSAs do not have all of the characteristics typical of a CSA, and therefore cannot be modeled. For example, CSAs with variable rates cannot be modeled.

Non-Modeled CSAs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2005 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$0	$0

Conditional Sales Agreements for UP

Modeled CSAs

	CSA ID	Maturity	Balance For 2005 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.					--			--	--
2.					--			--	--
3.	None.				--			--	--
4.					--			--	--
5.					--			--	--
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
	Total		$0	$0	$0	--		**$0**	$0

Note:
This list contains CSAs that can be used in the AAR's model to determine market value. Some debt instruments labeled as CSAs do not have all of the characteristics typical of a CSA, and therefore cannot be modeled. For example, CSAs with variable rates cannot be modeled.

Non-Modeled CSAs

	ETC ID	Maturity	Balance For 2005 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2005 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$0	$0

2005 Current Cost of Debt and Its Market Value ($mil)

Type of Debt	Reference	Market Value	Market Weight	Current Cost	Weighted Cost
Traded Debt					
Type of Instrument					
Bonds, Notes & Debentures	Tables 6, 7 & App. E	$17,571.6	93.47%	5.192%	4.853%
Equipment Trust Certificates*	Table 8 & App. G	1,139.3	6.06%	5.376%	0.326%
Conditional Sales Agreements*	Table 9 & App. H	88.1	0.47%	5.666%	0.027%
Total Without Floatation Costs		$18,798.9	100.0%		5.205%
Floatation Costs					
Bonds, Notes & Debentures	SEC Study		93.47%	0.16%	0.150%
Equipment Trust Certificates	SEC Study		6.06%	0.13%	0.008%
Conditional Sales Agreements	SEC Study		0.47%	0.13%	0.001%
Total Floatation Costs			100.0%		0.158%
Weighted Cost of Debt	Table 11				5.363%
Weighted Cost of Debt (rounded)					**5.36%**
Non-Traded Debt					
Type of Instrument					
Bonds, Notes & Debentures	Table 6 & App. E	$5,554.9			
Equipment Trust Certificates*	App. G (Sum RR)	$335.3			
Conditional Sales Agreements*	App. H (Sum RR)	$53.9			
Capital Leases	Workpapers	$2,130.9			
Other Misc. Debt	Workpapers	$613.2			
Total Non-Traded Debt		$8,688.2			
Total Market Value		**$27,487.1**			

* - ETCs and CSAs listed under Traded Debt have been modeled using traded government securities and annual coupons for each ETC or CSA. ETCs and CSAs listed under Non-Traded Debt did not have the characteristics necessary to enable them to be modeled.