ASSOCIATION OF
AMERICAN RAILROADS

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227095

May 17, 2010

Honorable Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E St., S.W.
Washington, DC 20423

Re: Ex Parte No. 558 (Sub-No. 13), Railroad Cost of Capital – 2009

Dear Ms. Brown:

Please find enclosed an original and ten (10) copies of the Comments of the Association of American Railroads and its Member Railroads for filing 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 in addition to an Adobe PDF.

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
Counsel for the Association of
American Railroads

Attachments

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BEFORE THE
SURFACE TRANSPORTATION BOARD

RAILROAD COST OF CAPITAL — 2009	)	EX PARTE NO. 558 (Sub- No. 13)

COMMENTS OF THE ASSOCIATION OF AMERICAN RAILROADS AND ITS MEMBER RAILROADS

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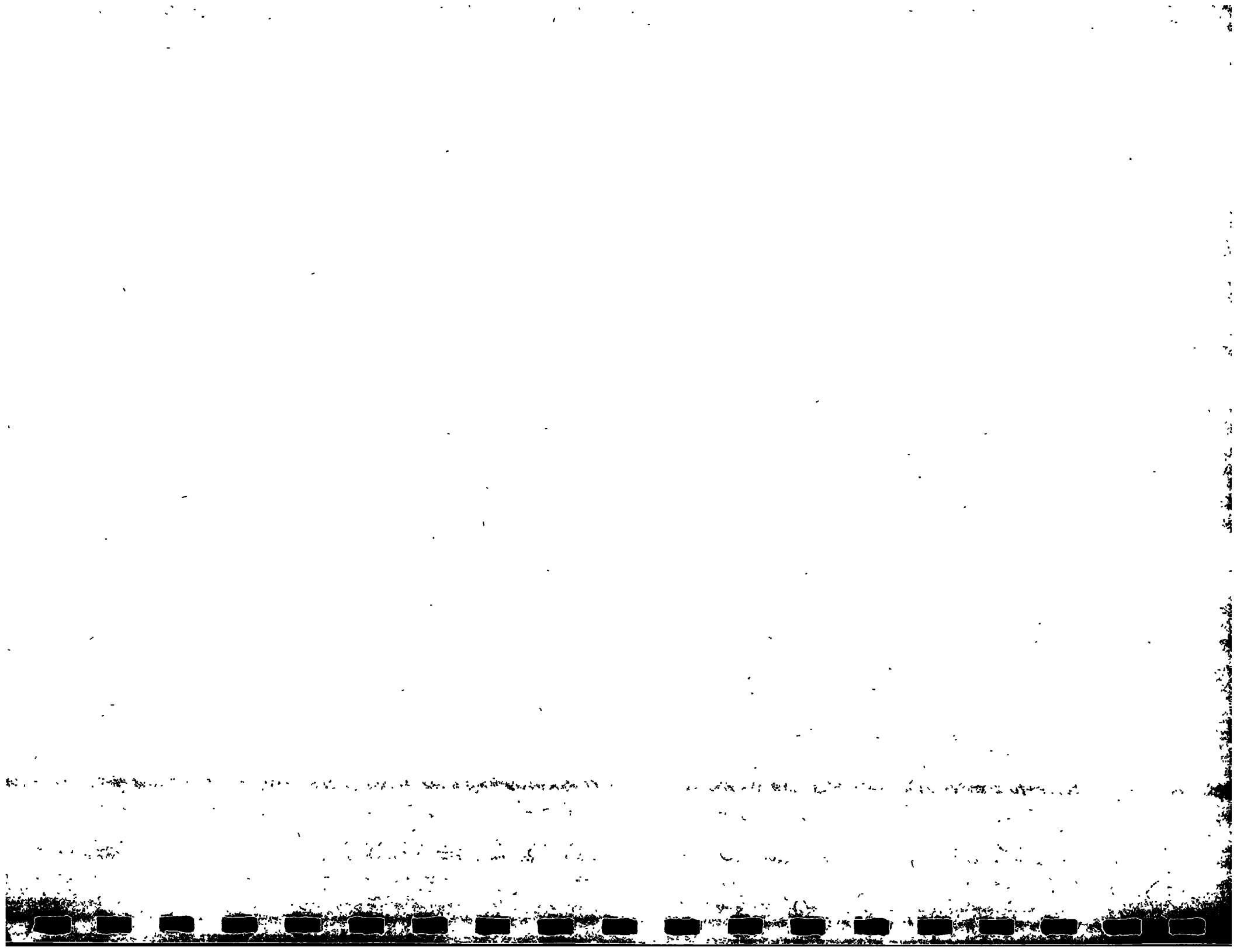

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Verified Statements

Tab	Witness*	Subject
1	John T. Gray	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. Gray at _____

SURFACE TRANSPORTATION BOARD

RAILROAD COST OF CAPITAL — 2009	)	EX PARTE NO. 558 (Sub- No. 13)

COMMENTS OF THE ASSOCIATION OF AMERICAN RAILROADS AND ITS MEMBER RAILROADS

By order served March 30, 2010, the Board instituted this proceeding to determine the railroad industry's cost of capital for the year 2009. 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 2009. 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. 13), *Railroad Cost of Capital – 2009* (Served March 30, 2010) (Slip Op. at 1).

The railroads, through the Association of American Railroads (AAR), are submitting herewith their calculation of (1) the railroads' 2009 cost of common equity capital; (2) the railroads' 2009 current cost of preferred equity capital; (3) the railroads'

current 2009 cost of debt capital and (4) the 2009 capital structure mix of the railroad industry on a market value basis. [1]

The AAR's calculations are discussed in the attached verified statement of John T. Gray, Senior Vice President, Policy and Economics of the Association of American Railroads. Mr. Gray's statement establishes the following:

1. The 2009 cost of debt capital is 5.72 percent (VS. Gray at pp 2, 23).
2. There is no preferred equity capital for 2009 (VS. Gray at pp. 2, 47).
3. The 2009 cost of common equity capital is 12.43 percent (VS. Gray at pp. 2, 43).
4. The capital structure of the railroad industry is 29.10 percent debt, 0.00 percent preferred equity, and 70.90 percent common equity. (VS. Gray at pp. 2, 48).

From these data Mr. Gray concludes that the overall railroad industry cost of capital for 2009 is 10.47 percent (V. S. Gray at pp. 2, 49).

[1] In its decision instituting this proceeding , the Board also specifically sought comment on "how the change in BNSF Railway Company's (BNSF's) share prices from November 2009 through December 2009, following the announcement of BNSF's acquisition by Berkshire Hathaway Inc., should be considered in calculating the 2009 cost of common equity capital...." See Ex Parte No. 558 (Sub-No. 13), *Railroad Cost of Capital – 2009* (Served March 30, 2010) (Slip Op. at 1). As explained in the attached Verified Statement of John T. Gray, AAR Senior Vice President, Policy and Economics, the changes in BNSF's share prices from November 2009-December 2009 following the announcement of BNSF's acquisition by Berkshire Hathaway reflect the market value of BNSF's shares during this period and no special adjustment to the market value of BNSF share prices is warranted. V.S. Gray at pp. 24, 44-47.

Moreover, because the BNSF acquisition was not consummated until February 12, 2010 and BNSF's common equity was publicly traded throughout 2009, BNSF fully satisfied the criteria for inclusion in the railroad sample for the entire 2009 period. Its common equity should accordingly be considered similarly to that of the other three railroads in the composite railroad sample for purposes of calculating the railroad industry's cost of equity capital for 2009. V.S. Gray at pp. 24, 44-46.

I. Introduction

The sole purpose of this proceeding is to determine the railroad industry's cost of capital for 2009. The cost of capital will be computed using the current cost of debt and equity 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

In its March 30, 2010 order instituting this proceeding, the Board directed that the cost of capital components be calculated "using the methodology followed in Railroad Cost of Capital –2008." See Ex Parte No. 558 (Sub-No. 13), *Railroad Cost of Capital – 2009* (Served March 30, 2010) (Slip Op. at 2). In Railroad Cost of Capital –2008 , the Board calculated the cost of equity component in its annual cost of capital proceeding using a simple average of the estimates produced by the Capital Asset Pricing Model (CAPM) adopted in STB Ex Parte No. 664, *Methodology to be Employed in Determining the Railroad Industry's Cost of Capital* (served January 17, 2008) and the Morningstar/Ibbotson Multi-Stage Discounted Cash Flow Model (MSDCF) adopted in STB Ex Parte No. 664 (Sub-No. 1), *Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital*, (STB served Jan. 28, 2009).[2] See

[2] The Morningstar/Ibbotson MSDCF model adopted by the Board in Ex Parte No. 664 (Sub-No.1) is a modified version that includes only the railroads that pass the screening criteria set forth in *Railroad Cost of Capital—1984* , 1 I.C.C. 2d 989 (1985), for inclusion in the sample of railroads used for the annual cost of capital determination.. See Ex Parte No. 664 (Sub-No. 1), *Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital*, (STB served Jan. 28, 2009) (Slip. Op. at 4).

Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (served September 25, 2009) (Slip Op. at 6-10).[3] Mr. Gray used a simple average of the CAPM and Morningstar/Ibbotson MSDCF models adopted by the Board in his calculation of the cost of common equity in this proceeding.

A. The CAPM Methodology

Under the CAPM methodology as applicable to the annual cost of capital proceeding, the cost of common equity is calculated by determining the return an investor would receive on a risk-free investment and by adding to the risk-free return a premium associated with the risk of railroad stocks. The premium is calculated by multiplying the market risk premium of the stock market as a whole by a factor, known as Beta, that represents the non-diversifiable risk of holding railroad stocks. In formulaic terms, the CAPM can be expressed as:

$$K = RF + (MRP \times Beta)$$

Where K = the firm's cost of equity,
RF = the risk-free rate,
MRP = the market's risk premium, and
Beta = coefficient of systematic, non-diversifiable risk of the stock.

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[3] In its January 28, 2009 decision in Ex Parte No. 664 (Sub-No. 1), *Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital*, the Board determined that using a simple average of CAPM and the commercially accepted Morningstar/Ibbotson multi-stage DCF model to calculate the cost of equity will yield a more precise determination than relying on CAPM alone. As noted by the Board, "[T]here is no single simple or correct way to estimate the cost of equity for the railroad industry, and countless reasonable options are available. Both the CAPM and the multi-stage DCF models we propose to use have their own strengths and weaknesses, and both take different paths to estimate the same illusory figure. By using an average of the results produced by both models, we harness the strengths of both models while minimizing their respective weaknesses. The result should be a stable yet precise estimate of the cost of equity that we can use in future regulatory proceedings and to gauge the financial health of the railroad industry." (Slip Op. at 15)

Mr. Gray's attached Verified Statement explains how the AAR calculated the cost of equity using the CAPM methodology. The risk-free rate and the market risk premium were retrieved directly from the Federal Reserve Board and Ibbotson Equity Risk Premium sources approved by the Board in the 2008 cost of capital proceeding. Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 6-7). The calculation for Beta was made using the S&P 500 Price Return Index and the same methodology approved by the Board in the 2008 cost of capital proceeding. See Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 7); V.S. Gray at pp. 29-34.[4]

The values determined by Mr. Gray for the elements of the CAPM methodology were 4.11 percent for the risk-free rate, 6.67 percent for the market risk premium, and 1.0915 for the future market risk of the railroad stocks ("Beta").

Based on a four-railroad composite (determined using established procedures) and the procedures used by the STB in the last cost of capital proceeding, Mr. Gray estimates that under the CAPM methodology the cost of common equity capital for 2009 is 11.39 percent. V.S. Gray at p. 34.

B. The Morningstar/Ibbotson MSDCF Methodology

[4] In Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 7), the Board clarified that for purposes of determining the trading year to be used in the 5-year regression analysis underlying the Beta calculation, "the first trading week will be the first week in that year that contains 3 or more trading days." The AAR's regression analysis underlying its Beta calculation is based on the Board's clarifying definition of trading year. For purposes of the Beta calculation, the Board, in its Ex Parte No. 558 (Sub-No. 12) decision (Slip Op. at 7), criticized the AAR's conversion of annual Treasury Bill rates to weekly rates using a method that accounts for compounding. (The Western Coal Traffic League ("WCTL") also used a compound interest equation in converting annual Treasury Bill rates to weekly rates in that proceeding.) Although the AAR used the Board's simple 52-week division method in this proceeding, it still believes that a method that takes into account the effect of weekly compounding is correct. (The AAR also calculated Beta using the alternative compounding method and respectfully requests the Board to reconsider the correctness of its previous oversimplified approach.) V.S. Gray at pp. 32-33.

The Morningstar/ Ibbotson MSDCF methodology, as summarized by the Board in its Ex Parte No. 664 (Sub-No. 1) decision (served January 28, 2009), calculates the cost of common equity capital as follows:

"The cost of equity in a DCF model is the discount rate that equates a firm's market value to the present value of the stream of cash flows that could affect investors. These cash flows are not presumed to be paid out to investors; instead, it is assumed investors will ultimately benefit from these cash flows through higher regular dividends, special dividends, stock buybacks, or stock price appreciation. The incorporation of these cash flows and the expected growth of earnings are the essential aspects of the multi-stage DCF we are adopting here.

"The Morningstar/Ibbotson model defines cash flows (CF), for the first two stages, as income before extraordinary items (IBEI) minus capital expenditures (CAPEX) plus depreciation (DEP) and deferred taxes (DT), or

$$CF = IBEI - CAPEX + DEP + DT.$$

An average cash flow figure is used as the starting point of the analysis under the Morningstar/Ibbotson model. To find the average cash flow, the model uses the 5-year period leading up to the year being analyzed, and the total cash flows for that time period are divided by total sales, which determine the 5-year cash-flow-to-sales ratio. The ratio is then multiplied by the total sales for the year being analyzed to obtain the average cash flow estimate for that year. For the third (and final) stage of the Morningstar/Ibbotson multistage DCF model stage, Morningstar/Ibbotson uses two additional assumptions: that there is no depreciation or deferred taxes. Therefore, in the third stage, cash flows are based solely on income before extraordinary items.

"Growth of earnings is also calculated in three stages. In the first stage (years 1-5), the firm's annual earnings growth rate is assumed to be the median value of the qualifying railroad's 3- to 5-year growth estimates as determined by railroad industry analysts and published by Institutional Brokers Estimate System (IBES). In the second stage (years 6-10), the growth rate is the average of all growth rates in stage 1. In stage three (years 11 and onwards), the growth rate is the long-run nominal growth rate of the average U.S. economy. This long-run nominal growth rate is estimated by using the historical growth in real GDP and the long-run expected inflation rate."

Ex Parte No. 664 (Sub-No. 1) decision (served January 28, 2009) (Slip. Op. at 5-6).

The cost of common equity capital using the Morningstar/Ibbotson MSDCF model adopted by the Board is also calculated and explained in the attached Verified

Statement of Mr. Gray. Consistent with the methodology approved by the Board in Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 9-10), Mr. Gray's calculations used only IBES growth estimates available as of December 31, 2009, and stock market values were based on shares outstanding and stock prices as of December 31, 2009. V.S. Gray at pp. 6, 41-42.

Mr. Gray calculates the cost of common equity capital for 2009 using the Morningstar/Ibbotson MSDCF model as 13.46 percent. V.S. Gray at p. 43.

C. Conclusion as to the Cost of Common Equity Capital

Under the Board's methodology, the cost of common equity capital is the simple average of the results using the CAPM and Morningstar/Ibbotson MSDCF models. The simple average produces a cost of common equity capital of 12.43 percent. V.S. Gray at pp. 43-44.

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 fifteen 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.

(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 four-railroad composite had no preferred stock outstanding at the end of 2009, there is no 2009 cost of preferred equity capital. V.S. Gray at pp. 47-48.

IV. The Cost of Debt

The cost of debt includes costs for three categories (bonds, equipment trust certificates, conditional sales agreements) of debt instruments, plus flotation costs. To determine the cost of debt for bonds, Mr. Gray has computed the average current bond yield for all 61 of the publicly traded bonds (during 2009) of the sample railroads that comprise the composite railroad. This methodology is identical to that used in the last 19 cost of capital proceedings. See Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 3). Under this approach, the bond yield is effectively based on a sample representing 60 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.[5] This is the same methodology used by the Board in the last 22 proceedings. The composite current cost of debt is the market-weighted average cost of bonds, ETCs, and CSAs, plus a small floatation cost.[6] Using the Board's established methodology, the railroads' 2009 cost of new debt is 5.72 percent. V.S. Gray at p. 23.

V. The 2009 Capital Structure of the Railroad Industry and the Overall Cost of Capital

Pursuant to the Board's March 30, 2010 decision, the market values of debt, preferred equity, and common equity were compiled to compute the 2009 capital structure of the railroad industry.

The railroads' market value capital structure on a market value basis is 29.10 percent debt, 70.90 percent common equity capital, and 0.00 percent preferred equity capital. V.S. Gray at pp. 48-49. Based upon this capital structure, the overall 2009 cost of capital is 10.47 percent. V.S. Gray at p. 49.

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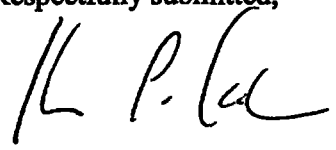
[5] V.S. Gray at pp. 10, 15.

[6] In this proceeding, the AAR calculated bond flotation costs by using data reported by the sample railroads to the Securities and Exchange Commission (SEC) regarding five new debt offerings in 2009. This is the same methodology approved by the Board in Ex Parte No. 558 (Sub-No. 12), *Railroad Cost of Capital – 2008* (Slip Op. at 5). V.S. Gray at pp. 20-21.

Conclusion

The Board should determine that the railroads' cost of capital for 2009 is 10.47 percent.

Respectfully submitted,



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May 17, 2010

CERTIFICATE OF SERVICE

I hereby certify on this 17th day of May, 2010, I served by first class mail, postage prepaid, a copy of the forgoing on the following:

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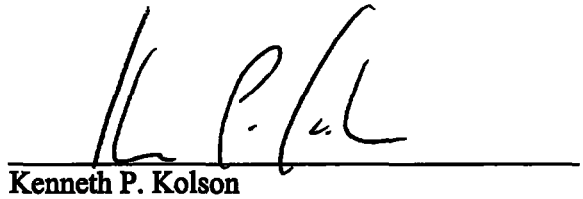

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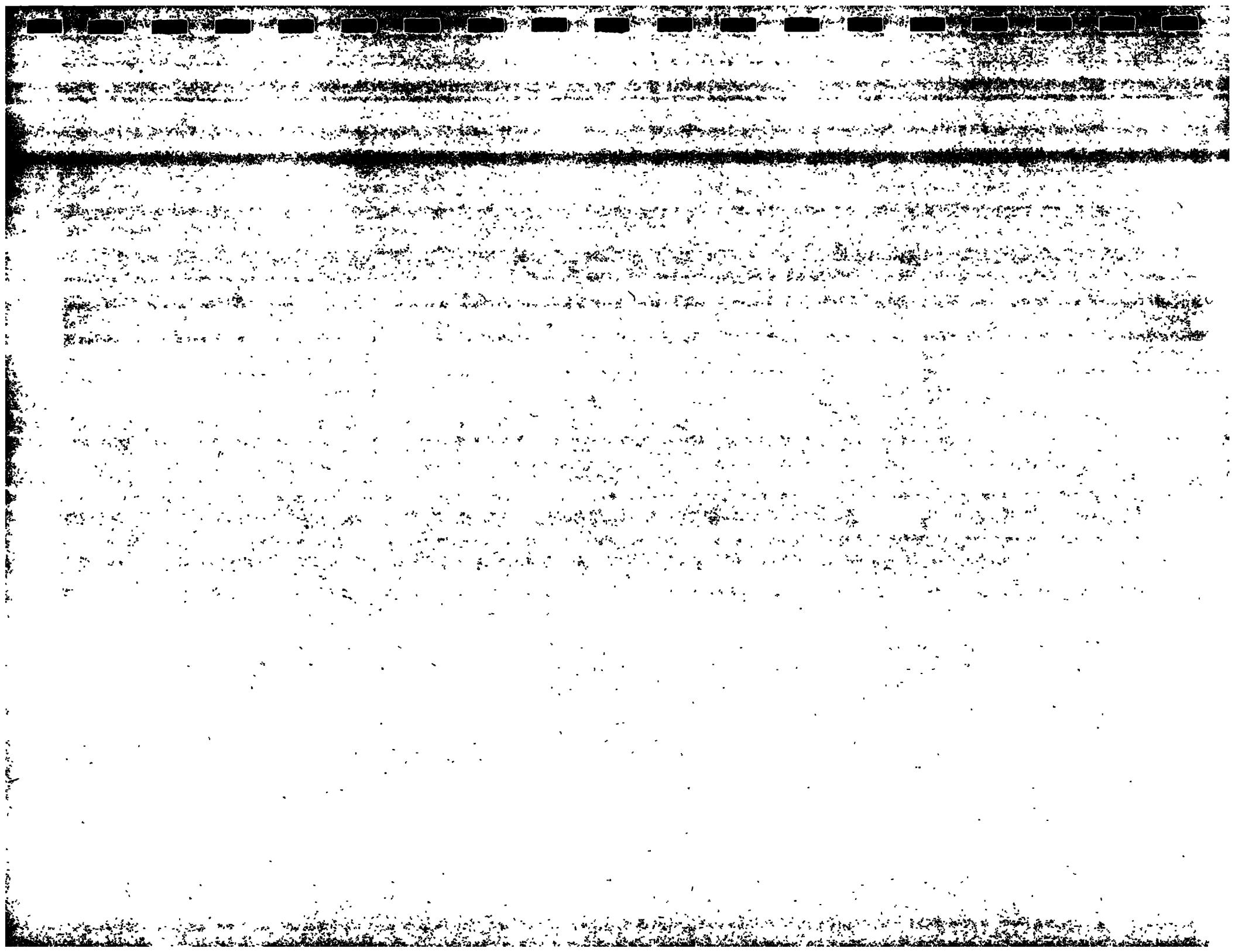

BEFORE THE

SURFACE TRANSPORTATION BOARD

EX PARTE NO. 558 (Sub-No. 13)

RAILROAD COST OF CAPITAL — 2009

VERIFIED STATEMENT

OF

JOHN T. GRAY

SENIOR VICE PRESIDENT — POLICY AND ECONOMICS

ASSOCIATION OF AMERICAN RAILROADS

May 17, 2010

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Verified Statement
of
John T. Gray

I. Introduction

My name is John T. Gray. I am Senior Vice President – Policy and Economics of the Association of American Railroads (AAR), with offices at 425 Third Street, SW, Suite 1000, Washington, DC 20024. The AAR is the trade association of the Nation's major 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 about 95 percent of our Nation's total railroad freight operating revenue.

When appropriate, the AAR represents the railroad industry before government bodies, including economic 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 and projects addressing regulatory, legislative and internal issues relevant to railroads. Furthermore, I have testified before federal regulatory agencies, and have been an expert witness for a railroad. 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 March 29, 2010 (served March 30), instituting a proceeding to determine the railroad industry's 2009 cost of capital — Ex Parte No. 558 (Sub-No. 13), *Railroad Cost of Capital — 2009* ("Ex Parte 558 Decision"). In my statement, I calculate the cost of debt for the railroad industry using the procedures accepted in

previous STB proceedings. I also calculate the cost of common equity using a simple average of the estimates produced using the following methods: (1) the Capital Asset Pricing Model used by the Board in Ex Parte No. 558 (Sub-No. 12); and (2) the STB's version of the Morningstar/Ibbotson Multi-Stage Discounted Cash Flow Model as used by the Board in Ex Parte No. 558 (Sub-No. 12). Finally, I calculate the market value capital structure and the overall cost of capital using the procedures accepted in previous Cost of Capital 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 debt, the cost of common equity capital using the Capital Asset Pricing Model and the Multi-Stage Discounted Cash Flow Model, and the cost of preferred equity capital.

I conclude that the 2009 cost of capital for the railroad industry is 10.47 percent. This estimate is based on a current cost of debt of 5.72 percent, a cost of common equity capital of 12.43 percent; and market value weights for debt and common equity of 29.10 percent and 70.90 percent, respectively. Because there were no preferred stock issues outstanding in 2009, the cost of preferred equity capital has not been calculated, and the market value weight for preferred equity capital is zero.

II. Determining the Cost of Capital

A. Defining the Cost of Capital

The cost of capital for a firm is the minimum rate of return on investment that the providers of capital require as a condition for making an investment in the firm. In essence, it is the threshold rate of return on investment that makes investment in the firm attractive. The cost of capital necessarily incorporates long-term investor expectations for a company's performance.

Investment funds flow to companies where the expected returns, over the investors' investment horizons, are thought to at least equal the expected returns available from other investment opportunities, giving consideration to the relative (or commensurate) risk of investment. Similarly within a company, limited capital resources flow to projects where the expected returns are expected to be highest, giving consideration to the relative (or commensurate) risk of investment. Methods used to estimate the cost of capital therefore attempt to measure investor expectations. For some types of capital, such as traded bonds, investor expectations can be readily observed. For other types of capital, such as common equity, modeling is necessary.

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).

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. 13 Decision) Those criteria are:

- The company is a Class I line-haul railroad.
- If the Class I railroad is controlled by another company, the controlling company is primarily a railroad company (at least 50 percent of its total assets are devoted to railroad operations), and it is not already included in the study frame.
- The company's bonds are rated at least BBB by Standard & Poor's and Baa by Moody's.
- The company's stock is listed on either the New York or the American Stock Exchange.
- The company has paid dividends throughout the year (2009).

Table 1 (below) lists the AAR's evaluation of railroad companies that may meet the STB's criteria.

Table No. 1
Evaluation of Class I Railroads
Under Surface Transportation Board Selection Criteria
2009

Class I Railroad	Parent	Stock Symbol	Listed NYSE/ASE	Dividends Throughout 2009	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	No
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.

This year there are four railroad corporations or holding companies in the sample meeting the Board's criteria: Burlington Northern Santa Fe Corporation, CSX Corporation, Norfolk Southern Corporation, and Union Pacific Corporation. These are the same railroads that were included in the 2008 sample. Consistent with past proceedings, the two Canadian railroads have been excluded from the sample. Kansas City Southern did not meet the Board's criteria because of its lack of dividends on common stock, and its debt rating.

Table 2 shows that, based on data for 2009, the four-firm composite accounts for 92.7 percent of the operating revenues and 89.7 percent of the assets of all Class I railroads. As in recent prior years, this year's sample railroads account for a significant portion of both the

revenues and assets of the Class I railroads, indicating that the group represents the industry well.[1] It should be noted that in the early 1990s, these percentages were typically 75 percent.[2]

Table No. 2
Relative Size of the Railroad Composite Sample
Year 2009

Railroad	Revenue ($000)	Assets ($000)	Pct of Total Class I RR Revenue	Pct of Total Class I RR Assets
BNSF	$14,123,528	$37,078,487	29.5 %	26.0 %
CSX	8,170,380	24,453,060	17.1	17.1
NS	7,968,657	26,831,705	16.7	18.8
UP	14,116,528	39,719,230	29.5	27.8
Total	$44,379,093	$128,082,482	92.7	89.7
Total Class I	$47,848,649	$142,811,713	100.0 %	100.0 %

NOTE: Revenue and asset figures are from Annual Report Form R-1, submitted by Class I railroads to the STB at the end of March 2010 for the year 2009.

D. Types of Railroad Capital

The total capital of a firm may include various forms of debt and two types of equity; common stock and preferred stock. Each of these three sources of capital has different expected rates of return (reflecting different levels of perceived risk), and the overall cost of capital is calculated as the weighted average of the costs of common equity, preferred equity, and debt based on their market values. Different approaches are used to estimate the costs of each of the types of capital. In this statement, 97.5 percent of the cost of debt is calculated using bonds and similar instruments (including notes and debentures). The remaining 2.5 percent – in the form of Equipment Trust Certificates and Conditional Sales Agreements – is calculated with a long-used

[1] For 2008 (latest year available with total industry data), Class I railroads accounted for 93.7 percent of the entire freight railroad industry's freight revenue.

[2] For example, in the AAR's Ex Parte No. 491 filing, submitted February 15, 1991, 7 of the 14 Class I railroads that submitted an Annual Report Form R-1 met the criteria to be included in the composite railroad, and they accounted for 75 percent of the operating revenue for all Class I railroads.

model that utilizes market-determined yields for government debt, and the historical relationship between government debt and the type of railroad debt modeled. The estimate of the cost of common equity is a simple average of the results from two estimation methods. One method, the details of which are shown in this statement, is calculated using the Capital Asset Pricing Model (CAPM) following the methodology prescribed by the Board in the 2008 Cost of Capital decision. The other method, the details of which are also shown in this statement, is calculated using the Multi-Stage Discounted Cash Flow model methodology prescribed by the Board in the 2008 Cost of Capital Decision. The cost of preferred equity capital has not been calculated, since none of the representative companies had preferred stock outstanding at the end of 2009. Calculations for all three types of capital are based on data through 2009.[3] The industry's overall cost of capital is computed as a weighted average of the two costs — debt and common equity — based upon the market value for each type of capital.

III. Debt Capital in 2009

The current cost of debt is determined from the current market-determined yields on all debt outstanding. This approach is necessary, and in past Board Cost of Capital decisions[4] has been accepted as appropriate, because of the reasons listed below.

(1) There is a lack of sufficient new issues from which to develop a representative current cost.

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[3] The growth rates and market values used in the Multi-Stage Discounted Cash Flow model are from December 31, 2009.

[4] 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), 558 (Sub-No. 8), 558 (Sub-No. 9), 558 (Sub-No. 10), 558 (Sub-No. 11), and 558 (Sub-No. 12).

(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 exact 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.

(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.

(4) The quantity and quality of existing debt has an impact on the yield of new issues.

A. Bonds, Notes and Debentures

Yields and market values of the sample railroads' bonds, notes and debentures are obtained from bond prices and yields from Standard & Poor's *Bond XpressFeed* data base.[5] As in previous Cost of Capital determinations, the calculations are based on *all* of the sample railroads' bonds, notes, and debentures that were publicly traded during the year. The bonds that were publicly traded in 2009 represent 60 percent of the market value of all outstanding bonds that were issued by the sample railroads.[6]

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[5] 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.*

[6] 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.

1. Market Value of Bonds, Notes, and Debentures

The average market value for traded bonds, notes, and debentures is calculated using the methodology employed in previous Cost of Capital proceedings. For each of 61 traded bonds in 2009, an average price is calculated based on the simple average of monthly prices. The prices represent what the investor is willing to pay for the bond given its coupon rate and maturity date. The market value is the average market price (stated as a price per hundred dollars of principal) times the amount of debt outstanding as of December 31, 2009.[7] Where market prices are not available (i.e., for instruments that did not trade), the "face value" of the bond is assumed to be the price investors would pay. This assumption may slightly overstate the market value of some issues and understate the value of others, depending upon the relationship of the instruments' coupon rate and the current market rate. However, this possible variation is not likely to significantly affect the overall estimate of the cost of debt capital, since the differences are likely to be both small and offsetting, and since 59 percent of the book value of bonds is priced at market. Table 3 summarizes the results of the market value calculations for 2009. The market value for bonds, notes, and debentures that traded is $17.6 billion, an increase of 6 percent from the 2008's $16.6 billion. The non-traded value increased from $9.0 in 2008 to nearly $12.0 billion in 2009.

[7] Securities that were issued during the year were prorated by the ratio of the number of months outstanding (rounded to the nearest half month) to the twelve-month year, as done in past proceedings.

Table No. 3
Bonds, Notes and Debentures
Average Market Value

Railroad Co.	Traded Value ($000)	Non-Traded Value ($000)	Total Value ($000)	Weight Based on Traded
BNI	$5,736,076	$2,179,741	$7,915,817	32.63 %
CSX	3,121,230	4,536,554	7,657,784	17.76
NSC	4,582,692	2,102,861	6,685,553	26.07
UNP	4,136,773	3,151,579	7,288,352	23.54
Total	$17,576,771	$11,970,735	$29,547,506	100.00 %
Prior Year	$16,589,063	$9,030,275	$25,619,338	
Change	6.0%	32.6%	15.3%	

Appendix A lists details for each of the 61 bonds, notes, and debentures belonging to the composite railroad that traded in 2009 – and those instruments are summarized for each sample railroad in the front of the Appendix. Book values for non-traded debt are also listed.

2. Current Cost of Bonds, Notes, and Debentures

Table 4 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 (as shown in Table 3), determines the sample composite cost of bonds, notes and debentures. This weighted average is 5.669 percent.

Table No. 4
Bonds, Notes and Debentures
Weighted Current Cost

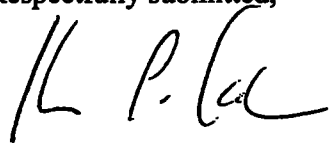
Railroad Co.	Weight	Current Cost
BNI	32.63 %	5.575 %
CSX	17.76	5.971
NSC	26.07	6.164
UNP	23.54	5.023
Total	100.00	5.669 %

As noted earlier, the current cost for bonds, notes, and debentures is based on traded instruments issued by the sample railroads. Appendix A contains the average yield for each of

Conclusion

The Board should determine that the railroads' cost of capital for 2009 is 10.47 percent.

Respectfully submitted,



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May 17, 2010

CERTIFICATE OF SERVICE

I hereby certify on this 17th day of May, 2010, I served by first class mail, postage prepaid, a copy of the forgoing on the following:

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In recent years prior to 2007, no new ETCs were issued by the sample railroads. An alternative method of estimating yield spreads between government bonds and ETCs was therefore necessary for Cost of Capital determinations for the years 2001 through 2006. For this period, the AAR relied on historical yield spreads to determine the current cost of ETCs. Consequently, the yield spread between ETCs and government bonds was an average of the spreads (government vs. BBB ETCs) used in the 1998 through 2000 Cost of Capital proceedings. That spread was 114 basis points. In 2007, however, a new ETC was issued, and its interest rate spread above government bonds was 125 basis points. There were no new ETCs issued in 2008, so the 2007 premium was used. However, in 2009, a new ETC was issued, and its interest rate spread above government bonds was 80 basis points. Because the 2009 ETC is the most current measure of the relationship between ETCs and government securities, its 80 basis point spread is used herein as the interest rate spread above government bonds. Table 5 lists twelve years of interest rate spreads. The 2009 spread is closest to the spreads from 1998 and 1999.

Table No. 5
History of Premiums for
Equipment Trust Certificates (ETC)

Data Year	Proceeding	Basis Points
1998	Ex Parte No. 558 (Sub-No. 2)	84
1999	Ex Parte No. 558 (Sub-No. 3)	87
2000	Ex Parte No. 558 (Sub-No. 4)	171
2001	Ex Parte No. 558 (Sub-No. 5)	114
2002	Ex Parte No. 558 (Sub-No. 6)	114
2003	Ex Parte No. 558 (Sub-No. 7)	114
2004	Ex Parte No. 558 (Sub-No. 8)	114
2005	Ex Parte No. 558 (Sub-No. 9)	114
2006	Ex Parte No. 558 (Sub-No. 10)	114
2007	Ex Parte No. 558 (Sub-No. 11)	125
2008	Ex Parte No. 558 (Sub-No. 12)	125
2009	Proposed for EP 558 (Sub-No. 13)	80

The methodology used to determine the cost of ETC debt is the same as the method employed and approved in previous proceedings. Risk-adjusted yields provide the basis to value each ETC. Using formulae suggested by Standard Security Calculation Methods, the market value of each maturity comprising an ETC is determined.[10] In effect, these formulae make it possible to determine the price investors would pay in 2009 for the contractual interest payments and price appreciation for holding the instrument. It is the most accurate way to compute the current cost of ETCs to the firm for the defined period. Computing the internal rate of return of the ETC prices and their associated cash flow streams establish the current cost for ETCs. The weighted-average cost for all modeled Equipment Trust Certificates is shown in Table 6.

---

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

For bonds with less than six months to maturity:

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

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

Table No. 6
Summary of Equipment Trust Certificates Modeled for 2009
($000)

Railroad	Amount Outstanding Beg.	Ending	Average	Yield	Current Market Value	Current Interest Amount	No. ETC
BNSF	$272,489	$242,771	$257,630	3.816%	$236,658	$9,032	7
CSX	$152,700	$126,900	$139,800	3.056%	$158,148	$4,834	6
NS	$96,300	$79,550	$87,925	2.944%	$97,756	$2,878	3
UP	$202,018	$178,243	$190,130	3.898%	$215,499	$8,400	5
Total	$723,507	$627,464	$675,485	3.551%	$708,061	$25,144	21

Weighing each railroad's yield, by its current market value for modeled ETCs, results in a current cost of 3.551 percent.[11] The average rate is lower than the 4.432 percent estimated for 2008. This is not surprising because the yield curve for government securities is lower in 2009 than 2008 (see Appendix B), especially for shorter-term rates. In addition, the 2009 interest rate spread used in the model is smaller than the spread used in the model for 2008. A summary of each railroad's modeled ETCs can be found in Appendix C, which includes a market value and a current yield. In addition, Appendix C also lists ETCs that were not modeled. ETCs can fail to be modeled for two reasons: (1) the ETC instrument 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 $708.1 million. Based on the assumption that the market value of non-modeled ETCs is the same as its book value, the market value of non-modeled ETCs is $55.9 million. The non-modeled ETC "market value" is listed in the Miscellaneous Debt category to comply with the Board's previous decisions.

[11] One new ETC has been added to the group since 2008, and its market value has been prorated at 45.833 percent (5.5 months divided by 12 months, full float used) because of the July 15, 2009 issue date.

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, their current cost has been determined 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 2009, as in 1989–1996 and 1998–2008, there were no issues of CSAs by the sample railroads. Therefore, an alternative method of estimating yield spreads was required using historical yield spread data to determine the current cost of CSAs. Similarly, historical yield spread data are used in this proceeding to determine the current cost of CSAs. Specifically, the yield spread for CSAs in 2009 is based upon the yield-spread relationship between ETCs and CSAs issued in 1997, which was used in the 1997–2008 Cost of Capital proceedings. This approach, which has been used and approved in prior proceedings, is the most practical and accurate method available for determining the cost of CSAs.

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. Adding this yield spread to the current ETC yield spread over government bonds of 80 basis points provides a 2009 CSA yield spread of 112 basis points over government bonds. Using this methodology, the current cost of Conditional Sales Agreements and their market value is shown in Table 7. Although the table is shown in

thousands, interest rate calculations are based on the full interest amount [$1,183,219] and full market value [$43,348,791].

Table No. 7
Summary of Conditional Sales Agreements Modeled for 2009
($000)

Railroad	Amount Outstanding Beg.	Ending	Average	Yield	Current Market Value	Current Interest Amount	No. CSA
BNSF	$0	$0	$0	–	$0	$0	0
CSX	45,481	34,111	39,796	2.730%	43,349	1,183	2
NS	0	0	0	–	0	0	0
UP	0	0	0	–	0	0	0
Total	$45,481	$34,111	$39,796	2.730%	$43,349	$1,183	2

Weighing each railroad's yield (only one railroad currently has CSAs), by its current market value for modeled CSAs, results in a current cost of 2.730 percent. Similar to ETCs, the yields reflected in the model are lower because of the lower yield curve for government securities and the lower yield spread. A summary of each railroad's (only one railroad still has this type of debt instrument) modeled CSAs can be found in Appendix D, which includes a market value and a current yield. In addition, Appendix D lists CSAs that were not modeled. Like an ETC, CSAs can fail to be modeled for two reasons: (1) the CSA instrument 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 $43.3 million. Based on the assumption that the market value of non-modeled CSAs is the same as its book value, the market value of non-modeled CSAs is $30.0 million. The non-modeled CSA market value has been listed with the Miscellaneous Debt category to comply with the Board's earlier decisions.

D. All Other Debt

Capital leases and miscellaneous debt such as commercial paper, demand deposits, and other instruments with relatively small amounts outstanding are listed as All Other Debt. To comply with past decisions of the Board, non-modeled Equipment Trust Certificates and Conditional Sales Agreements have been listed in this category. Capital Leases account for over 90 percent of the All Other Debt category.

Capital leases are contracts between two parties and as such take many forms.[12] Since capital leases are not traded in the marketplace, their current cost is not directly observable. The lack of complete information with respect to leases necessitates that many assumptions be made to estimate their current cost and their values. For market value purposes, capital leases are included at book value. Given the large number of these leases and the significant differences among their terms, this is the only practical option available. Because the cost of capital calculation assigns this debt a cost based on traded or modeled securities (bonds, notes, debentures, ETCs and CSAs) that typically have a lower cost, the cost used for capital leases will be somewhat understated.

Miscellaneous debt, such as commercial paper, demand deposits, and various instruments with extremely small amounts outstanding are also excluded from the current cost computations. Non-modeled Equipment Trust Certificates and non-modeled Conditional Sales Agreements are also included in the Miscellaneous Debt category. The book value (assumed market value) of capital leases, miscellaneous debt, non-modeled ETCs, and non-modeled CSAs is $3,919.0 million; as a percent of the total market value of debt of the composite railroad, it is 11.5 percent.

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

This treatment of All Other Debt is the same approach used in the previous cost of capital proceeding.

E. Market Value of Debt

Table 8 summarizes the total market value for each debt category. The total market value for traded and non-traded debt is $34,217.9 million. Bonds, Notes, and Debentures (Bonds) account for about 86 percent of the total market value. Approximately 59 percent of the Bonds' market value is determined by the results of trading throughout the year, while the remaining portion is based upon the book value of non-traded bonds.

Table No. 8
Market Value of Debt ($000)

Type of Debt	Market Value	Percent of Total	Percent of Subtotal
Bonds, Notes & Debentures	$29,547,506	86.35 %	97.52 %
Equipment Trust Certificates	708,061	2.07	2.34
Conditional Sales Agreements	43,349	0.13	0.14
Subtotal	30,298,916	88.55	100.00 %
All Other Debt*	3,919,014	11.45	
Total	$34,217,930	100.00 %	

* Non-modeled ETCs and non-modeled CSAs are included in All Other Debt.

Current costs can be determined for three of the four debt categories — Bonds, Equipment Trust Certificates, and Conditional Sales Agreements. Therefore, the weighted average cost of debt is based upon these three (of the four) debt categories (see subtotal column). The total market value of debt, used to determine the weight for debt in the overall cost of capital calculation, includes all four categories. The market value of debt, including traded and non-traded debt, is described in more detail in Appendix E.

F. Flotation Costs for Debt Capital

The cost of issuing new debt generally has two portions. First, 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 cover the banker's administrative costs in handling the sale and profits. Second, the issuer incurs expenses such as legal, accounting, and printing. Those types of expenses are quantified in the Securities and Exchange Commission's Form 424(b)(5), as are the investment banker's fee and other details of new debt offerings. 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 capital 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. In addition, the railroad will have its own internal costs such as legal and accounting. 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 $4 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.

Any 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.

In STB Ex Parte No. 558 (Sub-No.11), the Board stated that it "would welcome a better and more transparent calculation of flotation costs in future proceedings." Therefore, in Ex Parte No. 558 (Sub-No. 12), I calculated 2008 flotation costs for bonds using publicly available data from electronic filings with the Securities and Exchange Commission (SEC), and this method was found reasonable by the Board.[13] The filing types are "Prospectus Rule 424(b)(2)" and "Prospectus Rule 424(b)(5)". In addition to standard bond information such as coupon and maturity date, these filings also provide the price to investors, underwriter's fee, and railroad expenses excluding the underwriter's fee. Using the same method I used in Ex Parte No. 558 (Sub-No. 12), I have calculated a yield based on the price to investors and a yield that also included flotation costs. The difference between the two yields is the flotation cost expressed in percentage points. For 2009, five new issues were reported in four (one filing reported two new issues) filings. A simple average of the eight flotation costs is 0.103 points, only slightly lower than the 0.110 percentage points calculated for 2008. Page 1 of Appendix F contains a table with

[13] The SEC's EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system is available on the internet at the following address: http://www.sec.gov/edgar.shtml .

source data and calculations. Pages 2 and 3 of the same appendix contain, as an example, the pages from the SEC filing that were used as a source for one of the bonds. The source filings for all of the bonds have been included in the work papers. I believe the group of five new railroad debt issues provide the best source to determine flotation costs for 2009, and the fact that the resulting cost is similar to 2008 adds to my confidence in the 2009 number. I have therefore used 0.103 percentage points for the flotation costs for bonds.

The Securities and Exchange Commission (SEC) conducted a study of flotation costs using railroad ETC data for the years 1951, 1952 and 1955.[14] In that study, the SEC determined that ETC flotation costs averaged 0.89 percent of gross proceeds. For CSAs, neither recent nor historical data are publicly available, so the ETC figure is used.

Table 9 below calculates flotation costs for ETCs and CSAs using the flotation percent of gross proceeds discussed above. Current average yields on railroad ETCs and CSAs are assumed to be equal to the yield resulting from the price to investors for a new issue. Coupons are assumed to be paid twice per year. The duration for new ETCs and CSAs is assumed to be 15 years. Given the input data, effective yields can be calculated, and the difference between the yields excluding flotation costs and the yields including flotation costs are the flotation costs measured in percentage points. The results are flotation costs for ETCs of 0.078 percentage points. The figure for CSAs is somewhat similar, at 0.073 percentage points. This methodology is unchanged from last year.[15] It is the same method for calculating flotation costs was used by the Board in its 2007 and 2008 Cost of Capital decisions, and the 2009 figures are not far from the 0.082 percentage point calculation for ETCs in 2008.

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

[15] See Table No. 8 in Verified Statement of John T. Gray, Association of American Railroads, Ex Parte No. 558

Table No. 9
Flotation Costs for
Equipment Trust Certificates and
Conditional Sales Agreements

Given	**ETC**	**CSA**
Flotation Costs as Pct of Gross Proceeds	0.890%	0.890%
Avg. Railroad Yields (Tables 6 & 7)	3.551%	2.730%
Duration of New Instrument (Years)	15	15
Calculated		
Price After Flotation Costs	$99.11	$99.11
Effective Yield Including Flotation Costs	3.629%	2.803%
Difference Between Yields With and Without Flotation Costs =		
Flotation Cost as Percentage Points	**0.078%**	**0.073%**

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. The weights for each type of debt are based on market values for debt (excluding All Other Debt), as found in the Percent of Subtotal column in Table 8. All Other Debt is excluded from the weight calculation, since a current cost of debt for that category has not been determined. As shown in Table 10, flotation costs increase the cost of debt by 0.102 percentage points. This result is slightly lower than the Board's 0.109 percent points calculated in its 2008 Cost of Capital decision.

Table No. 10
Flotation Costs For Debt

Type of Debt	**Market Weight**	**Floatation Cost**
Bonds, Notes & Debentures	97.52%	0.103%
Equipment Trust Certificates	2.34%	0.078%
Conditional Sales Agreements	0.14%	0.073%
Total	100.00%	0.102%

(Sub-No. 12).

G. Conclusion as to the Cost of Debt Capital

To determine the overall composite current cost of debt, the current cost of each of three categories of debt (Bonds, ETCs and CSAs) is multiplied by 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.

Table No. 11
Composite Current Cost Of Debt

Type of Debt	Market Weight	Current Cost
Bonds, Notes & Debentures	97.52%	5.669%
Equipment Trust Certificates	2.34%	3.551%
Conditional Sales Agreements	0.14%	2.730%
Subtotal	100.00%	5.615%
Flotation Costs		0.102%
Weighted Cost of Debt		5.717%
Weighted Cost of Debt (Rounded)		**5.72%**

The current weighted cost of debt before flotation costs is 5.615 percent. The addition of flotation costs results in a rounded cost of debt of 5.72 percent. This cost of debt is lower than the 6.57 percent decided for 2008, and it is one of the lowest cost of debts ever calculated. Since 1978, only three years have had lower current cost of debts.[16] Additional details for the 2009 calculation of the overall cost of debt are provided in Appendix G.

[16] The AAR's *Railroad Facts* book conveniently lists all cost of debt decided by the Board, and its predecessor, since 1978, on page 19 of the 2009 edition.

IV. Common Equity Capital In 2009

A. The Market Value of Common Equity Capital

The market value of common equity is based on stock prices and shares outstanding for 2009. Table 12 below summarizes the market value calculation. The Weight column, which is not used directly in our calculation, is provided as additional information.

Table No. 12
Average Market Value
For Common Equity in 2009

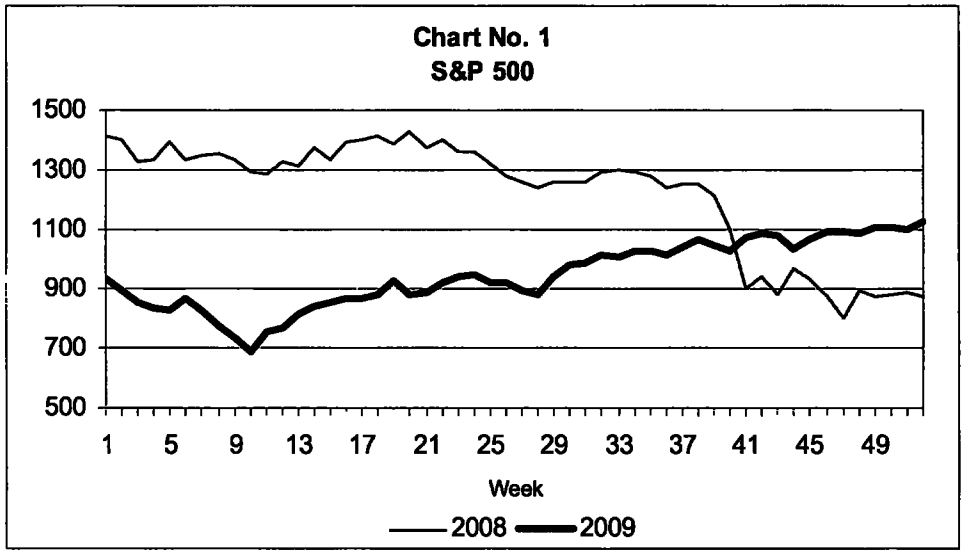
Railroad Co.	Value ($000)	Weight %
BNI	$26,171,545.1	31.40 %
CSX	14,690,076.8	17.62
NSC	15,517,706.5	18.62
UNP	26,970,547.4	32.36
Total	$83,349,875.8	100.00 %
Prior Year	$108,575,036.0	
Change	-23.2%	

Details of the calculation are presented in Appendix H. Calculations for 2009 included 52 weeks. Week 1 began on Monday January 5, and is the first week after 2008's week 53 used in last year's calculation. Weekly market values were calculated for each railroad using shares outstanding data from railroad 10-Q and 10-K reports multiplied by stock prices at the close of each week in 2009.[17] BNSF's share prices from November through December 2009, following the announcement of Berkshire Hathaway's announcement of its intention to acquire BNSF, have been appropriately included in the market value calculation since the BNSF stock was still trading at that time. If a market price is defined as the price that buyers and sellers agree to trade the stock in an open market, then BNSF stock prices must be included for the full year 2009 – or else

[17] The 10-Q and 10-K reports are filed with the U.S. Securities and Exchange Commission (SEC), and are available from railroad web sites or the SEC web site.

the "market value" in Table 12 would not really be market value. I have more discussion on the BNSF stock price in section E.

The 52-week average market capitalization of the composite railroad (the four railroads that comprise the composite sample), listed on page 5 of Appendix H, is $83,349.9 million. Weekly numbers for approximately the first ten months of 2009 were well below the figures for 2008, with differences as high as 47 percent. However, the last two months of 2009 had *higher* market values than 2008, caused by a combination of increasing stock prices in 2009 and falling stock prices in 2008 that resulted in an "easier" comparison. The stock market, as represented by the Standard & Poor's 500, also recovered at the end of 2009 (see Chart 1) – although the market began eclipsing 2008 earlier than the railroads. Thus, the average railroad market value for 2009 is "only" 23.2 percent lower than the value for the previous year.



B. The Capital Asset Pricing Model (CAPM)

The cost of equity is a measure of investor expectations, including 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. There are several methods available to estimate the cost of equity. Two of these methods, the Capital Asset Pricing Model (CAPM) and a Multi-Stage Discounted Cash Flow Model (MSDCF) are used in this statement to compute an estimate for the cost of equity — in accordance with STB Ex Parte No. 558 (Sub No. 13). The CAPM is discussed herein, and the MSDCF is discussed in the next section.

The theory underlying the CAPM is that an investor seeks a risk-free return plus a premium that is dependent upon risk. In formulaic terms, the cost of equity as estimated by the CAPM may be expressed as:

$$K = RF + Beta\ (MRP)$$

Where K = the firm's cost of equity,
RF = the risk-free rate,
MRP = the market's risk premium, and
Beta = the coefficient of systematic, non-diversifiable risk of the stock.

Therefore, each firm's cost of equity depends on the non-diversifiable risk of its common stock, represented in the model as beta. The risk-free rate (RF) is typically represented by the rate of a U.S. Government (Treasury) instrument. The market risk premium (MRP) is the expected future difference between returns for the overall stock market and risk-free returns. That expected difference is typically estimated using historical differences. Beta is the coefficient of systematic, non-diversifiable risk of the stock, which depends on its volatility and its correlation with the overall stock market. The beta for the overall stock market is 1.0. Firms with higher risk will have a beta above 1.0, while firms with lower risk will have a beta below 1.0. As with

the market risk premium, betas are also typically estimated using historical relationships. The methodology used for the CAPM calculation — including details for using certain inputs — follows the methodology prescribed and clarified by the STB in the 2008 Cost of Capital decision.[18]

1. Risk-Free Rate (RF)

In all three decisions regarding the CAPM, the Board has specified a risk-free rate based on an average yield to maturity for a 20-year U.S. Treasury Bond. The average yield-to-maturities for U.S. Treasury Bonds are available from the Federal Reserve web site, and I have again utilized this resource to retrieve data for 2009.[19] A copy of the "download" from the Federal Reserve web site is included in my work papers. Table 13 (below) lists a 15-year history of this bond.

[18] Ex Parte No. 558 (Sub-No. 12), Railroad Cost of Capital – 2008, served September 25, 2009

[19] Federal Reserve's web site is http://www.federalreserve.gov/releases/H15/data.htm. Select Treasury Constant Maturities, Nominal, 20-year, Annual.

Table No. 13
20-Year U.S. Treasury Bonds 1995 - 2009

Year	Average Annual Rate
1995	6.95 %
1996	6.83
1997	6.69
1998	5.72
1999	6.20
2000	6.23
2001	5.63
2002	5.43
2003	4.96
2004	5.04
2005	4.64
2006	5.00
2007	4.91
2008	4.36
2009	4.11

Source: Federal Reserve

As can be seen in Table 13, the 4.11 percent average 2009 rate for 20-Year U.S. Treasury Bonds is the lowest figure in the fifteen-year period. Furthermore, based on the observation of interest rates listed in the Economic Report of the President, many long-term interest rates are near their lowest level since the mid-1960s.[20]

Using the average yield to maturity in 2009 for a 20-year U.S. Treasury Bond, as directed in STB Ex Parte No. 558 (Sub No. 13), the CAPM's risk-free rate is 4.11 percent.

[20] *Economic Report of the President 2010,* TABLE B–73.—*Bond yields and interest rates, 1929–2009.*

2. Market Risk Premium (MRP)

In previous decisions, the STB has required that the market risk premium (a.k.a. equity risk premium) calculation begin with year 1926, which is a standard approach. The Standard & Poor's 500 Index is to be used as the representative of the market — also a standard approach. The STB's decision also stated that the "data are also available from a variety of commercial vendors, including Ibbotson."

Since the Ibbotson Equity Risk Premium is well regarded and widely accepted, the 2009 market risk premium from the *Ibbotson SBBI 2010 Valuation Yearbook* published by Morningstar is used.[21] This is the same source used in the 2006 through 2008 decisions. Table 5-1 on page 54 of the 2010 *Ibbotson SBBI* lists the Long-Horizon Equity Risk Premium that is based on the Standard & Poor's 500. The number is 6.67 percent, which I will use as the rate for the CAPM's market risk premium.

3. Beta

The STB Ex Parte No. 664 decision requires parties to calculate the CAPM's beta using a portfolio of weekly, merger-adjusted stock returns for the prior five years in the following equation:

$$R - SRRF = Alpha + Beta\ (RM - SRRF) + E$$

Where:

R	=	merger-adjusted stock returns for the portfolio of railroads;[22]
SSRF	=	short-run risk-free rate represented by 3-mo. U.S. Treasury Bills;
Alpha	=	constant term;
Beta	=	coefficient of systematic, non-diversifiable risk;
RM	=	return for the market, represented by the S&P 500; and
E	=	random error term.

[21] Ibbotson Associates is a wholly-owned subsidiary of Morningstar, Inc. "SBBI" stands for "Stocks, Bonds, Bills, and Inflation.

[22] Railroads must meet the screening criteria set forth in *Railroad Cost of Capital – 1984.*

In its Railroad Cost of Capital – 2006 decision, the STB clarified its beta calculation methodology. The STB noted that "[t]he proper way to arrive at the weekly portfolio change is to calculate the weekly stock percentage change for each firm, weighted by that firm's share of the industry as a whole." The STB also determined that the Standard & Poor's 500 Price Index, which is publicly available, should be used as a proxy for the Standard & Poor's 500 Total Return Index, unless the Total Return Index is made available to the public.

Using the STB instructions, the value for beta can be solved for using a linear regression. The railroad portfolio return less the short-term risk free rate is the dependent variable, while the market return less the risk free rate is the independent variable. The regression's random error term is unknown, the intercept is the Alpha, and the coefficient for the explanatory variable is the beta.

The raw regression data set used in the AAR calculation is derived from publicly available data from web sites on the internet (for further information, see the work papers). As instructed, I have used weekly stock price data for the prior five years. The raw data consists of weekly observations from the last week of 2004 (Week 0) through the last week of 2009 (Week 261). The data set label variables identify the first day of trading during the week (typically Monday), but the close prices were for the last day of trading during the week. Week 1 in the regression data set is the week beginning Monday, January 3, 2005. The last week, Week 261, began on Monday, December 28, 2009. During that week, stock traded during 2009 for 4 of the 4 trading days, so it is included as part of 2009. Week 0 began on December 27, 2004, and it is *not* directly used in our regression for beta. The purpose of having a Week 0 is to be able to calculate the

return for Week 1. This enables a Week 1 return to be included in the regression data set as clarified by the Board on page 7 of its 2008 cost of capital decision.[23]

Three categories of data are necessary for the raw regression data set. First, weekly stock prices for BNI, CSX, NSC, and UNP are downloaded from a free web site.[24, 25] The price data were downloaded during the first week of 2010, and are included in my work papers. Stock prices adjusted for dividends and splits are used as the regression's dependent variable, while prices that are only adjusted for splits are used for weighting.[26] (I have adjusted shares outstanding and stock prices for splits for easier comparison to the dividend-adjusted prices. However, original shares outstanding used with original prices will achieve the same results when used for weighting purposes.) The price index values for Standard & Poor's 500 Price Index were also downloaded from the same web site. Second, stock shares outstanding, and an effective date, were gathered from each railroad's 10-Q and 10-K reports. The shares outstanding data were adjusted for stock splits, if necessary. For each railroad, a shares outstanding value is assigned to each week based upon the latest available 10-Q or 10-K submissions by that railroad to the Securities and Exchange Commission.[27] The final piece of

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[23] Ex Parte No. 558 (Sub-No. 12), served September 25, 2009.

[24] The Burlington Northern Santa Fe Corporation has a stock symbol of BNI, CSX Corporation is CSX, Norfolk Southern Corporation is NSC, and Union Pacific Corporation is UNP.

[25] The Yahoo! Finance web site was used. Go to http://finance.yahoo.com/q/hp?s=BNI to start with the first railroad (BNI). Select weekly data and a date range.

[26] The dividend-adjusted values may differ for a given week if the data are down-loaded at different times during the year, especially if dividends have been paid during the interim time. For example using the week beginning December 29, 2008: BNI close price is always $78.45, but the adjusted close was 78.45 for a January 7, 2009 download – and it was $77.86 on a March 18, 2009 download. The difference appears to affect the fourth digit after the decimal for beta calculations.

[27] For example, BNSF reported 371,220,104 shares outstanding as of October 24, 2003 in its third quarter 2003 10-Q report, and 372,258,486 shares outstanding as of February 2, 2004 in its 2003 10-K report. Therefore, the first five weeks were assigned 371,220,104 shares outstanding. Because week 6 (began February 9) was the first full week after February 2, it was assigned 372,258,486 shares outstanding. This methodology is consistent with the STB's Ex Parte No. 558 (Sub-No. 12) decision.

raw data is the rate for 3-Month U.S. Treasury Bills. These securities are also known as 13-Week Treasury Bills or 90-Day Treasury Bills. The Treasury Bill rates are acquired from the Federal Reserve web site, and the "download" is included in my work papers.

SAS statistical software is used to run the regression analysis to calculate beta, and to prepare the regression data set from the raw data.[28] Prior to running the regression, the weekly stock percentage change for each railroad is calculated and weighted by that railroad's share of the industry as a whole to create a composite railroad return.[29] Weekly returns are also calculated for the Standard & Poor's 500 Price Index (the proxy for the market as a whole). Each week's three-month Treasury Bill rate, which is the measure employed for the short-run risk-free rate, is restated from an annual to a weekly rate to make it comparable to the weekly returns. The weekly Treasury Bill rates are then deducted from the composite railroad portfolio returns and market returns as was done in the two previous cost of capital submissions. The resulting regression data set has 261 observations (weeks 1 through 261), since week 0 of the raw data set was used only to calculate a return for week 1.

In all of our previous beta calculations, we have converted annual Treasury Bill rates to weekly rates using a method that accounts for compounding. We believe that accounting for compounding is the correct method, and note that another party agrees – the STB mentions in its 2008 Cost of Capital decision that "(B)oth AAR and WCTL applied a compound interest equation...." The STB specified in its 2008 Cost of Capital 2008 decision on page 7 to simply divide the annual Treasury bill rates by 52 weeks. However, the resulting "weekly" rate, when multiplied times itself 52 times, will not equal the original annual rate like a weekly rate

[28] SAS Institute Inc., Cary, NC

[29] Since the weight needs to be the weight at the beginning of the week instead of the end of the week, data from the

calculated using the compound method. To comply with the STB, we have used their method to convert annual Treasury Bill rates to weekly rates. However, I have also calculated a beta using weekly Treasury Bill rates calculated using a compound method.

The SAS General Linear Model procedure is used to calculate the regressions, with composite railroad returns less the short-run risk-free rate as the dependent variable and the market returns less the short-run risk-free rate as the independent variable. As a check against our beta calculations, spreadsheets have also been utilized to calculate the two betas, and the results matched the SAS calculations. As specified by the STB decisions, both regressions include an intercept. Appendix I contains a summary of the regressions using SAS. The spreadsheet versions are included in my work papers.

The regression using the STB method for converting annual Treasury Bill rates to weekly rates resulted in a beta estimate of 1.091476, which rounds to 1.0915. The regression using a compound method for converting annual Treasury Bill rates to weekly rates resulted in a beta estimate of 1.091468, which also rounds to 1.0915. While it is tempting to dismiss the difference between the two Treasury Bill conversion methods as inconsequential to the resulting beta, we believe the Board may want to rethink their oversimplification and make a technical correction to their methodology. Our use, in the remaining portion of this statement, of the beta resulting from the STB's method for converting annual Treasury Bill rates to weekly rates, is not an endorsement of the STB's method.

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end of the previous period are used to represent the beginning of the current period.

In my 2008 Cost of Capital statement, I said that "the 0.9338 Beta for 2008 is an aberration that will probably have a higher value in next year's cost of capital calculation."[30] Indeed, the 2009 beta is higher than the 2008 estimate, and not far from 2007's value of 1.1027.

We have evaluated our beta calculations by (1) comparing it to previous years and the expected direction of change, and (2) comparing the results of two independent calculations using data sets created independently. The resulting value of 1.0915 for beta, as calculated in our regression, is used as an input to the Capital Asset Pricing Model.

4. Cost of Equity Using the CAPM

A review of the Capital Asset Pricing Model (CAPM) is as follows:

$$K = RF + Beta\ (MRP)$$

Where K = the cost of equity for the portfolio of railroads,
RF = the risk-free rate,
MRP = the market's risk premium, and
Beta = coefficient of systematic, non-diversifiable risk.

Our CAPM used the methodology clarified by the STB in Ex Parte No. 558 (Sub-No. 12). Table 14 is a summary of our CAPM cost of common equity calculation, which resulted in an average 2009 cost of equity estimate for the composite railroad of 11.39 percent.

[30] Ex Parte No. 558 (Sub-No. 12), Railroad Cost of Capital – 2008, Comments of the Association of American Railroads and its Member Railroads, submitted April 20, 2009, Verified Statement of John T. Gray, page 31.

Table No. 14
Cost of of Common Equity
Using STB's Capital Asset Pricing Model

Inputs to Model		
Risk-Free Rate	4.11 %	From Table No. 13
Market Risk Premium	6.67 %	From SBBI, p.54
Beta	1.0915	From Appendix I
Calculation		
Risk-Free Rate	4.11 %	Given
Plus: Beta Adjusted Risk Premium	7.28 %	Beta x Mkt. Risk Prem.
CAPM Cost of Equity	11.39 %	Risk-Free Rate + Prem.

C. The Multi-Stage Discounted Cash Flow Model

As stated earlier, there are several methods available to estimate the cost of equity. The Multi-Stage Discounted Cash Flow Model (MSDCF) is another model available. Using this model, the cost of equity is the discount rate that equates a firm's market value to the present value of the expected stream of free cash flow that is potentially available for distribution to equity investors. The multiple stage portion of the model accounts for the assumption that the firm will not experience a constant growth rate throughout its life. The STB, in Ex Parte No. 664 (Sub No. 1), adopted the Morningstar/Ibbotson MSDCF model to use for estimating the cost of common equity capital.[31] This model assumes that not all investor cash flows have to be in the form of dividends. Instead, investors benefit from regular dividends, special dividends, stock buybacks, or stock price appreciation. Major inputs to the model include cash flows, expected growth rates, and market values. An equation for this model can be found in my Appendix J. A

[31] The Morningstar/Ibbotson MSDCF model adopted by the Board in Ex Parte No. 664 (Sub-No.1) is a modified version that includes only the railroads that pass the screening criteria set forth in Railroad Cost of Capital – 1984, 1 I.C.C. 2d 989 (1985), for inclusion in the sample of railroads used for the annual cost of capital determination. See Ex Parte No. 664 (Sub-No.1), *Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital,* served January 28, 2009.

firm's present value as determined by the market is therefore equal to the some of the present value of three sets of cash flows. This is the same formula that appeared in the Appendix to the Board's decision in Ex Parte No. 664 (Sub-No.1) served August 11, 2008, and it is the same formula found in the AAR's submission for the 2008 cost of capital.[32]

1. Cash Flows

The Morningstar/Ibbotson MSDCF model uses an initial cash flow and a terminal cash flow input as inputs. The initial cash flow is defined as income before extraordinary items minus capital expenditures plus depreciation plus deferred taxes. Income before extraordinary items (IBEI) is derived by deducting extraordinary items from net income. Thus, the model's formula for cash flows is as follows:

$$CF = (NI - EI) - CAPEX + DEP + DT$$

Where CF = cash flow,
NI = net income,
EI = extraordinary items,
CAPEX = capital expenditures,
DEP = depreciation, and
DT = deferred taxes.

The Morningstar/Ibbotson MSDCF model utilizes five-year moving averages for each railroad. The years used in this case are 2005 through 2009. Following Ibbotson procedure, data for the most recent year are copied from each railroad's annual 10-K report each year, while previous year data remain unchanged.[33] The 10-K reports, which are filed with the Securities and Exchange Commission, are usually available each year around February. In addition to the data

[32] See the Appendix in the verified statement of Dr. Bruce E. Stangle, witness for the Association of American Railroads, in Ex Parte No. 558 (Sub-No. 12), submitted April 20, 2009. 3

[33] See the work papers (Part 1) belonging to Dr. Bruce E. Stangle, witness for the Association of American Railroads, in Ex Parte No. 558 (Sub-No. 12), submitted April 20, 2009. The source for each year of cash flow data is that year's 10-K report.

points listed above, sales (a.k.a. revenue) is used as part of a smoothing (or averaging) process. All data are retrieved from either the 10-K's income statement or statement of cash flows. Table 15 illustrates the Morningstar/Ibbotson process to calculate an average cash flow. Revenue, Net Income, and Extraordinary Items are sourced from the Income Statement. Depreciation, Deferred Taxes, and Capital Expenditures are sourced from the Statement of Cash Flows.

Table No. 15
Example Cash Flow Calculations for CSX in 2009
($ in millions)

	2005	2006	2007	2008	2009	Total
Net Income	$1,145	$1,310	$1,336	$1,365	$1,152	$6,308
Less Extraord. Items	425	0	110	0	15	550
Inc. Bef. Extraord. Items (+)	$720	$1,310	$1,226	$1,365	$1,137	$5,758
Capital Expenditures (-)	$1,136	$1,639	$1,773	$1,740	$1,447	$7,735
Depreciation (+)	833	867	890	918	908	4,416
Deferred Taxes (+)	-46	42	272	435	436	1,139
Cash Flow	$371	$580	$615	$978	$1,034	$3,578
Revenue (a.k.a. "Sales")	$8,618	$9,566	$10,030	$11,255	$9,041	$48,510

Ratio of Cash Flow to Sales (Smoothed Ibbotson-style) = ($3,578 / $48,510) =	0.07376
Initial Cash Flow in 2009 (Smoothed Ibbotson-style) = (0.07376 x $9,041) =	**$666.85**
Ratio of IBEI to Sales (Smoothed Ibbotson-style) = ($5,758 / $48,510) =	0.11870
Terminal Cash Flow input (Smoothed Ibbotson-style) = (0.11870 x $9,041) =	**$1,073.14**

After the financial data are collected, they are combined (Total column in the example) into a five-year cash flow for the purpose of averaging or smoothing. The average cash flow for 2009, which is the initial cash flow in the model, is calculated by multiplying revenue for 2009 times the five-year average ratio of cash flow to revenue. In our example here, the model's input for the initial cash flow is $666.85 million. The ratio of cash flow to sales is calculated by dividing the five year total cash flow by the five year total revenue.

The model's terminal cash flow value is based on the assumptions that in the third stage of the model, depreciation equals capital expenditures, and deferred taxes are zero. Therefore, the

depreciation and capital expenditures from the initial cash flow formula cancel each other, and deferred taxes are eliminated because they are zero. The remaining part of the equation for the model's terminal cash flow is income before extraordinary items (IBEI), which we calculate by subtracting extraordinary items from new income. In our Table 15 example, the model's input for the terminal cash flow is $1,073.14 million. The model's terminal cash flow input is calculated by multiplying revenue for 2009 times the five-year average ratio of income before extraordinary items to revenue. The ratio of income before extraordinary items to sales is calculated by dividing the five year income before extraordinary items by the five year total revenue.

All cash flow calculations have been calculated using the same procedure used by the AAR for the previous cost of capital determination. Data sources (10-K reports) are also the same. The STB reviewed the AAR cash flow inputs in STB Ex Parte No. 558 (Sub-No. 12), and they were accepted. Appendix K contains the four railroad cash flow calculations for 2009. The pages from the 2009 10-K reports that were used as data sources for cash flows are included in my work papers. Data for prior years (2005-2008) used in this year's calculation, are unchanged from the 2008 submission. In any cases where a railroad has restated the prior year's data, original data were still used in the model instead of revised data, following the Ibbotson procedure that was used in Dr. Stangle's 2008 cash flow calculations.

2. Growth Rates

The first stage of the Morningstar/Ibbotson MSDCF model applies to a period that is one to five years in the future. The current year (2009) is considered to be year 0. In each year of the first stage, a firm's annual earnings growth rate is assumed to be the median value of the firm's three- to five-year growth estimates that are made by railroad industry analysts after the release of

the year-end financial statements. In Ex Parte No. 558 (Sub No. 12), the STB clarified their interpretation of the Morningstar/Ibbotson MSDCF model by specifying December 31 dates for growth rates, stock prices, and stock shares outstanding.[34] Therefore, we have utilized growth rates available at the end of 2009.

For many years, analyst growth rate estimates were collected, and distributed, by the Institutional Brokers Estimate System (a.k.a. IBES or I/B/E/S). In recent years, the IBES growth rates have been distributed by Thomson Financial through its Thomson ONE Investment Management service. Although the term "IBES" is rarely used by Thomson, many users of the data still refer to these growth rates as "IBES" growth rates. Thomson Financial also distributes medians of the IBES growth rate estimates on a historical basis through its Thomson ONE Banker service. The median estimates provided through the Thomson ONE Banker service do not always reflect the full set of growth rate estimates. Therefore, I have utilized all estimates available from the Thomson ONE Investment Management service, and determined medians based on that data. These growth rates are described in the Thomson Financial Glossary as the expected annual increase in operating earnings over a company's next full business cycle. A worktable and the source data are included in Appendix L. Table 16 below lists the median growth rate estimates.

[34] STB Ex Parte No. 558 (Sub-No. 12), Railroad Cost of Capital – 2008, served September 25, 2009.

Table No. 16
2009 Thomson Median Growth Rate Estimates

Company	Stock Symbol	Growth Rate
Burlington Northern Santa Fe	BNI	12.00 %
CSX Corporation	CSX	11.60
Norfolk Southern Corporation	NSC	12.00
Union Pacific Corporation	UNP	13.10
Average		12.18

Thus, the median growth rate estimates have been retrieved using the same procedure and source used by the AAR last year, with a difference only in the month for which the growth rates were retrieved. In the AAR's submission for 2008, growth rates from March 31 were used in order to be consistent with the AAR's Ex Parte 664 (Sub- No. 1) filing and the Morningstar/Ibbotson model. To comply with the preference of the Board stated in its cost of capital decision for 2008, growth rates from the *end* of 2009 (see Appendix L) have been utilized. Each individual railroad's median growth rate is used in the first stage of the Morningstar/Ibbotson MSDCF model.

The second stage of the Morningstar/Ibbotson MSDCF model applies to a period six to ten years in the future. In this stage, the cash flows at the end of year five are assumed to grow at the simple (not weighted) average of the individual firm medians used in the first stage. In Table 16, the average of the median growth rates is 12.18 percent. This is the growth rate that will be used for all railroads in the second stage of the Morningstar/Ibbotson MSDCF model.

The third stage of the MSDCF model begins 11 years in the future and continues in perpetuity. Starting in year 11, the firm's growth rate is assumed to be the long-run nominal growth rate of the aggregate U.S. economy. For 2009, the long-run nominal growth rate used by Morningstar/Ibbotson is 5.8 percent, which is the sum of the long-run expected growth in real

output (3.3 percent) and long-run expected inflation (2.6 percent).[35] (Because of rounding, Ibbotson states that the sum of these two rates is 5.8 percent instead of 5.9 percent.) The Morningstar/Ibbotson long-run growth rate was used and accepted in last year's filing, and I am using it here.

3. Market Values

The final inputs to the Morningstar/Ibbotson MSDCF model are the stock market values for the equity of each railroad. The market values serve two purposes. First, a firm's market value is a necessary part of the MSDCF model. As stated earlier, each railroad's cost of equity in the MSDCF model is determined by solving for the discount rate that equates a firm's *market value* to the present value of the expected stream of free cash flow that is potentially available for distribution to equity investors. The second need for market values is to determine weights for combining the model's cost of equity for each individual railroad into the composite railroad mandated by the Board. Thus, Table 17 below calculates the market value for each railroad, and it uses the market values to calculate weights.

Table No. 17
Market Value on December 31, 2009

Company	Stock Price	Shares Outstanding	Market Value ($mil)	Weight
BNI	$98.62	340,435,006	$33,573.7	32.241 %
CSX	$48.49	392,558,925	19,035.2	18.279
NSC	$52.42	367,893,915	19,285.0	18.519
UNP	$63.90	504,549,218	32,240.7	30.961
Total		1,605,437,064	$104,134.6	100.000 %

[35] *Ibbotson SBBI, 2010 Valuation Yearbook, Market Results for Stocks, Bonds, Bills, and Inflation 1926-2009,* Morningstar Inc., page 51.

As directed by the Board, I have used stock prices (from Yahoo Finance) for December 31, 2009, and shares outstanding from the 2009 Q3 10-Q reports (the latest information available prior to December 31) filed with the Securities and Exchange Commission. Market value is simply each firm's stock price multiplied by its shares outstanding, and weights are based on the market values. Appendix M contains the stock price pages as retrieved from Yahoo Finance, and it also contains the 10-Q pages used for shares outstanding.

4. Cost of Equity Using the MSDCF Model

The equation found in Appendix J provides the mathematical formula that is used to generate the three-stage DCF cost of equity estimates for each railroad. The left side of this equation is the market value of the firm in year 0. The right side of the equation is the discounted value of the cash flows from the three stages of the firm's expected future growth. Essentially, this equation is solved for each firm by simply testing discount rates (cost of equity) in an effort to find one that causes the sum of the present values of the cash flows for the three stages to be equal to the market value at year 0. An iterative process can be used to narrow down the possible solutions to the ultimate answer, or Microsoft Excel's Solver function can be used to automate the process.[36]

Applying the methods described above, I have calculated a cost of equity for each of the four railroads specified using a spreadsheet similar to the one utilized in the 2008 filing. Using an initial cash flow, an input for calculating the terminal cash flow, growth rates for each of the three stages, and a market value effective December 31, I have solved for the discount rate (cost of equity) that causes the sum of the present values of cash flows for each stage to equal the

[36] A commonly used Excel user's manual describes the Solver function as follows: "Solver is an Excel add-in that goes several steps further than goal seeking. It uses the same basic trial-and-error approach (known to scientific types as an iterative approach), but it's dramatically more intelligent than goal seeking." See Matthew McDonald,

firm's market value. My spreadsheet is displayed in Appendix N. Table 18 below shows the MSDCF estimate for each of the four railroads. In the same table, I have also calculated an MSDCF cost of common equity (using weights from Table 17 and the individual railroad cost of equities) for the composite railroad, which is the current cost of equity for this model. Thus, the MSDCF produces a cost of equity of 13.46 percent for 2009, which is 2.49 percentage points lower than the cost found by the Board for this model in the 2008 determination.

Table No. 18
Cost of Equity Using STB's Ibbotson MSDCF

Company	Weight	Cost of Equity	Weighted Calculation
BNI	32.24%	13.10 %	4.22
CSX	18.28%	13.46	2.46
NSC	18.52%	14.83	2.75
UNP	30.96%	13.02	4.03
Total	100.00%		
Weighted Current Cost of Equity			**13.46 %**

D. Conclusion as to the Cost of Common Equity Capital

In the STB's Ex Parte No. 558 (Sub-No. 13) decision served March 29, 2010, the Board specified that it will use a "methodology followed in *Railroad Cost of Capital – 2008*", which means that a simple average of the estimates produced by the CAPM adopted in STB Ex Parte No. 664 and the Morningstar/Ibbotson Multi-Stage DCF Model specified in STB Ex Parte 664 (Sub No. 1) should be used. Table 19 contains the cost of equity estimated by each model, and a simple average of the estimates. The cost of common equity for 2009 is 12.43 percent, and this is a decrease of 0.74 percentage points from the 2008 cost of equity of 13.17 percent.

Excel: The Missing Manual, O'Reilly Media, 2005, p. 519.

Table No. 19
Cost of of Common Equity Capital

Model		
Capital Asset Pricing Model	11.39 %	From Table No. 14
Multi-Stage Discounted Cash Flow	13.46	From Table No. 18
Cost of Common Equity	12.43 %	Average

E. BNSF Share Prices and the Cost of Common Equity Capital

On November 3, 2009, Berkshire Hathaway and Burlington Northern Santa Fe announced a definitive agreement for Berkshire Hathaway to acquire, for $100 per share in cash and stock, the remaining 77.4 percent of outstanding BNI stock not currently owned by Berkshire Hathaway.[37] (BNSF Railway is the railroad, Burlington Northern Santa Fe Corporation is the railroad holding company, and BNI is the stock market ticker symbol for the company – the three are used interchangeably herein.) The purchase price constituted a roughly 30% increase over the previous BNI closing share price.[38] Although the Berkshire Hathaway offer was for $100 per share, the transaction was not approved by Burlington Northern Santa Fe shareholders until February 11, 2010, and BNI stock traded in the high $90s for the remainder of 2009.[39] The transaction was finalized on February 12, 2010.[40]

In its request for comment regarding how the change in BNSF's share prices "should be considered for purposes of calculating the railroad industry's 2009 cost of common equity capital", the Board is apparently concerned about whether the Berkshire Hathaway offer to acquire BNI shares at a price approximately 30% higher than the previous closing price should be

[37] See Berkshire Hathaway/BNSF Press Release dated November 3, 2009 in Appendix O.
[38] Weekly stock prices for BNI can be found in Appendix H, page 1.
[39] See BNSF News Release dated February 11, 2010 in Appendix O.
[40] See Berkshire Hathaway News Release dated February 12, 2010 in Appendix O.

viewed as somehow having the potential to skew the railroad cost of common equity calculation for this period.[41] The Board's concern is unwarranted.

By its very nature, the price offered and accepted for an asset in the marketplace *is the market price.* The fact that a price paid to consummate a sale may be above (or below) some previous market level is of little, if any, relevance. (Interestingly, the $100 price offered by Berkshire Hathaway is *below* the BNI closing high of $114.56, achieved on June 5, 2008.)

Investors base their investment decisions on the expectations for achieving a reasonable return on the various investment opportunities available to them commensurate with the risk involved. The investment outlook hinges on the potential return that can be generated and the probability of realizing that return. For any given transaction, different bidders will typically proffer divergent purchase prices. The variance among these price proposals is influenced, in part, by the perceived value of the purchase to the potential purchaser. What is an adequate, appropriate, or acceptable price can only be determined by the facts and circumstances pertaining to the economic interests and expectations of the parties involved.

If a railroad is purchased at a so-called "premium" share price, it is because the benefits of that purchase are anticipated to produce an acceptable return commensurate with the risks involved to the purchasing entity (i.e., Berkshire Hathaway) over its investment horizon. Simply put, the price paid by Berkshire Hathaway for BNI common equity is the price that Berkshire Hathaway believes the shares are worth in the marketplace based on its evaluation of expected returns and commensurate risks. The "higher" price paid by Berkshire Hathaway (or lower, if compared to portions of 2008) is thus the reasonable market price as perceived by Berkshire Hathaway. The price of BNI shares was not artificially skewed by Berkshire Hathaway's

[41] See Ex Parte No. 558 (Sub-No. 13), *Railroad Cost of Capital – 2009,* served March 30, 2010.

November 3, 2009 acquisition proposal, and there is no basis for the Board to make any adjustments for the changes in BNI share price for the period November through December 2009 in calculating the rail industry's cost of common equity for 2009.

If one were still considering "bending" basic economic principals, there are a few additional points to consider.

- As mentioned earlier, the $100 per share price offered by Berkshire Hathaway for BNI shares in November 2009 is less than the weekly closing price of BNSF's common equity shares for a significant portion of 2008. An easy way to check the weekly BNI stock prices is to look on page 1 of Appendix H of my statement in last year's (2008) cost of capital submission. This suggests that Berkshire Hathaway was looking beyond the near-term U.S. economic horizon and evaluated the BNSF acquisition in November 2009 as a timely opportunity for a favorable long-term investment at what it considered a reasonable market price that BNSF would find acceptable.
- Berkshire Hathaway was an experienced investor in the railroad industry, already owning over 20 percent of BNI stock plus stock in other railroad companies. This experience may have enabled it to better appraise the value of BNI stock, and to recognize an opportunity to purchase an undervalued property.
- Two railroads had percentage changes in stock prices for 2009 (beginning to end) that were higher than that for BNI including its "premium". This can be observed in my Appendix H weekly stock prices.
- "Freezing" stock prices for BNI to pre-November levels as part of the cost of capital calculation, would affect the market value for common equity, the Capital

Asset Pricing Model's beta, and the Multi-Stage Discounted Cash Flow model. One could not adjust one without adjusting the others.

- In the Board's December 12, 1996 decision instituting Ex Parte No. 558, *Railroad Cost of Capital—1996,* STB Vice Chairman Owen requested comment (in the context of ongoing bidding between CSX and Norfolk Southern for the acquisition of Conrail), on whether payment of a "substantial premium above market price" for a carrier may adversely affect the cost of capital calculation.[42] In its comments, the AAR pointed out, as it does here, that offers to purchase a railroad entity at a "premium" price simply reflect the purchaser's estimate of the market value of the entity sought to be purchased, and that the use of common equity prices resulting from such purchase offers does not skew the cost of capital calculation.[43] The price with a so-called "premium" *is the market price.* The Board apparently agreed, and no adjustments were made to the stock prices for Conrail.[44]

V. Preferred Equity Capital in 2009

Like 2003 through 2008, no preferred stock issues were outstanding at the end of 2009 for the railroad companies comprising the railroad composite sample. The Class I railroad Kansas City Southern has preferred stock outstanding, but it does not meet the selection criteria for the composite railroad (see Table 1) because it does not pay dividends on its common stock – and

[42] For convenience, I have included this decision (served December 12, 1996) in Appendix O. Owen mentions the "substantial premium" at the bottom of the decision's second page, which is page 9 of Appendix O.
[43] I have included in my Appendix O two pages from Craig Rockey's verified statement for the Association of American Railroads, Ex Parte No. 558, Railroad Cost of Capital 1996, submitted March 19, 1997.
[44] Ex Parte No. 558, Railroad Cost of Capital 1996, served July 16, 1997.

does not have a sufficient rating on its debt. 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 2009

A. Determination of Market Value Weights

As shown in Tables 8 and 12, the average market value of debt and common equity are $34,317.9 million and $83,349.9 million, respectively. More market value detail is provided in Appendix E and Appendix H. As mentioned in Section V, Preferred Equity Capital in 2009, the sample railroad companies had no preferred stock issues outstanding at the end of 2009. Therefore, preferred equity capital is given no weight in the overall cost of capital, and no cost is 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 2009 market value weights for debt and common equity are 29.10 percent and 70.90 percent, respectively. Table 20 contains the weights computation and a comparison to the previous year.

Table No. 20
Capital Structure and Weights

		2009		2008	
	Source Table	Market Value (mil)	Capital Structure Weight	Market Value (mil)	Capital Structure Weight
Debt	8	$34,217.9	29.10 %	$29,805.8	21.54 %
Common Equity	12	83,349.9	70.90	108,575.0	78.46
Preferred Equity	(Text)	0.0	0.00	0.0	0.00
Total		$117,567.8	100.00 %	$138,380.8	100.00 %

These figures are show an increase in the weight for debt, caused by a combination of a 15 percent increase in the market value of debt and a 23 percent drop in the market value of equity that coincided with the general "plunge" in the stock market. The 2009 capital structure is not much different for the structure found by the Interstate Commerce Commission for 1983 and the Surface Transportation Board for 1997.

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 2009 overall cost of capital of 10.47 percent, as shown in Table 21. This is lower than the 11.75 percent cost of capital decided for 2008 because: (1) costs for debt and costs for equity are lower in 2009; and (2) the 2009 capital structure has a higher weight for debt, which has a lower cost than equity.

Table No. 21
Weighted Current Cost of Capital

	Source Table	Capital Structure Weight	Current Cost
Debt	11	29.10 %	5.72 %
Common Equity	19	70.90	12.43
Preferred Equity	(Text)	0.00	n/a
Total		100.00 %	
Weighted Current Cost of Capital			**10.47 %**

VII. Qualifications of John T. Gray

My name is John T. Gray. I am Senior Vice President — Policy and Economics for the Association of American Railroads (AAR), with offices located at 425 Third Street SW, Suite 1000, Washington, D.C. 20024. 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.

Prior to joining the AAR, I worked for Union Pacific Railroad where my most recent position was as Executive Director, responsible for the commercial relationship with other transportation carriers and ports, and for strategic policy analysis on issues involving regulatory proposals, legislation and potential litigation. I have also held marketing, planning, and operating positions with other railroads including the Southern Pacific, the Burlington Northern and the Alaska Railroad. I began my railroad career at Atchison, Topeka, and Santa Fe in their cost analysis organization. Additionally, I have also worked for ARCO Alaska.

At Southern Pacific, I was responsible for network planning, analysis, and management, as well as the company's cost analysis organization. I provided testimony on behalf of Southern Pacific regarding the economic impact to the company of the proposed combination of the Chicago and North Western Transportation Company with Union Pacific Railroad. Later, I provided extensive testimony on the economic position of Southern Pacific during the STB's review of the merger application for Union Pacific and Southern Pacific.

I hold both a Bachelors and Masters degree in Civil Engineering from Tulane University and did post-graduate work in mathematical modeling of transportation networks and rail cost systems at Northwestern University. I have also served on the faculty at the University of Alaska, where my work included network modeling and research concerning the interrelationship of transportation and economic development.

VERIFICATION

WASHINGTON, D.C.)
) SS.

I, John T. Gray, being duly sworn, state that I have read the foregoing statement, that I know its contents, and that those contents are true as stated.

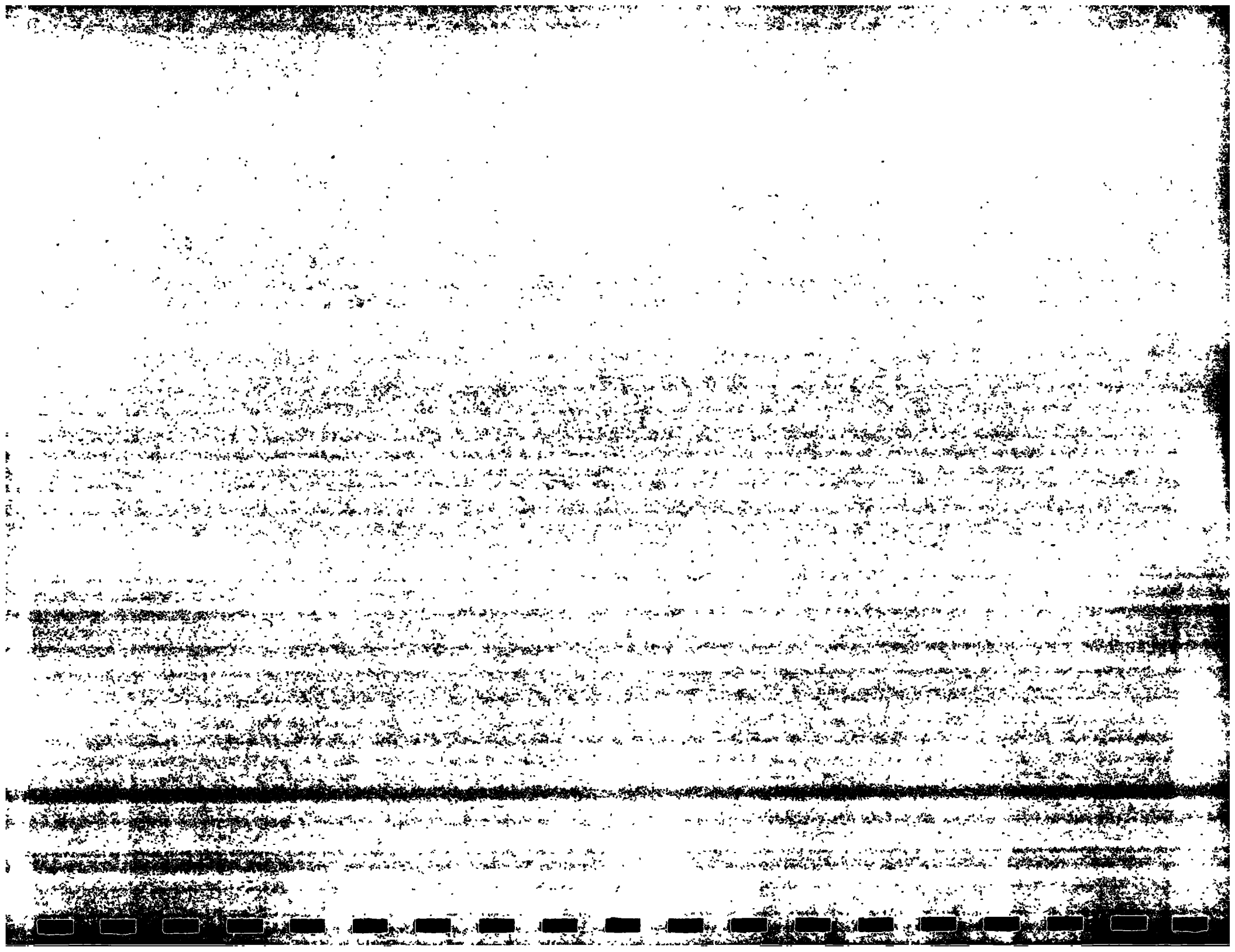
JOHN T. GRAY

Subscribed and sworn to before me this 17th day of May 2010.

Notary Public

My Commission expires:

Pamela C. Nwosu
Notary Public, District of Columbia
My Commission Expires 2/14/2012



Appendix A
Bonds, Notes and Debentures

Summaries

Burlington Northern & Santa Fe Corporation	A-1
CSX Corporation	A-4
Norfolk Southern Corporation	A-7
Union Pacific Corporation	A-10

Individual Bonds, Notes, and Debentures

Burlington Northern & Santa Fe Corporation	A-13
CSX Corporation	A-38
Norfolk Southern Corporation	A-48
Union Pacific Corporation	A-59

Burlington Northern Santa Fe Corporation

December 31, 2009

	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	102.141	$173,742	6.400%	$11,119
2	Note	MTN00014	2	12189TAT1	6.750%	07/15/11	$400,000	400,000	107.178	$428,711	2.880%	$12,347
3	Note	MTN00015	3	12189TAU8	5.900%	07/01/12	$300,000	300,000	106.643	$319,930	3.440%	$11,006
4	Note	MTN00016	4	12189TAV6	4.300%	07/01/13	$250,000	250,000	100.853	$252,132	4.010%	$10,110
5	Note	MTN00017	5	12189TAW4	4.875%	01/15/15	$250,000	250,000	100.489	$251,223	4.750%	$11,933
6	Debenture	DEB00004	6	12189TAA2	7.000%	12/15/25	$350,000	350,000	107.113	$374,896	6.320%	$23,693
7	Debenture	DEB00005	7	12189TAB0	6.875%	02/15/16	$175,000	175,000	108.724	$190,267	5.280%	$10,046
8	Debenture	DEB00006	8	12189TAD6	7.290%	06/01/36	$199,000	199,000	111.145	$221,179	6.440%	$14,244
9	Debenture	DEB00007	9	12189TAF1	7.250%	08/01/97	$200,000	200,000	102.382	$204,764	7.100%	$14,538
10	Debenture	DEB00008	10	12189TAG9	6.875%	12/01/27	$200,000	200,000	104.192	$208,384	6.500%	$13,545
11	Debenture	DEB00009	11	12189TAJ3	6.700%	08/01/28	$200,000	200,000	103.902	$207,805	6.360%	$13,216
12	Debenture	DEB00010	12	12189TAN4	6.750%	03/15/29	$200,000	200,000	103.863	$207,726	6.420%	$13,336
13	Debenture	DEB00011	13	12189TAK0	7.082%	05/13/29	$200,000	200,000	107.050	$214,100	6.470%	$13,852
14	Debenture	DEB00012	14	12189TAQ7	8.125%	04/15/20	$200,000	200,000	115.358	$230,716	6.160%	$14,212
15	Debenture	DEB00013	15	12189TAR5	7.950%	08/15/30	$275,000	275,000	118.105	$324,787	6.400%	$20,786
16	Debenture	DEB00014	16	12189TAX2	6.200%	08/15/36	$300,000	300,000	100.871	$302,612	6.170%	$18,671
17	Debenture	DEB00015	17	12189TAY0	5.650%	05/01/17	$650,000	650,000	102.694	$667,510	5.220%	$34,844
18	Debenture	DEB00016	18	12189TAZ7	6.150%	05/01/37	$650,000	650,000	101.033	$656,716	6.100%	$40,060
19	Debenture	DBN00001	19	121897WQ1	8.750%	02/25/22	$200,000	200,000	124.446	$248,892	5.970%	$14,859
20	Mortgage	MTB00002 Ser K	20	121899CD8	6.550%	01/01/20	$3,978	3,978	98.633	$3,924	6.730%	$264
21	Mortgage	MTB00003 Ser L	21	121899CC0	3.800%	01/01/20	$6,195	6,195	83.021	$5,143	6.010%	$309
22	Mortgage	MTB00004 Ser M	22	121899CH9	3.200%	01/01/45	$12,998	12,998	49.613	$6,449	7.130%	$460
23	Mortgage	MTB00005 Ser N	23	121899CF3	8.150%	01/01/20	$2,506	2,506	112.061	$2,808	6.560%	$184
24	Mortgage	MTB00006 Ser O	24	121899CE6	6.550%	01/01/20	$15,378	15,378	100.502	$15,455	6.480%	$1,001
25	Mortgage	MTB00010 NP GLB	25	665585JP1	3.000%	01/01/47	$34,479	34,479	47.000	$16,205	7.070%	$1,146
26												
27												
28												
29												
30												
Total							**$5,444,634**	**$5,444,634**		**$5,736,076**	**5.575%**	**$319,781**

Burlington Northern Santa Fe Corporation

December 31, 2009

	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	Note	MTN00018			7.000%	02/01/14	500,000	500,000	100.000	500,000		
2	Note	**New 9/24/09 -- 3/12 prorate**			4.700%	10/01/19	750,000	**187,500**	100.000	187,500		
3	Note	WAS00001 BNAI Washgtn			No Int.	10/01/11	70	70	100.000	70		
4	Debenture	DEB00017			5.750%	03/15/18	650,000	650,000	100.000	650,000		
5	Jr Sub. Notes	Hybrid Debt Securities			6.613%	12/15/55	500,000	500,000	100.000	500,000		
6	Mortgage	GOB00001 Topeka GOB			10.320%	01/01/14	12,989	12,989	100.000	12,989		
7	Mortgage	MTB00007 Ser P	26	121899CG1	8.150%	01/01/20	5,566	5,566	100.000	5,566		
8	Financing Oblig.	Joliet Arsenal			6.967%	08/01/22	138,231	138,231	100.000	138,231		
9	Financing Oblig.	Amory Sale			No Int.	01/01/32	15,100	15,100	100.000	15,100		
10	Financing Oblig.	Fontana			6.360%	08/21/22	14,387	14,387	100.000	14,387		
11	Financing Oblig.	2007M-D Memphis			6.010%	12/30/28	148,103	148,103	100.000	148,103		
12	Financing Oblig.	2007M-E Memphis			6.950%	12/30/28	7,795	7,795	100.000	7,795		
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30												
Total							**$2,742,241**	**$2,179,741**		**$2,179,741**		

Burlington Northern Santa Fe Corporation
December 31, 2009

	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 2010						
1	Notes				7.125%	12/15/10	300,000					
2												
3												
4												
5												
6												
7												
8												
9												
10												
Total							**$300,000**					

	Grand Totals			
Total Traded and Not Traded	**$8,186,875**	**$7,624,375**		**$7,915,817**
Grand Total (for reconciliation to carrier data only)	**$8,486,875**			

From BNSF:

Total Notes	$2,920,170
Total Debentures	4,649,000
Junior Subordinated Notes/Hybrid Debt Securities	500,000
Total Mortgages	94,089
Financing Obligations	323,616
Total	**$8,486,875**

CSX Corporation
December 31, 2009

	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	CSX Corp.	26	126408AP8	6.750%	03/15/11	$500,000	500,000	104.311	$521,554	3.790%	$19,767
2	Note	CSX Corp.	27	126408GB3	6.300%	03/15/12	$400,000	400,000	104.052	$416,206	4.540%	$18,896
3	Note	CSX Corp.	28	126408GF4	5.300%	02/15/14	$200,000	200,000	100.115	$200,229	5.240%	$10,492
4	Note	CSX Corp.	29	126408GJ6	5.600%	05/01/17	$300,000	300,000	96.790	$290,369	6.160%	$17,887
5	Debenture	CSX Corp.	30	126408AQ6	8.100%	09/15/22	$93,591	93,591	110.068	$103,014	6.960%	$7,170
6	Debenture	CSX Corp.	31	126408AM5	8.625%	05/15/22	$115,712	115,712	114.301	$132,260	6.970%	$9,219
7	Med Term Notes	CSX Corp.	32	12641LBU6	6.800%	12/01/28	$200,000	200,000	96.403	$192,805	7.230%	$13,940
8	Med Term Notes	CSX Corp.	33	126408GH0	6.000%	10/01/36	$400,000	400,000	88.518	$354,072	7.060%	$24,997
9	Note	CSX Corp.	34	126408GK3	6.150%	05/01/37	$700,000	700,000	90.774	$635,420	7.030%	$44,670
10	Note	CSXT - Conrail	35	209864AT4	9.750%	06/15/20	$227,171	227,171	121.187	$275,301	7.020%	$19,326
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30												
Total							**$3,136,474**	**$3,136,474**		**$3,121,230**	**5.971%**	**$186,364**

CSX Corporation
December 31, 2009

	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	Med Term Notes	CSX Corp.			9.780%	02/14/11	7,500	7,500	100.000	7,500		
2	Notes	CSX Corp.			5.500%	08/01/13	300,000	300,000	100.000	300,000		
3	Notes	CSX Corp.			5.750%	03/15/13	400,000	400,000	100.000	400,000		
4		CSX Corp.			6.250%	04/01/15	600,000	600,000	100.000	600,000		
5	Debentures	CSX Corp.			7.900%	05/01/17	384,769	384,769	100.000	384,769		
6	Notes	CSX Corp.			6.250%	03/15/18	600,000	600,000	100.000	600,000		
7	Notes	CSX Corp. **New 1/20/2009 11.5/12 prorate**			7.375%	02/01/19	500,000	**479,167**	100.000	479,167		
8	Med Term Notes	CSX Corp.			9.870%	02/12/21	10,000	10,000	100.000	10,000		
9	Debentures	CSX Corp.			7.250%	05/01/27	83,312	83,312	100.000	83,312		
10	Debentures	CSX Corp.			7.950%	05/01/27	272,614	272,614	100.000	272,614		
11	Med Term Notes	CSX Corp.			4.400%	10/25/35	73,304	73,304	100.000	73,304		
12		CSX Corp.			7.450%	04/01/38	400,000	400,000	100.000	400,000		
13	Convertible	CSX Corp.			2.091%	10/30/21	28,070	28,070	100.000	28,070		
14	Conrail 50 yr	CSXT -- No price available		209864AU1	7.875%	05/15/43	99,989	99,989	100.000	99,989		
15	Conrail Tax Note	CSXT			4.520%	03/31/35	23,100	23,100	100.000	23,100		
16	Pen Port	CSXT			6.000%	12/15/12	17,100	17,100	100.000	17,100		
17	Secu Equip Note	CSXT			8.375%	10/15/14	336,880	336,880	100.000	336,880		
18	Secu Equip Note	CSXT			6.251%	01/15/23	351,449	351,449	100.000	351,449		
19	Midland Term	Other			Variable	05/26/13	38,500	38,500	100.000	38,500		
20	TORCO	Other			6.450%	12/15/21	29,700	29,700	100.000	29,700		
21	NCT Note	Other			0.000%	N/A	1,089	1,089	101.000	1,100		
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30												
Total							**$4,557,376**	**$4,536,543**		**$4,536,554**		

CSX Corporation
December 31, 2009

	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 2010						
1	Del DOT	CSXT			3.910%	03/11/10	654					
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9												
10												
Total							**$654**					
						Grand Totals						
	Total Traded and Not Traded						**$7,693,850**	**$7,673,017**		**$7,657,784**		
	Grand Total (for reconciliation to carrier data only)						**$7,694,504**					

From CSX:

Corporate Notes	$6,540,802
Convertible Debt	28,070
CSXT Notes	368,014
Secured Equipment Notes	688,329
Other Notes	69,289
Total	**$7,694,504**

Norfolk Southern Corporation
December 31, 2009

	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	Conrail	36	209864AT4	9.750%	06/15/20	$313,741	$313,741	121.187	$380,213	7.020%	$26,691
2	Med. Term Note	Series A NSC	37	655844AA6	9.000%	03/01/21	83,372	83,372	117.847	98,251	6.760%	6,642
3	Med. Term Note	Senior	38	655844AP3	6.750%	02/15/11	300,000	300,000	105.400	316,199	3.020%	9,549
4	Med. Term Note	Senior	39	655844AQ1	7.250%	02/15/31	500,008	500,008	112.532	562,668	6.220%	34,998
5	Med. Term Note	Senior 2105	40	655844AV0	6.000%	03/15/05	300,000	300,000	79.922	239,765	7.570%	18,150
6	Med. Term Note	Senior	41	655844AX6	5.640%	05/17/29	350,000	350,000	93.551	327,429	6.230%	20,399
7	Med. Term Note	Senior	42	655844AW8	5.590%	05/17/25	366,620	366,620	94.348	345,898	6.180%	21,376
8	Conrail Note	CR NSC 2017	43	655844AE8	7.700%	05/15/17	550,000	550,000	113.671	625,189	5.520%	34,510
9	Conrail Note	CR NSC 2027	44	655844AJ7	7.800%	05/15/27	440,000	440,000	113.184	498,010	6.580%	32,769
10	Conrial Note	CR NSC 2037	45	655844AF5	7.050%	05/01/37	716,600	716,600	112.623	807,053	6.140%	49,553
11	Conrail Note	CR NSC 2097	46	655844AK4	7.900%	05/15/97	350,000	350,000	109.148	382,017	7.290%	27,849
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Total							**$4,270,341**	**$4,270,341**		**$4,582,692**	**6.164%**	**$282,486**

Norfolk Southern Corporation

December 31, 2009

	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	Debenture	Conrail -- no price available	209864AU1	7.875%	05/15/43	138,085	138,085	100.000	138,085		
2	Other Bond	NS Rwy Marine Terminal		5.300%	08/15/13	27,200	27,200	100.000	27,200		
3	Other Bond	Pan Am Southern LLC **New 4/9/09 Pro 8.5/1**		0.000%	04/09/12	71,129	**50,383**	100.000	50,383		
4	Note	NSC Senior		5.750%	04/01/18	600,000	600,000	100.000	600,000		
5	Note	NSC Senior **New 1/12/09 Prorate 11.5/12**		5.750%	01/15/16	500,000	**479,167**	100.000	479,167		
6	Note	NSC Senior **New 6/1/09 Prorate 7/12**		5.900%	06/15/19	500,000	**291,667**	100.000	291,667		
7	Conrail Note	CR NSC 2014		5.257%	09/17/14	431,456	431,456	100.000	431,456		
8	Other Bond	NSC Poca Dev Timber Bond		8.250%	10/01/19	75,734	75,734	100.000	75,734		
9	Other Bond	NSC Poca Dev Timber Zero			10/01/19	9,169	9,169	100.000	9,169		
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Total						**$2,352,773**	**$2,102,860**		**$2,102,861**		

Norfolk Southern Corporation
December 31, 2009

	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 2010						
1	Med. Term Note	Senior		655844AN8	8.625%	05/15/10	300,000					
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3												
4												
5												
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7												
8												
9												
10												
Total							**$300,000**					
						Grand Totals						
	Total Traded and Not Traded						**$6,623,114**	**$6,373,201**		**$6,685,553**		
	Grand Total (for reconciliation to carrier data only)						**$6,923,114**					

From NS:

Grand Total				$7,175,931	
Less ETC				79,550	
Less Leases (Capital + Yen + Conrail)	6395	46795	19977	73,167	
Less Other: Interest Rate Swaps/Derivative adjustment plus Net premium/(discount)				100	
Less Other: Accounts Receivable Securitization				100,000	
Bonds, Notes and Debentures				**$6,923,114**	

Union Pacific Corporation
December 31, 2009

	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	UP Corp.	47	907818CX4	6.150%	05/01/37	$248,941	$248,941	99.618	$247,991	6.220%	$15,425
2	Debentures	UP Corp.	48	907818CU0	6.250%	05/01/34	246,403	246,403	98.772	243,377	6.380%	15,527
3	Debentures	UP Corp.	49	907818CF3	6.625%	02/01/29	594,464	594,464	103.751	616,761	6.330%	39,041
4	Debentures	UP Corp.	50	907818AZ1	7.000%	02/01/16	249,483	249,483	108.202	269,946	5.480%	14,793
5	Debentures	UP Corp.	51	907818BY3	7.125%	02/01/28	247,609	247,609	107.247	265,554	6.470%	17,181
6	Notes	UP Corp.	52	907818CV8	4.875%	01/15/15	249,718	249,718	100.708	251,486	4.710%	11,845
7	Notes	UP Corp.	53	907818CT3	5.375%	05/01/14	249,656	249,656	103.292	257,875	4.570%	11,785
8	Notes	UP Corp.	54	907818CY2	5.450%	01/31/13	499,532	499,532	103.933	519,178	4.180%	21,702
9	Notes	UP Corp.	55	907818CW6	5.650%	05/01/17	249,355	249,355	101.246	252,462	5.450%	13,759
10	Notes	UP Corp.	56	907818CN6	6.125%	01/15/12	298,088	298,088	105.571	314,694	3.650%	11,486
11	Notes	UP Corp.	57	907818CP1	6.500%	04/15/12	356,000	356,000	106.903	380,576	3.720%	14,157
12	Notes	UP Corp.	58	907818CK2	6.650%	01/15/11	399,705	399,705	105.078	420,002	2.980%	12,516
13	Mort. Bond	UPRR -- MP	59	606198LF4	4.750%	01/01/20	29,905	29,905	74.188	22,186	8.720%	1,935
14	Mort. Bond	UPRR -- MP	60	606198LG2	4.750%	01/01/30	28,132	28,132	70.521	19,839	7.850%	1,557
15	Inc. Debenture	UPRR -- MP	61	606198LH0	5.000%	01/01/45	96,025	96,025	57.117	54,846	9.230%	5,062
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Total							**$4,043,016**	**$4,043,016**		**$4,136,773**	**5.023%**	**$207,771**

Union Pacific Corporation
December 31, 2009

	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	UP Corp.			5.375%	06/01/33	198,446	198,446	100.000	198,446		
2	Notes	UP Corp. (new 2/20/09)	Prorate	10.5/12	5.125%	02/15/14	349,927	**306,186**	100.000	306,186		
3	Notes	UP Corp.			5.750%	11/15/17	499,702	499,702	100.000	499,702		
4	Notes	UP Corp.			5.700%	08/15/18	747,810	747,810	100.000	747,810		
5	Notes	UP Corp.			7.875%	01/15/19	748,740	748,740	100.000	748,740		
6	Notes	UP Corp. (new 2/20/09)	Prorate	10.5/12	6.125%	02/15/20	398,521	**348,706**	100.000	348,706		
7	Tax Exempt	UP Corp.			Variable	2010 - 2026	156,540	156,540	100.000	156,540		
8	Med. Term Notes	Series B			9.2-9.3%	2005 - 2020	7,408	7,408	100.000	7,408		
9	Med. Term Notes	Series C			9.5-10.0%	2005 - 2020	44,123	44,123	100.000	44,123		
10	Med. Term Notes	Series D			9.17-9.4%	2005 - 2011	10,000	10,000	100.000	10,000		
11	Debt Security	KFW Loan UPRR			7.310%	12/15/12	40,601	40,601	100.000	40,601		
12	RR Tax Exempt	Albany County UPRR			4.400%	12/01/15	8,000	8,000	100.000	8,000		
13	Debentures	MP C&EI UPRR (CEI52054)			5.000%	01/01/54	1,641	1,641	100.000	1,641		
14	Debt Security	Illinois DOT SPCSL			3.000%	12/31/19	14,621	14,621	100.000	14,621		
15	Debt Security	Illinois DOT UPRR			3.000%	03/14/18	1,305	1,305	100.000	1,305		
16	Debt Security	ITCF 1999 UPRR			5.750%	11/01/14	17,750	17,750	100.000	17,750		
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Total							**$3,245,135**	**$3,151,579**		**$3,151,579**		

Union Pacific Corporation
December 31, 2009

	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 2010						
1	Notes	UP Corp.		3.625%	06/01/10	299,860					
2											
3											
4											
5											
6											
7											
8											
9											
10											
Total						**$299,860**					
					Grand Totals						
	Total Traded and Not Traded					**$7,288,151**	**$7,194,595**		**$7,288,352**		
	Grand Total (for reconciliation to carrier data only)					**$7,588,011**					

From UP:

Debentures, Notes, Tax Exempt, and Medium Term Notes for UP Corp.	7,450,031	
Misc. LTD (2nd page) including KFW, RR Tax Exempt, CNW, MP, DOT, others, for UP RR	159,412	
Removal of Floating Rate Loan and Commercial Paper	-$100,000	
Removal of MP Debt Discount, Receivable Drawdown, and SP Purch. Acct. Debt Premium	78,567	
Total	**$7,588,010**	difference of 1 = rounding

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	91.596	7.23 %
February	91.710	7.21
March	94.583	6.96
April	90.070	7.36
May	94.480	6.97
June	104.907	6.15
July	108.281	5.92
August	110.019	5.80
September	114.568	5.50
October	108.968	5.87
November	109.836	5.81
December	106.675	6.03
Average	102.141	6.40 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Note
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	104.333	4.85 %
February	105.743	4.19
March	105.462	4.21
April	105.195	4.25
May	107.128	3.25
June	107.452	2.96
July	108.186	2.43
August	108.079	2.31
September	108.827	1.72
October	108.658	1.59
November	108.718	1.30
December	108.352	1.45
Average	107.178	2.88 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Note
Description:	MTN00015
CUSIP:	12189TAU8
Coupon Rate:	5.900%
Maturity Date:	7/1/12
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12.0

End of Month	Price	Yield
January	101.242	5.49 %
February	105.040	4.26
March	104.417	4.42
April	104.025	4.52
May	104.731	4.24
June	105.900	3.80
July	108.553	2.82
August	108.651	2.70
September	108.552	2.65
October	109.189	2.32
November	110.044	1.90
December	109.374	2.12
Average	106.643	3.44 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Note
Description:	MTN00016
CUSIP:	12189TAV6
Coupon Rate:	4.300%
Maturity Date:	7/1/13
Amount Outstanding ($ 000)	$250,000
Months Outstanding	12.0

End of Month	Price	Yield
January	95.883	5.35 %
February	95.615	5.44
March	96.826	5.13
April	97.068	5.08
May	98.893	4.59
June	99.963	4.31
July	101.445	3.89
August	103.227	3.39
September	104.341	3.06
October	104.118	3.10
November	106.910	2.28
December	105.943	2.54
Average	100.853	4.01 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

5

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

End of Month	Price	Yield
January	94.076	6.07 %
February	92.280	6.47
March	94.269	6.06
April	94.484	6.02
May	99.348	5.00
June	101.210	4.62
July	102.799	4.29
August	103.209	4.20
September	105.034	3.81
October	105.584	3.68
November	107.368	3.29
December	106.209	3.53
Average	100.489	4.75 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Debenture
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	97.577	7.24 %
February	99.887	7.01
March	101.465	6.84
April	101.365	6.85
May	102.264	6.76
June	102.454	6.75
July	106.967	6.31
August	113.892	5.68
September	116.760	5.43
October	114.264	5.64
November	115.494	5.53
December	112.969	5.75
Average	107.113	6.32 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

7

Type:	Debenture
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	105.105	5.97 %
February	102.634	6.39
March	104.686	6.03
April	104.361	6.07
May	104.826	5.98
June	106.283	5.72
July	108.181	5.37
August	111.852	4.72
September	113.548	4.41
October	113.361	4.41
November	115.643	4.00
December	114.208	4.23
Average	108.724	5.28 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

8

Type:	Debenture
Description:	DEB00006
CUSIP:	12189TAD6
Coupon Rate:	7.290%
Maturity Date:	6/1/36
Amount Outstanding ($ 000)	$199,000
Months Outstanding	12

End of Month	Price	Yield
January	98.357	7.43 %
February	101.774	7.14
March	103.739	6.97
April	104.240	6.93
May	106.666	6.75
June	109.159	6.56
July	115.018	6.14
August	119.644	5.83
September	121.175	5.73
October	120.216	5.79
November	118.511	5.90
December	115.241	6.12
Average	111.145	6.44 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Debenture
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	96.031	7.55 %
February	96.149	7.54
March	98.227	7.37
April	95.510	7.58
May	96.657	7.49
June	96.922	7.47
July	99.451	7.29
August	109.807	6.60
September	112.343	6.45
October	109.142	6.64
November	110.974	6.52
December	107.373	6.74
Average	102.382	7.10 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

10

Type:	Debenture
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	95.184	7.34 %
February	97.572	7.10
March	93.383	7.53
April	98.196	7.04
May	100.155	6.86
June	100.354	6.84
July	105.961	6.32
August	110.200	5.95
September	113.173	5.70
October	112.054	5.79
November	113.359	5.68
December	110.714	5.90
Average	104.192	6.50 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Debenture
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	93.321	7.34 %
February	95.711	7.10
March	97.350	6.95
April	97.252	6.95
May	99.242	6.76
June	104.284	6.31
July	106.459	6.12
August	109.882	5.83
September	111.689	5.68
October	110.556	5.77
November	111.880	5.66
December	109.202	5.88
Average	103.902	6.36 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

Type:	Debenture
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	93.737	7.34 %
February	96.183	7.10
March	97.854	6.94
April	97.747	6.95
May	99.770	6.77
June	99.987	6.74
July	108.328	6.02
August	111.893	5.73
September	113.772	5.58
October	109.847	5.89
November	109.944	5.88
December	107.295	6.10
Average	103.863	6.42 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

13

Type:	Debenture
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	96.165	7.44 %
February	99.159	7.15
March	100.867	6.99
April	100.766	7.00
May	102.827	6.82
June	103.035	6.80
July	110.688	6.14
August	114.283	5.85
September	116.182	5.70
October	114.991	5.79
November	114.191	5.85
December	111.448	6.07
Average	107.050	6.47 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

14

Type:	Debenture
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	108.293	7.04 %
February	110.288	6.79
March	109.837	6.84
April	110.106	6.80
May	112.762	6.47
June	112.270	6.52
July	116.582	6.00
August	119.550	5.65
September	119.966	5.59
October	119.150	5.67
November	124.022	5.11
December	121.469	5.39
Average	115.358	6.16 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

15

Type:	Debenture
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	106.097	7.37 %
February	109.989	7.04
March	109.379	7.09
April	109.826	7.05
May	112.070	6.86
June	117.672	6.41
July	121.211	6.14
August	125.166	5.85
September	127.241	5.70
October	126.610	5.74
November	127.559	5.67
December	124.434	5.89
Average	118.105	6.40 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

16

Type:	Debenture
Description:	DEB00014
CUSIP:	12189TAX2
Coupon Rate:	6.200%
Maturity Date:	8/15/36
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	88.305	7.17 %
February	90.745	6.95
March	91.202	6.91
April	92.356	6.81
May	94.005	6.67
June	101.844	6.05
July	103.750	5.91
August	110.527	5.45
September	112.032	5.35
October	107.971	5.62
November	110.477	5.45
December	107.235	5.67
Average	100.871	6.17 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

17

Type:	Debenture
Description:	DEB00015
CUSIP:	12189TAY0
Coupon Rate:	5.650%
Maturity Date:	5/1/17
Amount Outstanding ($ 000)	$650,000
Months Outstanding	12

End of Month	Price	Yield
January	97.171	6.09 %
February	96.201	6.25
March	98.406	5.90
April	97.003	6.13
May	98.488	5.89
June	102.065	5.32
July	104.690	4.91
August	106.135	4.69
September	107.594	4.46
October	107.372	4.48
November	109.537	4.14
December	107.664	4.41
Average	102.694	5.22 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

18

Type:	Debenture
Description:	DEB00016
CUSIP:	12189TAZ7
Coupon Rate:	6.150%
Maturity Date:	5/1/37
Amount Outstanding ($ 000)	$650,000
Months Outstanding	12

End of Month	Price	Yield
January	89.809	6.97 %
February	91.651	6.81
March	91.780	6.80
April	92.496	6.75
May	95.142	6.52
June	99.857	6.16
July	103.104	5.92
August	110.238	5.43
September	110.996	5.38
October	109.309	5.49
November	110.659	5.40
December	107.357	5.62
Average	101.033	6.10 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

19

Type:	Debenture
Description:	DBN00001
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	114.441	7.04 %
February	116.725	6.79
March	120.018	6.44
April	120.314	6.40
May	120.428	6.38
June	119.850	6.43
July	127.081	5.70
August	130.663	5.35
September	131.144	5.29
October	130.143	5.37
November	132.784	5.11
December	129.763	5.39
Average	124.446	5.97 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

20

Type:	Mortgage
Description:	MTB00002 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	Not Traded	- %
February	Not Traded	-
March	Not Traded	-
April	Not Traded	-
May	Not Traded	-
June	Not Traded	-
July	Not Traded	-
August	Not Traded	-
September	Not Traded	-
October	Not Traded	-
November	99.412	6.62
December	97.853	6.84
Average	98.633	6.73 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

21

Type:	Mortgage
Description:	MTB00003 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	79.850	6.39 %
February	79.850	6.41
March	79.850	6.42
April	79.850	6.44
May	79.850	6.46
June	84.500	5.79
July	83.750	5.91
August	85.750	5.63
September	85.750	5.65
October	85.750	5.66
November	85.750	5.68
December	85.750	5.69
Average	83.021	6.01 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

22

Type:	Mortgage
Description:	MTB00004 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	Not Traded	- %
February	Not Traded	-
March	Not Traded	-
April	Not Traded	-
May	45.000	7.78
June	48.000	7.33
July	48.000	7.34
August	48.000	7.34
September	53.000	6.68
October	53.000	6.69
November	51.791	6.84
December	50.115	7.06
Average	49.613	7.13 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

23

Type:	Mortgage
Description:	MTB00005 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	Not Traded	- %
February	Not Traded	-
March	114.000	6.33
April	114.000	6.32
May	114.000	6.32
June	116.850	5.96
July	116.850	5.95
August	114.000	6.28
September	114.000	6.28
October	114.000	6.26
November	102.212	7.82
December	100.695	8.04
Average	112.061	6.56 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

24

Type:	Mortgage
Description:	MTB00006 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	Not Traded	- %
February	Not Traded	-
March	95.000	7.22
April	101.750	6.32
May	100.000	6.54
June	100.000	6.55
July	103.500	6.09
August	102.500	6.21
September	102.500	6.21
October	102.500	6.21
November	99.412	6.62
December	97.853	6.84
Average	100.502	6.48 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

25

Type:	Mortgage
Description:	MTB00010 NP GLB
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	41.000	7.94 %
February	41.000	7.94
March	41.000	7.95
April	41.000	7.95
May	50.000	6.62
June	50.000	6.62
July	50.000	6.63
August	50.000	6.63
September	50.000	6.63
October	50.000	6.64
November	50.000	6.64
December	50.000	6.64
Average	47.000	7.07 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

26

Type:	Note
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	100.570	6.45 %
February	100.459	6.50
March	100.639	6.39
April	102.848	5.13
May	104.671	4.02
June	104.976	3.71
July	105.107	3.48
August	106.222	2.59
September	107.024	1.84
October	106.392	2.01
November	106.526	1.62
December	106.296	1.71
Average	104.311	3.79 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

27

Type:	Note
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	99.883	6.33 %
February	97.935	7.06
March	98.643	6.81
April	100.068	6.27
May	103.189	5.05
June	102.734	5.20
July	103.816	4.73
August	107.061	3.37
September	108.520	2.69
October	108.170	2.72
November	109.579	2.00
December	109.020	2.20
Average	104.052	4.54 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

28

Type:	Note
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	93.037	6.96 %
February	92.243	7.18
March	93.550	6.87
April	96.158	6.23
May	97.359	5.94
June	100.929	5.07
July	102.543	4.67
August	104.668	4.14
September	104.865	4.07
October	104.981	4.02
November	106.006	3.74
December	105.035	3.98
Average	100.115	5.24 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

29

Type:	Note
Description:	CSX Corp.
CUSIP:	126408GJ6
Coupon Rate:	5.600%
Maturity Date:	5/1/17
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	86.301	7.88 %
February	84.003	8.33
March	84.119	8.33
April	91.428	7.01
May	91.935	6.93
June	97.387	6.02
July	100.910	5.45
August	103.153	5.09
September	104.852	4.82
October	104.596	4.86
November	107.503	4.40
December	105.290	4.74
Average	96.790	6.16 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

30

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	99.336	8.17 %
February	97.361	8.42
March	96.513	8.54
April	101.041	7.97
May	105.232	7.47
June	111.004	6.82
July	115.697	6.32
August	117.404	6.14
September	118.512	6.02
October	118.827	5.98
November	121.361	5.72
December	118.530	6.00
Average	110.068	6.96 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

31

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	103.543	8.18 %
February	101.514	8.43
March	100.647	8.53
April	105.245	7.97
May	109.473	7.47
June	115.278	6.82
July	119.986	6.32
August	121.681	6.14
September	122.780	6.02
October	123.089	5.98
November	125.615	5.72
December	122.765	6.00
Average	114.301	6.97 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

32

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	82.832	8.61 %
February	82.047	8.71
March	79.408	9.05
April	83.996	8.48
May	90.525	7.74
June	97.061	7.08
July	102.044	6.61
August	106.793	6.19
September	108.667	6.03
October	107.821	6.10
November	109.115	5.99
December	106.522	6.21
Average	96.403	7.23 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

Type:	Med Term Notes
Description:	CSX Corp.
CUSIP:	126408GH0
Coupon Rate:	6.000%
Maturity Date:	10/1/36
Amount Outstanding ($ 000)	$400,000
Months Outstanding	12

End of Month	Price	Yield
January	75.199	8.29 %
February	72.887	8.57
March	70.235	8.91
April	75.263	8.29
May	80.902	7.67
June	90.583	6.75
July	94.379	6.43
August	97.770	6.16
September	103.127	5.77
October	100.794	5.94
November	102.008	5.85
December	99.068	6.07
Average	88.518	7.06 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

34

Type:	Note
Description:	CSX Corp.
CUSIP:	126408GK3
Coupon Rate:	6.150%
Maturity Date:	5/1/37
Amount Outstanding ($ 000)	$700,000
Months Outstanding	12

End of Month	Price	Yield
January	76.251	8.34 %
February	73.340	8.69
March	70.692	9.03
April	79.448	7.99
May	81.529	7.77
June	92.973	6.70
July	97.522	6.33
August	101.595	6.03
September	105.924	5.72
October	103.797	5.87
November	104.628	5.81
December	101.592	6.02
Average	90.774	7.03 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

35

Type:	Note
Description:	CSXT - Conrail
CUSIP:	209864AT4
Coupon Rate:	9.750%
Maturity Date:	6/15/20
Amount Outstanding ($ 000)	$227,171
Months Outstanding	12

End of Month	Price	Yield
January	109.789	8.39 %
February	106.735	8.79
March	103.868	9.18
April	106.821	8.77
May	114.913	7.71
June	114.399	7.77
July	121.509	6.90
August	135.182	5.40
September	135.871	5.31
October	134.862	5.39
November	136.533	5.20
December	133.760	5.48
Average	121.187	7.02 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

36

Type:	Debenture
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	109.789	8.39 %
February	106.735	8.79
March	103.868	9.18
April	106.821	8.77
May	114.913	7.71
June	114.399	7.77
July	121.509	6.90
August	135.182	5.40
September	135.871	5.31
October	134.862	5.39
November	136.533	5.20
December	133.760	5.48
Average	121.187	7.02 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

37

Type:	Med. Term Note
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	117.551	6.84 %
February	115.696	7.04
March	118.750	6.69
April	114.839	7.12
May	116.080	6.97
June	115.566	7.02
July	117.686	6.77
August	119.393	6.57
September	120.087	6.48
October	119.272	6.56
November	120.871	6.37
December	118.367	6.65
Average	117.847	6.76 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

38

Type:	Med. Term Note
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	100.843	6.30 %
February	104.663	4.25
March	104.863	4.02
April	105.377	3.61
May	105.942	3.15
June	105.512	3.23
July	106.229	2.59
August	106.100	2.45
September	106.697	1.79
October	106.370	1.73
November	106.186	1.55
December	106.013	1.60
Average	105.400	3.02 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

39

Type:	Med. Term Note
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	104.858	6.82 %
February	104.739	6.83
March	101.432	7.11
April	100.006	7.24
May	103.582	6.92
June	109.169	6.45
July	118.172	5.76
August	120.809	5.57
September	125.437	5.25
October	120.455	5.59
November	122.422	5.45
December	119.301	5.67
Average	112.532	6.22 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

40

Type:	Med. Term Note
Description:	Senior 2105
CUSIP:	655844AV0
Coupon Rate:	6.000%
Maturity Date:	3/15/05
Amount Outstanding ($ 000)	$300,000
Months Outstanding	12

End of Month	Price	Yield
January	71.428	8.39 %
February	70.595	8.49
March	71.948	8.34
April	71.855	8.35
May	75.662	7.93
June	75.854	7.90
July	85.359	7.02
August	87.736	6.83
September	89.433	6.71
October	86.967	6.90
November	87.471	6.86
December	84.753	7.07
Average	79.922	7.57 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

41

Type:	Med. Term Note
Description:	Senior
CUSIP:	655844AX6
Coupon Rate:	5.640%
Maturity Date:	5/17/29
Amount Outstanding ($ 000)	$350,000
Months Outstanding	12

End of Month	Price	Yield
January	85.056	7.03 %
February	86.637	6.87
March	87.263	6.81
April	85.079	7.03
May	89.134	6.62
June	91.434	6.40
July	93.485	6.21
August	98.887	5.73
September	104.202	5.29
October	100.222	5.62
November	101.906	5.47
December	99.308	5.69
Average	93.551	6.23 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

42

Type:	Med. Term Note
Description:	Senior
CUSIP:	655844AW8
Coupon Rate:	5.590%
Maturity Date:	5/17/25
Amount Outstanding ($ 000)	$366,620
Months Outstanding	12.0

End of Month	Price	Yield
January	85.872	7.06 %
February	86.217	7.02
March	87.610	6.87
April	85.276	7.14
May	91.256	6.47
June	92.965	6.29
July	95.444	6.04
August	98.146	5.77
September	103.170	5.28
October	100.768	5.51
November	105.967	5.02
December	99.483	5.64
Average	94.348	6.18 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

43.

Type:	Conrail Note
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	108.662	6.33 %
February	108.590	6.34
March	111.544	5.88
April	108.258	6.37
May	109.543	6.16
June	109.604	6.14
July	112.868	5.63
August	117.182	4.98
September	118.187	4.82
October	119.163	4.65
November	121.205	4.34
December	119.243	4.61
Average	113.671	5.52 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

Type:	Conrail Note
Description:	CR NSC 2027
CUSIP:	655844AJ7
Coupon Rate:	7.800%
Maturity Date:	5/15/27
Amount Outstanding ($ 000)	$440,000
Months Outstanding	12

End of Month	Price	Yield
January	99.309	7.86 %
February	104.152	7.38
March	104.762	7.32
April	101.843	7.60
May	106.719	7.13
June	106.904	7.11
July	113.914	6.47
August	122.188	5.78
September	125.072	5.55
October	124.492	5.59
November	125.849	5.48
December	123.006	5.70
Average	113.184	6.58 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

45

Type:	Conrial Note
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	102.115	6.87 %
February	102.027	6.88
March	103.490	6.77
April	98.772	7.15
May	106.603	6.53
June	110.293	6.26
July	115.321	5.91
August	123.480	5.40
September	126.083	5.24
October	121.905	5.49
November	121.806	5.50
December	119.576	5.63
Average	112.623	6.14 %

Source: Standard & Poor's XpressFeed – Bond Package

Norfolk Southern Corporation

46

Type:	Conrail Note
Description:	CR NSC 2097
CUSIP:	655844AK4
Coupon Rate:	7.900%
Maturity Date:	5/15/97
Amount Outstanding ($ 000)	$350,000
Months Outstanding	12

End of Month	Price	Yield
January	96.916	8.14 %
February	99.604	7.92
March	101.658	7.76
April	95.757	8.24
May	99.615	7.93
June	104.476	7.56
July	111.697	7.06
August	117.665	6.70
September	119.981	6.57
October	121.641	6.48
November	122.388	6.45
December	118.374	6.67
Average	109.148	7.29 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

47

Type:	Debentures
Description:	UP Corp.
CUSIP:	907818CX4
Coupon Rate:	6.150%
Maturity Date:	5/1/37
Amount Outstanding ($ 000)	$248,941
Months Outstanding	12.0

End of Month	Price	Yield
January	87.924	7.14 %
February	89.820	6.97
March	93.433	6.66
April	89.626	6.99
May	92.146	6.77
June	92.384	6.75
July	105.934	5.72
August	107.977	5.58
September	113.031	5.25
October	108.113	5.57
November	108.692	5.53
December	106.339	5.69
Average	99.618	6.22 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

43

Type:	Debentures
Description:	UP Corp.
CUSIP:	907818CU0
Coupon Rate:	6.250%
Maturity Date:	5/1/34
Amount Outstanding ($ 000)	$246,403
Months Outstanding	12

End of Month	Price	Yield
January	88.164	7.27 %
February	90.919	7.02
March	91.553	6.96
April	88.014	7.29
May	91.402	6.98
June	95.102	6.65
July	101.666	6.11
August	108.202	5.63
September	109.286	5.55
October	108.115	5.63
November	107.922	5.64
December	104.917	5.86
Average	98.772	6.38 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

49

Type:	Debentures
Description:	UP Corp.
CUSIP:	907818CF3
Coupon Rate:	6.625%
Maturity Date:	2/1/29
Amount Outstanding ($ 000)	$594,464
Months Outstanding	12

End of Month	Price	Yield
January	90.724	7.52 %
February	95.775	7.02
March	94.739	7.12
April	93.430	7.25
May	93.726	7.22
June	102.958	6.35
July	109.928	5.77
August	112.522	5.56
September	115.056	5.36
October	113.309	5.49
November	112.364	5.56
December	110.478	5.71
Average	103.751	6.33 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

50

Type:	Debentures
Description:	UP Corp.
CUSIP:	907818AZ1
Coupon Rate:	7.000%
Maturity Date:	2/1/16
Amount Outstanding ($ 000)	$249,483
Months Outstanding	12

End of Month	Price	Yield
January	105.048	6.10 %
February	104.873	6.12
March	104.513	6.17
April	102.499	6.53
May	100.561	6.89
June	103.113	6.41
July	108.993	5.34
August	111.049	4.96
September	114.988	4.27
October	114.798	4.27
November	114.692	4.26
December	113.301	4.49
Average	108.202	5.48 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

Type:	Debentures
Description:	UP Corp.
CUSIP:	907818BY3
Coupon Rate:	7.125%
Maturity Date:	2/1/28
Amount Outstanding ($ 000)	$247,609
Months Outstanding	12

End of Month	Price	Yield
January	96.040	7.51 %
February	100.537	7.07
March	102.181	6.91
April	98.239	7.29
May	103.076	6.82
June	105.540	6.60
July	107.624	6.41
August	114.526	5.82
September	114.821	5.80
October	114.999	5.78
November	116.044	5.69
December	113.340	5.91
Average	107.247	6.47 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

52

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CV8
Coupon Rate:	4.875%
Maturity Date:	1/15/15
Amount Outstanding ($ 000)	$249,718
Months Outstanding	12

End of Month	Price	Yield
January	94.415	6.00 %
February	93.874	6.12
March	95.423	5.81
April	94.340	6.06
May	99.546	4.96
June	100.549	4.76
July	102.977	4.25
August	104.917	3.85
September	105.382	3.74
October	104.686	3.87
November	106.767	3.42
December	105.619	3.65
Average	100.708	4.71 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

53

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CT3
Coupon Rate:	5.375%
Maturity Date:	5/1/14
Amount Outstanding ($ 000)	$249,656
Months Outstanding	12

End of Month	Price	Yield
January	95.786	6.32 %
February	97.932	5.84
March	100.557	5.24
April	99.716	5.44
May	98.191	5.80
June	102.635	4.75
July	105.401	4.11
August	107.150	3.69
September	107.321	3.62
October	107.322	3.59
November	109.277	3.11
December	108.217	3.34
Average	103.292	4.57 %

Source: Standard & Poor's XpressFeed – Bond Package

CSX Corporation

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CY2
Coupon Rate:	5.450%
Maturity Date:	1/31/13
Amount Outstanding ($ 000)	$499,532
Months Outstanding	12

End of Month	Price	Yield
January	98.560	5.85 %
February	99.892	5.47
March	100.217	5.38
April	100.155	5.40
May	101.615	4.96
June	103.670	4.33
July	104.787	3.97
August	106.549	3.40
September	107.455	3.07
October	107.827	2.90
November	108.630	2.59
December	107.838	2.82
Average	103.933	4.18 %

Source: Standard & Poor's XpressFeed – Bond Package

Burlington Northern Santa Fe Corporation

55

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CW6
Coupon Rate:	5.650%
Maturity Date:	5/1/17
Amount Outstanding ($ 000)	$249,355
Months Outstanding	12.0

End of Month	Price	Yield
January	95.581	6.34 %
February	94.577	6.51
March	96.368	6.22
April	94.948	6.46
May	96.168	6.27
June	100.289	5.60
July	104.428	4.95
August	105.740	4.74
September	106.273	4.65
October	106.260	4.65
November	108.079	4.36
December	106.239	4.64
Average	101.246	5.45 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

56

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CN6
Coupon Rate:	6.125%
Maturity Date:	1/15/12
Amount Outstanding ($ 000)	$298,088
Months Outstanding	12

End of Month	Price	Yield
January	100.165	6.06 %
February	102.853	5.04
March	103.791	4.65
April	102.294	5.20
May	105.201	4.01
June	104.517	4.23
July	107.678	2.86
August	107.829	2.69
September	107.721	2.62
October	107.651	2.53
November	108.815	1.87
December	108.337	2.05
Average	105.571	3.65 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

57

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CP1
Coupon Rate:	6.500%
Maturity Date:	4/15/12
Amount Outstanding ($ 000)	$356,000
Months Outstanding	12

End of Month	Price	Yield
January	101.163	6.09 %
February	104.808	4.82
March	104.121	5.01
April	103.512	5.20
May	105.707	4.36
June	105.372	4.42
July	107.129	3.70
August	109.636	2.66
September	110.355	2.28
October	110.224	2.20
November	110.711	1.86
December	110.101	2.07
Average	106.903	3.72 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

58

Type:	Notes
Description:	UP Corp.
CUSIP:	907818CK2
Coupon Rate:	6.650%
Maturity Date:	1/15/11
Amount Outstanding ($ 000)	$399,705
Months Outstanding	12

End of Month	Price	Yield
January	103.014	5.01 %
February	104.733	4.01
March	104.233	4.16
April	105.409	3.36
May	105.264	3.29
June	104.945	3.33
July	104.862	3.20
August	106.216	2.03
September	105.736	2.12
October	105.542	1.98
November	105.247	1.91
December	105.735	1.38
Average	105.078	2.98 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

59

Type:	Mort. Bond
Description:	UPRR – MP
CUSIP:	606198LF4
Coupon Rate:	4.750%
Maturity Date:	1/1/20
Amount Outstanding ($ 000)	$29,905
Months Outstanding	12

End of Month	Price	Yield
January	60.000	11.18 %
February	60.000	11.22
March	67.250	9.73
April	67.250	9.76
May	67.250	9.79
June	67.250	9.82
July	67.250	9.85
August	67.250	9.88
September	88.250	6.32
October	92.000	5.80
November	93.500	5.60
December	93.000	5.68
Average	74.188	8.72 %

Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

60

Type:	Mort. Bond
Description:	UPRR – MP
CUSIP:	606198LG2
Coupon Rate:	4.750%
Maturity Date:	1/1/30
Amount Outstanding ($ 000)	$28,132
Months Outstanding	12

End of Month	Price	Yield
January	52.250	10.39 %
February	85.000	6.02
March	60.000	9.06
April	60.000	9.07
May	60.000	9.08
June	60.000	9.09
July	60.000	9.09
August	60.000	9.10
September	86.000	5.95
October	87.000	5.86
November	88.000	5.77
December	88.000	5.77
Average	70.521	7.85 %

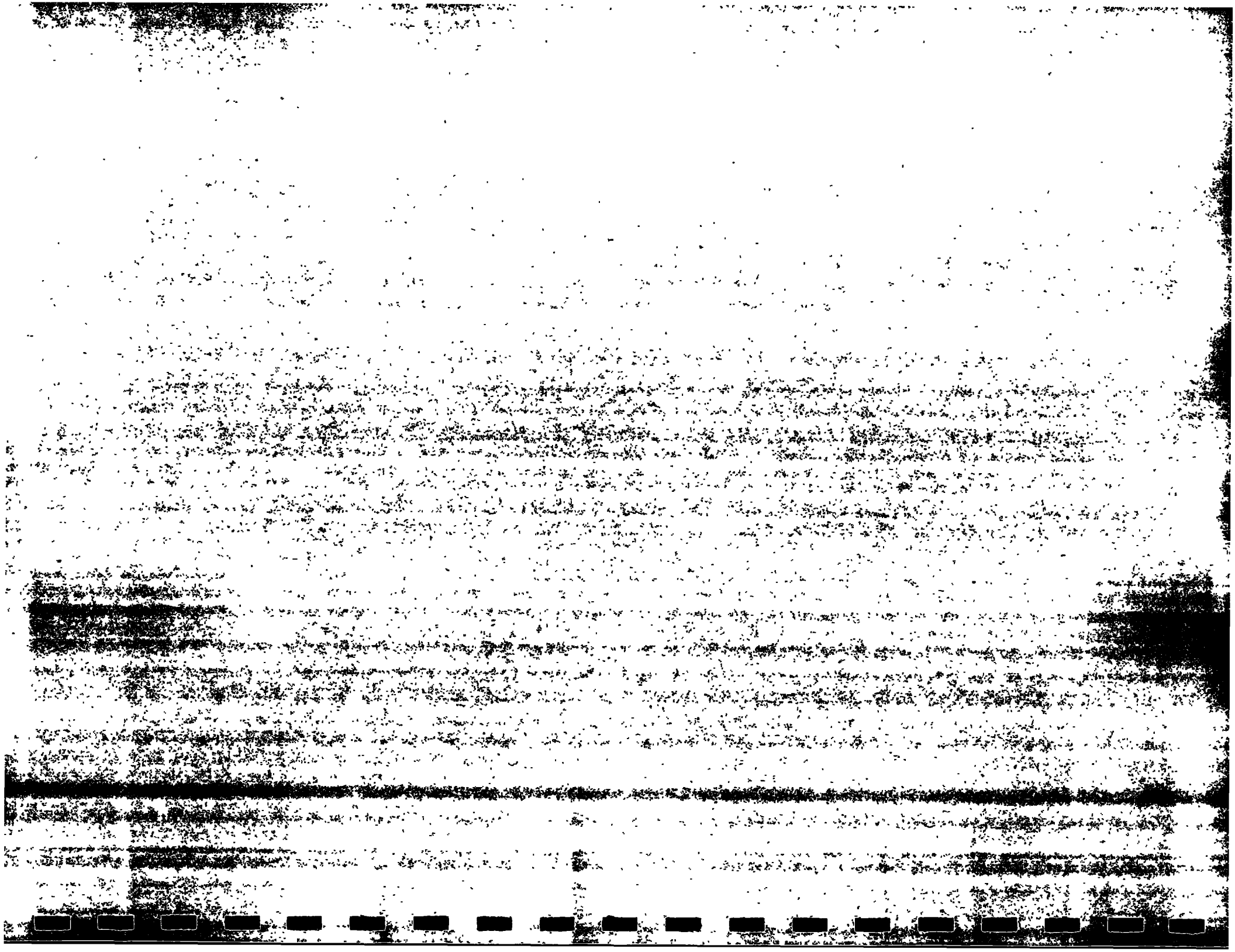
Source: Standard & Poor's XpressFeed – Bond Package

Union Pacific Corporation

Type:	Inc. Debenture
Description:	UPRR – MP
CUSIP:	606198LH0
Coupon Rate:	5.000%
Maturity Date:	1/1/45
Amount Outstanding ($ 000)	$96,025
Months Outstanding	12

End of Month	Price	Yield
January	48.500	10.59 %
February	48.500	10.59
March	55.000	9.39
April	50.000	10.29
May	50.250	10.25
June	50.000	10.30
July	52.000	9.92
August	55.000	9.40
September	68.000	7.63
October	69.000	7.52
November	70.000	7.41
December	69.150	7.51
Average	57.117	9.23 %

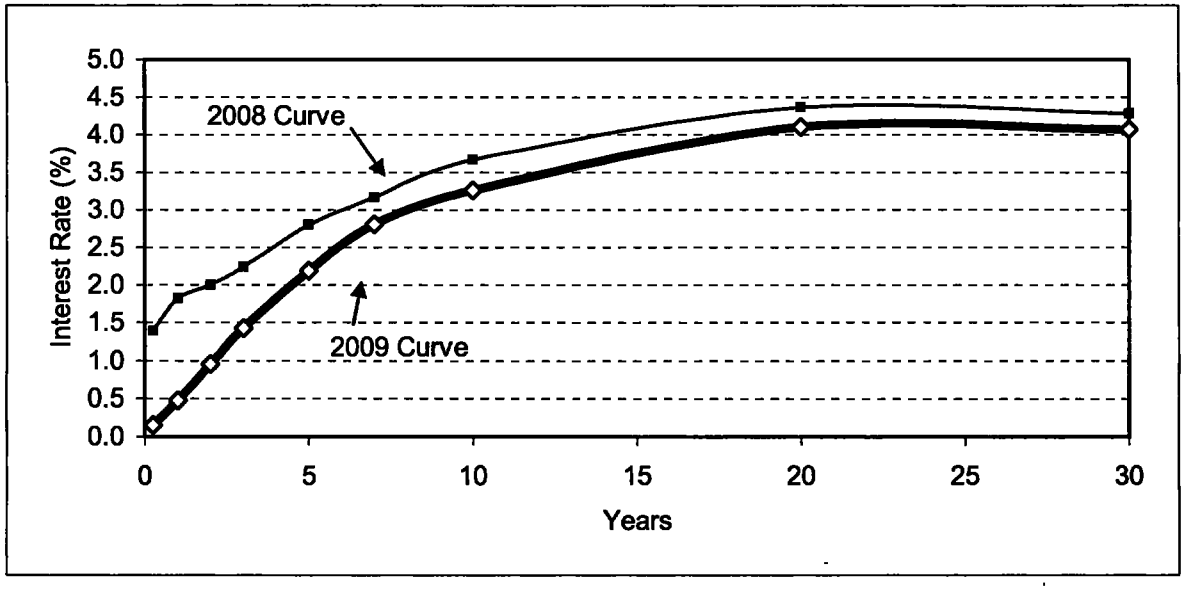
Source: Standard & Poor's XpressFeed – Bond Package



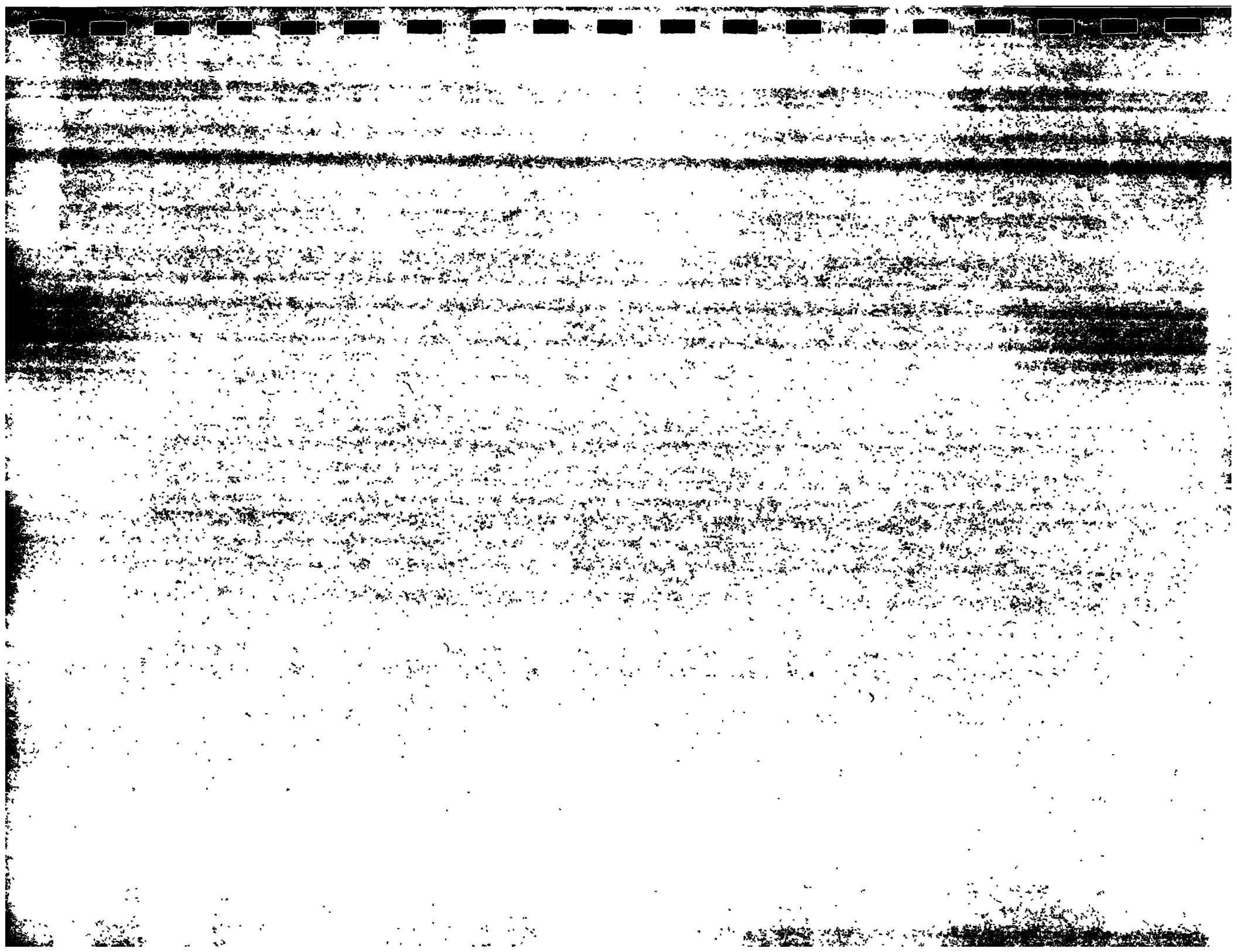
Interest Rates on Selected Government Instruments

Yield in Percent Per Annum, Constant Maturity Rates for 2009

	3 Mo.	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
January	0.13	0.44	0.81	1.13	1.60	1.98	2.52	3.46	3.13
February	0.30	0.62	0.98	1.37	1.87	2.30	2.87	3.83	3.59
March	0.22	0.64	0.93	1.31	1.82	2.42	2.82	3.78	3.64
April	0.16	0.55	0.93	1.32	1.86	2.47	2.93	3.84	3.76
May	0.18	0.50	0.93	1.39	2.13	2.81	3.29	4.22	4.23
June	0.18	0.51	1.18	1.76	2.71	3.37	3.72	4.51	4.52
July	0.18	0.48	1.02	1.55	2.46	3.14	3.56	4.38	4.41
August	0.17	0.46	1.12	1.65	2.57	3.21	3.59	4.33	4.37
September	0.12	0.40	0.96	1.48	2.37	3.02	3.40	4.14	4.19
October	0.07	0.37	0.95	1.46	2.33	2.96	3.39	4.16	4.19
November	0.05	0.31	0.80	1.32	2.23	2.92	3.40	4.24	4.31
December	0.05	0.37	0.87	1.38	2.34	3.07	3.59	4.40	4.49
Average	**0.15**	**0.47**	**0.96**	**1.43**	**2.19**	**2.81**	**3.26**	**4.11**	**4.07**



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



Equipment Trust Certificates for BNSF

Modeled ETCs

	ETC ID	Maturity	Balance For 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current ($000) Market Value	Interest
1.	BNSF Series AA (AT	9/24/11	6,705	4,470	5,588	2.528%	1.09498	6,118	155
2.	BNSF 1999A	5/1/14	19,992	16,660	18,326	3.458%	1.08832	19,945	690
3.	BNSF 1999 KFW	6/28/16	63,661	55,704	59,683	3.909%	1.12386	67,075	2,622
4.	BNLC Dec98 KFW	1/2/2016	61,230	57,348	59,289	3.912%	1.07991	64,027	2,505
5.	BNLC 2000 KFW	4/19/15	23,408	20,064	21,736	3.716%	1.14818	24,957	928
6.	BNLC 2005-1 (1993 PT	01/02/12	22,581	15,694	19,138	2.864%	1.03359	19,780	567
7.	BNSF 2009-B EDC ET(	7/15/2027	74,912	72,831	73,872	4.508%	1.02655	41,076	1,852
8.					–			–	–
9.					–			–	–
10.					–			–	–
11.					–			–	–
12.					–			–	–
13.					–			–	–
14.					–			–	–
15.					–			–	–
	Total		$272,489	$242,771	$257,630	3.834%		$242,978	$9,317

New ETC issued 7/15/2009 market value has been pro-rated at (6.5 months / 12 months) times market value of $75,833.

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 2009 ($000) Beg.	Ending
1.	BNLC - Barbados	04/16/12	16,932	11,920
2.	BNLC - 1992 ETC	07/14/13	13,913	11,131
3.	BNLC - 1995A.PTT(I	07/01/13	5,515	4,834
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$36,360	$27,885

Equipment Trust Certificates for BNSF (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2009 ($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 2009 ($000) Beg.	Ending
Total Modeled	$272,489	$242,771
Total Non-Modeled	36,360	27,885
Sub Total	308,849	270,656
Total All Current	0	0
Grand Total	308,849	270,656
From BNSF:		
Total ETCs		$270,656
Difference		$0

Equipment Trust Certificates for CSX

Modeled ETCs

	ETC ID	Maturity	Balance For 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	ETC CSX Series A 231	3/15/11	11,400	7,600	9,500	2.074%	1.09462	10,399	216
2.	ETC CSX Series B 236	2/15/14	30,000	25,000	27,500	3.004%	1.09264	30,048	903
3.	ETC CSX Series B 237	4/15/14	24,000	20,000	22,000	3.002%	1.11162	24,456	734
4.	ETC CSX Series B 238	6/15/14	22,200	18,500	20,350	3.000%	1.13657	23,129	694
5.	ETC CSX Series B 239	4/1/15	35,700	30,600	33,150	3.261%	1.17366	38,907	1,269
6.	ETC CSX Series B 240	5/15/15	29,400	25,200	27,300	3.263%	1.14323	31,210	1,018
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
11.					--			--	--
12.					--			--	--
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$152,700	$126,900	$139,800	3.056%		$158,148	$4,834

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 2009 ($000) Beg.	Ending
1.				
2.	ETC CSX Series A 234	06/01/11	12,000	8,000
3.	ETC CSX Series A 235	06/15/13	25,000	20,000
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$37,000	$28,000

Equipment Trust Certificates for CSX (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2009 ($000) Beg.	Ending
1.	ETC CSX Series B 228	3/15/10	7,800	3,900
2.	ETC CSX Series A 230	06/01/10	7,600	3,800
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$15,400	$7,700

Grand Totals (for reconciliation to carrier data)

	Balance For 2009 ($000) Beg.	Ending
Total Modeled	$152,700	$126,900
Total Non-Modeled	37,000	28,000
Sub Total	189,700	154,900
Total All Current	15,400	7,700
Grand Total	205,100	162,600
From CSX:		
Total ETCs		$162,600
Difference		$0

Equipment Trust Certificates for NS

Modeled ETCs

	ETC ID	Maturity	Balance For 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	NSR Series H	7/15/13	21,000	16,800	18,900	2.727%	1.07896	20,392	556
2.	NSR Series I	4/1/14	37,800	31,500	34,650	3.003%	1.10172	38,175	1,146
3.	NSR Series J	7/1/14	37,500	31,250	34,375	3.000%	1.14003	39,189	1,176
4.					–			–	–
5.					–			–	–
6.					–			–	–
7.					–			–	–
8.					–			–	–
9.					–			–	–
10.					–			–	–
11.					–			–	–
12.					–			–	–
13.					–			–	–
14.					–			–	–
15.					–			–	–
	Total		$96,300	$79,550	$87,925	2.944%		$97,756	$2,878

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 2009 ($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 NS (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2009 ($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 2009 ($000) Beg.	Ending
Total Modeled	$96,300	$79,550
Total Non-Modeled	0	0
Sub Total	96,300	79,550
Total All Current	0	0
Grand Total	96,300	79,550
From NS:		
Total ETCs		$79,550
Difference		$0

Equipment Trust Certificates for UP

Modeled ETCs

	ETC ID	Maturity	Balance For 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	ETC UPC Series C	2/1/12	16,600	12,450	14,525	2.404%	1.13482	16,483	396
2.	ETC UPC Series G	6/15/11	16,305	10,870	13,588	2.074%	1.10084	14,958	310
3.	ETC UPC Series H	12/1/11	14,100	9,400	11,750	2.074%	1.08985	12,806	266
4.	ETC UPC Series I	2/23/19	64,194	58,701	61,448	3.869%	1.14811	70,548	2,730
5.	ETC UPC Series J	1/2/2031	90,819	86,822	88,820	4.665%	1.13379	100,704	4,698
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
10.					--			--	--
11.					--			--	--
12.					--			--	--
13.					--			--	--
14.					--			--	--
15.					--			--	--
	Total		$202,018	$178,243	$190,130	3.898%		$215,499	$8,400

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 2009 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
	Total		$0	$0

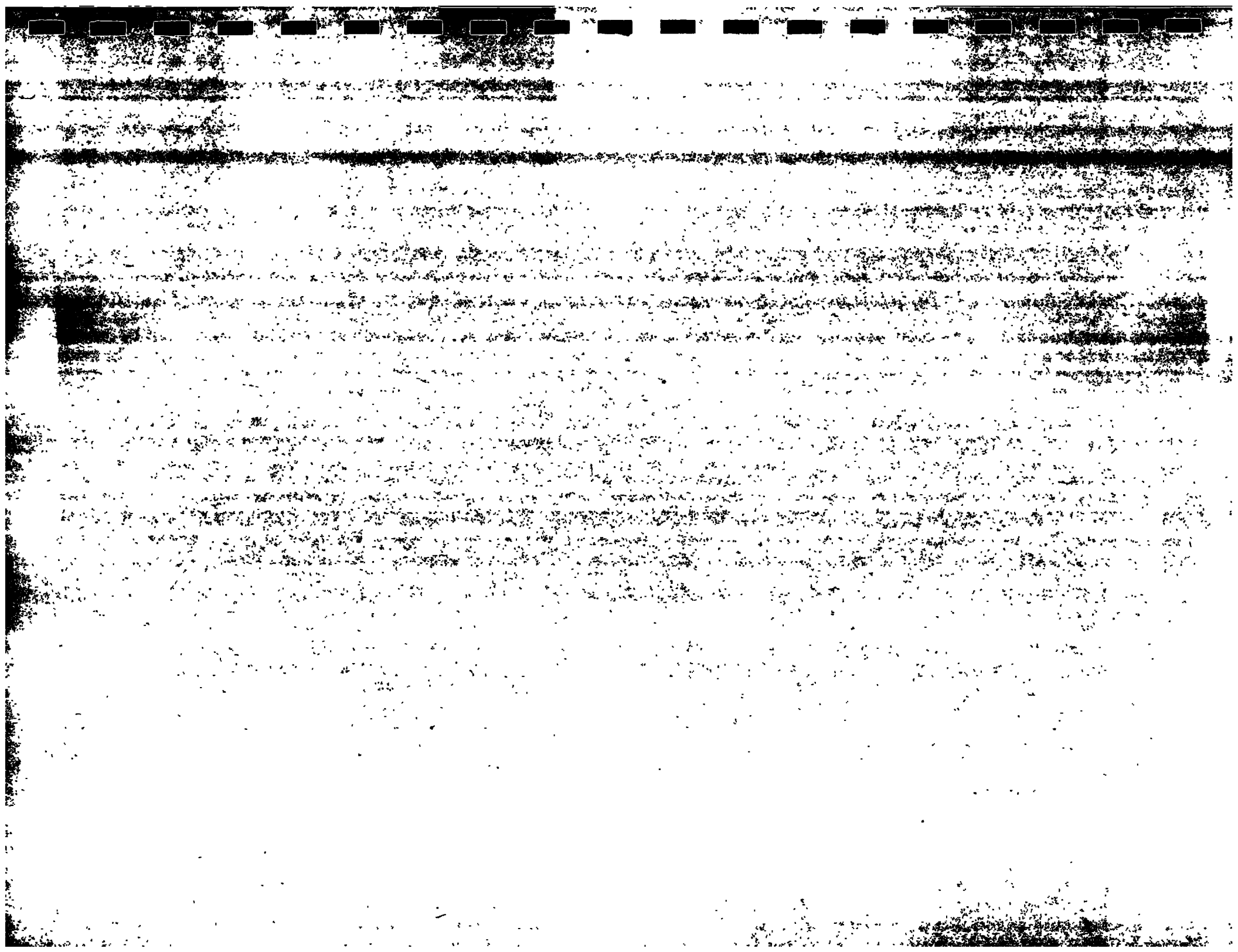
Equipment Trust Certificates for UP (continued)

Entire ETC Current – Not Used for Cost or Market Value

	ETC ID	Maturity	Balance 2009 ($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 2009 ($000) Beg.	Ending
Total Modeled	$202,018	$178,243
Total Non-Modeled	0	0
Sub Total	202,018	178,243
Total All Current	0	0
Grand Total	202,018	178,243
From UP:		
Total ETCs		$178,243
Difference		$0



Conditional Sales Agreements for BNSF

Modeled CSAs

	CSA ID	Maturity	Balance For 2009 ($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 2009 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2009 ($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 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.	CSX 422	10/22/12	20,472	15,354	17,913	2.729%	1.09374	19,592	535
2.	CSX 423	4/16/2012	25,009	18,757	21,883	2.730%	1.08562	23,757	648
3.					–			–	–
4.					–			–	–
5.					–			–	–
6.					–			–	–
7.					–			–	–
8.					–			–	–
9.					–			–	–
10.					–			–	–
	Total		$45,481	$34,111	$39,796	2.730%		$43,349	$1,183

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 2009 ($000) Beg.	Ending	
1.	CSA 424	09/15/14	35,949	29,957	(uses a floating interest rate)
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
	Total		$35,949	$29,957	

	Balance For 2009 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$81,430	$64,068

From CSX:

Total CSAs	$64,068
Difference from Grand Total	$0

Conditional Sales Agreements for NS

Modeled CSAs

	CSA ID	Maturity	Balance For 2009 ($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 2009 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2009 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$0	$0

Conditional Sales Agreements for UP

Modeled CSAs

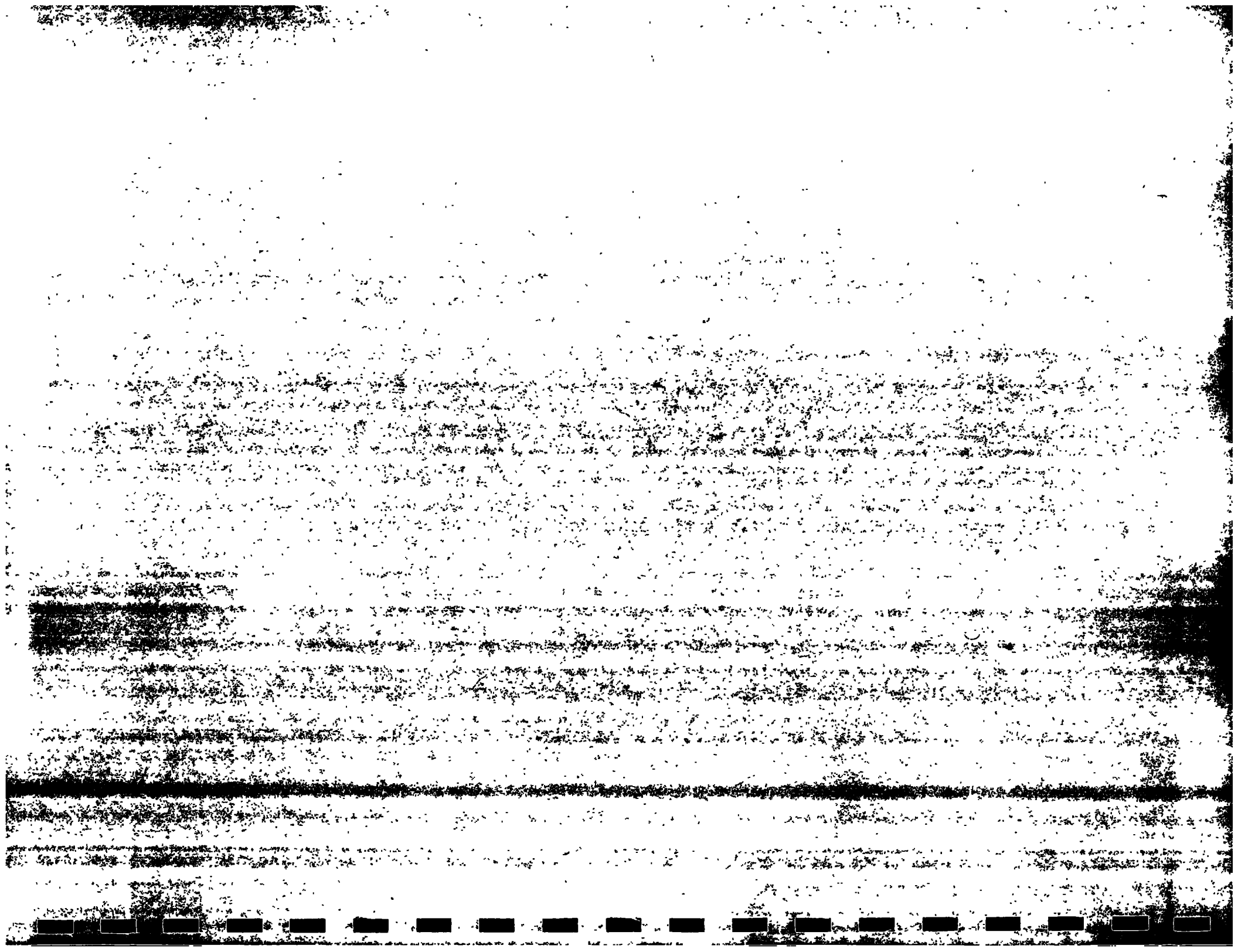
	CSA ID	Maturity	Balance For 2009 ($000) Beg.	Ending	Avg O/S	Current Valuation Interest Rate	Valuation Factor	Current Market Value	Interest
1.					--			--	--
2.					--			--	--
3.	None.				--			--	--
4.					--			--	--
5.					--			--	--
6.					--			--	--
7.					--			--	--
8.					--			--	--
9.					--			--	--
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 2009 ($000) Beg.	Ending
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	Total		$0	$0

	Balance For 2009 ($000) Beg.	Ending
Current CSAs Not Used	0	0
Grand Total All CSAs	$0	$0



2009 Market Value of Debt ($000)

Type of Debt	Market Value: Traded or Modeled	Market Value: Non-Traded or Non-Modeled	Market Value: Total	Percent of: Subtotal	Percent of: Total
Bonds, Notes & Debentures	$17,576,771	$11,970,735	$29,547,506	97.52%	86.35%
Equipment Trust Certificates	708,061	[redacted]	708,061	2.34%	2.07%
Conditional Sales Agreements	43,349		43,349	0.14%	0.13%
Sub Total	$18,328,181	$11,970,735	$30,298,916	100.00%	88.55%
All Other — Capital Leases		$3,688,723	$3,688,723	94.12%	10.78%
All Other — Misc. Debt		144,449	144,449	3.69%	0.42%
All Other — Non-Modeled ETC		55,885	55,885	1.43%	0.16%
All Other — Non-Modeled CSA		29,957	29,957	0.76%	0.09%
Sub Total			$3,919,014	100.00%	11.45%
Total Market Value			**$34,217,930**		100.00%

General Notes:

Bonds, Notes, and Debentures from Appendix A. Securities that did not trade were assigned a market value equal to their book value. The traded portion accounts for 59.49 percent of the total market value for this category.

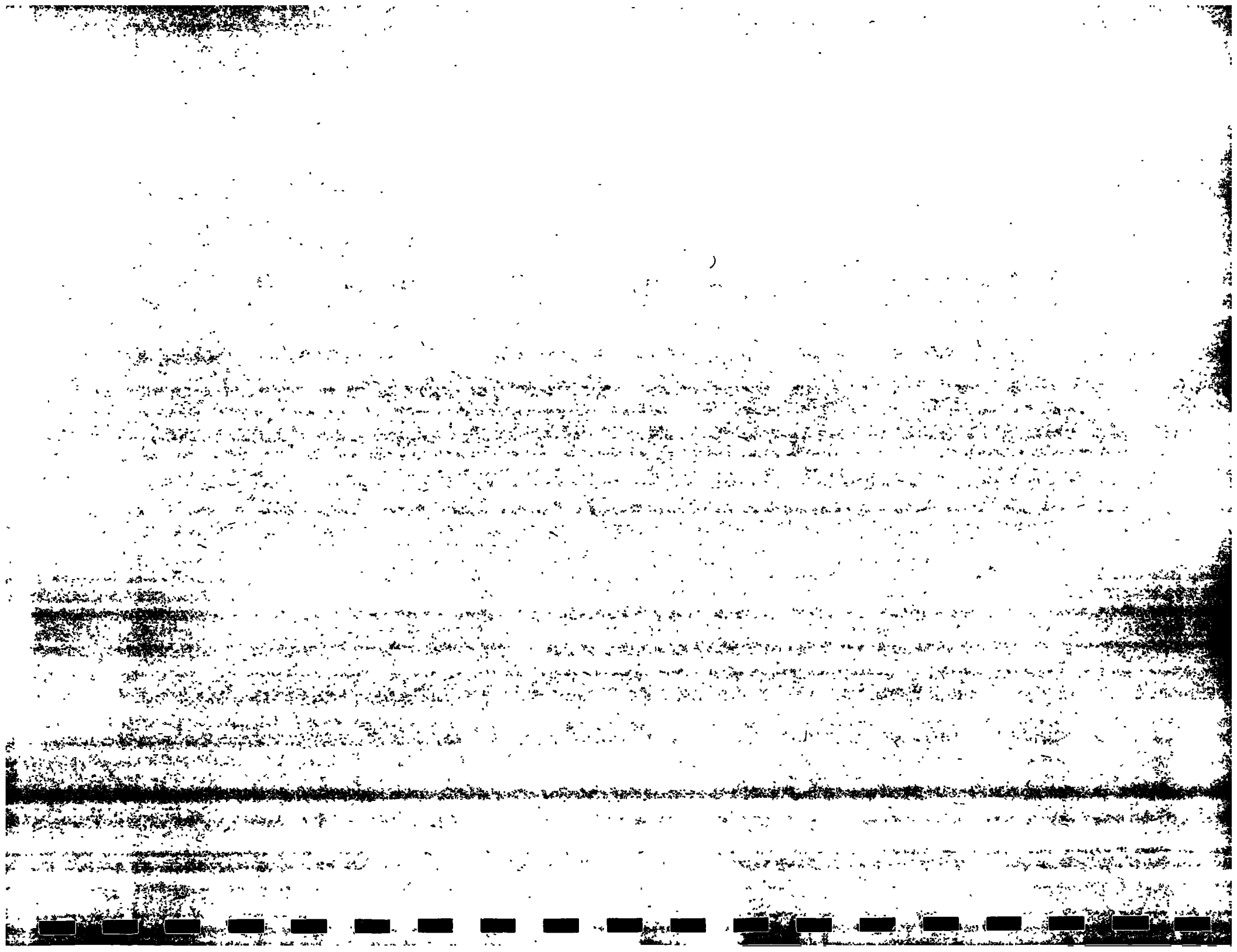
Equipment Trust Certificates from Appendix C.

Conditional Sales Agreements from Appendix D.

Some ETCs and CSAs could not be modeled because they did not have all of the typical characteristics necessary for the model. Those that could not be modeled were assigned a market value equal to their book value, and moved to the All Other category.

Capital Leases and Miscellaneous Debt listed in work papers.

The capital leases and miscellaneous debt portion of the All Other debt category was assigned a market value equal to its book value, and totals to $3,833,172 thousand. The non-modeled ETCs and CSAs were also assigned a market value equal to their book value, and totaled to $85,842 thousand. The All Other category totals to $3,919,014 thousand, or 11.5 percent of total debt.



2009 Flotation Costs for Bonds

From 424(b)(5)	BNI Notes Issued 9/24/09	CSX Notes Issued 1/20/09	NSC Sr Notes Issued 6/1/2009	UNP Notes Issued 2/20/09	UNP Notes Issued 2/20/09
Face Amount	$750,000,000	$500,000,000	$500,000,000	$350,000,000	$400,000,000
Coupon Rate	4.700%	7.375%	5.900%	5.125%	6.125%
Maturity Date	10/1/2019	2/1/2019	6/15/2019	2/15/2014	2/15/2020
Frequency of Coupon Payment	2	2	2	2	2
Settlement Date	9/24/2009	1/20/2009	6/1/2009	2/20/2009	2/20/2009
Price To Investors	99.825	99.361	99.750	99.975	99.607
Proceeds from Sale (before expenses)	$748,687,500	$496,805,000	$498,750,000	$349,912,500	$398,428,000
Underwriter Fee as Pct of Gross Proceeds	0.650%	0.650%	0.650%	0.600%	0.650%
Underwriter's Fee	$4,875,000	$3,250,000	$3,250,000	$2,100,000	$2,600,000
Railroad Expenses Excluding Fee	$466,405	$250,000	$200,000	$93,333	$106,667
Page in 424(b)(5) for Expenses	S-7	S-22	S-21*	S-7	S-7
Calculated					
Yield Based on Price to Investors	4.722%	7.466%	5.933%	5.131%	6.175%
Issue Price Per $100 Less Flotation	$99.11	$98.66	$99.06	$99.35	$98.93
Yield on New Issue Including Flotation	4.813%	7.567%	6.026%	5.275%	6.261%
Flotation Costs (Difference In Pct Pts)	**0.091%**	**0.101%**	**0.093%**	**0.145%**	**0.086%**
Average Flotation Cost (Pct. Points)	**0.103%**				

Source: SEC 424(b)(5) or 424(b)(3) filings.
UNP issued two sets of notes on 2/20/09, and non-fee expenses of $200,000 were allocated based on face amounts.

Example of Source for Bond Flotation Costs

Form 424B5

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-140732

Prospectus Supplement
(To Prospectus dated December 10, 2007)

CSX CORPORATION

$500,000,000 7.375% Notes due 2019

The 7.375% Notes due 2019 (the "Notes") will mature on February 1, 2019. Interest is payable on the Notes on February 1 and August 1 of each year, commencing August 1, 2009. Interest on the Notes will accrue from January 20, 2009. We may redeem some or all of the Notes at any time. The redemption prices are described under the caption "Description of Notes—Optional Redemption."

The Notes will be senior obligations of our company and will rank equally with all of our other unsecured senior indebtedness.

The Notes will be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons, registered in the name of a nominee for The Depository Trust Company. The Notes will be issued in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discount	Proceeds to Us
Per Note	99.361%	0.650%	98.711%
Total	$496,805,000	$3,250,000	$493,555,000

(1) Plus accrued interest from January 20, 2009 if settlement occurs after that.

CSX will not make application to list the Notes on any securities exchange or to include them in any automated quotation system.

We expect that delivery of the Notes will be made to investors on or about January 20, 2009, through the book-entry system of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear system, and Clearstream Banking, société anonyme.

Joint Book-Running Managers

Credit Suisse **J.P. Morgan** **UBS Investment Bank**

Senior Co-Managers

Barclays Capital **Citi** **Deutsche Bank Securities** **Morgan Stanley**

Co-Managers

Mitsubishi UFJ Securities **Mizuho Securities USA Inc.** **Scotia Capital**

January 14, 2009

Example of Source for Bond Flotation Costs

Form 424B5

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Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the relevant issue price set forth on the cover page of this prospectus supplement.

In connection with the offering, the representatives, on behalf of the underwriters, may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of Notes to be purchased by the underwriters in the offering, which creates a syndicate short position Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed, in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and UBS Securities LLC, on behalf of the underwriters, may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and UBS Securities LLC, in covering syndicate short positions or making stabilizing purchases, repurchases Notes originally sold by that syndicate member.

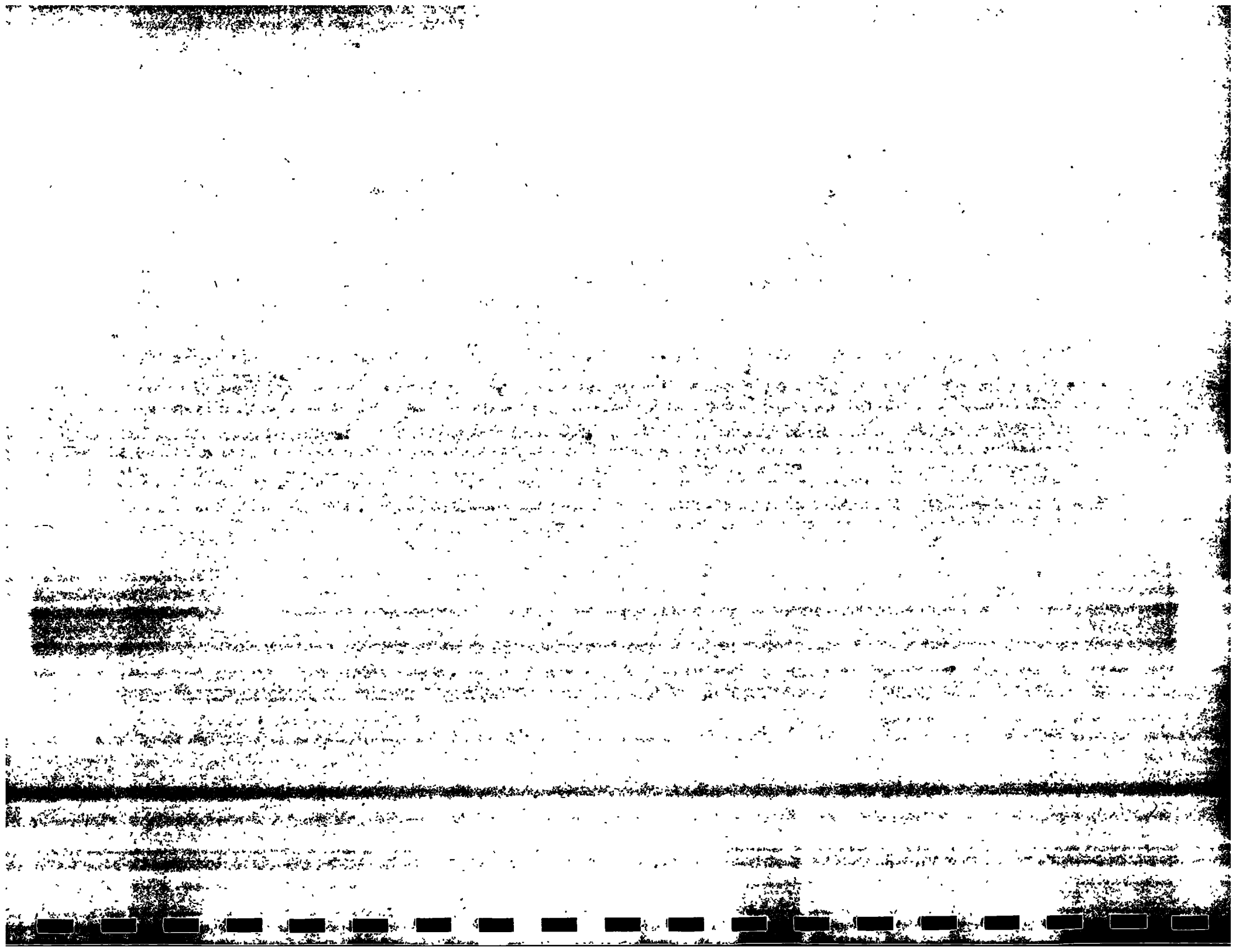
Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses (excluding underwriting discounts and commissions) for this offering will be approximately $250,000.

The underwriters have performed commercial banking, investment banking and advisory services for us from time to time, for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Certain of the underwriters or their affiliates engage in commercial lending activities with us and are lenders under CSX's bank credit facilities.

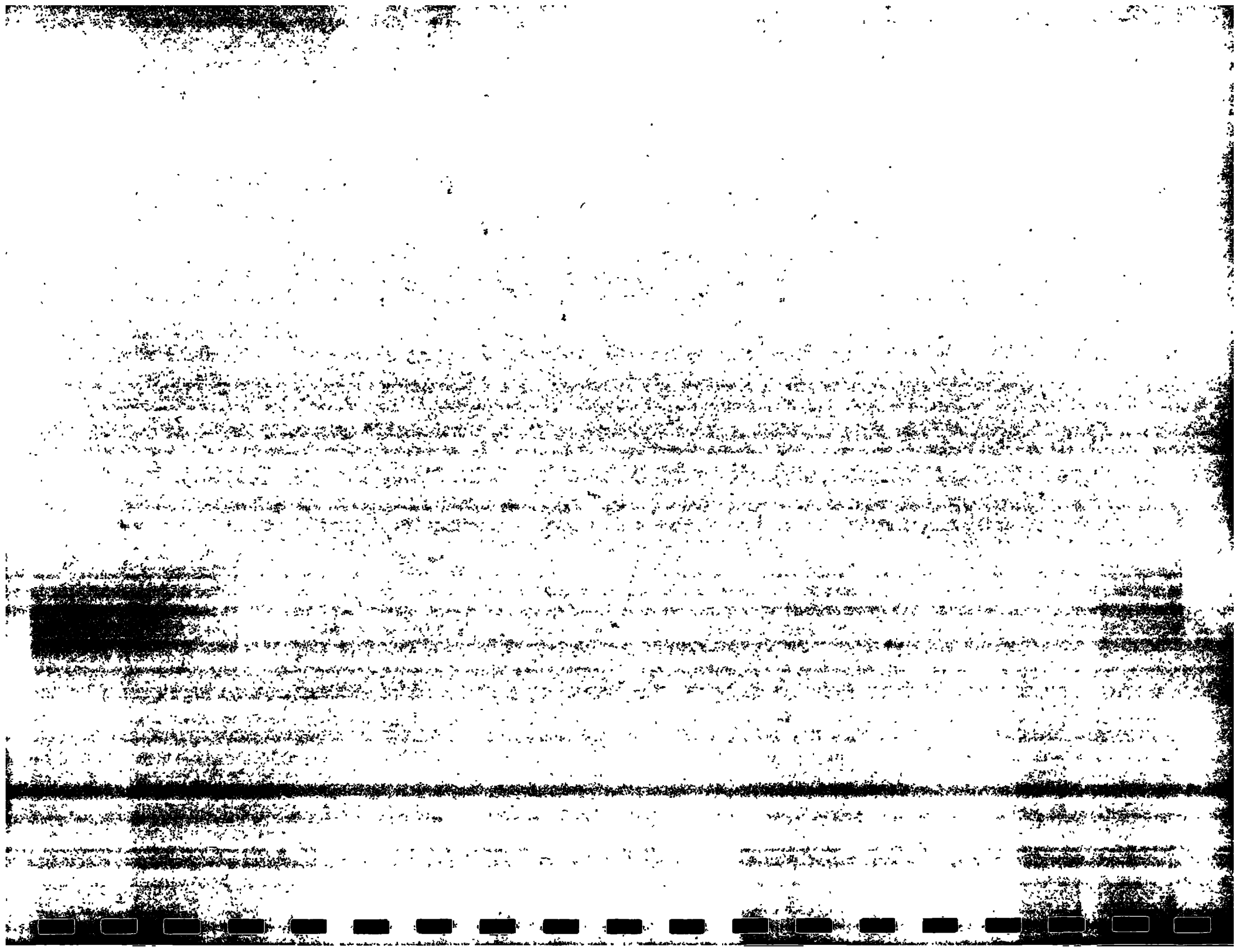
We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

S-22



2009 Current Cost of Debt

Type of Debt	Reference	Appendix E Weight	Current Cost	Weighted Cost
Type of Instrument				
Bonds, Notes & Debentures	App. A & Table 4	97.52%	5.669%	5.528%
Equipment Trust Certificates	App. C & Table 6	2.34%	3.551%	0.083%
Conditional Sales Agreements	App. D & Table 7	0.14%	2.730%	0.004%
Total Without Floatation Costs		100.00%		5.615%
Floatation Costs				
Bonds, Notes & Debentures	App. F & Table 10	97.52%	0.103%	0.100%
Equipment Trust Certificates	Tables 9 and 10	2.34%	0.078%	0.002%
Conditional Sales Agreements	Tables 9 and 10	0.14%	0.073%	0.000%
Total Floatation Costs		100.00%		0.102%
Weighted Cost of Debt				5.717%
Weighted Cost of Debt (rounded)				**5.72%**



Market Value for Common Equity

BNI Data from Yahoo Finance 1-6-2010
http://ichart.finance.yahoo.com/table.csv?s=BNI&a=11&b=20&c=2004&d=00&e=6&f=2010&g=w&ignore=.csv

Beg. of Wk. Date	Open	High	Low	End of Wk Close	Volume	Shares Outstanding	Capitalization ($000)
1/5/2009	77.93	81.89	73.87	74.58	3028400	342,326,358	25,530,700
1/12/2009	73.07	73.30	59.91	63.66	7787800	342,326,358	21,792,496
1/20/2009	63.50	65.70	60.85	63.32	6120200	342,326,358	21,676,105
1/26/2009	63.37	69.78	62.29	66.25	4075700	342,326,358	22,679,121
2/2/2009	65.20	73.98	64.28	72.94	3224900	342,326,358	24,969,285
2/9/2009	73.04	73.88	64.16	66.04	3195000	339,394,803	22,413,633
2/17/2009	64.81	64.82	60.50	61.84	3785100	339,394,803	20,988,175
2/23/2009	62.22	63.06	57.81	58.77	4191000	339,394,803	19,946,233
3/2/2009	57.85	57.85	52.13	53.46	4246000	339,394,803	18,144,046
3/9/2009	52.83	57.07	50.86	55.41	3636900	339,394,803	18,805,866
3/16/2009	56.35	59.25	54.74	55.06	3146600	339,394,803	18,687,078
3/23/2009	56.34	63.49	56.18	61.97	3727200	339,394,803	21,032,296
3/30/2009	60.99	66.93	59.06	66.52	4525100	339,394,803	22,576,542
4/6/2009	66.04	66.78	61.50	66.16	3329800	339,394,803	22,454,360
4/13/2009	65.78	69.44	64.11	68.17	3201500	339,394,803	23,136,544
4/20/2009	67.32	69.32	63.91	67.14	3146000	339,557,745	22,797,907
4/27/2009	65.21	69.62	63.35	68.06	3043800	339,557,745	23,110,300
5/4/2009	69.06	74.00	68.59	72.76	3156100	339,557,745	24,706,222
5/11/2009	72.00	72.23	65.44	67.14	2939700	339,557,745	22,797,907
5/18/2009	68.50	71.83	66.65	68.17	2335900	339,557,745	23,147,651
5/26/2009	68.47	72.58	67.09	72.44	2549900	339,557,745	24,597,563
6/1/2009	73.39	78.55	72.56	76.98	3168100	339,557,745	26,139,155
6/8/2009	75.98	77.73	73.86	77.36	2406200	339,557,745	26,268,187
6/15/2009	76.43	76.43	71.58	74.48	2713900	339,557,745	25,290,261
6/22/2009	73.58	75.99	71.10	75.67	3069400	339,557,745	25,694,335
6/29/2009	75.80	76.46	70.70	71.14	2983300	339,557,745	24,156,138
7/6/2009	70.51	71.38	66.61	68.96	2725200	339,557,745	23,415,902
7/13/2009	69.00	75.12	67.60	74.80	2402100	339,557,745	25,398,919
7/20/2009	75.29	79.73	75.29	78.89	2602800	340,023,689	26,824,469
7/27/2009	78.90	80.43	75.35	78.59	2256700	340,023,689	26,722,462
8/3/2009	79.68	84.56	78.95	83.72	2684900	340,023,689	28,466,783
8/10/2009	83.22	83.61	81.16	82.63	1772500	340,023,689	28,096,157
8/17/2009	81.33	84.96	79.49	84.77	1787800	340,023,689	28,823,808
8/24/2009	84.87	86.02	81.20	84.03	2287100	340,023,689	28,572,191
8/31/2009	83.02	84.66	79.68	84.23	2588700	340,023,689	28,640,195
9/8/2009	84.86	85.73	82.82	84.69	2515500	340,023,689	28,796,606
9/14/2009	84.01	85.25	82.70	83.91	2702900	340,023,689	28,531,388
9/21/2009	82.96	84.62	79.99	80.57	1589500	340,023,689	27,395,709
9/28/2009	80.81	82.25	77.04	78.85	2074000	340,023,689	26,810,868
10/5/2009	79.01	82.18	78.50	82.18	2023200	340,023,689	27,943,147
10/12/2009	82.71	86.99	81.12	86.39	2147500	340,023,689	29,374,646
10/19/2009	86.68	87.46	78.32	79.12	3106500	340,435,006	26,935,218
10/26/2009	79.60	80.41	75.14	75.32	3118900	340,435,006	25,641,565
11/2/2009	75.50	97.98	75.32	97.23	25263300	340,435,006	33,100,496
11/9/2009	97.20	98.00	97.20	97.97	7336000	340,435,006	33,352,418
11/16/2009	97.82	98.36	97.82	98.10	4546500	340,435,006	33,396,674
11/23/2009	98.21	98.43	98.10	98.26	2432700	340,435,006	33,451,144
11/30/2009	98.23	98.89	98.19	98.66	3139900	340,435,006	33,587,318
12/7/2009	98.67	98.96	98.51	98.58	3456700	340,435,006	33,560,083
12/14/2009	98.71	98.71	98.30	98.32	4011700	340,435,006	33,471,570
12/21/2009	98.32	98.50	98.20	98.40	3523100	340,435,006	33,498,805
12/28/2009	98.43	98.77	98.31	98.62	1200500	340,435,006	33,573,700

Note: Capitalization calulated using close of week price multiplied by the number of shares outstanding.

Market Value for Common Equity

CSX Data from Yahoo Finance 1-6-2010
http://ichart.finance.yahoo.com/table.csv?s=CSX&a=00&b=1&c=2004&d=00&e=3&f=2009&g=w&ignore=.csv

Beg. of Wk. Date	Open	High	Low	End of Wk Close*	Volume	Shares Outstanding	Capitalization ($000)
1/5/2009	34.50	36.82	33.85	34.52	4831700	394,469,360	13,617,082
1/12/2009	34.51	34.51	28.27	29.83	6963300	394,469,360	11,767,021
1/20/2009	29.02	29.84	27.77	28.84	6804500	394,469,360	11,376,496
1/26/2009	28.85	31.20	27.61	28.96	6038500	394,469,360	11,423,833
2/2/2009	28.25	33.44	28.00	32.78	5893600	399,254,173	13,087,552
2/9/2009	32.70	33.49	28.10	29.22	4605200	399,254,173	11,666,207
2/17/2009	28.64	28.64	25.51	26.61	7599900	399,254,173	10,624,154
2/23/2009	26.96	27.17	24.05	24.68	7704500	399,254,173	9,853,593
3/2/2009	24.16	24.22	21.12	21.59	8563700	399,254,173	8,619,898
3/9/2009	21.30	23.98	20.70	23.21	6675200	399,254,173	9,266,689
3/16/2009	23.70	26.15	23.52	24.24	7370200	399,254,173	9,677,921
3/23/2009	24.86	28.20	24.80	27.41	7615200	399,254,173	10,943,557
3/30/2009	26.84	29.60	25.09	29.45	7946000	391,459,772	11,528,490
4/6/2009	29.13	30.33	27.50	29.75	6065900	391,459,772	11,645,928
4/13/2009	29.52	32.12	28.00	31.38	8627100	391,459,772	12,284,008
4/20/2009	30.89	31.55	27.80	30.97	14147900	391,459,772	12,123,509
4/27/2009	30.51	31.45	28.44	30.57	9133400	391,459,772	11,966,925
5/4/2009	31.24	32.60	30.00	31.02	7945600	391,459,772	12,143,082
5/11/2009	30.24	30.61	26.72	27.67	8988100	391,459,772	10,831,692
5/18/2009	28.02	30.54	27.34	28.16	5916900	391,459,772	11,023,507
5/26/2009	27.97	31.85	27.95	31.76	8569000	391,459,772	12,432,762
6/1/2009	32.38	35.03	32.01	33.94	9323900	391,459,772	13,286,145
6/8/2009	33.60	36.57	33.18	36.52	6906900	391,459,772	14,296,111
6/15/2009	35.99	36.33	33.03	34.56	7145200	391,459,772	13,528,850
6/22/2009	34.08	36.54	31.60	36.20	8394700	391,459,772	14,170,844
6/29/2009	36.47	36.47	33.10	33.22	6129000	392,190,182	13,028,558
7/6/2009	32.38	32.71	30.25	32.03	5739800	392,190,182	12,561,852
7/13/2009	32.46	38.03	30.93	37.87	7885000	392,190,182	14,852,242
7/20/2009	38.05	41.27	38.01	40.72	6628800	392,190,182	15,969,984
7/27/2009	40.73	41.50	38.21	40.12	4825800	392,190,182	15,734,670
8/3/2009	40.86	44.91	40.72	44.33	5977500	392,190,182	17,385,791
8/10/2009	44.31	44.94	42.51	44.58	5367900	392,190,182	17,483,838
8/17/2009	43.16	45.34	42.06	45.06	4421100	392,190,182	17,672,090
8/24/2009	45.24	45.80	41.72	43.73	5622300	392,190,182	17,150,477
8/31/2009	43.28	45.70	41.10	45.29	4923100	392,190,182	17,762,293
9/8/2009	45.99	48.85	45.39	46.93	6814800	392,190,182	18,405,485
9/14/2009	46.47	47.35	44.67	45.26	6574300	392,190,182	17,750,528
9/21/2009	44.85	46.46	42.50	42.82	5105800	392,190,182	16,793,584
9/28/2009	43.26	44.20	40.67	41.65	5044900	392,558,925	16,350,079
10/5/2009	41.96	44.48	41.43	44.46	4833200	392,558,925	17,453,170
10/12/2009	44.83	47.25	43.85	46.77	5605500	392,558,925	18,359,981
10/19/2009	46.91	47.16	43.02	43.32	5615400	392,558,925	17,005,653
10/26/2009	43.69	44.72	41.81	42.18	5348700	392,558,925	16,558,135
11/2/2009	42.29	48.14	42.20	47.69	7039300	392,558,925	18,721,135
11/9/2009	48.31	49.10	47.48	48.95	4402100	392,558,925	19,215,759
11/16/2009	49.21	50.15	48.15	48.62	4337700	392,558,925	19,086,215
11/23/2009	49.12	49.80	46.50	47.53	3055400	392,558,925	18,658,326
11/30/2009	47.39	50.17	47.10	50.13	3207000	392,558,925	19,678,979
12/7/2009	50.14	50.15	46.92	48.94	3643100	392,558,925	19,211,834
12/14/2009	49.44	50.09	48.00	48.47	2738200	392,558,925	19,027,331
12/21/2009	48.93	50.80	48.81	50.40	1423700	392,558,925	19,784,970
12/28/2009	50.16	50.38	48.45	48.49	1643600	392,558,925	19,035,182

Note: Capitalization calulated using close of week price multiplied by the number of shares outstanding.

Market Value for Common Equity

NSC Data from Yahoo Finance 1-6-2010

http://ichart.finance.yahoo.com/table.csv?s=NSC&a=11&b=20&c=2004&d=00&e=6&f=2010&g=w&ignore=.csv

Beg. of Wk. Date	Open	High	Low	End of Wk Close	Volume	Shares Outstanding	Capitalization ($000)
1/5/2009	48.86	50.16	45.87	46.55	2998100	370,279,291	17,236,501
1/12/2009	45.60	45.60	37.05	37.81	7109600	370,279,291	14,000,260
1/20/2009	37.34	38.12	33.45	34.15	7372900	370,279,291	12,645,038
1/26/2009	34.16	40.70	34.00	38.36	6017000	370,279,291	14,203,914
2/2/2009	37.81	42.34	36.71	41.27	4989200	366,460,780	15,123,836
2/9/2009	41.13	41.61	35.36	37.73	5120100	366,460,780	13,826,565
2/17/2009	36.95	37.51	33.11	33.97	4992000	366,460,780	12,448,673
2/23/2009	34.26	34.63	30.77	31.72	5647500	366,460,780	11,624,136
3/2/2009	30.75	31.08	26.85	27.41	7893600	366,460,780	10,044,690
3/9/2009	27.84	30.56	26.69	29.28	6862300	366,460,780	10,729,972
3/16/2009	29.99	32.25	29.69	30.46	5822900	366,460,780	11,162,395
3/23/2009	30.88	36.10	30.88	34.88	6658000	366,460,780	12,782,152
3/30/2009	33.99	38.04	32.59	37.45	5815100	366,460,780	13,723,956
4/6/2009	37.14	37.75	34.83	37.35	4650100	367,037,849	13,708,864
4/13/2009	37.10	38.47	35.94	37.79	4598800	367,037,849	13,870,360
4/20/2009	37.26	39.66	34.55	37.79	10137800	367,037,849	13,870,360
4/27/2009	37.01	37.39	34.32	35.80	5849800	367,037,849	13,139,955
5/4/2009	36.17	38.77	36.15	38.01	5814400	367,037,849	13,951,109
5/11/2009	37.58	37.77	34.50	35.08	5374000	367,037,849	12,875,688
5/18/2009	35.67	38.25	33.96	35.21	4308700	367,037,849	12,923,403
5/26/2009	35.38	37.20	34.34	37.20	4445900	367,037,849	13,653,808
6/1/2009	37.57	41.88	37.10	40.70	5577200	367,037,849	14,938,440
6/8/2009	39.98	41.90	39.75	41.23	3946000	367,037,849	15,132,971
6/15/2009	40.35	40.90	37.53	38.46	4342000	367,037,849	14,116,276
6/22/2009	37.75	39.54	35.92	39.19	4131200	367,037,849	14,384,213
6/29/2009	38.85	39.29	36.85	36.90	3715600	367,037,849	13,543,697
7/6/2009	36.54	37.40	35.28	36.65	3761000	367,636,640	13,473,883
7/13/2009	36.53	41.67	35.77	41.39	3931100	367,636,640	15,216,481
7/20/2009	41.50	45.55	41.25	44.84	4129700	367,636,640	16,484,827
7/27/2009	45.23	45.30	41.61	43.25	4230400	367,636,640	15,900,285
8/3/2009	43.73	46.99	42.95	46.37	3483900	367,636,640	17,047,311
8/10/2009	46.25	48.65	44.39	47.27	4053200	367,636,640	17,378,184
8/17/2009	46.44	47.86	45.00	47.54	3190200	367,636,640	17,477,446
8/24/2009	47.63	48.00	45.05	46.91	2733500	367,636,640	17,245,835
8/31/2009	46.10	48.20	44.24	47.96	3169500	367,636,640	17,631,853
9/8/2009	48.34	50.10	47.30	48.68	3828300	367,636,640	17,896,552
9/14/2009	48.38	49.49	46.11	46.34	3696500	367,636,640	17,036,282
9/21/2009	45.78	47.12	43.25	43.96	2832700	367,636,640	16,161,307
9/28/2009	44.22	44.91	42.58	43.26	3786200	367,636,640	15,903,961
10/5/2009	43.55	46.26	42.93	46.16	3151000	367,893,915	16,981,983
10/12/2009	46.34	49.39	45.20	49.15	4214400	367,893,915	18,081,986
10/19/2009	49.30	50.20	46.01	46.88	3979600	367,893,915	17,246,867
10/26/2009	46.91	49.75	46.01	46.62	5593300	367,893,915	17,151,214
11/2/2009	46.67	52.44	45.94	52.07	6844200	367,893,915	19,156,236
11/9/2009	52.57	52.84	51.09	51.67	4723700	367,893,915	19,009,079
11/16/2009	51.93	52.00	50.41	51.40	4147900	367,893,915	18,909,747
11/23/2009	51.84	52.40	50.30	51.19	2119800	367,893,915	18,832,490
11/30/2009	51.31	52.99	50.76	52.84	1913600	367,893,915	19,439,514
12/7/2009	52.70	52.94	50.65	52.22	1988800	367,893,915	19,211,420
12/14/2009	52.33	53.18	51.79	52.04	1800300	367,893,915	19,145,199
12/21/2009	52.25	54.55	52.24	54.24	1285900	367,893,915	19,954,566
12/28/2009	54.25	54.43	52.38	52.42	994900	367,893,915	19,284,999

Note: Capitalization calulated using close of week price multiplied by the number of shares outstanding.

Market Value for Common Equity

Stock Data for UNP from Yahoo! Finance 1-7-09

http://ichart.finance.yahoo.com/table.csv?s=UNP&a=00&b=1&c=2004&d=00&e=3&f=2009&g=w&ignore=.csv

Beg. of Wk. Date	Open	High	Low	End of Wk Close	Volume	Shares Outstanding	Capitalization ($000)
1/5/2009	50.69	54.66	47.43	48.12	6144300	506,430,904	24,369,455
1/12/2009	47.94	48.53	38.85	40.42	9696200	506,430,904	20,469,937
1/20/2009	39.98	43.91	37.55	42.50	9453600	506,430,904	21,523,313
1/26/2009	42.64	47.46	41.71	43.79	5975900	506,430,904	22,176,609
2/2/2009	43.01	50.00	42.14	49.27	5917800	503,193,533	24,792,345
2/9/2009	49.33	49.60	41.61	43.51	6942700	503,193,533	21,893,951
2/17/2009	42.56	42.56	38.22	40.03	7314700	503,193,533	20,142,837
2/23/2009	40.34	40.79	36.05	37.52	6853900	503,193,533	18,879,821
3/2/2009	36.83	38.55	33.77	34.98	7899100	503,193,533	17,601,710
3/9/2009	34.56	38.26	33.28	37.18	6392900	503,193,533	18,708,736
3/16/2009	38.70	40.88	37.72	38.69	6342300	503,193,533	19,468,558
3/23/2009	39.52	44.63	39.44	43.00	6494200	503,193,533	21,637,322
3/30/2009	41.41	46.39	39.82	46.09	7545100	503,193,533	23,192,190
4/6/2009	45.68	46.77	42.28	46.30	6126000	503,193,533	23,297,861
4/13/2009	45.99	49.76	45.00	48.29	6481100	503,193,533	24,299,216
4/20/2009	47.51	50.40	45.15	49.13	6595200	504,104,879	24,766,673
4/27/2009	48.49	51.29	45.72	49.98	5827700	504,104,879	25,195,162
5/4/2009	50.02	53.97	50.02	51.44	6486000	504,104,879	25,931,155
5/11/2009	50.70	51.18	45.57	46.58	5612700	504,104,879	23,481,205
5/18/2009	47.09	50.40	45.58	46.16	4459100	504,104,879	23,269,481
5/26/2009	46.42	49.32	44.00	49.27	6780000	504,104,879	24,837,247
6/1/2009	50.64	54.82	49.78	53.80	5470400	504,104,879	27,120,842
6/8/2009	52.95	55.45	52.48	54.36	3859600	504,104,879	27,403,141
6/15/2009	54.00	54.00	50.27	52.00	4369300	504,104,879	26,213,454
6/22/2009	51.57	53.55	48.36	53.30	4938900	504,104,879	26,868,790
6/29/2009	53.65	53.78	50.78	50.90	3592500	504,104,879	25,658,938
7/6/2009	50.49	51.03	47.47	50.37	4381400	504,104,879	25,391,763
7/13/2009	50.57	57.53	49.09	56.83	4451600	504,104,879	28,648,280
7/20/2009	57.22	62.22	56.27	57.99	5857400	504,304,711	29,244,630
7/27/2009	57.81	58.34	54.62	57.52	3731400	504,304,711	29,007,607
8/3/2009	58.76	62.75	58.01	61.37	3914800	504,304,711	30,949,180
8/10/2009	61.04	61.51	58.15	60.82	3515200	504,304,711	30,671,813
8/17/2009	59.72	62.52	58.31	61.95	2951600	504,304,711	31,241,677
8/24/2009	62.05	62.35	59.10	60.63	2872000	504,304,711	30,575,995
8/31/2009	60.09	62.43	58.27	62.04	3582700	504,304,711	31,287,064
9/8/2009	62.74	64.46	61.60	62.55	4488800	504,304,711	31,544,260
9/14/2009	62.02	64.75	61.49	62.40	3648200	504,304,711	31,468,614
9/21/2009	61.91	62.62	59.14	59.50	3029400	504,304,711	30,006,130
9/28/2009	60.17	60.66	57.06	57.38	4266000	504,304,711	28,937,004
10/5/2009	57.43	60.07	57.19	59.79	3177500	504,304,711	30,152,379
10/12/2009	59.89	63.79	58.79	63.53	3908200	504,304,711	32,038,478
10/19/2009	63.85	64.95	56.42	57.73	7512900	504,549,218	29,127,626
10/26/2009	57.96	59.00	54.75	55.14	7238300	504,549,218	27,820,844
11/2/2009	55.22	63.14	54.20	62.36	10401200	504,549,218	31,463,689
11/9/2009	62.15	63.68	61.30	63.55	4932500	504,549,218	32,064,103
11/16/2009	63.61	66.07	63.57	65.05	4268600	504,549,218	32,820,927
11/23/2009	66.10	66.73	62.37	63.19	3289200	504,549,218	31,882,465
11/30/2009	63.41	66.00	62.70	65.22	3899500	504,549,218	32,906,700
12/7/2009	65.34	65.57	62.54	64.18	3903000	504,549,218	32,381,969
12/14/2009	64.69	65.40	62.85	63.38	3329700	504,549,218	31,978,329
12/21/2009	63.95	66.39	63.81	66.23	1939500	504,549,218	33,416,295
12/28/2009	66.20	66.22	63.80	63.90	1329800	504,549,218	32,240,695

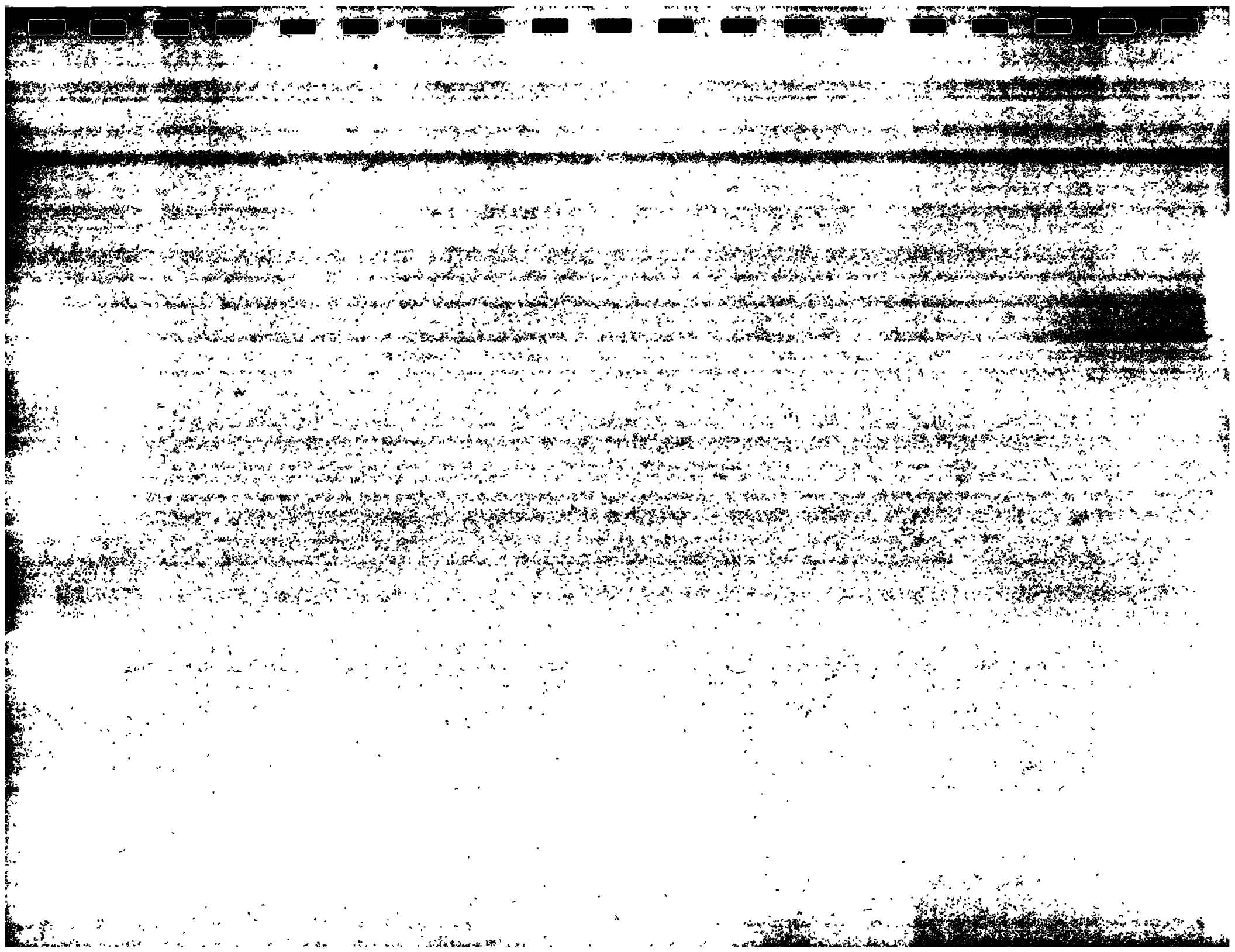
Note: Capitalization calulated using close of week price multiplied by the number of shares outstanding.

Market Value for Common Equity

Total Market Value for BNI, CSX, NSC, and UNP combined

Based on close price on last trading day of week and shares outstanding from 10-K and 10-Q.

	Trading Days For Week		Capitalization
	Beginning	End	($000)
1.	Monday, January 05, 2009	Friday, January 09, 2009	$80,753,738
2.	Monday, January 12, 2009	Friday, January 16, 2009	68,029,714
3.	Tuesday, January 20, 2009	Friday, January 23, 2009	67,220,953
4.	Monday, January 26, 2009	Friday, January 30, 2009	70,483,477
5.	Monday, February 02, 2009	Friday, February 06, 2009	77,973,018
6.	Monday, February 09, 2009	Friday, February 13, 2009	69,800,356
7.	Tuesday, February 17, 2009	Friday, February 20, 2009	64,203,838
8.	Monday, February 23, 2009	Friday, February 27, 2009	60,303,783
9.	Monday, March 02, 2009	Friday, March 06, 2009	54,410,344
10.	Monday, March 09, 2009	Friday, March 13, 2009	57,511,263
11.	Monday, March 16, 2009	Friday, March 20, 2009	58,995,952
12.	Monday, March 23, 2009	Friday, March 27, 2009	66,395,327
13.	Monday, March 30, 2009	Friday, April 03, 2009	71,021,179
14.	Monday, April 06, 2009	Thursday, April 09, 2009	71,107,013
15.	Monday, April 13, 2009	Friday, April 17, 2009	73,590,127
16.	Monday, April 20, 2009	Friday, April 24, 2009	73,558,449
17.	Monday, April 27, 2009	Friday, May 01, 2009	73,412,342
18.	Monday, May 04, 2009	Friday, May 08, 2009	76,731,567
19.	Monday, May 11, 2009	Friday, May 15, 2009	69,986,492
20.	Monday, May 18, 2009	Friday, May 22, 2009	70,364,043
21.	Tuesday, May 26, 2009	Friday, May 29, 2009	75,521,381
22.	Monday, June 01, 2009	Friday, June 05, 2009	81,484,583
23.	Monday, June 08, 2009	Friday, June 12, 2009	83,100,410
24.	Monday, June 15, 2009	Friday, June 19, 2009	79,148,840
25.	Monday, June 22, 2009	Friday, June 26, 2009	81,118,182
26.	Monday, June 29, 2009	Thursday, July 02, 2009	76,387,331
27.	Monday, July 06, 2009	Friday, July 10, 2009	74,843,399
28.	Monday, July 13, 2009	Friday, July 17, 2009	84,115,922
29.	Monday, July 20, 2009	Friday, July 24, 2009	88,523,910
30.	Monday, July 27, 2009	Friday, July 31, 2009	87,365,023
31.	Monday, August 03, 2009	Friday, August 07, 2009	93,849,065
32.	Monday, August 10, 2009	Friday, August 14, 2009	93,629,992
33.	Monday, August 17, 2009	Friday, August 21, 2009	95,215,020
34.	Monday, August 24, 2009	Friday, August 28, 2009	93,544,497
35.	Monday, August 31, 2009	Friday, September 04, 2009	95,321,406
36.	Tuesday, September 08, 2009	Friday, September 11, 2009	96,642,903
37.	Monday, September 14, 2009	Friday, September 18, 2009	94,786,811
38.	Monday, September 21, 2009	Friday, September 25, 2009	90,356,729
39.	Monday, September 28, 2009	Friday, October 02, 2009	88,001,912
40.	Monday, October 05, 2009	Friday, October 09, 2009	92,530,678
41.	Monday, October 12, 2009	Friday, October 16, 2009	97,855,092
42.	Monday, October 19, 2009	Friday, October 23, 2009	90,315,363
43.	Monday, October 26, 2009	Friday, October 30, 2009	87,171,758
44.	Monday, November 02, 2009	Friday, November 06, 2009	102,441,556
45.	Monday, November 09, 2009	Friday, November 13, 2009	103,641,358
46.	Monday, November 16, 2009	Friday, November 20, 2009	104,213,563
47.	Monday, November 23, 2009	Friday, November 27, 2009	102,824,424
48.	Monday, November 30, 2009	Friday, December 04, 2009	105,612,511
49.	Monday, December 07, 2009	Friday, December 11, 2009	104,365,306
50.	Monday, December 14, 2009	Friday, December 18, 2009	103,622,430
51.	Monday, December 21, 2009	Thursday, December 24, 2009	106,654,635
52.	Monday, December 28, 2009	Thursday, December 31, 2009	104,134,577
		Average	**$83,349,876**



STB-Style 5-Year Beta using SP 500 Price Index, Weighted RR Returns, 90-Day T-Bill as RF
STB-Style Annual T-Bill Rate divided by 52

The GLM Procedure

Dependent Variable: ZRR

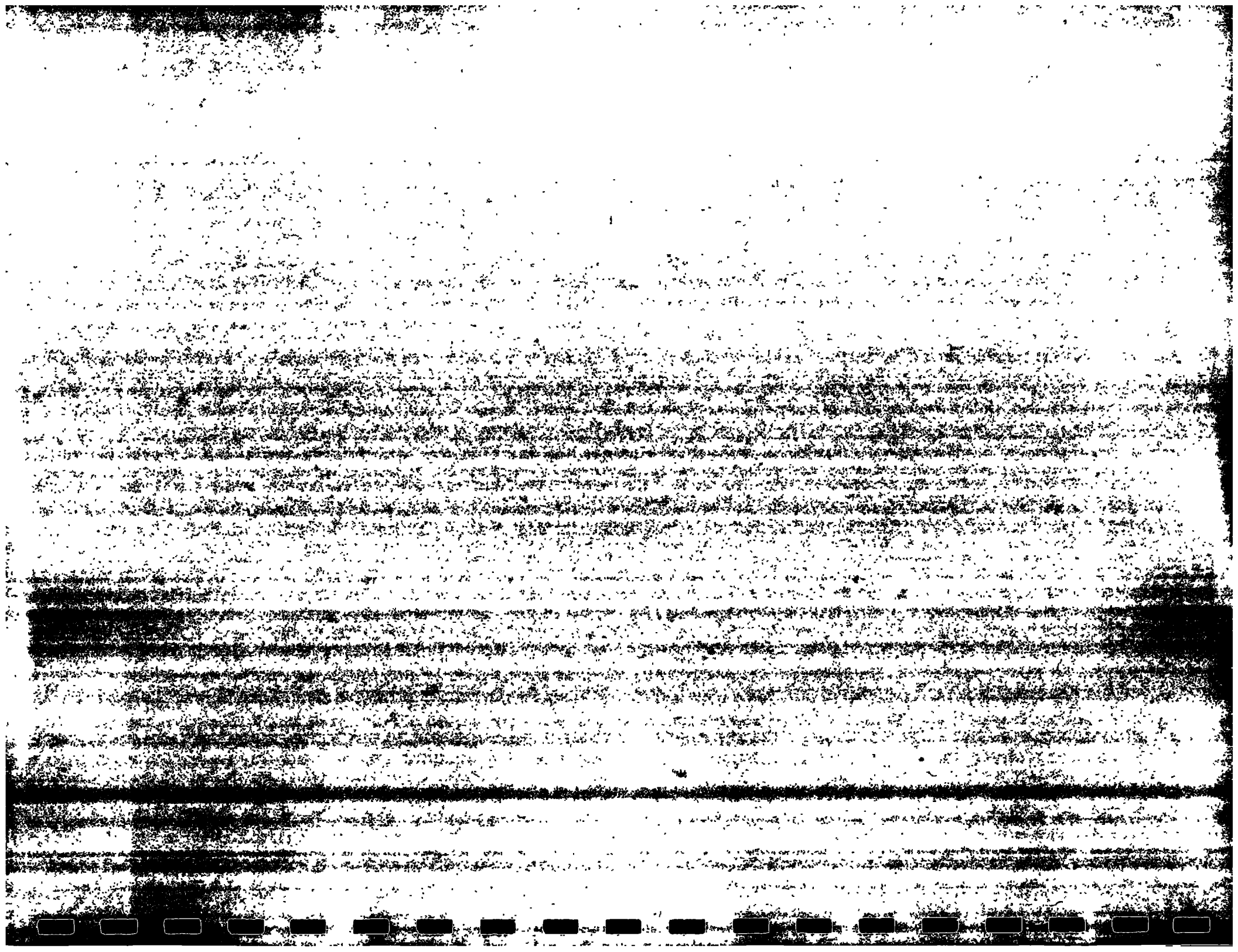
Parameter	Estimate	Standard Error	t Value	Pr > |t|
Intercept	0.003767862	0.00197096	1.91	0.0570
ZSP5	1.091476075	0.06798676	16.05	<.0001

STB-Style 5-Year Beta using SP 500 Price Index, Weighted RR Returns, 90-Day T-Bill as RF
Compounded T-Bill Rate

The GLM Procedure

Dependent Variable: ZRR

Parameter	Estimate	Standard Error	t Value	Pr > |t|
Intercept	0.003766899	0.00197095	1.91	0.0571
ZSP5	1.091468422	0.06798625	16.05	<.0001



Cost of Common Equity using the

Multi-Stage Discounted Cash Flow Model

The cost of equity for each firm (r_i) in the Surface Transportation Board's interpretation of the Morningstar/Ibbotson three-stage DCF model is the solution to the following equation:[1]

$$MV_{i0} = \sum_{t=1}^{5} \frac{CF_{i0}(1+g_{i1})^t}{(1+r_i)^t} + \sum_{t=6}^{10} \frac{CF_{i5}(1+g_{i2})}{(1+r_i)^t} + \frac{\frac{IBEI_{i10}(1+g_{i3})}{r_i - g_{i3}}}{(1+r_i)^{10}},$$

where

MV_{i0} = market value of equity for firm i in year 0 (i.e., the year for which the cost of equity is being estimated);

CF_{it} = average cash flow for firm i at the end of year t;

g_{ij} = earnings growth rate for firm i in stage j (j = 1, 2, or 3);

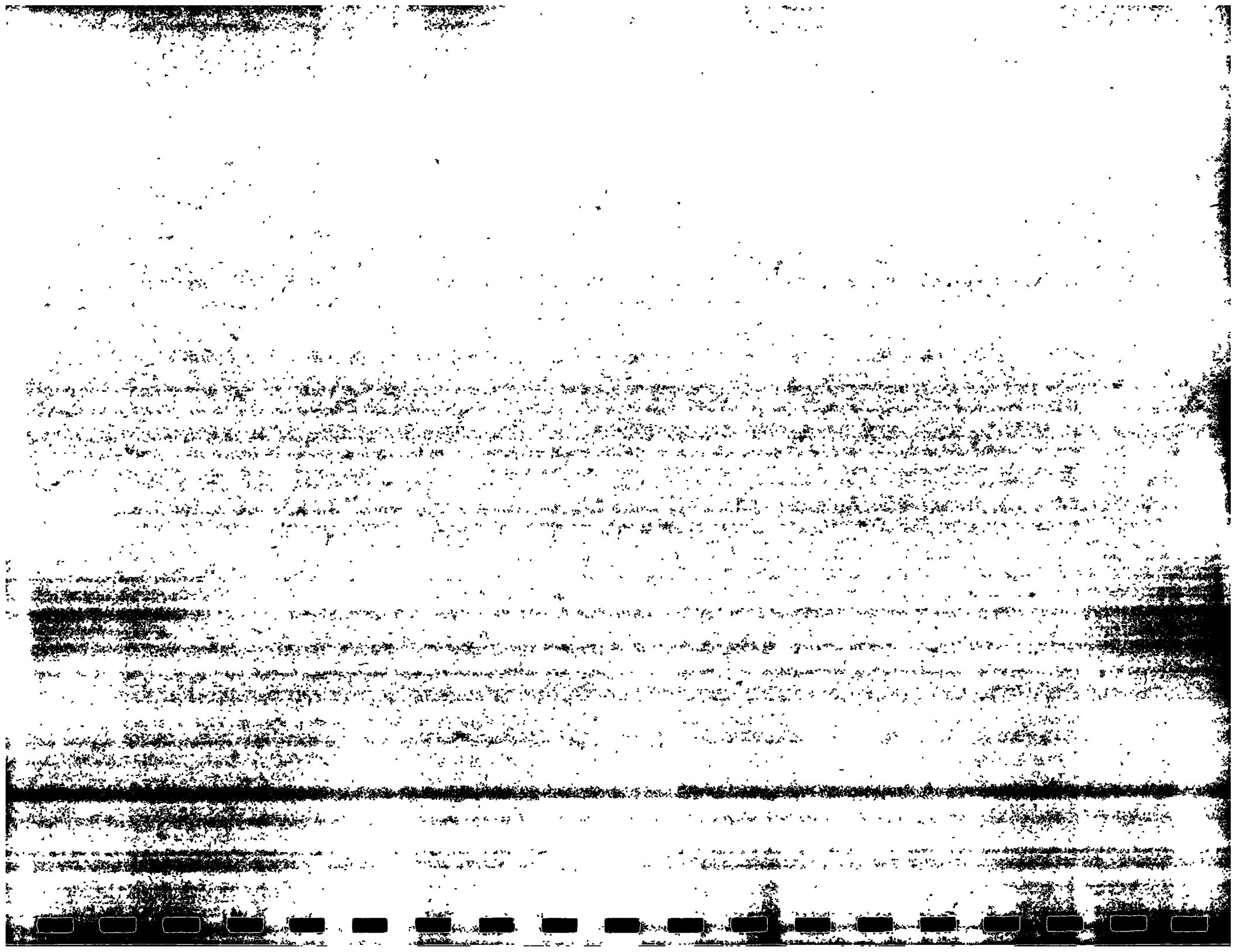
r_i = the cost of equity for firm i; and

$IBEI_{10} = IBEI_0(1+g_1)^5(1+g_2)^5$.

Note that $IBEI_0$ is determined by the same process as CF_0 (See Table 15 in text).

---

1 *Cost of Capital Yearbook*, 2008, Morningstar, Inc., p. 24.



Cash Flow Calculation

BNSF	1 2005	2 2006	3 2007	4 2008	5 2009	Total
($ in millions)						
Revenue	12,987	14,985	15,802	18,018	14,016	75,808
Net Income	1,531	1,887	1,829	2,115	1,721	9,083
Extraordinary Items	0	0	0	0	0	0
Depreciation	1,075	1,130	1,293	1,397	1,537	6,432
Deferred Taxes	217	314	280	417	612	1,840
Capital Expenditures	1,750	2,014	2,248	2,175	2,724	10,911
Cash Flow	1,073	1,317	1,154	1,754	1,146	6,444
Cash Flow / Revenue	0.08262	0.08789	0.07303	0.09735	0.08176	0.08500
NIBEI / Revenue	0.11789	0.12593	0.11574	0.11738	0.12279	0.11982

Ibbotson Smoothed Cash Flow = $14,016 x 0.08500 = $1,191.42
Ibbotson Smoothed Net Income BEI = $14,016 x 0.11982 = $1,679.34

Cash Flow Calculation

CSX, Corp.	1 2005	2 2006	3 2007	4 2008	5 2009	Total
($ in millions)						
Revenue	8,618	9,566	10,030	11,255	9,041	48,510
Net Income	1,145	1,310	1,336	1,365	1,152	6,308
Extraordinary Items	425	0	110	0	15	550
Depreciation	833	867	890	918	908	4,416
Deferred Taxes	-46	42	272	435	436	1,139
Capital Expenditures	1,136	1,639	1,773	1,740	1,447	7,735
Cash Flow	371	580	615	978	1,034	3,578
Cash Flow / Revenue	0.04305	0.06063	0.06132	0.08689	0.11437	0.07376
NIBEI / Revenue	0.08355	0.13694	0.12223	0.12128	0.12576	0.11870

Ibbotson Smoothed Cash Flow = $9,041 x 0.07376 = $666.85
Ibbotson Smoothed Net Income BEI = $9,041 x 0.11870 = $1,073.14

Cash Flow Calculation

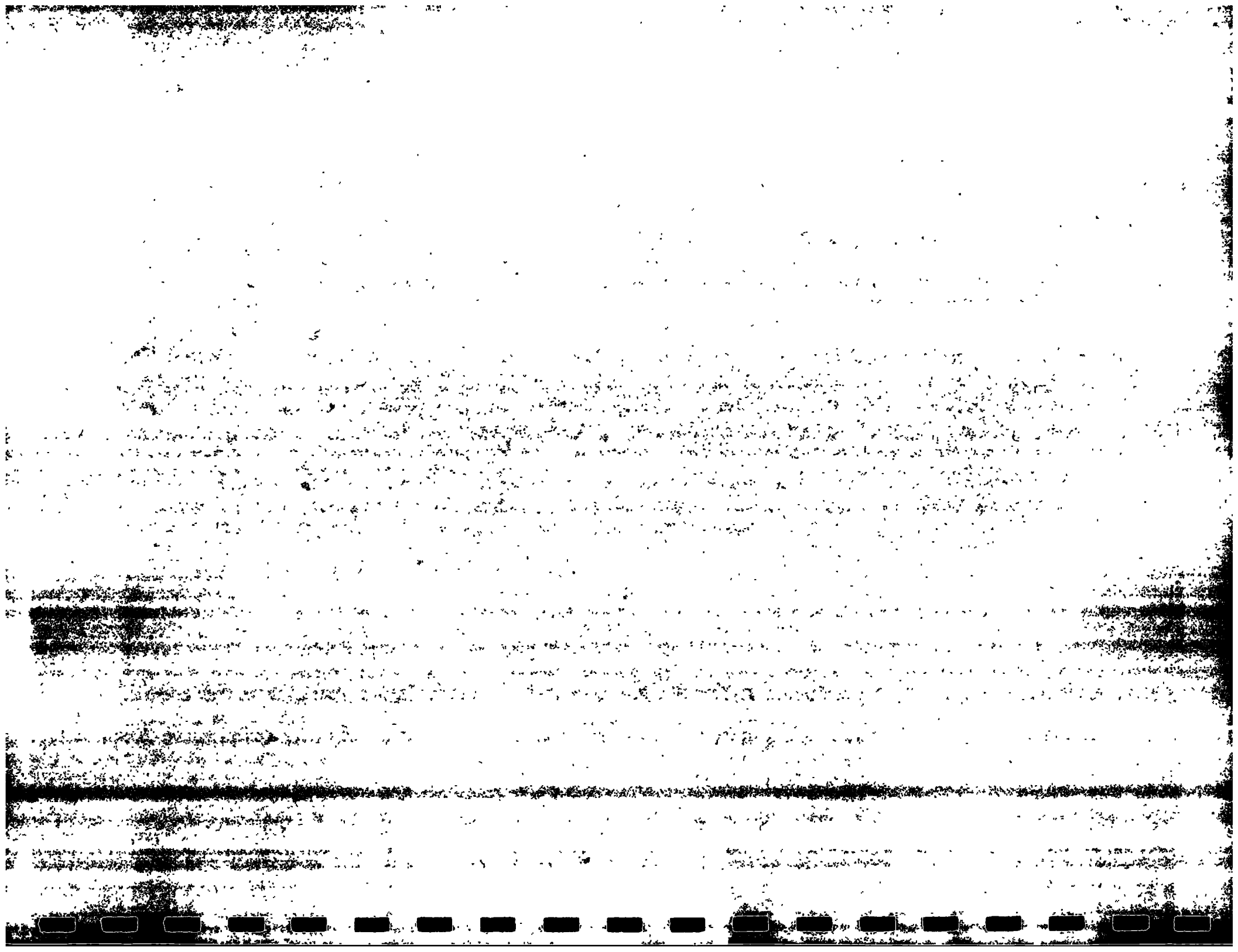
Norfolk Southern	1	2	3	4	5	Total
	2005	2006	2007	2008	2009	
($ in millions)						
Revenue	8,527	9,407	9,432	10,661	7,969	45,996
Net Income	1,281	1,481	1,464	1,716	1,034	6,976
Extraordinary Items	0	0	0	0	0	0
Depreciation	787	750	786	815	845	3,983
Deferred Taxes	80	-8	125	290	338	825
Capital Expenditures	1,025	1,178	1,341	1,558	1,299	6,401
Cash Flow	1,123	1,045	1,034	1,263	918	5,383
Cash Flow / Revenue	0.13170	0.11109	0.10963	0.11847	0.11520	0.11703
NIBEI / Revenue	0.15023	0.15744	0.15522	0.16096	0.12975	0.15167

Ibbotson Smoothed Cash Flow = $7,969 x 0.11703 = $932.63
Ibbotson Smoothed Net Income BEI = $7,969 x 0.15167 = $1,208.62

Cash Flow Calculation

Union Pacific Corp.	1 2005	2 2006	3 2007	4 2008	5 2009	Total
($ in millions)						
Revenue	13,578	15,578	16,283	17,970	14,143	77,552
Net Income	1,026	1,606	1,855	2,338	1,898	8,723
Extraordinary Items	0	0	0	0	0	0
Depreciation	1,175	1,237	1,321	1,387	1,444	6,564
Deferred Taxes	320	235	332	547	723	2,157
Capital Expenditures	2,169	2,242	2,496	2,780	2,384	12,071
Cash Flow	352	836	1,012	1,492	1,681	5,373
Cash Flow / Revenue	0.02592	0.05367	0.06215	0.08303	0.11886	0.06928
NIBEI / Revenue	0.07556	0.10309	0.11392	0.13011	0.13420	0.11248

Ibbotson Smoothed Cash Flow = $14,143 x 0.06928 = $979.86
Ibbotson Smoothed Net Income BEI = $14,143 x 0.11248 = $1,590.80

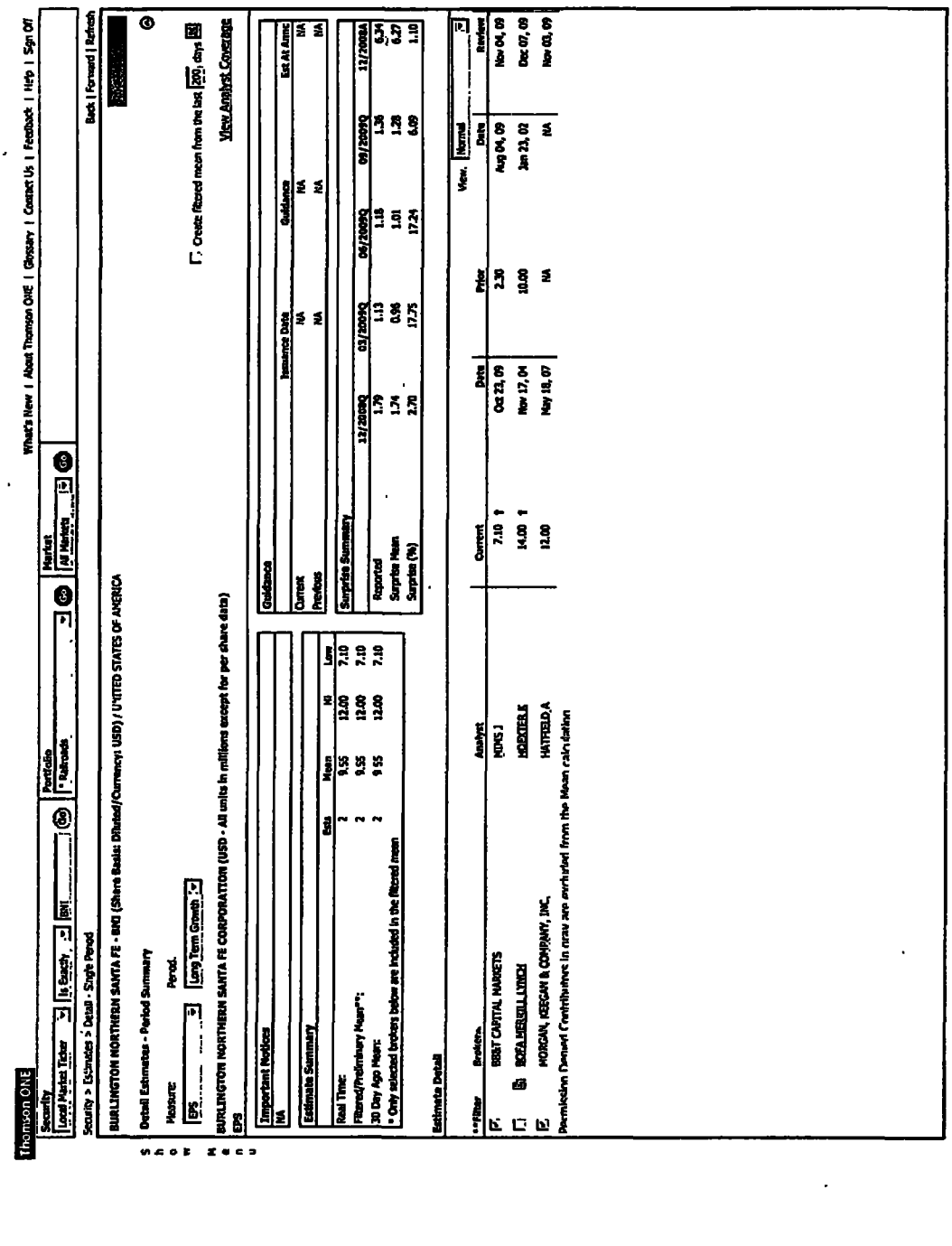


2009 Median Growth Rates for MSDCF

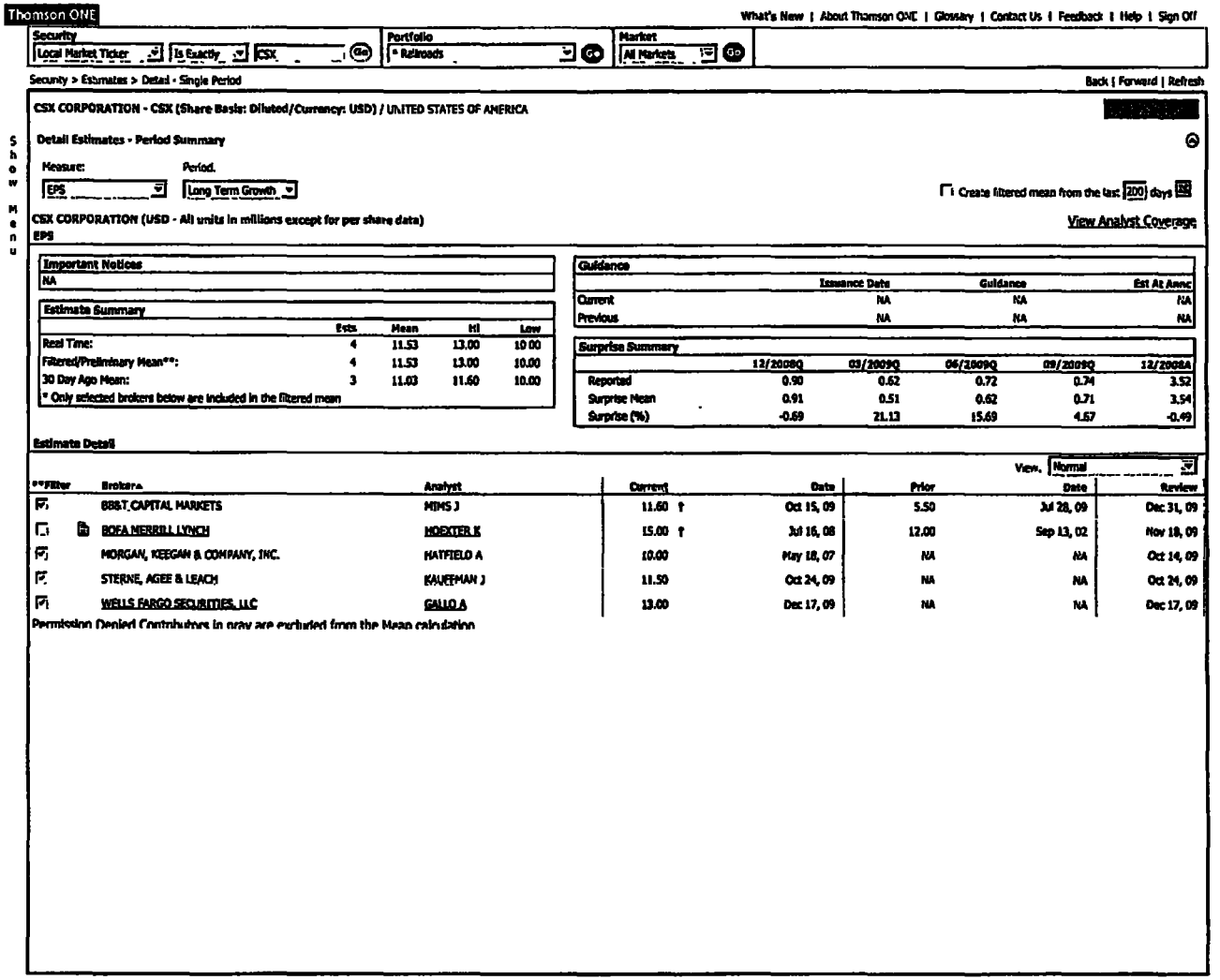
	Analyst Growth Rates from IBES December 31						
Company	**Rate 1**	**Rate 2**	**Rate 3**	**Rate 4**	**Rate 5**	**Rate 6**	**Median**
BNI	7.1	14.0	12.0	--	--	--	**12.00 %**
CSX	11.6	15.0	10.0	11.5	13.0	--	**11.60**
NSC	2.8	15.0	12.0	12.0	12.0	--	**12.00**
UNP	13.1	10.0	15.0	13.0	15.0	--	**13.10**

Simple Average of Medians = 12.18 percent.

2009 Median Growth Rates for MSDCF
BNI



2009 Median Growth Rates for MSDCF
CSX



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Security: Local Market Ticker | Is Exactly | CSX | Go
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Market: All Markets | Go

Security > Estimates > Detail - Single Period

Back | Forward | Refresh

CSX CORPORATION - CSX (Share Basis: Diluted/Currency: USD) / UNITED STATES OF AMERICA

Show Menu

Detail Estimates - Period Summary

Measure: EPS | Period: Long Term Growth

Create filtered mean from the last: 200 days

CSX CORPORATION (USD - All units in millions except for per share data)

View Analyst Coverage

EPS

Important Notices

NA

Estimate Summary

	Ests	Mean	HI	Low
Real Time:	4	11.53	13.00	10.00
Filtered/Preliminary Mean**:	4	11.53	13.00	10.00
30 Day Ago Mean:	3	11.03	11.60	10.00

* Only selected brokers below are included in the filtered mean

Guidance

	Issuance Date	Guidance	Est At Annc
Current	NA	NA	NA
Previous	NA	NA	NA

Surprise Summary

	12/2008Q	03/2009Q	06/2009Q	09/2009Q	12/2008A
Reported	0.90	0.62	0.72	0.74	3.52
Surprise Mean	0.91	0.51	0.62	0.71	3.54
Surprise (%)	-0.69	21.13	15.69	4.67	-0.49

Estimate Detail

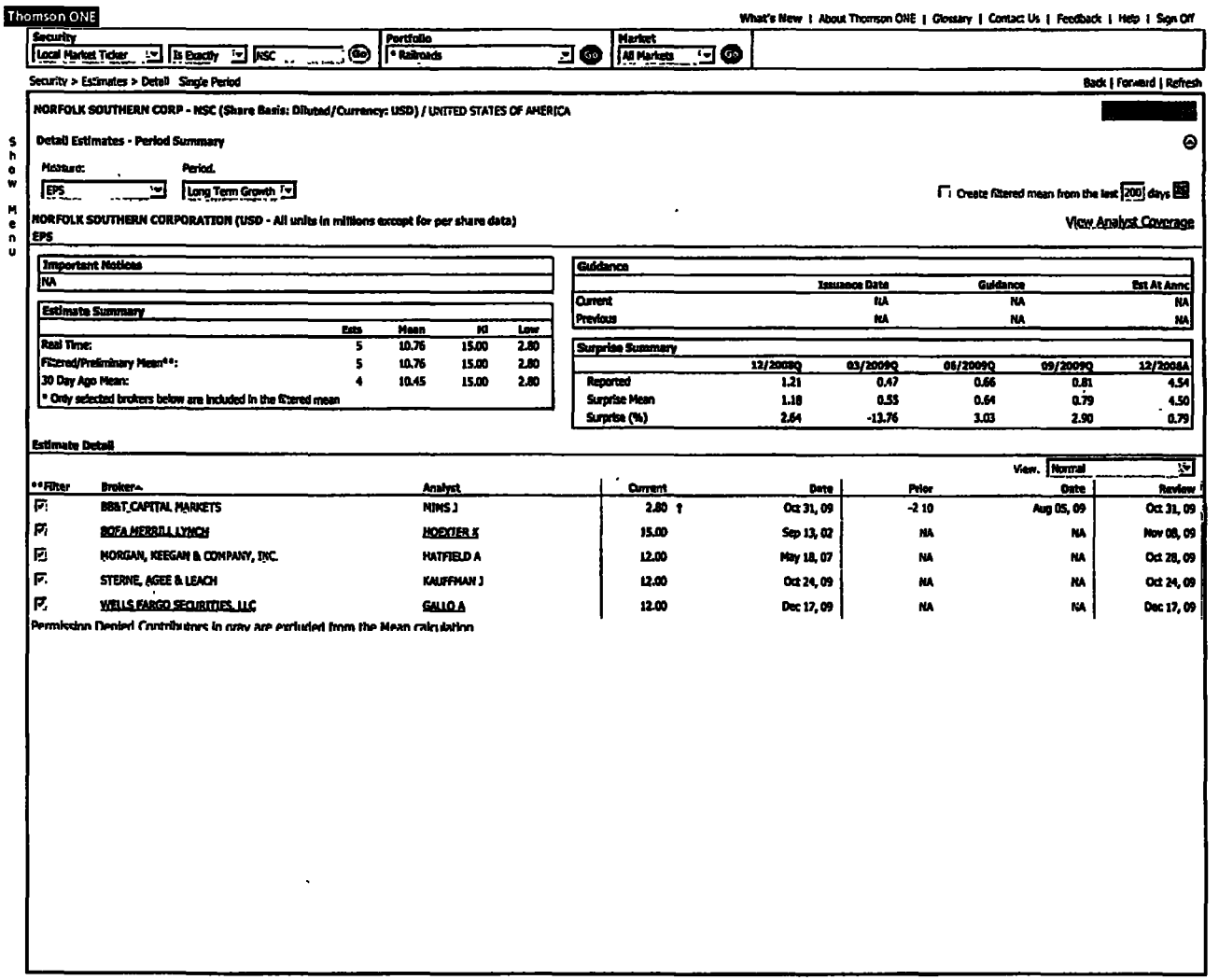
View: Normal

**Filter	Broker	Analyst	Current	Date	Prior	Date	Review
☑	BB&T CAPITAL MARKETS	MIMS J	11.60 ↑	Oct 15, 09	5.50	Jul 28, 09	Dec 31, 09
☐	BOFA MERRILL LYNCH	HOEXTER K	15.00 ↑	Jul 16, 08	12.00	Sep 13, 02	Nov 18, 09
☑	MORGAN, KEEGAN & COMPANY, INC.	HATFIELD A	10.00	May 18, 07	NA	NA	Oct 14, 09
☑	STERNE, AGEE & LEACH	KAUFFMAN J	11.50	Oct 24, 09	NA	NA	Oct 24, 09
☑	WELLS FARGO SECURITIES, LLC	GALLO A	13.00	Dec 17, 09	NA	NA	Dec 17, 09

Permission Denied Contributors in gray are excluded from the Mean calculation

1/4/2010 8:07:30 AM

2009 Median Growth Rates for MSDCF
NSC



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Portfolio: * Railroads | Go
Market: All Markets | Go

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Back | Forward | Refresh

Show Menu

NORFOLK SOUTHERN CORP - NSC (Share Basis: Diluted/Currency: USD) / UNITED STATES OF AMERICA

Detail Estimates - Period Summary

Measure: EPS | Period: Long Term Growth

Create filtered mean from the last 200 days

NORFOLK SOUTHERN CORPORATION (USD - All units in millions except for per share data)

View Analyst Coverage

EPS

Important Notices
NA

Estimate Summary

	Ests	Mean	HI	Low
Real Time:	5	10.76	15.00	2.80
Filtered/Preliminary Mean**:	5	10.76	15.00	2.80
30 Day Ago Mean:	4	10.45	15.00	2.80

* Only selected brokers below are included in the filtered mean

Guidance

	Issuance Date	Guidance	Est At Annc
Current	NA	NA	NA
Previous	NA	NA	NA

Surprise Summary

	12/2008Q	03/2009Q	06/2009Q	09/2009Q	12/2008A
Reported	1.21	0.47	0.66	0.81	4.54
Surprise Mean	1.18	0.55	0.64	0.79	4.50
Surprise (%)	2.64	-13.76	3.03	2.90	0.79

Estimate Detail

View: Normal

**Filter	Broker	Analyst	Current	Date	Prior	Date	Review
☑	BB&T CAPITAL MARKETS	NIMS J	2.80 ↑	Oct 31, 09	-2.10	Aug 05, 09	Oct 31, 09
☑	BOFA MERRILL LYNCH	HOEXTER K	15.00	Sep 13, 02	NA	NA	Nov 08, 09
☑	MORGAN, KEEGAN & COMPANY, INC.	HATFIELD A	12.00	May 18, 07	NA	NA	Oct 28, 09
☑	STERNE, AGEE & LEACH	KAUFFMAN J	12.00	Oct 24, 09	NA	NA	Oct 24, 09
☑	WELLS FARGO SECURITIES, LLC	GALLO A	12.00	Dec 17, 09	NA	NA	Dec 17, 09

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2009 Median Growth Rates for MSDCF
UNP

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Portfolio: | Railroads | Go

Market: All Markets | Go

Security > Estimates > Detail - Single Period

Back | Forward | Refresh

UNION PACIFIC CORP - UNP (Share Basis: Diluted/Currency: USD) / UNITED STATES OF AMERICA

Detail Estimates - Period Summary

Measure: EPS | Period: Long Term Growth | Create filtered mean from the last 200 days

View Analyst Coverage

UNION PACIFIC CORPORATION (USD - All units in millions except for per share data)
EPS

Important Notices
NA

Estimate Summary

	Ests	Mean	Hi	Low
Real Time:	5	13.22	15.00	10.00
FZcnd/Preliminary Mean**:	5	13.22	15.00	10.00
30 Day Ago Mean:	4	12.78	15.00	10.00

* Only selected brokers below are included in the filtered mean

Guidance

	Issuance Date	Guidance	Est At Anno
Current	NA	NA	NA
Previous	NA	NA	NA

Surprise Summary

	12/2008Q	03/2009Q	06/2009Q	09/2009Q	12/2009A
Reported	1.31	0.72	0.78	1.02	4.54
Surprise Mean	1.23	0.66	0.76	1.00	4.50
Surprise (%)	6.40	9.30	2.55	1.64	0.96

Estimate Detail

View: Normal

**Filter	Broker	Analyst	Current	Date	Prior	Date	Review
F	BB&T CAPITAL MARKETS	MOHS J	13.10	Oct 23, 09	NA	NA	Dec 31, 09
F	BOFA MERRILL LYNCH	HOEKSTRA K	10.00 ↓	Sep 13, 02	15.00	Oct 15, 01	Oct 22, 09
F	MORGAN, KEEGAN & COMPANY, INC.	HATFIELD A	15.00	May 18, 07	NA	NA	Oct 22, 09
F	STERNE, AGEE & LEACH	KAUFFMAN J	13.00	Oct 22, 09	NA	NA	Oct 22, 09
F	WELLS FARGO SECURITIES, LLC	GALLO A	15.00	Dec 17, 09	NA	NA	Dec 17, 09

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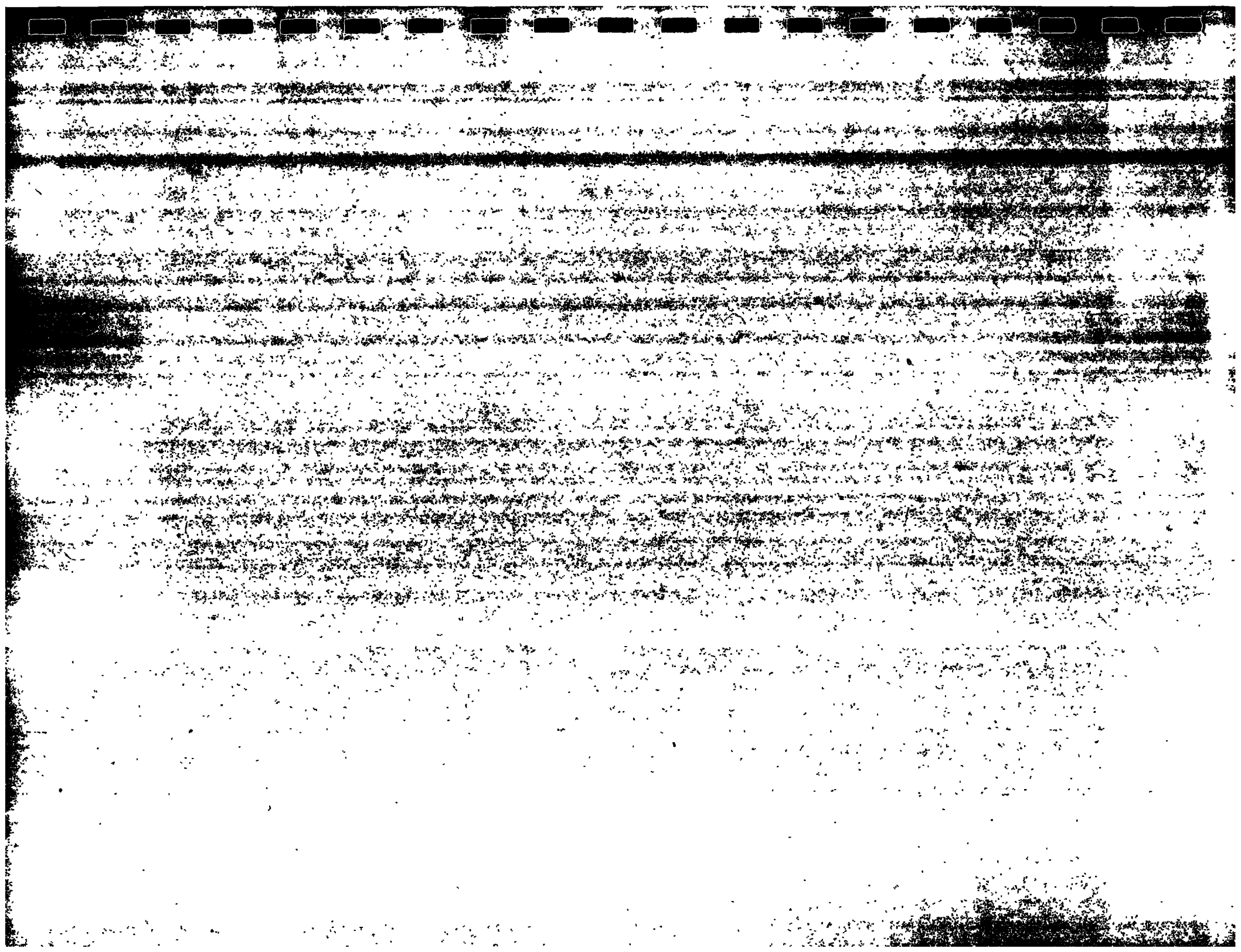
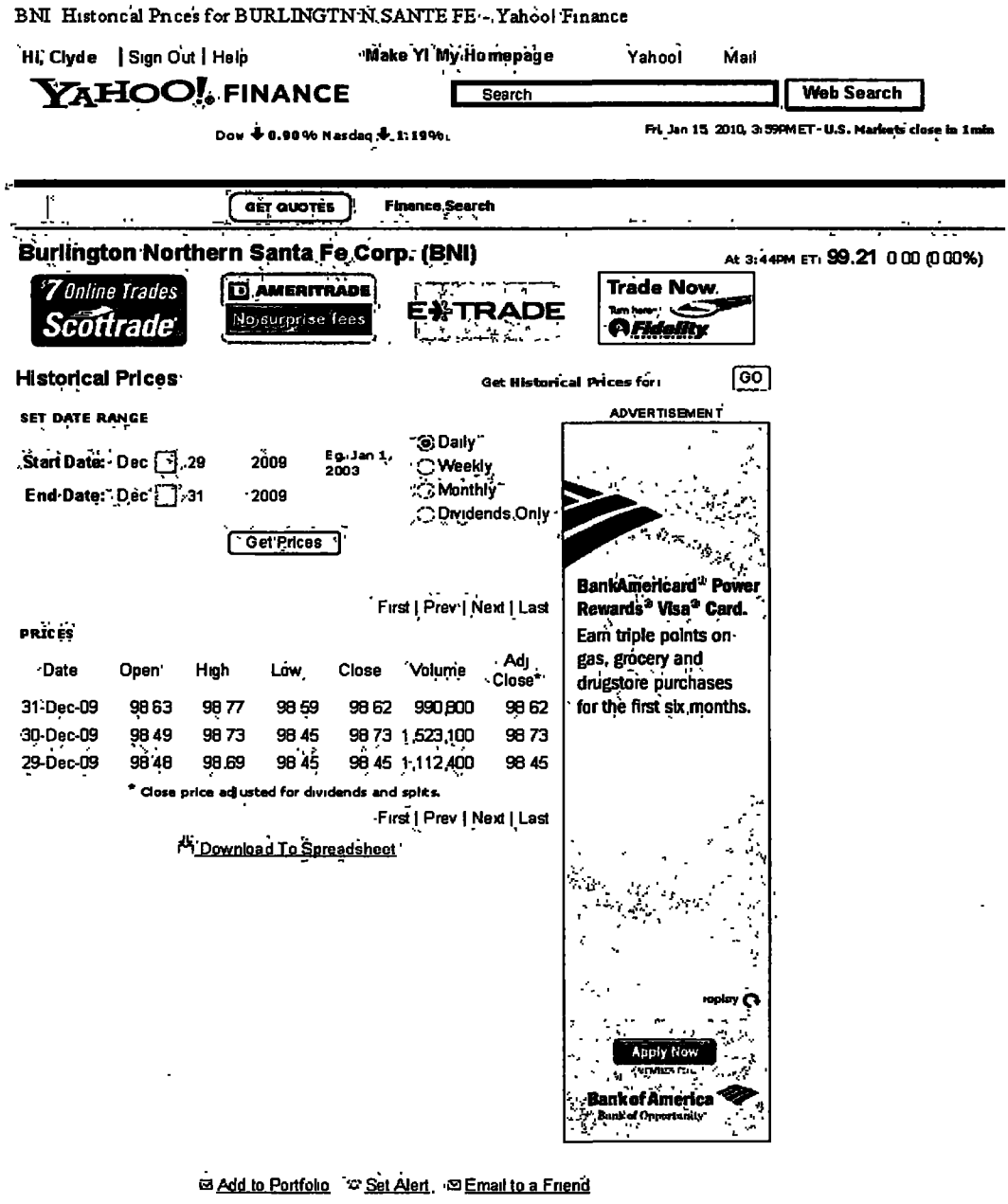


Market Value Data for MSDCF
Stock Price for BNI - December 31, 2009



BNI Historical Prices for BURLINGTN N SANTE FE - Yahoo! Finance

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YAHOO! FINANCE Search Web Search

Dow ↓ 0.90% Nasdaq ↓ 1.19%

Fri, Jan 15, 2010, 3:59PM ET - U.S. Markets close in 1min

GET QUOTES Finance Search

Burlington Northern Santa Fe Corp. (BNI) At 3:44PM ET: 99.21 0.00 (0.00%)

7 Online Trades Scottrade | AMERITRADE No surprise fees | E*TRADE | Trade Now. Turn here: Fidelity

Historical Prices Get Historical Prices for: GO

SET DATE RANGE

Start Date: Dec 29 2009 Eg. Jan 1, 2003

End Date: Dec 31 2009

Daily
Weekly
Monthly
Dividends Only

Get Prices

First | Prev | Next | Last

PRICES

Date	Open	High	Low	Close	Volume	Adj Close*
31-Dec-09	98.63	98.77	98.59	98.62	990,800	98.62
30-Dec-09	98.49	98.73	98.45	98.73	1,523,100	98.73
29-Dec-09	98.48	98.69	98.45	98.45	1,112,400	98.45

* Close price adjusted for dividends and splits.

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Market Value Data for MSDCF
Stock Price for CSX - December 31, 2009

CSX: Historical Prices for C S X CP - Yahoo! Finance

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YAHOO! FINANCE Search Web Search

Dow ↓ 0.94% Nasdaq ↓ 1.24% Fri, Jan 15, 2010, 4:02PM ET - U.S. Markets closed

GET QUOTES Finance Search

CSX Corp. (CSX) At 3:47PM ET: 49.99 ↓0.56 (1.11%)

Historical Prices Get Historical Prices for: GO

SET DATE RANGE

Start Date: Dec 29 2009 Eg. Jan 1, 2003

End Date: Dec 31 2009

Get Prices

Daily
Weekly
Monthly
Dividends Only

First | Prev | Next | Last

PRICES

Date	Open	High	Low	Close	Volume	Adj Close*
31-Dec-09	49.29	49.29	48.45	48.49	1,702,600	48.49
30-Dec-09	49.06	49.27	48.74	49.12	1,355,000	49.12
29-Dec-09	49.47	49.60	49.11	49.16	1,421,200	49.16

* Close price adjusted for dividends and splits.

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Market Value Data for MSDCF
Stock Price for NSC - December 31, 2009

NSC Historical Prices for NORFOLK SO CP - Yahoo! Finance

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YAHOO! FINANCE Search Web Search

Dow ↓ 0.94% Nasdaq ↓ 1.24% Fri, Jan 15, 2010 4:03PM ET - U.S. Markets closed

GET QUOTES Finance Search

Norfolk Southern Corp. (NSC)

At 3:48PM ET: 52.66 ↓0.49 (0.91%)

Historical Prices

Get Historical Prices for: GO

SET DATE RANGE

Start Date: Dec 29 2009 Eg. Jan 1, 2003

End Date: Dec 31 2009

Daily
Weekly
Monthly
Dividends Only

Get Prices

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PRICES

Date	Open	High	Low	Close	Volume	Adj Close*
31-Dec-09	53.19	53.30	52.38	52.42	1,164,900	52.42
30-Dec-09	53.20	53.50	53.08	53.24	993,800	53.24
29-Dec-09	53.77	53.99	53.29	53.30	1,021,500	53.30

* Close price adjusted for dividends and splits.

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Market Value Data for MSDCF
Stock Price for UNP - December 31, 2009

UNP Historical Prices for UNION PACIFIC - Yahoo! Finance

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YAHOO! FINANCE Search Web Search

Dow ↓ 0.94% Nasdaq ↓ 1.24% Fri, Jan 15, 2010, 4:03PM ET - U.S. Markets closed

GET QUOTES Finance Search

Union Pacific Corp. (UNP) At 3:48PM ET: 65.36 ↓1.02 (1.54%)

Historical Prices

Get Historical Prices for: GO

SET DATE RANGE

Start Date: Dec 29 2009 Eg. Jan 1, 2003

End Date: Dec 31 2009

Daily Weekly Monthly Dividends Only

Get Prices

First | Prev | Next | Last

PRICES

Date	Open	High	Low	Close	Volume	Adj Close*
31-Dec-09	64.75	64.90	63.80	63.90	1,470,800	63.90
30-Dec-09	65.32	65.42	64.82	64.90	1,419,300	64.90
29-Dec-09	65.62	66.01	65.36	65.36	1,254,000	65.36

*Close price adjusted for dividends and splits.

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Market Value Data for MSDCF
Shares Outstanding for BNI - December 31, 2009

e10vq

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-11535

BURLINGTON NORTHERN SANTA FE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	41-1804964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2650 Lou Menk Drive
Fort Worth, Texas
(Address of principal executive offices)

76131-2830
(Zip Code)

(800) 795-2673
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer [x] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes [ ] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

Class	Shares Outstanding at October 13, 2009
Common stock, $.01 par value	340,435,006 shares

Market Value Data for MSDCF
Shares Outstanding for CSX - December 31, 2009

form_10-q.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 25, 2009

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-8022

CSX CORPORATION
(Exact name of registrant as specified in its charter)

Virginia		62-1051971
(State or other jurisdiction of incorporation or organization)		*(I.R.S. Employer Identification No.)*
500 Water Street, 15th Floor, Jacksonville, FL	32202	(904) 359-3200
(Address of principal executive offices)	*(Zip Code)*	*(Telephone number, including area code)*

No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes (X) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one)
Large Accelerated Filer (X) Accelerated Filer ( ) Non-accelerated Filer ( )

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ( ) No (X)

There were 392,558,925 shares of common stock outstanding on September 25, 2009 (the latest practicable date that is closest to the filing date)

Market Value Data for MSDCF
Shares Outstanding for NSC - December 31, 2009

Norfolk Southern Corporation Third Quarter 2009 Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2009
Common Stock ($1.00 par value per share)	367,893,915 (excluding 20,473,569 shares held by the registrant's consolidated subsidiaries)

Market Value Data for MSDCF
Shares Outstanding for UNP - December 31, 2009

Form 10-Q

10-Q 1 d10q.htm FORM 10-Q

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

UTAH	13-2626465
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1400 DOUGLAS STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 544-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☑ Yes ☐ No

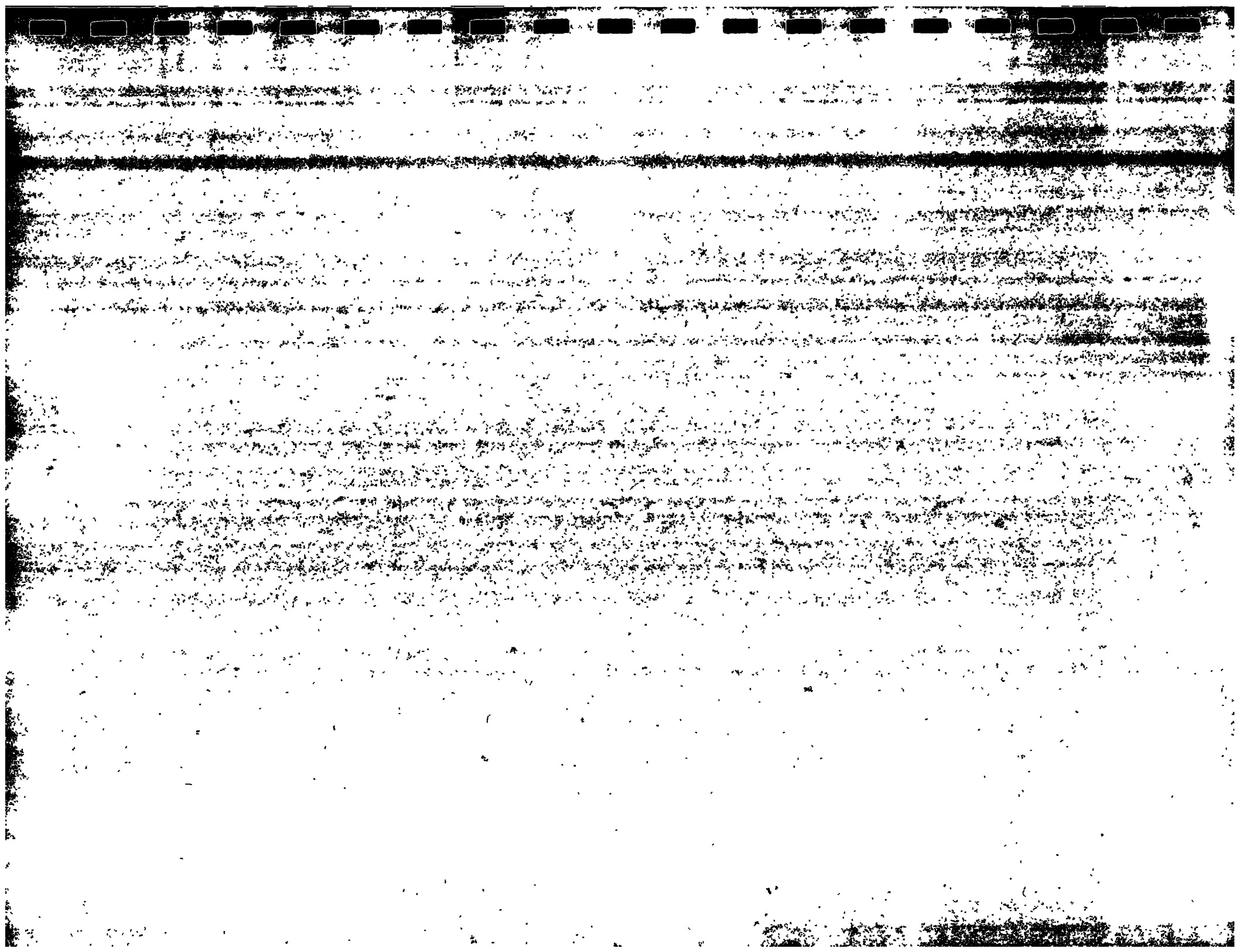
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

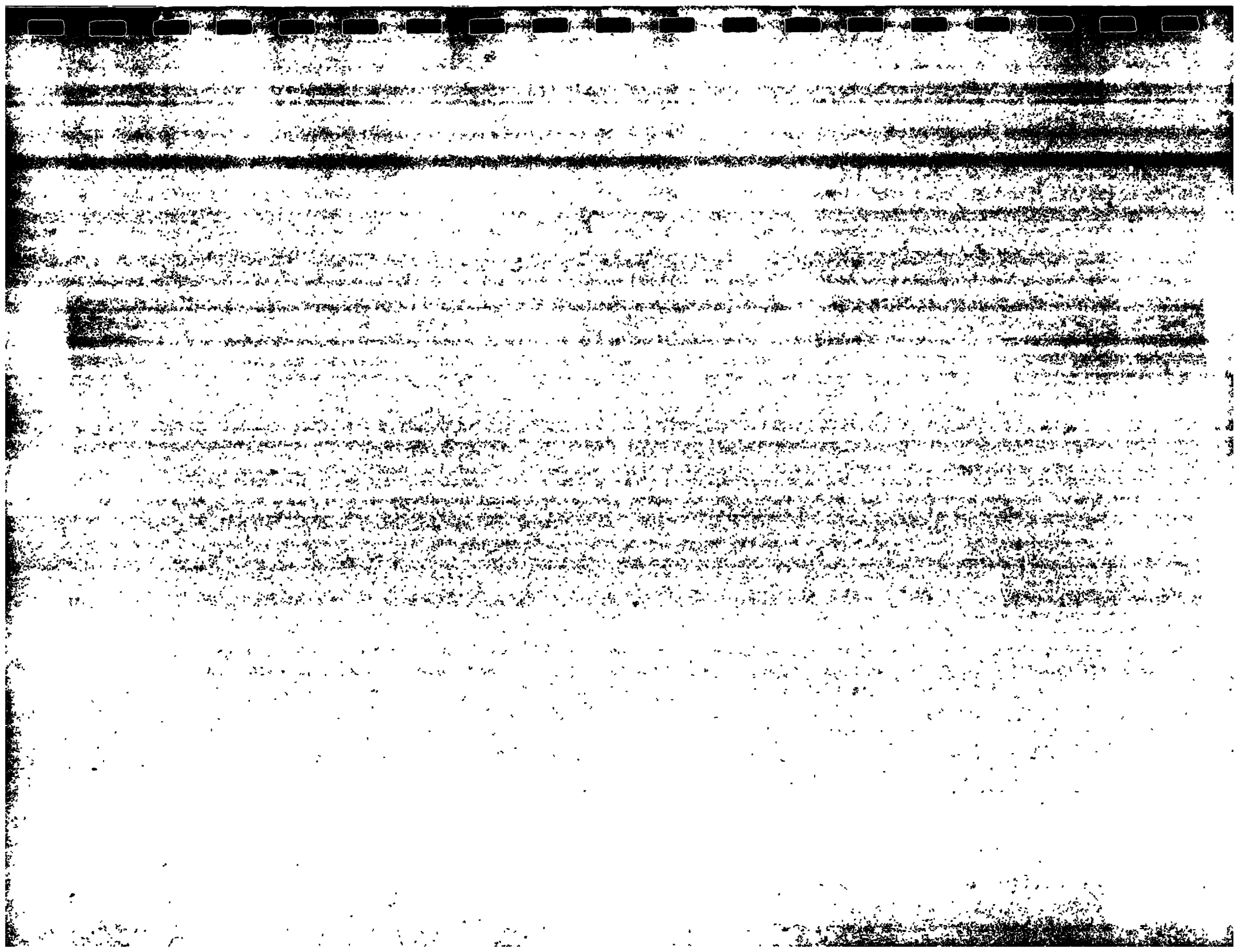
☐ Yes ☑ No

As of October 16, 2009, there were 504,549,218 shares of the Registrant's Common Stock outstanding



2009 Cost of Equity Using STB's MSDCF

Company	BNI		CSX		NSC		UNP	
Year	2009		2009		2009		2009	
Inputs								
Initial Cash Flow	$1,191.42		$666.85		$932.63		$979.86	
Input for Terminal C.F.	$1,679.34		$1,073.14		$1,208.62		$1,590.80	
Stage One Growth	12.0%		11.6%		12.0%		13.1%	
Stage Two Growth	12.2%		12.2%		12.2%		12.2%	
Stage Three Growth	5.8%		5.8%		5.8%		5.8%	
Year	Val. 12/31	Pres Val.	Val. 12/31	Pres Val.	Val. 12/31	Pres Val.	Val. 12/31	Pres Val.
1	$1,334	$1,180	$744	$656	$1,045	$910	$1,108	$981
2	1,495	1,168	831	645	1,170	887	1,253	981
3	1,674	1,157	927	635	1,310	865	1,418	982
4	1,875	1,146	1,034	624	1,468	844	1,603	983
5	2,100	1,135	1,154	614	1,644	823	1,813	983
6	2,355	1,125	1,295	607	1,844	804	2,034	976
7	2,642	1,116	1,453	600	2,068	786	2,282	969
8	2,964	1,107	1,629	593	2,320	767	2,560	961
9	3,325	1,098	1,828	587	2,602	750	2,871	954
10	3,729	1,089	2,050	580	2,919	732	3,221	947
Terminal	76,199	22,252	45,580	12,894	44,319	11,117	76,606	22,524
Sum of Pres. Values		$33,573.70		$19,035.18		$19,285.00		$32,240.70
Market Value (Input)		$33,573.70		$19,035.18		$19,285.00		$32,240.70
Cost of Equity	13.10%		13.46%		14.83%		13.02%	
Prev. Yr. Cost of Equity	16.32%		16.79%		19.75%		13.95%	



BERKSHIRE HATHAWAY INC.

BNSF Investor Contact: Linda Hurt
(817) 352-6452

BNSF Media Contact: John Ambler
(817) 867-6407

Berkshire Hathaway Contact:
Marc Hamburg
402-346-1400

BERKSHIRE HATHAWAY INC. TO ACQUIRE BURLINGTON NORTHERN SANTA FE CORPORATION (BNSF) FOR $100 PER SHARE IN CASH AND STOCK

BNSF will continue to operate from its Fort Worth, TX headquarters and will become a wholly owned subsidiary of Berkshire Hathaway

FORT WORTH, TX / OMAHA, NE – Nov. 3, 2009 – The boards of directors of Berkshire Hathaway Inc. (NYSE: BRK.A;BRK.B) and Burlington Northern Santa Fe Corporation (BNSF; NYSE: BNI) today announced a definitive agreement for Berkshire Hathaway to acquire for $100 per share in cash and stock the remaining 77.4 percent of outstanding BNI shares not currently owned to increase its holdings to 100 percent. Based on the number of outstanding BNI shares (including shares currently owned by Berkshire) on Nov. 2, 2009, the transaction is valued at approximately $44 billion, including $10 billion of outstanding BNSF debt, making it the largest acquisition in Berkshire Hathaway history.

"Our country's future prosperity depends on its having an efficient and well-maintained rail system," said Warren E. Buffett, Berkshire Hathaway chairman and chief executive officer. "Conversely, America must grow and prosper for railroads to do well. Berkshire's $34 billion investment in BNSF is a huge bet on that company, CEO Matt Rose and his team, and the railroad industry.

"Most important of all, however, it's an all-in wager on the economic future of the United States," said Mr. Buffett. "I love these bets."

"We are thrilled to have the opportunity to become a part of the Berkshire Hathaway family," said Matthew K. Rose, Burlington Northern Santa Fe chairman, president and chief executive officer. "We admire Warren's leadership philosophy supporting long-term investment that will allow BNSF to focus on future needs of our railroad, our customers and the U.S. transportation infrastructure. This transaction offers compelling value to our shareholders and is in the best interests of all of our constituents including our customers and employees."

- More -

Terms of the Transaction

The definitive agreement provides that each share of BNI common stock will at the election of the shareholder be converted into the right to receive either (i) a cash payment of $100.00 or (ii) a variable number of shares of Berkshire Hathaway Class A or Class B common stock, subject to proration if the elections do not equal approximately 60 percent in cash and 40 percent in stock. The stock component of the consideration is subject to a "collar" whereby the value of each Berkshire Hathaway share received is fixed at $100.00 if the price of Berkshire Hathaway Class A stock at closing is between approximately $80,000.00 and approximately $125,000.00 per share. If the value of Berkshire Hathaway Class A stock is outside of this collar range at closing, then the number of shares received of Berkshire Hathaway Class A stock will be fixed at either 0.001253489 per BNI share for values below the collar range, or 0.000802233 per BNI share for values above the collar range. The shareholder may receive Class A or, in lieu of fractional Class A shares, equivalent economic value of Class B Berkshire Hathaway shares, subject to certain limitations as described in the definitive agreement.

The transaction requires approval by holders of two-thirds of BNI's outstanding shares (other than shares held by Berkshire Hathaway), and customary closing conditions, including Department of Justice review. Closing is expected to occur during the first quarter of 2010.

BNSF Railway Company will continue to focus on providing outstanding service to its customers from its Fort Worth, TX, headquarters. Included in the transaction are all assets and subsidiaries of BNSF.

Goldman, Sachs & Co. and Evercore Partners, Inc. acted as financial advisors to BNSF and the company's legal counsel is Cravath Swaine & Moore LLP. Berkshire Hathaway's transaction counsel is Munger, Tolles & Olson LLP.

At 8:30 a.m. eastern, BNSF executive management will conduct a briefing for investors and other interested parties. The briefing will be Web cast and available via the investor relations section of www.bnsf.com. The call in number is (800) 398-9367 and the replay number is (USA) (800) 475-6701, (International) (320) 365-3844, and access code 122409. The briefing will not include a question and answer session.

BNSF is a holding company and through its principal operating subsidiary, BNSF Railway Company, BNSF owns and manages one of the largest railroad systems in North America.

Berkshire Hathaway Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities including property and casualty insurance and reinsurance, utilities and energy, manufacturing, retailing and services. . .

- More –

Forward-Looking Statements

Statements contained herein concerning projections or expectations of financial or operational performance or economic outlook, or concerning other future events or results, or which refer to matters which are not historical facts, are "forward-looking statements" within the meaning of the federal securities laws. Similarly, statements that describe BNSF's or Berkshire Hathaway's objectives, expectations, plans or goals are forward-looking statements. Forward-looking statements include, without limitation, BNSF's or Berkshire Hathaway's expectations concerning the marketing outlook for their businesses, productivity, plans and goals for future operational improvements and capital investments, operational performance, future market conditions or economic performance and developments in the capital and credit markets and expected future financial performance. Forward-looking statements also include statements regarding the expected benefits of the proposed acquisition of BNSF by Berkshire Hathaway. Forward-looking statements involve a number of risks and uncertainties, and actual results or events may differ materially from those projected or implied in those statements.

Important factors that could cause such differences include, but are not limited to: adverse changes in economic or industry conditions, both in the United States and globally; continuing volatility in the capital or credit markets and other changes in the securities and capital markets; changes affecting customers or suppliers; competition and consolidation in the industries in which BNSF and Berkshire Hathaway compete; labor costs and labor difficulties; developments and changes in laws and regulations; developments in and losses resulting from claims and litigation; natural events such as severe weather, fires, floods and earthquakes or acts of terrorism; changes in operating conditions and costs; and the extent of BNSF's or Berkshire Hathaway's ability to achieve their operational and financial goals and initiatives. In addition, the acquisition of BNSF by Berkshire Hathaway is subject to the satisfaction of the conditions to the completion of the acquisition and the absence of events that could give rise to the termination of the merger agreement for the acquisition, and the possibility that the acquisition does not close, and risks that the proposed acquisition disrupts current plans and operations and business relationships, or poses difficulties in employee retention.

We caution against placing undue reliance on forward-looking statements, which reflect our current beliefs and are based on information currently available to us as of the date a forward-looking statement is made. We undertake no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs. In the event that we do update any forward-looking statements, no inference should be made that we will make additional updates with respect to that statement, related matters, or any other forward-looking statements. Any corrections or revisions and other important assumptions and factors that could cause actual results to differ materially from our forward-looking statements, including discussions of significant risk

factors, may appear in BNSF's or Berkshire Hathaway's public filings with the Securities and Exchange Commission (the "SEC"), which are accessible at www.sec.gov, and which you are advised to consult.

Additional Information

In connection with the proposed transaction, Berkshire Hathaway will file with the SEC a registration statement that will include a proxy statement of BNSF that also constitutes a prospectus of Berkshire Hathaway relating to the proposed transaction. **Investors are urged to read the registration statement and proxy statement/prospectus and any other relevant documents filed with the SEC when they become available, because they will contain important information about BNSF, Berkshire Hathaway and the proposed transaction.** The registration statement and proxy statement/prospectus and other documents relating to the proposed transaction (when they are available) can be obtained free of charge from the SEC's website at www.sec.gov, Berkshire Hathaway's website at www.berkshirehathaway.com and BNSF's website at www.bnsf.com. In addition, these documents (when they are available) can also be obtained free of charge from Berkshire Hathaway upon written request to Corporate Secretary or by calling (402) 346-1400, or from BNSF upon written request to Linda Hurt or John Ambler or by calling (817) 352-6452 or (817) 867-6407.

BNSF, Berkshire Hathaway and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from shareholders in connection with the proposed transaction under the rules of the SEC. Information regarding the directors and executive officers of BNSF may be found in its 2008 Annual Report on Form 10-K filed with the SEC on February 13, 2009 and in its definitive proxy statement relating to its 2009 Annual Meeting of Shareholders filed with the SEC on March 16, 2009. Information regarding the directors and executive officers of Berkshire Hathaway may be found in its 2008 Annual Report on Form 10-K filed with the SEC on March 2, 2009 and in its definitive proxy statement relating to its 2009 Annual Meeting of Shareholders filed with the SEC on March 13, 2009. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants will also be included in the registration statement and proxy statement/prospectus regarding the proposed transaction when it is filed with the SEC.

Statements contained herein concerning projections or expectations of financial or operational performance or economic outlook, or concerning other future events or results, or which refer to matters which are not historical facts, are "forward-looking statements" within the meaning of the federal securities laws. Similarly, statements that describe BNSF's or Berkshire's objectives, expectations, plans or goals are forward-looking statements. Forward-looking statements include, without limitation, BNSF's or Berkshire's expectations concerning the marketing outlook for their businesses, productivity, plans and goals for future operational improvements and capital investments, operational performance, future market conditions or economic performance and developments in the capital and credit markets and expected future financial performance. Forward-looking statements also include statements regarding the expected benefits of the proposed acquisition of BNSF by Berkshire. Forward-looking statements involve a number of risks and uncertainties, and actual results or events may differ materially from those projected or implied in those statements.

Important factors that could cause such differences include, but are not limited to: adverse changes in economic or industry conditions, both in the United States and globally; continuing volatility in the capital or credit markets and other changes in the securities and capital markets; changes affecting customers or suppliers; competition and consolidation in the industries in which BNSF and Berkshire compete; labor costs and labor difficulties; developments and changes in laws and regulations; developments in and losses resulting from claims and litigation; natural events such as severe weather, fires, floods and earthquakes or acts of terrorism; changes in operating conditions and costs; and the extent of BNSF's or Berkshire's ability to achieve their operational and financial goals and initiatives. In addition, the acquisition of BNSF by Berkshire is subject to the satisfaction of the conditions to the completion of the acquisition and the absence of events that could give rise to the termination of the merger agreement for the acquisition, and the possibility that the acquisition does not close, and risks that the proposed acquisition disrupts current plans and operations and business relationships, or poses difficulties in employee retention.

We caution against placing undue reliance on forward-looking statements, which reflect our current beliefs and are based on information currently available to us as of the date a forward-looking statement is made. We undertake no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs. In the event that we do update any forward-looking statements, no inference should be made that we will make additional updates with respect to that statement, related matters, or any other forward-looking statements. Any corrections or revisions and other important assumptions and factors that could cause actual results to differ materially from our forward-looking statements, including discussions of significant risk factors, may appear in BNSF's or Berkshire's public filings with the Securities and Exchange Commission (the "SEC"), which are accessible at **www.sec.gov**, and which you are advised to consult.

BNSF Headquarters
BNSF Railway Company
2650 Lou Menk Dr. 2nd Floor
Fort Worth, TX 76131-2830
P.O. Box 961057
Fort Worth, TX 76161-0057
Phone: (817) 352-1000

News Release

Shareholders approve Burlington Northern Santa Fe Transaction with Berkshire Hathaway

FORT WORTH, Texas, Feb. 11, 2010 :

BNSF positioned to remain one of America's premier freight transportation companies

Burlington Northern Santa Fe Corporation (BNSF; NYSE:BNI) shareholders today voted overwhelmingly in favor of the company's acquisition by Berkshire Hathaway Inc. (Berkshire; NYSE: BRK.A, BRK.B), securing a path for BNSF Railway to continue to build upon its position as one of America's premier freight transportation companies.

In all, preliminary results show that approximately 70 percent of BNSF issued and outstanding shares not owned by Berkshire or its affiliates were voted in favor of the transaction, above the 66-2/3 percent required. Additionally, holders of at least a majority of the issued and outstanding shares of BNSF voted in favor. Both of these votes were required under Delaware law to adopt the merger agreement and were reported at a shareholder meeting held today at BNSF headquarters in Fort Worth. Representatives of Innisfree M&A Incorporated tabulated the votes and acted as independent inspectors.

"Tomorrow begins the first century of ownership of BNSF by Berkshire Hathaway. I'm looking forward to every day of it as our railroad does its part to ensure the future prosperity of the country," said Warren E. Buffett, Berkshire Hathaway chairman and chief executive officer.

"We are at an important milestone in our 160-year history," said Matthew K. Rose, chairman, president and chief executive officer of BNSF. "This is a vote of confidence in BNSF and the future of freight rail, and it demonstrates how well our business model is aligned with our new parent company. By providing cost-effective and energy-efficient transportation that also benefits the environment, we are moving the goods that are crucial to consumers and our economy as our nation powers its way out of the recession."

The merger is expected to close on February 12.

Over the long term, the nation's demand for transportation is destined to grow. As the most environmentally friendly form of surface transportation, rail is more fuel-efficient for moving freight than using the nation's crowded highways. If just 10 percent of the freight that currently moves by truck were diverted to rail, fuel savings would exceed 1 billion gallons per year and annual greenhouse gas emissions would fall by more than 12 million tons. And as the nation's demand for transportation continues to increase, rail is an obvious solution to meet this challenge.

As a leader in environmental stewardship, BNSF can move a ton of freight an average of 470 miles on a single gallon of diesel fuel. As the rail industry's intermodal leader, each BNSF intermodal train can take 280 or more long-haul trucks off the nation's crowded highways.

About BNSF

BNSF through its principal operating subsidiary, BNSF Railway Company, operates one of the largest North American rail networks, with about 32,000 route miles in 28 states and two Canadian provinces. BNSF is among the world's top transporters of intermodal traffic, moves more grain than any other American railroad, carries the components of many of the products we depend on daily, and hauls enough low-sulfur coal to generate about ten percent of the electricity produced in the United States. BNSF is an industry leader in Web-enabling a variety of customer transactions at **www.bnsf.com**.

About Berkshire

Berkshire and its subsidiaries engage in diverse business activities including property and casualty insurance and reinsurance, utilities and energy, finance, manufacturing, retailing and services.

Forward Looking Statements

BERKSHIRE HATHAWAY INC.
NEWS RELEASE

BERKSHIRE AND BNSF CLOSE MERGER AND
BERKSHIRE REPORTS FINAL ELECTION RESULTS

FOR IMMEDIATE RELEASE **February 12, 2010**

Omaha, NE (NYSE: BRK.A; BRK.B) – Berkshire Hathaway Inc. ("Berkshire") today announced the closing of the merger of Burlington Northern Santa Fe Corporation ("BNSF") with and into a subsidiary of Berkshire. Berkshire also announced the final results for the merger consideration elections made by BNSF shareholders.

The exchange agent for the merger, Wells Fargo Shareowner Services, has calculated that of the 264,507,424 shares of BNSF common stock outstanding as of the effective time of the merger (which excludes shares of BNSF common stock owned by Berkshire and its subsidiaries, all of which were canceled without payment at the effective time), cash elections were made with respect to 108,054,170 shares, or 40.85%, and stock elections were made with respect to 114,692,846, or 43.36%. "No election" was made, or deemed to have been made, with respect to the remaining shares.

Based on the election results and the terms of the merger agreement:

- for all BNSF shares for which cash elections were made, shareholders will receive cash;
- for all BNSF shares for which "no election" was made, or deemed to have been made, shareholders will receive cash; and
- for all BNSF shares for which stock elections were made, shareholders will receive approximately 92.25% of their consideration in Berkshire stock and the remainder in cash.

In the aggregate, Berkshire will pay approximately $15.87 billion in cash and issue approximately 80,932 shares of Berkshire Class A Common Stock and approximately 21 million shares of Berkshire Class B Common Stock pursuant to the merger.

About Berkshire

Berkshire and its subsidiaries engage in diverse business activities including property and casualty insurance and reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, retailing and services.

— END —

Contact
Marc D. Hamburg
402-346-1400

RAILROAD COST OF CAPITAL-1996
SURFACE TRANSPORTATION BOARD (S.T.B.) December 2, 1996
1996 WL 711174 (S.T.B.)

SURFACE TRANSPORTATION BOARD (S.T.B.)

RAILROAD COST OF CAPITAL—1996

Decided: December 2, 1996
Service Date: December 12, 1996

SURFACE TRANSPORTATION BOARD DECISION

STB Ex Parte No. 558

By the Board, Chairman Morgan, Vice Chairman Simmons, and Commissioner Owen. Commissioner Owen commented with a separate expression.

*1 By this decision, we are instituting a proceeding to determine the railroad industry's cost of capital for 1996. The most recent finding regarding the railroads' cost of capital was made in Railroad Cost of Capital—1995, 1 S.T.B. 46 (1996) (Cost 95), which determined the industry's 1995 cost of capital. The cost of capital finding made in this proceeding will be used in the determination of railroad revenue adequacy for 1996.[1] It may also be used in other Board railroad proceedings, including, but not necessarily limited to, those involving the prescription of maximum reasonable rate levels, the proposed abandonments of rail lines, railroad mergers, and applications to purchase feeder lines.

The Cost of Capital for 1996

In this proceeding, we seek comment on: (1) the railroads' 1996 current cost of debt capital; (2) the railroads' 1996 current cost of preferred equity capital; (3) the railroads' 1996 cost of common equity capital; and (4) the 1996 capital structure mix of the railroad industry on a market value basis. Our conclusions regarding these matters will be used in our computation of the industry's overall, or composite, cost of capital for 1996.[2]

As in the past, the railroad industry's cost of capital will be determined on the basis of data for a sample of railroads. Using the criteria set forth in Railroad Cost of Capital—1984, 1 I.C.C.2d 989 (1985), a railroad will be included in the sample base if and only if it meets all of the following criteria during 1996:

— The company is a class I line-haul railroad.

— If the class I railroad is controlled by another company, the controlling company is primarily a railroad company and is not already included in the study frame.[3]

— The company's bonds are rated at least BBB by Standard & Poor's and Baa by Moody's.

— The company's stock is listed on either the New York or the American Stock Exchange.

— The company has paid dividends throughout 1996.

All railroads that meet these criteria shall be included in the sample base for this proceeding.

Comments should focus on the various cost of capital components listed above and the underlying techniques and methodologies used to develop them.

Procedural Matters

All class I railroads shall be respondents in this proceeding. They shall, and other interested parties may, submit evidence to enable the Board to update the cost of capital findings in Cost 95. Two copies of all underlying workpapers and background material used to develop that evidence shall be furnished to the Board and be made available, upon request, to other participants in this proceeding.

*2 Railroads and others that intend to participate in this proceeding shall file an original and one copy of a notice of intent to participate with the Office of the Secretary by the date specified below. To conserve time, avoid unnecessary expense, and limit the service of statements in this proceeding only to active participants, each notice of intent to participate shall include a detailed statement of: (1) whether the person's interest extends merely to receiving releases from the Board in this proceeding; (2) whether the person wishes to participate by filing and receiving statements; (3) whether, if the person wishes to file statements, its interests can be consolidated with those of other participants by the filing of joint statements; and (4) any other pertinent information to aid in limiting the service list to be issued in this proceeding. We will prepare and make available to all parties submitting notices of intent to participate a service list containing the names and addresses of all participants

Evidentiary statements are to be filed with the Office of the Secretary on or before the dates set forth below. An original and 10 copies of each statement shall be filed with the Board, and one copy shall be served upon each person on the service list.

Notices of intent to participate are due no later than December 30, 1996. A service list will then be prepared and issued by January 14, 1997. Statements of the railroads are due by March 14, 1997. Statements of other interested persons are due by April 11, 1997. Rebuttal statements by the railroads are due by April 25, 1997

Environmental and Energy Considerations

We preliminarily conclude that the proposed action will not significantly affect either the quality of the human environment or the conservation of energy resources

It is Ordered:

1. This proceeding is instituted pursuant to 49 U.S.C. 10704(a)(2) to determine the railroad industry's cost of capital for 1996. Comments on this matter are required of all class I railroads and are invited from all other interested persons.

2. Notice will be published in the Federal Register on December 12, 1996.

Vernon A. Williams

Secretary

*3 **Commissioner Owen,** *commenting:* In *Ex Parte No. 552, Railroad Revenue Adequacy—1995 Determination,* I stated that "the time is ripe to investigate the appropriateness" of the methods used to determine revenue adequacy I continue in that belief.

With regard to determining the cost of capital, I again point out that the cost of capital currently is computed for the railroad industry as a whole, even though it is individual railroads that raise capital in the financial markets and even though individual railroads may exhibit greater or less risk than the rail industry as a whole.

I also point out that the cost of capital currently is computed for railroad holding companies rather than railroad operating companies. Holding company assets include such non-rail assets as energy companies, trucking firms and hotels

Comment also may be appropriate on how the cost of capital is affected—and its implications for railroad revenue adequacy—if a substantial premium above market price is paid for a railroad currently judged to be revenue inadequate

Footnotes

1 In Standards for Railroad Revenue Adequacy, 364 I C.C. 803 (1981), the ICC determined that the appropriate standard for measuring the adequacy of railroad revenues is a rate of return on net investment equal to or greater than the industry's current cost of capital. The appropriateness of this standard was reaffirmed in Standards for Railroad Revenue Adequacy, 3 I.C C 2d 261 (1986) (Standards II)

2 In accordance with the ICC's conclusions in Standards II, the current cost of debt and market value-based capital structure mix will be used in this cost of capital determination. For purposes of consistency, the current cost of preferred equity will also be used. No consideration will be afforded to evidence depicting the embedded costs of debt or preferred equity or the book value capital structure mix

3 A company is considered to be primarily in the railroad business if at least 50 percent of its total assets are devoted to railroad operations

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3. Vice Chairman Owen also questions the implications for the cost of capital and revenue adequacy determinations of a possible "substantial premium above market price" being paid for the purchase of a railroad.

Of the three comments, this is the most curious. By its very nature, the price offered and accepted for an asset in the marketplace **is the market price**. The notion that a price paid to consummate a sale may be above some previous market level has little, if any, relevance to revenue adequacy determinations.

Railroads, like other investors, assess their investment opportunities on the expectations for achieving a return on the various investment strategies available to them commensurate with the risk involved. The investment outlook hinges on the potential return that can be generated and the probability of realizing that return. For any given transaction, different bidders will typically proffer divergent purchase prices. The variance among these price proposals is influenced, in part, by the perceived value of the purchase to the potential purchaser. What is an adequate, appropriate, or acceptable price can only be determined by the facts and circumstances surrounding the parties involved.

If a railroad is purchased at a so-called "premium" price, it is because the benefits of that purchase are anticipated to produce an acceptable return to the purchasing entity. Thus, the impact of that purchase would be similar in nature to other railroad investments. Namely, there is no reason to believe that the purchase price of a railroad would inappropriately influence either the cost of capital or the revenue adequacy determination.

Professors William J. Baumol and Robert D. Willig further explained the lack of connection between a railroads' ability to earn adequate revenues and its purchase of another railroad in their

presentation in the Board's so-called "bottleneck" proceeding.[11] They note that the purchase of one railroad by another merely indicates that the purchaser believes that it can enhance its opportunity to attain long-term revenue adequacy by augmenting it operations and realizing the productivity and efficiency synergies which will produce desired savings. Under these circumstances, the acquisition price paid by the purchasing railroad must be considered realistic. The savings accruing to the combined entity is the logical reason why merging railroads may be willing to pay more than the so-called "market value" placed on railroads by investors; quite simply, the railroads are worth more combined than they are as separate companies.

[11] See the October 25, 1996 verified statement of Professors Baumol and Willig submitted to the STB in the combined proceeding Docket No. 41242, *Central Power & Light v. Southern Pacific Transportation Company,* Docket No. 41295, *Pennsylvania Power & Light Company v. Consolidated Rail Corporation,* and Docket No. 41626, *MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago and North Western Railway Company.*