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DERECO, INC.

1978

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R-1

CLASS 1 RAILROADS

APPROVED BY GAO
B-180230 (R0470)
Expires 12-31-81

annual report

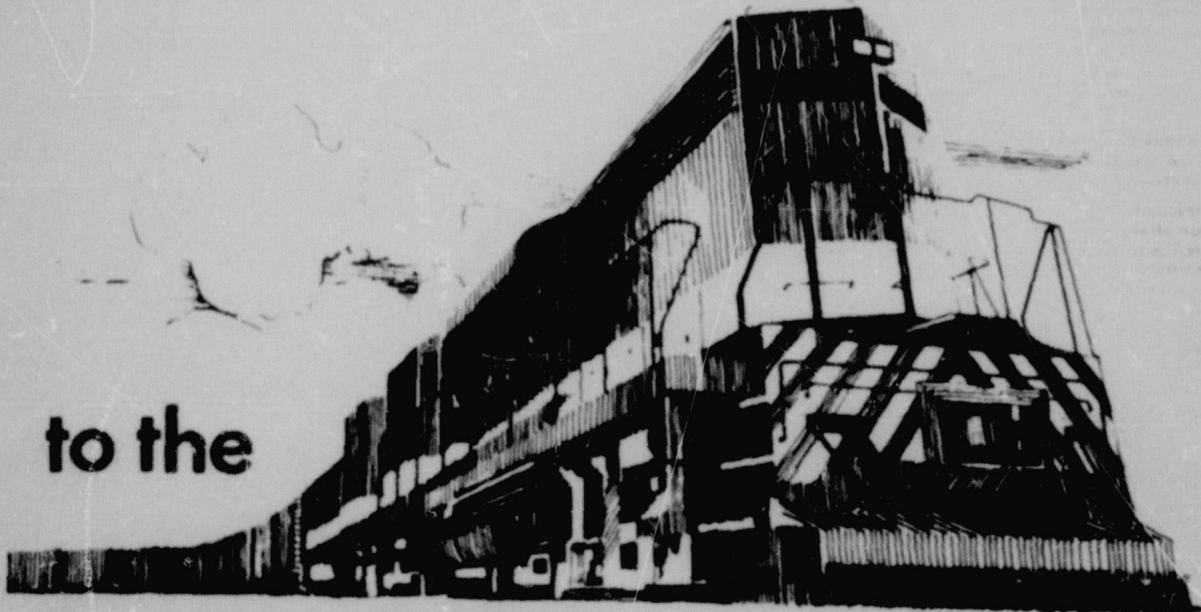
INTERSTATE
COMMERCE COMMISSION
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JUN 18 1979

ADMINISTRATIVE SERVICES
MAIL UNIT

	<p>RG010015 DERECHO INCR 1 0 1 310015 DERECHO INC 8 NORTH JEFFERSON ST ROANOKE VA 24042</p>
<p>Correct name and address if different than shown.</p>	<p>Full name and address of reporting carrier. (Use mailing label on original, copy in full on duplicate.)</p>

to the



Interstate Commerce Commission

FOR THE YEAR ENDED DECEMBER 31, 1978

NOTICE

1. This Form for annual report should be filled out in triplicate and two copies returned to the Interstate Commerce Commission, Bureau of Accounts, Washington, D.C. 20423, by March 31, of the year following that for which the report is made. One copy should be retained in respondent's files. Attention is specially directed to the following provisions of Part I of the Interstate Commerce Act:

Sec. 20. (1) The Commission is hereby authorized to require annual, periodical, or special reports from carriers, lessors, * * * (as defined in this section), to prescribe the manner and form in which such reports shall be made, and to require from such carriers, lessors, * * * specific and full, true, and correct answers to all questions upon which the Commission may deem information to be necessary, classifying such carriers, lessors, * * * as it may deem proper for any of these purposes. Such annual reports shall give an account of the affairs of the carrier, lessor, * * * in such form and detail as may be prescribed by the Commission.

(2) Said annual reports shall contain all the required information for the period of twelve months ending on the 31st day of December in each year, unless the Commission shall specify a different date, and shall be made out under oath and filed with the Commission as its office in Washington within three months after the close of the year for which report is made, unless additional time be granted in any case by the Commission.

(7)(b) Any person who shall knowingly and willfully make, cause to be made, or participate in the making of, any false entry in any annual or other report required under this section to be filed, * * * or shall knowingly or willfully file with the Commission any false report or other document, shall be deemed guilty of a misdemeanor and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of not more than five thousand dollars or imprisonment for not more than two years, or both such fine and imprisonment: * * *

(7)(c) Any carrier or lessor, * * * or any officer, agent, employee or representative thereof, who shall fail to make and file an annual or other report with the Commission within the time fixed by the Commission, or to make specific and full, true, and correct answer to any question within thirty days from the time it is lawfully required by the Commission so to do, shall forfeit to the United States the sum of one hundred dollars for each and every day it shall continue to be in default with respect thereto.

(8) As used in this section * * * the term "carrier" means a common carrier subject to this part, and includes a receiver or trustee of such carrier; and the term "lessor" means a person owning a railroad, a water line, or a pipe line, leased to and operated by a common carrier subject to this part, and includes a receiver or trustee of such lessor, * * *

The respondent is further required to send to the Bureau of Accounts immediately upon preparation, two copies of its latest annual report to stockholders. See schedule B, page 2.

2. The instructions in this Form should be carefully observed, and each question should be answered fully and accurately, whether it has been answered in a previous annual report or not. Except in cases where they are specifically authorized, cancellations, arbitrary check marks, and the like should not be used either as partial or as entire answers to inquiries. If any inquiry, based on a preceding inquiry in the present report form is, because of the answer rendered to such preceding inquiry, inapplicable to the person or corporation in whose behalf the report is made, such notation as "Not applicable; see page _____, schedule (or line) number _____" should be used in answer thereto, giving precise reference to the portion of the report showing the facts which make the inquiry inapplicable. Where the word "none" truly and completely states the fact, it should be given as the answer to any particular inquiry or any particular portion of an inquiry. Where dates are called for, the month and day should be stated as well as the year. Customary abbreviations may be used in stating dates.

3. Every annual report should, in all particulars, be complete in itself, and references to the returns of former years should not be made to take the place of required entries except as herein otherwise specifically directed or authorized.

4. If it be necessary or desirable to insert additional statements, typewritten or other, in a report, they should be legibly made on durable paper and, wherever practicable, on sheets not larger than a page of the Form. Inserted sheets should be securely attached, preferably at the inner margin; attachment by pins or clips is insufficient.

5. All entries should be made in a permanent black ink. Those of a contrary character should be indicated in parenthesis.

6. Money items, except averages, throughout the annual report form should be shown in thousands of dollars adjusted to accord with footings. Totals for amounts reported in subsidiary accounts included in supporting schedules must be in agreement with related primary accounts. For purposes of rounding, amounts of \$500 but less than \$1,000 should be raised to the nearest thousand dollars, and amounts of less than \$500 should be lowered.

7. Railroad corporations, mainly distinguished as operating companies and lessor companies, are for the purpose of report to the Interstate Commerce Commission divided into classes. An operating company is one whose officers direct the business of transportation and whose books contain operating as well as financial accounts; and, a lessor company, the property of which being leased to and operated by another company, is one that maintains a separate legal existence and keeps financial but not operating accounts. In making reports, lessor companies use Annual Report Form R-4.

Operating companies (including switching and terminal) are broadly classified, with respect to their operating revenues, according to the following general definitions:

Class I companies are those having annual operating revenues of \$50,000,000, or more. For this class, Annual Report Form R-1 is provided.

Class II companies are those having annual operating revenues less than \$50,000,000 but in excess of \$10,000,000. For this class, Annual Report Form R-2 is provided.

Class III companies are those having annual operating revenues of \$10,000,000, or less. For this class, Annual Report Form R-3 is provided.

In applying this classification to any switching or terminal company which is operated as a joint facility of owning or tenant railroads, the sum of the annual railway operating revenues, the joint facility rent income, and the returns to joint facility credit accounts in operating expenses, shall be used in determining its class.

Switching and terminal companies are further classified as:

Class S1. Exclusively switching. This class of companies includes all those performing switching service only, whether for joint account or for revenue.

Class S2. Exclusively terminal. This class of companies includes all companies furnishing terminal trackage or terminal facilities only, such as union passenger or freight stations, stockyards, etc., for which a charge is made, whether operated for joint account or for revenue. In case a bridge or ferry is part of the facilities operated by a terminal company, it should be included under this heading.

Class S3. Both switching and terminal. Companies which perform both a switching and a terminal service. This class of companies includes all companies whose operations cover both switching and terminal service, as defined above.

Class S4. Bridge and ferry. This class of companies is confined to those whose operations are limited to bridges and ferries exclusively.

Class S5. Mixed. Companies performing primarily a switching or a terminal service, but which also conduct a regular freight or passenger traffic. The revenues of this class of companies include, in addition to switching or terminal revenues, those derived from local passenger service, local freight service, participation in through movement of freight or passenger traffic, other transportation operations, and operations other than transportation.

8. Except where the context clearly indicates some other meaning, the following terms when used in this Form have the meanings below stated:

Commission means the Interstate Commerce Commission. Respondent means the person or corporation in whose behalf the report is made. The Year means the year ended December 31 for which the report is made. The Close of the Year means the close of business on December 31 of the year for which the report is made; or, in case the report is made for a shorter period than one year, it means the close of the period covered by the report. The Beginning of the Year means the beginning of business on January 1 of the year for which the report is made; or, in case the report is made for a shorter period than one year, it means the beginning of the period covered by the report. The Preceding Year means the year ended December 31 of the year next preceding the year for which the report is made. The Uniform System of Accounts for Railroad Companies means the system of accounts in Part 1201 of Title 49, Code of Federal Regulations, as amended.

ANNUAL REPORT

OF

DERECO, INC.

TO THE

INTERSTATE COMMERCE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 1978

Name, official title, telephone number, and office address of officer in charge of correspondence with the Commission regarding this report:

(Name) Jean Jones (Title) Vice President & Comptroller
(Telephone number) 703 981-4424
(Area code) (Telephone number)
(Office address) 8 North Jefferson Street, Roanoke, Virginia 24042
(Street and number, city, State, and ZIP code)

SPECIAL NOTICE

The attention of the respondent is directed below to certain particulars, if any, in which this report form differs from the corresponding form for the preceding year. It should be understood that mention is not made of necessary substitutions of dates or, in general, such other things as simple modifications intended to make requirements clearer, other minor adjustments, and typographical corrections.

This form is revised to (1) improve the disclosure of information for both ratemaking and financial reporting purposes, (2) eliminate unnecessary reporting, and (3) conform with the new Uniform System of Accounts for Railroads, effective January 1, 1978. Other significant modifications include revisions to conform with reporting under generally accepted accounting principles and the rearrangement of schedules in a more orderly fashion to make them easier to complete and use.

Revisions to this report resulted from the following Commission's decisions copies of which were served on all railroads:

<u>Docket</u>	<u>Title</u>	<u>Decision Date</u>
36141	Corporate Disclosure Regulations	5/13/77 1/19/78 3/23/78
36367	Revision to the Uniform System of Accounts for Railroads	6/13/77
36604	Accounting for leases	10/12/77
36557	Reporting Railroad Track Maintenance	4/14/78
36725	Revision to the Annual Report Forms for Class I and Class II Railroads	7/18/78
36767	Accounting for Certain Government Transfers by Railroads and Motor Carriers of Passengers	6/30/78

ESTIMATE OF REPORTING BURDEN

In order to monitor carrier reporting burden and to satisfy GAO requirements pursuant to Section 409 of Public Law 93-153, it is requested that you voluntarily furnish your best estimate of the number of hours required to complete this report.

In making this estimate, please include the number of hours attributable to preparing the report and for any special compilations contained in this report that would not generally be maintained or used by management for purposes other than reporting to this Commission.

Total hours (Estimated) 160

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SCHEDULE NO.	PAGE	SCHEDULE NO.	PAGE
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A. SCHEDULES OMITTED BY RESPONDENT

1. The respondent, at its option, may omit pages from this report provided there is nothing to report or the schedules are not applicable.

2. Show below the pages excluded and indicate the schedule number and title in the space provided below.

3. If no schedules were omitted indicate "NONE".

Page	Schedule No.	Title
27	315	Special Funds and Other Investments - Continued
28-29	319	Securities, Advances, and Other Intangibles Owned or Controlled through Nonreporting Subsidiaries
30	325	Property Used in Other than Carrier Operations
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38	332	Accumulated Depreciation - Road and Equipment - Owned and Used
39	335A	Investment in Railroad Property Used in Transportation Service (By Company)
40	335B	Investment in Railway Property Used in Transportation Service (By Property Accounts)
41	339	Other Elements of Investment
42	340	Depreciation Base and Rates - Road and Equipment Leased to Others
43	342	Accumulated Depreciation - Road and Equipment Leased to Others
44	350	Depreciation Base and Rates - Road and Equipment Owned and Leased from Others
45	351	Depreciation Base and Rates - Improvements to Road and Equipment Leased from Others
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48	360	Leases - General Instructions and Definitions
49	361	Capitalized Capital Leases
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52	364	Lessee Disclosure
55-60	410	Railway Operating Expenses
63	413	Rent for Leased Roads and Equipment
64	414	Rents for Interchanged Freight Train Cars and Other Freight Carrying Equipment
65-65A	415	Supporting Schedule: Equipment
66	417	Specialized Service Subschedule - Transportation
67-71	419	Remunerations from National Railroad Passenger Corporation
72	430	Miscellaneous Rent Income
73	440	Miscellaneous Rents (Expense)
74	445	Separately Operated Properties - Profit or Loss
79	500	Contingent Assets and Liabilities
80	501	Guaranties and Suretyships
81-82	700	Instructions - Schedule Mileage Operated at Close of Year
83	701	Mileage Owned but Not Operated by Respondent at Close of Year
84	702	Miles of Road at Close of Year - By States and Territories (Single Track)
84	703	Miles of Track at Close of Year - By States and Territories
87-93	710	Instructions and Schedule - Inventory of Equipment
94	710S	Unit Cost of Equipment Installed During the Year
95	-	Notes and Remarks
96-97	715	Highway Motor Vehicle Operations
98	716	Highway Motor - Vehicle Enterprises in Which the Respondent Had a Direct or Indirect Financial Interest During the Year
99	720	Track and Traffic Conditions
100	721	Ties Laid in Replacement
101	722	Ties Laid in Additional Tracks and in New Lines and Extensions
102	723	Rails Laid in Replacement
103	724	Rails Laid in Additional Tracks and in New Lines and Extensions
103	725	Weight of Rail
104	726	Summary of Track Maintenance
104	727	Ten-Year Summary of Track Maintenance
105	728	Deferred Maintenance - Tracks

A. SCHEDULES OMITTED BY RESPONDENT - Continued

1. The respondent, at its option, may omit pages from this report provided there is nothing to report or the schedules are not applicable.

2. Show below the pages excluded and indicate the schedule number and title in the space provided below.

3. If no schedules were omitted indicate "NONE".

Page	Schedule No.	Title
106	745	Switching and Terminal Traffic and Car Statistics
107	750	Consumption of Fuel by Motive Power Units
108-109	760	Grade Crossings
110	761	Grade Separations
111	800	Contracts, Agreements, etc.
112	850	Competitive Bidding - Clayton Antitrust Act

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B. IDENTITY OF RESPONDENT

Answers to the questions asked should be made in full, without reference to data returned on the corresponding page of previous reports. In case any changes of the nature referred to under inquiry 4 on this page have taken place during the year covered by this report, they should be explained in detail.

1. Give in full the exact name of the respondent. Use the words "The" and "Company" only when they are parts of the corporate name. Be careful to distinguish between *railroad* and *railway*. The corporate name should be given uniformly throughout the report, notably on the cover, on the title page, and in the "Verification." If the report is made by receivers, trustees, a committee of bondholders, or individuals otherwise in possession of the property, state names and facts with precision.

2. If incorporated under a special charter, give date of passage of the act; if under a general law, give date of filing certificate of organization; if a reorganization has been effected, give date of reorganization. If a receivership or other trust, give also date when such receivership or other possession began. If a partnership, give date of formation and also names in full of present partners.

3. State the occasion for the reorganization, whether by reason of foreclosure of mortgage or otherwise, according to the fact. Give date of organization of original corporation and refer to laws under which organized.

1. Exact name of common carrier making this report Dereco, Inc.
2. Date of incorporation Certificate of Incorporation filed March 1, 1968.
3. Under laws of what Government, State, or Territory organized? If more than one, name all. If in bankruptcy, give court of jurisdiction and dates of beginning of receivership or trusteeship and of appointment of receivers or trustees General Corporation Law of The State of Delaware.
4. If the respondent was reorganized during the year, involved in a consolidation or merger, or conducted its business under a different name, give full particulars. Not Applicable
5. Class of switching and terminal company Not Applicable
[See section No. 7 on inside of front cover]

STOCKHOLDERS REPORTS

6. The respondent is required to send to the Bureau of Accounts, immediately upon preparation, two copies of its latest annual report to stockholders.

Check appropriate box:

☒ Two copies are attached to this report.

☐ Two copies will be submitted _____ (date)

☐ No annual report to stockholders is prepared.

C. VOTING POWERS AND ELECTIONS

Class A

Class B

1. State the par value of each share of stock: Common, \$ 5 per share; ~~2nd~~ preferred, \$ 20 per share; ~~second~~ preferred, \$ 20 per share; debenture stock, \$ _____ per share.

2. State whether or not each share of stock has the right to one vote; if not, give full particulars in a footnote See note, page 4.

3. Are voting rights proportional to holdings? Yes If not, state in a footnote the relation between holdings and corresponding voting rights.

4. Are voting rights attached to any securities other than stock? No If so, name in a footnote each security, other than stock to which voting rights are attached (as of the close of the year), and state in detail the relation between holdings and corresponding voting rights, stating whether voting rights are actual or contingent, and if contingent showing the contingency.

5. Has any class or issue of securities any special privileges in the election of directors, trustees, or managers, or in the determination of corporate action by any method? No If so, describe fully in a footnote each such class or issue and give a succinct statement showing clearly the character and extent of such privileges.

6. Give the date of the latest closing of the stock book prior to the actual filing of this report, and state the purpose of such closing Stock books do not close.

7. State the total voting power of all security holders of the respondent at the date of such closing, if within one year of the date of such filing; if not, state as of the close of the year. 5,813,283 votes, as of December 31, 1978 (Date)

8. State the total number of stockholders of record, as of the date shown in answer to inquiry No. 7. 637 stockholders.

9. Give the names of the thirty security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent (if within 1 year prior to the actual filing of this report), had the highest voting powers in the respondent, showing for each his address, the number of votes which he would have had a right to cast on that date had a meeting then been in order, and the classification of the number of votes to which he was entitled, with respect to securities held by him, such securities being classified as common stock, second preferred stock, first preferred stock, and other securities, stating in a footnote the names of such other securities (if any). If any such holder held in trust, give (in a footnote) the particulars of the trust. In the case of voting trust agreements give, as supplemental information the names and addresses of the thirty largest holders of the voting trust certificates and the amount of their individual holdings. If the stock book was not closed or the list of stockholders compiled within such year, show such thirty security holders as of the close of the year.

Line No.	Name of security holder	Address of security holder	Number of votes to which security holder was entitled	NUMBER OF VOTES, CLASSIFIED WITH RESPECT TO SECURITIES ON WHICH BASED		
				Stocks		
				Common	PREFERRED	
	(a)	(b)	(c)	(d)	Class "A"	Class "B"
1	Norfolk & Western Rwy. Co.	Roanoke, VA	5,808,204	5,808,204		
2	Merrill Lynch, Pierce, Fenner & Smith	New York, NY	286			286
3	C&S Credit Corp.	San Antonio, TX	200		100	100
4	Paine, Webber, Jackson & Curtis	New York, NY	131		2	129
5	Charles Derr	Loudonville, OH	128			128
6	Leon Nadrowski	Brooklyn, NY	128			128
7	Marie Rio	Thornwood, NY	102			102
8	Spingarn Heine & Co.	New York, NY	100			100
9	Raymond Charles Snick	Cleveland, OH	100			100
10	Sidney Raphan & Frieda Raphan	Flushing, NY	76			76
11	Regina R. Mitchell	Salt Lake City, UT	71			71
12	Frank J. & Mary A. Hayes	Philadelphia, PA	64			64
13	Murray Plotkin	Elmhurst, NY	64			64
14	Mary Talty	Buffalo, NY	64			64
15	Shearson, Hayden Stone, Inc.	New York, NY	63		3	60
16	H. Ralph Redak	Denver, CO	52			52
17	Lloyd Ellis & Malvina Ellis	Ithaca, NY	51			51
18	Rose Stamberger	Buffalo, NY	51			51
19	Nay & Co.	Los Angeles, CA	50			50
20	Robert A. Nolan, Jr.	Louisville, KY	50			50
21	John G. Enderlin	Roslyn Heights, NY	46			46
22	Warren E. Neer	Urbana, OH	46			46
23	Rosa Taub Kahn	Houston, TX	43			43
24	Vincent Licare	Florissant, MO	39			39
25	Sadie Miller	Brooklyn, NY	39			39
26	Walter Heffmann	Hartsdale, NY	34			34
27	George H. Arnold	Lebanon, PA	32*			32
28	Ilse Greenberg	Tokoma Park, MD	32*			32
29	Zoridee D. Magnus	New York, NY	32*			32
30	David Rosenberg	Brooklyn, NY	32*			32

C. VOTING POWERS AND ELECTIONS - Continued

10. State the total number of votes cast at the latest general meeting for the election of directors of the respondent. 5,809,255
votes cast.
11. Give the date of such meeting. May 10, 1978
12. Give the place of such meeting. Roanoke, Virginia

NOTES AND REMARKS

Schedule C. (Notes)

Item 1. Unexchanged Erie Lackawanna Railroad Company

Common Stock - No Par and Preferred Stock

Series A, 5% - Par Value \$100 Per Share

Item 2. Each share has right to one vote. The unexchanged common stock - no par and the unexchanged \$100 par value preferred stock of the Erie Lackawanna Railroad Company is without voting rights until exchanged for shares of preferred stock of Dereco, Inc.

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - ASSETS

Line No.	Account No.	Title (a)	Balance at Close of Year (b)	Balance at Beginning of Year (c)
		<u>Current Asset</u>	\$	\$
1	701	Cash	10	7
2	702	Temporary Cash Investments (Sch. 300)	210	210
3	703	Special Deposits (Sch. 300)		
		<u>Accounts Receivable</u>		
4	705	- Interline and Other Balances		
5	706	- Customers		
6	707, 704	- Other		
7	709, 708	- Accrued Accounts Receivable	2	5
8	708.5	- Receivables from Affiliated Companies		
9	709.5	- Less: Allowance for Uncollectible Accounts		
10	711, 714	Prepayments (and working funds) (Sch. 300)		
11	712	Materials and Supplies		
12	713	Other Current Assets (Sch. 300)		
13		Total Current Assets	222	222
		<u>Other Assets</u>		
14	715, 716, 717, 722, 723, 724	Special Funds and Other Investments and advances (Sch. 315)		
15	721, 721.5	Investments and Advances: Affiliated Companies (Sch. 310)	12,002	41,056
16	737, 738	Property used in other than Carrier Operations (less depreciation \$) (Sch. 325)		
17	739, 741	Other Assets (Sch. 329)	670	1,561
18	743, 744	Other Deferred Debits (Sch. 329)		
19		Total Other Assets	12,672	42,617
		<u>Road and Equipment</u>		
20	731, 732	Road (Sch. 330 & 330A)		22
21		Equipment		
22		Unallocated Items		
23	733, 734, 735, 736	Accumulated Depreciation and amortization (Schs. 332, 342, 352, 355)		
24		Net road and Equipment		22
25		Total Assets	12,894	42,861

NOTES AND REMARKS

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - LIABILITIES AND EQUITY

Line No.	Account No.	Title (a)	Balance at Close of Year (b)	Balance at Beginning of Year (c)
		<u>Current Liabilities</u>	\$	\$
26	751	Loans and Notes Payable (Sch. 370)		
27	752	Accounts Payable: Interline and Other Balances		
28	753, 754	Other Accounts Payable		
29	755, 756	Interest and Dividends Payable		
30	757	Payables to Affiliated Companies		
31	759	Accrued accounts Payable (Sch. 370)	5	5
32	760, 761, 761.5, 762	Taxes Accrued (XXXXX)	2	2
33	763	Other Current Liabilities (Sch. 370)		
34	764	Equipment obligations and other long-term debt due within one year		
35		Total Current Liabilities	7	7
		<u>Non Current Liabilities</u>		
36	765, 767	Funded debt unmatured		
37	766	Equipment obligations		
38	766.5	Capitalized Lease Obligations		
39	768	Debt in default		
40	769	Accounts payable: Affiliated Companies		
41	770.1, 770.2	Unamortized debt premium		
42	781	Interest in default		
43	783	Deferred revenues-Transfers from Government Authorities		
44	786	Accumulated deferred income tax credits		
45	771, 772, 774, 775, 782, 784	Other long-term liabilities and deferred credits (Sch. 379)	1,010	1,924
46		Total Noncurrent Liabilities	1,010	1,924
		<u>Stockholders' Equity</u>		
47	791, 792	Capital Stock: (Sch. 230)		
48		Common Stock	29,557	30,435
49		Preferred Stock	147	158
50	793	Discount on Capital Stock		
51	794, 795	Additional Capital (230)	68,027	67,138
		Retained Earnings		
52	797	Appropriated (221)		
53	798	Unappropriated (220)	(85,854)	(56,801)
54	798.1	Net Unrealized loss on noncurrent marketable equity securities		
55	798.5	Less Treasury Stock		
56		Net Stockholders Equity	11,877	40,930
57		Total Liabilities and Shareholders Equity	12,894	42,861

NOTES AND REMARKS

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES

The notes listed below are provided for the purpose of disclosing supplementary information concerning matters which have an important effect on the financial condition of the carrier. The carrier shall give the particulars called for herein and where there is nothing to report, insert the word "none"; and in addition thereto shall enter in separate notes with suitable particulars other matters involving material amounts of the character commonly disclosed in financial statements under generally accepted accounting and reporting principles, except as shown in other schedules. This includes explanatory

statements explaining (1) service interruption insurance policies and indicate the amount of indemnity to which respondent will be entitled for work stoppage losses and the maximum amount of additional premium respondent may be obligated to pay in the event such losses are sustained by other railroads; (2) particulars concerning obligations for stock purchase options granted to officers and employees; and (3) what entries have been made for net income or retained income restricted under provisions of mortgages and other arrangements. (Dollars in thousands)

1. Amount (estimated, if necessary) of net income or retained income which has to be provided for capital expenditures, and for sinking and other funds pursuant to provisions of reorganization plans, mortgages, deeds of trust, or other contracts \$ None

2. Estimated amount of future earnings which can be realized before paying Federal income taxes because of unused and available net operating loss carryover on January 1 of the year following that for which the report is made \$ None

3. (a) Explain the procedure in accounting for pension funds and recording in the accounts the current and past service pension costs, indicating whether or not consistent with the prior year: Not Applicable

(b) State amount, if any, representing the excess of the actuarially computed value of vested benefits over the total of the pension fund. \$

(c) Is any part of pension plan funded? Specify: Yes ☐ No ☐

(i) If funding is by insurance, give name of insuring company

(ii) If funding is by trust agreement, list trustee(s)

Date of trust agreement or latest amendment

If respondent is affiliated in any way with the trustee(s), explain affiliation:

(d) List affiliated companies which are included in the pension plan funding agreement and describe basis for allocating charges under the agreement

(e) (i) Is any part of the pension plan fund invested in stock or other securities of the respondent or any of its affiliates? Specify:

Yes ☐ No ☐

If yes, give number of the shares for each class of stock or other security:

(ii) Are voting rights attached to any securities held by the pension plan? Specify: Yes ☐ No ☐ If yes, who determines how stock is voted?

4. State whether a segregated political fund has been established as provided by the Federal Election Campaign Act of 1971 (18 U.S.C. 610). YES ☐ NO ☒

5. State separately amounts of deferred maintenance and delayed capital improvements as reported to the Commission in Ex Parte No. 305 as of close of year:

(a) Deferred maintenance \$ None

(b) Delayed capital improvements \$ None

Continued on following page

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES (Concluded)

Marketable Equity Securities - to be completed by companies with \$10.0 million or more in gross operating revenues.

(a) Changes in Valuation Accounts

Not Applicable

	Cost	Market	Dr. (Cr) to Income	Dr. (Cr) to Stockholders Equity
(Current Yr.) Current Portfolio _____				XXXXX
as of / / Noncurrent Portfolio _____			XXXXX	\$
(Previous Yr.) Current Portfolio _____			XXXXX	XXXXX
as of / / Noncurrent Portfolio _____			XXXXX	XXXXX

(b) At / / , gross unrealized gains and losses pertaining to marketable equity securities were as follows:

	Gains	Losses
Current	\$ _____	\$ _____
Noncurrent	_____	_____

(c) A net unrealized gain (loss) of \$ _____ on the sale of marketable equity securities was included in net income for _____ (year). The cost of securities sold was based on the _____ (method) cost of all the shares of each security held at time of sale.

Significant net realized and net unrealized gains and losses arising after date of the financial statements but prior to their filing, applicable to marketable equity securities owned at balance sheet date shall be disclosed below:

NOTE: / / - date - Balance sheet date of the current year unless specified as previous year.

NOTES AND REMARKS

210. RESULTS OF OPERATIONS

1. Disclose the requested information for the respondent pertaining to the results of operations for the year.

2. Report total operating expenses from Schedule 410 of this report. Any disparities in expense amounts shown in this schedule and expense amounts reported in Schedule 410 must be fully explained.

3. List dividends from investments accounted for under the

cost method on the appropriate line for Account No. 513, "Dividend income." List dividends accounted for by the equity method on the appropriate dividend line under the "Income from Affiliated Companies" subsection of this schedule.

4. All contra entries hereunder should be indicated in parenthesis.

5. Report dollars in thousands.

Line No.	Item (a)	Amount for Current Year (b)	Amount for Preceding Year (c)	Freight-Related Revenues & Expenses (d)	Passenger-Related Revenues & Expenses (e)
	ORDINARY ITEMS				
	OPERATING INCOME				
	Railway Operating Income				
1	(101) Freight **	\$	\$	\$	\$
2	(102) Passenger **				
3	(103) Passenger-Related				
4	(104) Switching				
5	(105) Water Transfers				
6	(106) Demurrage				
7	(110) Incidental				
8	(121) Joint Facility-Credit				
9	(122) Joint Facility-Debit				
10	(501) Railway operating revenues (Exclusive of transfers from Government Authorities)				
11	(502) Railway operating revenues-Transfers from Government Authorities for current operations				
12	(503) Railway operating revenues-Amortization of deferred transfers from Government Authorities				
13	Total railway operating revenues (lines 10-12)				
14	(531) Railway operating expenses	36	34		
15	*Net revenue from railway operations	(36)	(34)		
	OTHER INCOME				
16	(506) Revenue from property used in other than carrier operations				
17	(510) Miscellaneous rent income				
18	(512) Separately operated properties-Profit				
19	(513) Dividend Income	29	30		
20	(514) Interest Income	15	11		
21	(516) Income from sinking and other funds				
22	(517) Release of premiums of funded debt				
23	(518) Contributions from other companies				
24	(519) Miscellaneous income				
	Income from affiliated companies:				
25	Dividends				
26	Equity in undistributed earnings (losses)	12,731	(11,790)		
27	Total other income (lines 16-26)	12,775	(11,749)		
28	Total income (lines 15, 27)	12,739	(11,783)		
	MISCELLANEOUS DEDUCTIONS FROM INCOME				
29	(534) Expenses of property used in other than carrier operations				
30	(535) Taxes on property used in other than carrier operations				
31	(543) Miscellaneous rent expense				
32	(544) Miscellaneous taxes				
33	(545) Separately operated properties-Loss				
34	(549) Maintenance of investment organization				
35	(550) Income transferred to other companies				
36	(551) Miscellaneous income charges	23	2		
37	(553) Uncollectible accounts				
38	Total miscellaneous deductions (lines 29-37)	23	2		
39	Income available for fixed charges (lines 28, 38)	12,716	(11,785)		

210. RESULTS OF OPERATIONS - Continued

Line No.	Item (a)	Amount for Current Year (b)	Amount for Preceding Year (c)
	FIXED CHARGES		
	(546) Interest on funded debt:	\$	\$
40	(a) Fixed interest not in default		
41	(b) Interest in default		
42	(547) Interest on unfunded debt		
43	(548) Amortization of discount on funded debt		
44	Total fixed charges (lines 40-43)		
45	Income after fixed charges (lines 39, 44)	12,716	(11,785)
	OTHER DEDUCTIONS		
	(546) Interest on funded debt:		
46	(c) Contingent interest		
	UNUSUAL OR INFREQUENT ITEMS		
47	(555) Unusual or infrequent items (debit) credit	(41,762)	
48	Income (loss) for continuing operations (before income taxes)	(29,046)	
	PROVISIONS FOR INCOME TAXES		
	(556) Income taxes on ordinary income:		
49	Federal income taxes		
50	State income taxes	7	7
51	Other income taxes		
52	(557) Provision for deferred income taxes		
53	Income from continuing operations	(29,053)	(11,792)
	DISCONTINUED OPERATIONS		
54	(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)		
55	(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)		
	EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES		
56	(570) Extraordinary items (Net)		
57	(590) Income taxes on extraordinary items		
58	(591) Provision for deferred taxes - Extraordinary items		
59	Total extraordinary items (lines 56-58)		
60	(592) Cumulative effect of changes in accounting principles (less applicable income taxes of \$)		
61	Net income	(29,053)	(11,792)
	*Reconciliation of net railway operating income (NROI)		
62	Net revenues from railway operations	(36)	
63	(556) Income taxes on ordinary income		
64	(557) Provision for deferred income taxes		
65	Income from lease of road and equipment		
66	Rent for leased roads and equipment		
67	Net railway operating income	(36)	
	**Report hereunder the charges to the revenue accounts representing payments made to others for	Not Applicable	
68	Terminal collection and delivery services when performed in connection with line-haul transportation of freight on the basis of freight tariff rates \$		
	(a) Of the amount reported for "Net revenue from railway operations", % (to nearest whole number) represents payments for collection and delivery of LCL freight either in TOFC trailers or otherwise. The percentage reported is (Check one): Actual () Estimated ()		
69	Switching services when performed in connection with line-haul transportation of freight on the basis of switching tariffs and allowances out of freight rates, including the switching of empty cars in connection with a revenue movement \$		
	Substitute highway motor service in lieu of line-haul rail service performed under tariffs published by rail carriers (does not include traffic moved on joint rail-motor rates):		
70	(a) Payments for transportation of persons \$		
71	(b) Payments for transportation of freight shipments \$		
	NOTE. —Gross charges for protective services to perishable freight, without deduction for any proportion thereof credited to Account No. 101, "Freight" (not required from switching and terminal companies).		
72	Charges for service for the protection against heat \$		
73	Charges for service for the protection against cold \$		

220. RETAINED EARNINGS—UNAPPROPRIATED

1. Show hereunder the items of Retained Earnings Accounts of the respondent for the year, classified in accordance with the Uniform System of Accounts for Railroad Companies.

2. All contra entries hereunder should be indicated in parentheses.

3. Indicate under "Remarks" the amount of assigned Federal income tax consequences, accounts 606 and 616.

4. Segregate in column (c) all amounts applicable to the equity in undistributed earnings (losses) of affiliated companies based on the equity method of accounting.

5. Line 1 (line 7 if debit balance), column (c), should agree with line 26, column (b), Schedule 210. The total of columns (b) and (c), lines 3 and 7, should agree with line 61, column (b), Schedule 210.

6. Include in column (b) only amounts applicable to retained earnings exclusive of any amounts included in column (c) (Dollars in thousands).

Line No.	Item	Retained earnings—Unappropriated	Equity in undistributed earnings (losses) of affiliated companies
	(a)	(b)	(c)
1	Balances at beginning of year	\$ (54,422)	\$ (2,379)
2	(601.5) Prior period adjustments to beginning retained earnings		
	CREDITS		
3	(602) Credit balance transferred from earnings		12,731
4	(603) Appropriations released		
5	(606) Other credits to retained earnings		
6	Total		12,731
	DEBITS		
7	(612) Debit balance transferred from income	41,784	
8	(616) Other debits to retained income		
9	(620) Appropriations for sinking and other reserve funds		
10	(621) Appropriations for other purposes		
11	(623) Dividends: Common stock		
12	Preferred stock ¹		
13	Total	41,784	
14	Net increase (decrease) during year (Line 6 minus line 13)	(41,784)	12,731
15	Balances at close of year (Lines 1, 2 and 14)	(96,206)	10,352
16	Balance from line 15(c)		
17	Total unappropriated retained earnings and equity in undistributed earnings (losses) of affiliated companies at end of year	(85,854)	XXXXX
	REMARKS		
	Amount of assigned Federal income tax consequences:		
18	Account 606		XXXXX
19	Account 616		XXXXX

NOTE: See Schedule 460, for analysis for Retained Earnings Accounts.

¹ If any dividends have not been declared on cumulative preferred stock give cumulative undeclared dividends at beginning of year and end of year.

221. RETAINED EARNINGS—APPROPRIATED

Give an analysis in the form called for below of account No. 797, "Retained earnings—Appropriated." (Dollars in thousands)

Line No.	Class of appropriation (a)	Credits during year (b)	Debits during year (c)	Balance at close of year (d)
1	Additions to property through retained income	\$	\$	\$
2	Funded debt retired through retained income			
3	Sinking fund reserves			
4	Incentive per diem funds			
5	Miscellaneous fund reserves			
6	Other appropriations (specify):			
7				
8				
9				
10				
11				
12				
13				
14				
15				
16	TOTAL			

225. TRANSFERS FROM GOVERNMENT AUTHORITIES

This schedule should include particulars of all transfers from Federal, state or municipal authorities received during the year. The amount of transfer received shall be distributed among columns (c), (d), and (e) in accordance with General Instruction 1-15 of the Uniform System of Accounts for Railroad Companies.

Line No.	Description (a)	Amount (b)	Applied to current operations (c)	Deferred to future periods (d)	Applied to contributed capital (e)
	Source and description of transfers	\$	\$	\$	\$
1					
2					
3					
4					
5					
6					
7	Total received during year				
8	Cumulative total of Government transfers—beginning of year		XXXXX	XXXXX	XXXXX
9	Cumulative total of Government transfers—end of year		XXXXX	XXXXX	XXXXX

230. CAPITAL STOCK

PART I. CAPITAL STOCK

1. Disclose in column (a) the particulars of the various issues of capital stock of the respondent, distinguishing separate issues of any general class, if different in any respect.
2. Present in column (b) the par or stated value of each issue. If none, so state.
3. Disclose in columns (c), (d), (e) and (f) the required information concerning the number of shares authorized, issued, in treasury and outstanding for the various issues.
4. For the purposes of this report, capital stock and other securities are considered to be nominally issued when certificates are signed and sealed and placed with the proper officer for sale and delivery or are pledged or otherwise placed in some special fund of the respondent. They

are considered to be actually issued when sold to a bona fide purchaser who holds them free from control by the respondent. All securities actually issued and not reacquired by or for the respondent are considered to be actually outstanding. If reacquired by or for the respondent under such circumstances as required them to be considered as held alive, and not canceled or retired, they are considered to be nominally outstanding.

5. If stock is being held subject to an exchange for the outstanding securities of constituent companies, then include such stock as outstanding stock, and disclose the details in footnotes.

6. Report dollars in thousands.

Line No.	Class of Stock (a)	Par Value (b)	Number of Shares				Book Value at End of Year	
			Authorized (c)	Issued (d)	In Treasury (e)	Outstanding (f)	Outstanding (g)	In Treasury (h)
1	Common	\$ 5.00	6,500,000	5,808,204		5,808,204	\$29,041	
2								
3								
4	Preferred Class "A"	20.00	255,000	47,116		482	10	
5	Class "B"	20.00	710,000	601,777		6,884	137	
6								
7	Liability for Conversion of Common							
8	Stock (23,108 shares reserved							
9	for conversion at 12/31/78)						516	
10	TOTAL	XXXXX	7,465,000	6,457,097		5,815,570	29,704	

PART II. SUMMARY OF CAPITAL STOCK CHANGES DURING YEAR

1. The purpose of this part is to disclose capital stock changes during year.
2. Column (a) presents the items to be disclosed.
3. Columns (b), (d) and (f) require disclosures of the number of preferred, common and treasury stock, respectively, applicable to the items presented in column (a).
4. Columns (c), (e) and (g) requires the applicable disclosure of the book values of preferred, common and treasury stock.

5. Disclose in column (h) the additional paid-in capital realized from changes in capital stock during year.

6. Unusual circumstances arising from changes in capital stock changes shall be fully explained in footnotes to this schedule.

7. Report dollars in thousands.

Line No.	Items (a)	Preferred Stock		Common Stock		Treasury Stock		Additional Capital (h)
		Number of Shares (b)	Amount (c)	Number of Shares (d)	Amount (e)	Number of Shares (f)	Amount (g)	
11	Balance at beginning of year		\$		\$		\$	\$
12	Capital Stock Sold ¹	See notes, pages 25 and 86.						
13	Capital Stock Reacquired							
14	Capital Stock Canceled							
15	Stock Dividends							
16	Balance at Close of Year							

¹ By footnote state the purpose of the issue and authority.

240. STATEMENT OF CHANGES IN FINANCIAL POSITION

Give the information as requested concerning the source and application of funds during the year. Funds for the purpose of this schedule shall include all assets or financial resources even though a transaction may not directly affect cash or working capital. For example, the purchase of property in exchange for shares of stock or bonds would be an application of funds for invest-

ment in property provided by the issue of securities. Source and uses of funds should be individually disclosed. For example, outlays for fixed assets should not be reported net of retirements.

Report dollars in thousands.

Line No.	Description (a)	Current year (b)	Prior year (c)
	SOURCES OF WORKING CAPITAL		
	Working capital provided by operations:	(29,053)	(11,792)
1	Net income (loss) before extraordinary items		
	Add expenses not requiring outlay of working capital; (subtract) credits not generating working capital:		
2	Retirement of nondepreciable property		
3	Loss (gain) on sale or disposal of tangible property		
4	Depreciation and amortization expenses		
5	Net increase (decrease) in deferred income taxes	12,731	(11,790)
6	Net decrease (increase) in parent's share of subsidiary's undistributed income for the year		
7	Net increase (decrease) in noncurrent portion of estimated liabilities		
	Other (specify):		
8			
9			
10			
11			
12		(41,784)	(2)
13	Total working capital from operations before extraordinary items		

240. STATEMENT OF CHANGES IN FINANCIAL POSITION - Continued

Line No.	Description (a)	Current year (b)	Prior year (c)
SOURCES OF WORKING CAPITAL - Continued			
14	Add funds generated by reason of discontinued operations, extraordinary items, prior period adjustments, and changes in accounting principles _____	\$ _____	\$ _____
15	Total working capital from operations _____	(41,784)	(2)
Working capital from sources other than operating:			
16	Proceeds from issuance of long-term liabilities _____		
17	Proceeds from sale/disposition of carrier operating property _____		
18	Proceeds from sale/disposition of other tangible property _____		
19	Proceeds from sale/repayment of investments advances _____		
20	Net decrease in sinking and other special funds _____		
21	Proceeds from issue of capital stock _____		
Other (specify):			
22	Provision for decline in value of D&H common stock _____	41,762	
23	Write-off of Account 77 not requiring working capital _____	22	
24	_____		
25	_____		
26	_____	41,784	
27	Total working capital from sources other than operating _____	- 0 -	(2)
28	Total sources of working capital _____		

240. STATEMENT OF CHANGES IN FINANCIAL POSITION - Concluded

Line No.	Description (a)	Current year (b)	Prior year (c)
	APPLICATION OF WORKING CAPITAL	\$	\$
29	Amount paid to acquire/retire long-term liabilities		
30	Cash dividends declared		
31	Purchase price of carrier operating property		
32	Purchase price of other tangible property		
33	Purchase price of long-term investments and advances		
34	Net increase in sinking or other special funds		
35	Purchase price of acquiring treasury stock		
	Other (specify):		
36			
37			
38			
39			
40			
41			
42			
43			
44			
45	Total application of working capital		
46	Net increase (decrease) in working capital	- 0 -	(2)

241. CHANGES IN WORKING CAPITAL

Compute the net changes in each element of working capital.
(Thousand dollar Reporting Rule)

Line No.	Item (a)	Current year (b)	Prior year (c)	Increase (Decrease) (d)
1	Cash and temporary investments	\$ 220	\$ 217	\$ 3
2	Net receivables			
3	Prepayments			
4	Materials and supplies			
5	Other current assets not included above	2	5	(3)
6	Notes payable and matured obligations			
7	Accounts payable	5	5	
8	Current equipment obligations and other debt			
9	Other current liabilities not included above	2	2	
10	Net increase (decrease) in working capital	215	215	- 0 -

245. WORKING CAPITAL INFORMATION

1. Report below the information requested with respect to the referenced accounts.
2. Give the amount of issues from stock during the year for lines 1 thro 5 as it pertains to account 712, "Material and supplies".
3. Report on lines 6 and 7 only the amount applicable to common-carrier transportation service included in accounts 707 and 754.
4. Report on lines 8 and 9 the amount included in account balances for 761 and 556 which represent state income taxes. (Do not include taxes levied in lieu of property taxes).
5. Report dollars in thousands.

Line No.	Item	Amount
	(a)	(b)
1	Construction and additions and betterments _____	\$
2	Common-carrier operating purposes _____	
3	Used by other than respondent's lessor companies _____	
4	Total _____	
5	Portion of balance in the material and supplies account at end of year that represents scrap and obsolete material _____	
6	Account 707. Accounts receivable, other _____	
7	Account 754. Accounts payable, other _____	
8	Account 761. State and other income taxes accrued _____	
9	Account 556. Income taxes on ordinary income _____	

NOTES AND REMARKS

300. ITEMS IN SELECTED CURRENT ASSET ACCOUNTS

If the amount in the captioned selected current asset accounts (Accounts 702, 703, 704, 708, 709, 710, 711, 712, and 713) exceeds 5% of total current assets, report the three largest items in the account or combined accounts and any other items exceeding

5% of current assets. Give a brief description of each item listed. In case the character of any item is not fully disclosed by the entries in the columns hereunder, make a full explanation in a footnote. *(Dollars in thousands)*

Line No.	Account No. (a)	Item (b)	Amount (c)
1	702	Temporary Cash Investments	\$
2			
3		Ford Motor Credit Company	
4		10% note issued 11/29/78 due 2/27/79	210
5			
6			
7			
8			
9			
10			
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13			
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301. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

Using the following notes as a guideline, show the requirements compensating balances and short-term borrowing arrangements. Footnote disclosure is required even though the arrangement is not reduced to writing.

1. Disclose compensating balances not legally restricted, lines of credit used and unused, average interest rate of short-term borrowings outstanding at balance sheet date, maximum amount of outstanding borrowings during the period and the weighted average rate of those borrowings.
2. Time deposits and certificates of deposit constituting compensating balances not legally restricted should be disclosed.
3. Compensating balance arrangements need only be disclosed for the latest fiscal year.
4. Compensating balances included in account 703, Special deposits, and in account 717, Other funds, should also be separately disclosed below.
5. Compensating balance arrangements are sufficiently material to require disclosure in footnotes when the aggregate of written and oral agreement balances amount to 15 percent or more of liquid assets (current cash balances, restricted and unrestricted plus marketable securities).
6. When a carrier is not in compliance with a compensating balance requirement, that fact should be disclosed along with stated and possible sanctions whenever such possible sanctions may be immediate (not vague or unpredictable) and material.

None

GENERAL INSTRUCTIONS CONCERNING RETURNS IN SCHEDULES 310, 310A and 315

1. Schedules 310 and 315 should give particulars of stocks, bonds, other secured obligations, unsecured notes, and investment advances of affiliated and nonaffiliated companies held by respondent at close of year. Specifically, the disclosures should include the investments in the obligations of Federal, state and local governments, and the obligation of individuals. Also, disclose the investments made, disposed of, and written down during the year, and the applicable dividends and interest credited to income as a result of those investments. They should exclude securities issued or assumed by respondent. For definition of affiliated companies, see the rules governing Account No. 721 "Investments in affiliated companies," in the Uniform System of Accounts for Railroad Companies.

2. List the investments in the following order and show a total for each group and each class of investments by accounts in numerical order:

- (A) Stocks:
 - (1) Carriers - active.
 - (2) Carriers - inactive.
 - (3) Noncarriers - active.
 - (4) Noncarriers - inactive.
- (B) Bonds (including U.S. Government Bonds):
- (C) Other secured obligations:
- (D) Unsecured notes:
- (E) Investment advances:

3. The subclassification of classes (B), (C), (D), and (E) should be the same as that provided for class (A).

4. The kinds of industry represented by respondent's investments in the securities of other companies should be shown by symbol opposite the names of the issuing corporations, the symbols and industrial classifications to be as follows:

Symbol	Kind of Industry
I	Agriculture, Forestry, and Fisheries
II	Mining
III	Construction
IV	Manufacturing
V	Wholesale and retail trade
VI	Finance, insurance, and real estate
VII	Transportation, communications, and other public utilities
VIII	Services
IX	Government
X	All other

5. By carriers, as the term is used here, is meant companies owning or operating railroads, facilities auxiliary thereto such as bridges, ferries, union depots, and other terminal facilities, sleeping cars, parlor cars, dining cars, freight cars, express service and facilities, electric railways, highway motor vehicles, steamboats and other marine transportation equipment, pipe lines (other than those for transportation of water), and other instrumentalities devoted to the transportation of persons or property for hire. Telegraph and telephone companies are not meant to be included.

6. Noncarrier companies should, for the purpose of these schedules, include telephone companies, telegraph companies, mining companies, manufacturing companies, hotel companies, etc. Purely "holding companies" are to be classed as noncarrier companies, even though the securities held by such companies are largely or entirely those issued or assumed by carriers.

7. By an active corporation is meant one which maintains an organization for operating property or administering its financial affairs. An inactive corporation is one which has been practically absorbed in a controlling corporation and which neither operates property nor administers its financial affairs; if it maintains an organization it does so only for the purpose of complying with legal requirements and maintaining title to property or franchises.

8. Combine, in one amount, investments in which the original cost or present equity in total assets is less than \$10,000.

9. Include investments in unincorporated entities such as lessee organizations. Exclude amounts normally settled on a current basis.

10. Do not include the value of securities issued or assumed by respondent.

11. For affiliates which do not report to the Interstate Commerce Commission and are jointly owned, disclose in footnotes the name and extent of control of the other controlling entities.

12. Report dollars in thousands.

310. INVESTMENTS AND ADVANCES AFFILIATED COMPANIES

1. Give particulars of investments in stocks, bonds, other secured obligations, unsecured notes, and investment advances of companies affiliated with respondent, included in accounts Nos. 715, "Sinking funds"; 716, "Capital funds"; 721, "Investments advances in affiliated companies"; and 717, "Other funds."

2. Entries in this schedule should be made in accordance with the definitions and general instructions given on page 21, classifying the investments by means of letters, figures, and symbols in columns (a), (b), and (c).

3. Indicate by means of an arbitrary mark in column (d) the obligation in support of which any security is pledged, mortgaged,

or otherwise encumbered, giving names and other important particulars of such obligations in footnotes.

4. Give totals for each class and for each subclass and a grand total for each account.

5. Entries in column (d) should show date of maturity of bonds and other evidences of indebtedness. In case obligations of the same designation mature serially, the date in column (d) may be reported as "Serially 19__ to 19__." Abbreviations in common use in standard financial publications may be used to conserve space.

6. If any of the companies included in this schedule are controlled by respondent, the percent of control should be given in

Line No.	Account No.	Class No.	Kind of Industry	Name of issuing company and also lien reference, if any (include rate for preferred stocks and bonds)	Extent of control
	(a)	(b)	(c)	(d)	(e)
1	721	Investments	in	Affiliated Companies	
2	A-1	VII	Erie Lackawanna Railway Co.		100
3	A-1	VII	Delaware & Hudson Railway Co.		100
4	A-1	VII	Norfolk & Western Railway Co. (Contra Account 784)		
5	A-1	VII	NW Equipment Corp.		100
6	A-1	VII	Erie Lackawanna Railway Co.		100
7					
8					
9					
10					
11				See notes, page 25.	
12					
13					
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22					
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310. INVESTMENTS AND ADVANCES AFFILIATED COMPANIES—Continued

column (e). In case any company listed is controlled other than through actual ownership of securities, give particulars in a footnote. In cases of joint control, give names of other parties and particulars of control.

7. If any advances reported are pledged, give particulars in a footnote.

8. Investments in companies in which neither the original cost or present equity in total assets is less than \$10,000 may be combined in one figure.

9. Also included should be investments in unincorporated entities such as lessee organizations (exclusive of amounts nominally settled on a current basis).

10. This schedule should not include securities issued or assumed by respondent.

11. For affiliated which do not report to the Interstate Commerce Commission, and are jointly owned, give names and extent of control of other entities by footnote.

12. Report dollars in thousands.

Investments and advances				Disposed of: Profit (loss)	Adjustments Account 721.5	Dividends or interest credited to income	Line No.
Opening balance	Additions	Deductions (if other than sale explain)	Closing balance				
(f)	(g)	(h)	(i)	(j)	(k)	(l)	
\$	\$	\$	\$	\$	\$	\$	1
55,026			55,026		54,925		2
42,263			42,263		41,763	(c)	3
							4
362		23 (a)	339			29	5
469			469				6
2,008			2,008 (b)		1,767		7
100,128		23	100,105		98,455	29	8
							9
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							20
(a) NW common stock exchanged for the surrender of Dereco preferred stock.							21
							22
(b) On December 19, 1975, Norfolk and Western Railway Company transferred							23
to Dereco, Inc., as a contribution to capital all of the outstanding							24
stock of NW Equipment Corporation (NWECC) which shares remain pledged							25
under and subject to the liens and provisions of the Wabash							26
First and General Mortgages. Dereco, Inc., has recorded the							27
investment in NWECC at the transferor's carrying value with a							28
corresponding credit to paid-in surplus.							29
							30
(c) As a result of independent appraisal at the end of 1978, a reserve							31
for Dereco's investment in D&H has been provided to reflect a							32
write-down (through Account 555) of D&H common stock							33
to \$500,000.							34
							35
							36
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310. INVESTMENTS AND ADVANCES AFFILIATED COMPANIES—Continued

Line No.	Account No. (a)	Class No. (b)	Kind of Industry (c)	Name of issuing company and also lien reference, if any (include rate for preferred stocks and bonds) (d)	Extent of control (e)
1					
2					
3					
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310. INVESTMENTS AND ADVANCES AFFILIATED COMPANIES - Concluded

Investments and advances				Disposed of, Profit (loss)	Adjustments Account 721.5	Dividends or interest credited to income	Line No.
Opening balance (f)	Additions (g)	Deductions (if other than sale explain) (h)	Closing balance (i)				
\$	\$	\$	\$	\$	\$	\$	1
							2
							3
							4
							5
							6
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310A. INVESTMENTS IN COMMON STOCKS OF AFFILIATED COMPANIES
Undistributed Earnings From Certain Investments in Affiliated Companies

1. Report below the details of all investments in common stocks included in Account 721, Investments in Affiliated Companies.

2. Enter in column (c) the amount necessary to retroactively adjust those investments. (See instruction 5-2, Uniform System

of Accounts.)

3. Enter in column (d) the share of undistributed earnings (i.e., less dividends) or losses.

4. Enter in column (e) the amortization for the year of the excess of cost over equity in net assets (equity over cost) at date

of acquisition.

5. For definitions of "carrier" and "noncarrier," see general instructions.

(DOLLARS IN THOUSANDS)

Line No.	Name of issuing company and description of security held.	Balance at beginning of year	Adjustment for investments equity method	Equity in undistributed earnings (losses) during year	Amortization during year	Adjustment for investments disposed of or written down during year	Balance at Close of year
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Carriers: (List specifics for each company)	\$	\$	\$	\$	\$	\$
2	Delaware & Hudson Railway Co.						
3	100% Common Stock	(12,112)		(11,675)		23,787	- 0 -
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total Carriers	(12,112)		(11,675)		23,787	- 0 -
22							
23	Noncarriers	9,733		619			10,352
24							
25	Total Carriers and Noncarriers	(2,379)		(11,056)		23,787	10,352
26							
27							

NOTES AND REMARKS

NOTE RELATING TO SCHEDULES 230, 310, 329, 379

The Interstate Commerce Commission in a Supplemental Report and Order dated June 9, 1967, in Finance Docket No. 21510, as modified by Orders dated August 10, 1967, September 1, 1967, and March 14, 1968, directed Norfolk and Western Railway Company to include certain rail carriers, including Erie-Lackawanna Railroad Company and The Delaware and Hudson Railroad Corporation, in its system through the organization of a corporation which in turn was to own all the stock of carrier corporations to be organized to acquire such assets. In accordance with the Commission's directive, Norfolk and Western Railway Company organized Dereco, Inc., under the laws of the State of Delaware as such holding company.

Order dated March 22, 1968, in Finance Docket Nos. 24988, 24989, and 24990, authorized Norfolk and Western Railway Company; Dereco, Inc.; and Erie Lackawanna Railway Company to issue the necessary securities and authorized Erie Lackawanna Railway Company to assume obligation and liability in respect of bonds and other securities of Erie-Lackawanna Railroad Company. The latter's assets were acquired and liabilities assumed by Erie Lackawanna Railway Company as of April 1, 1968.

On that date, Dereco, Inc., acquired 1,000 shares of Erie Lackawanna Railway Company Common Stock, par value of \$1,000 per share and the right to require Norfolk and Western to issue 821,280 shares of its Common Stock in exchange for Dereco, Inc., Preferred Stock and in conversion of Erie Railroad Company General Mortgage 4-1/2% Income Bonds, Series A. In exchange, Dereco, Inc., issued to Erie Lackawanna Railway Company 47,116 shares of its Class A Preferred Stock, 601,777 shares of its Class B Preferred Stock and the right to require Dereco, Inc., to issue 172,387 shares of its Class A Preferred Stock for conversion of Erie Railroad Company General Mortgage 4-1/2% Income Bonds, Series A. Dereco, Inc., issued 3,285,120 shares of its Common Stock to Norfolk and Western. A value of \$67 per share was placed on the rights acquired from the Norfolk and Western and on the stock and rights given Erie Lackawanna Railway Company. The above transaction resulted in a credit to "Premiums and Assessments on Capital Stock," of \$14,072,371.

Dereco, Inc., Preferred Stock, Class A and B, was exchangeable for one share of Norfolk and Western Common Stock from April 1, 1973, to October 1, 1976, at the option of the holder. Norfolk and Western stockholders approved a three-for-one stock split effective October 1, 1976. Since that date, Dereco, Inc. Preferred Stock, Class A and B, has been exchangeable for three shares of Norfolk and Western Common. This right to exchange for Norfolk and Western Common is also available to holders of Erie Railroad Company General Mortgage 4-1/2% Income Bonds, Series A, in the ratio prescribed by the Interstate Commerce Commission. See note on page 66.

In accordance with the Commission's directive, Delaware and Hudson Railway Company was organized to acquire the assets of The Delaware and Hudson Company and its subsidiaries.

Order dated June 27, 1968, in Finance Docket No. 25147, authorized Delaware and Hudson Railway Company to assume obligation and liability in respect of certain bonds and securities issued, assumed or guaranteed by The Delaware and Hudson Railroad Corporation and The Delaware and Hudson Company. This was consummated July 1, 1968.

On that date, Dereco, Inc., issued 2,523,084 shares of its Common Stock to Norfolk and Western in exchange for 412,627 shares of Norfolk and Western Common Stock and a 6% Promissory Note in the principal amount of \$1,000,000. As set forth in Finance Docket No. 25149, a value of \$100 per share was ascribed to the Norfolk and Western stock. As a result, there was a credit to "Premiums and Assessments on Capital Stock" of \$29,647,280. Concurrently, Dereco, Inc., exchanged the securities received from Norfolk and Western for 1,000 shares of Delaware and Hudson Railway Company as authorized in Finance Docket No. 25148.

315. SPECIAL FUNDS AND OTHER INVESTMENTS

1. Complete this schedule if the amount in account 722, "Other Investment," is greater than 1% of total assets.

2. Give particulars of investments in stocks, bonds, other secured obligations, unsecured notes, and investment advances of other than affiliated companies, included in accounts Nos. 715, "Sinking funds", and 717, "Other funds." Investments included in

accounts Nos. 715, 716, and 717 held by trustees in lieu of cash deposits required under the governing instrument are not to be reported.

3. Entries in this schedule should be made in accordance with the definitions and general instructions given on page 21, classifying the investments by means of letters, figures, and symbols in columns

Line No.	Account No.	Class No.	Kind of industry	Name of issuing company or government and description of security held; also lien reference, if any	Balance at close of year	Book value of investment made during the year
	(a)	(b)	(c)	(d)	(e)	(f)
1					\$	\$
2				Not Applicable		
3						
4						
5						
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8						
9						
10						
11						
12						
13						
14						
15						
16						
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325. PROPERTY USED IN OTHER THAN CARRIER OPERATIONS—Continued

506 and 534; in column (h), the amount of taxes charged to accounts 535 and 544 for the year; and in column (i), the net profit or loss of columns (f) minus (g) and (h).

5. Any differences between the total of column (h) and the totals of accounts 535 and 544, and differences between the total of column (i) and the net total of accounts 506, 534, 535, and 544, of such accounts in Schedule 210, "Results of Operations", should be explained in a footnote.

6. In section C give an analysis of accumulated depreciation in account 738 for each item shown in column (a). Show in column

(n) the percentage or composite rate used by the respondent for computing the amount of depreciation credited to the account during the year. Any adjustments of importance included in columns (j) and (k) should be fully explained in a footnote.

7. The word "item" as herein used means a unit or composite of an investment in or operation of property such as a power plant, a mine, an amusement park, etc., together with ancillary property or operations.

8. Report dollars in thousands.

B. REVENUES, INCOME, EXPENSES AND TAXES CREDITED AND DEBITED TO ACCOUNTS 506, 534, 535 AND 544 DURING THE YEAR				C. ACCUMULATED DEPRECIATION (ACCOUNT 738)					Line No.
Revenues or income (f)	Expenses (g)	Taxes (h)	Net profit for year (L loss) (i)	Credits during the year (j)	Debits during the year (k)	Balance at close of year (l)	Base (m)	Rates (n)	
\$	\$	\$	\$	\$	\$	\$	\$	%	1
									2
			Not Applicable						3
									4
									5
									6
									7
									8
									9
									10
									11
									12
									13
									14
									15
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									20
									21
								XXXXX	22

NOTES AND REMARKS

329. OTHER ASSETS AND OTHER DEFERRED DEBITS

If the amount in either the captioned Accounts 739, 741, 743, 744 "Other assets" account or the "Other deferred debit" account exceeds 5% of total assets, then report the three largest items in those respective amounts. Also report any single item exceeding 5%

of total assets. Give a brief description of each item. In case the character of any item is not fully disclosed by the entries in the columns hereunder, make a full explanation in a footnote. (Dollars in thousands.)

Line No.	Account No. (a)	Item (b)	Amount (c)
1	741	Other Assets	\$
2		Norfolk and Western Railway Company	
3		Common Stock Rights (Contra Account 784)	670
4			
5			
6			
7			
8		See notes, page 25.	
9			
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INSTRUCTIONS CONCERNING RETURNS TO BE MADE IN SCHEDULE 330 AND 330A

1. Give particulars of balances at the beginning and close of the year and of all changes during the year in account No. 731, "Road and Equipment Property," and account No. 732, "Improvements on Leased Property," classified by primary accounts in accordance with the Uniform System of Accounts for Railroad Companies. If account No. 732 for road or for equipment is less than 5% of account No. 731 at the beginning and end of year, the corresponding portion of Schedule 330A may be omitted. The balances, by primary accounts, should, insofar as known, be stated in column (b) and all changes made during the year should be analyzed in columns (c) to (f), inclusive. Column (h) is the aggregate of columns (b) to (f), inclusive. Grand totals of columns (b) and (h) should equal the sum of accounts 731 and 732 for the respective periods; if not, full explanation should be made in a footnote.

2. In column (c) are to be shown disbursements made for the specific purpose of purchasing, constructing, and equipping new lines, and for the extension of old lines, as provided for in Instruction 2-1, "Items to be charged," of the Uniform System of Accounts for Railroad Companies, for such items.

3. In column (d) is to be shown the cost of a railway or portion thereof, acquired as an operating entity or system by purchase, merger, consolidation, reorganization, receivership sale or transfer, or otherwise.

4. In columns (c) and (e), should be included all entries covering expenditures for additions and betterments, as defined, whether replacing other property or not.

5. In column (f), should be entered all credits representing property sold, abandoned, or otherwise retired.

6. Both the debit and credit involved in each transfer, adjustment, or clearance, between road and equipment accounts, should be included in the column in which the item was initially

included; also the transfer of prior years' debits or credits from investment in road and equipment to operating expenses or other accounts, or vice versa, should be included in the column applicable to current items of like nature. Each such transfer, adjustment, or clearance should be fully explained when in excess of \$100,000.

7. If during the year an individual charge of \$100,000 or more was made to account No. 2, "Land for transportation purposes," state in a footnote the cost, location, area, and other details which will identify the property.

8. Report on line 34 amounts not includible in the primary road accounts. The items reported should be briefly identified and explained under "Notes and Remarks," below. Amounts should be reported on this line only under special circumstances, usually after permission is obtained from the Commission for exceptions to prescribed accounting. Reference to such authority should be made when explaining the amounts reported. Respondents must not make arbitrary changes to the printed stub or column headings without specific authority from the Commission.

9. If during the year a segment of transportation property was acquired, state in a footnote the name of the vendor, the mileage acquired, and the date of acquisition, giving termini and the cost of the property to the respondent. Also furnish a statement of the amount included in each primary account representing such property acquired, referring to the column or columns in which the entries appear.

10. If an amount of less than \$2000 is used as the minimum debit or credit for additions and betterments to property investment accounts as provided for in Instruction 2-2, of the Uniform System of Accounts for Railroad Companies, state in a footnote the amount used.

11. Show dollars in thousands.

NOTES AND REMARKS

330. ROAD AND EQUIPMENT PROPERTY (See Instructions)

Line No.	Account (a)	Balance at beginning of year (b)	Expenditures during the year for original road and equipment, and road extensions (c)	Expenditures during the year for purchase of existing lines, reorganizations, etc. (d)
1	(1) Engineering			
2	(2) Land for transportation purposes	\$	\$	\$
3	(3) Grading			
4	(4) Other right-of-way expenditures			
5	(5) Tunnels and subways			
6	(6) Bridges, trestles, and culverts			
7	(7) Elevated structures			
8	(8) Tie			
9	(9) Rails			
10	(10) Other track material			
11	(11) Ballast			
12	(12) Track laying and surfacing			
13	(13) Fences, snowsheds, and signs			
14	(16) Station and office buildings			
15	(17) Roadway buildings			
16	(18) Water stations			
17	(19) Fuel stations			
18	(20) Shops and enginehouses			
19	(22) Storage warehouses			
20	(23) Wharves and docks			
21	(24) Coal and ore wharves			
22	(25) TOFC/COFC terminals			
23	(26) Communication systems			
24	(27) Signals and interlockers			
25	(29) Power plants			
26	(31) Power-transmission systems			
27	(35) Miscellaneous structures			
28	(37) Roadway machines			
29	(39) Public improvements—Construction			
30	(44) Shop machinery			
31	(45) Power-plant machinery			
32	Other (specify and explain)			
33	Total expenditures for road			
34	(52) Locomotives			
35	(53) Freight-train cars			
36	(54) Passenger-train cars			
37	(55) Highway revenue equipment			
38	(56) Floating equipment			
39	(57) Work equipment			
40	(58) Miscellaneous equipment			
41	Total expenditures for equipment			
42	(76) Interest during construction			
43	(77) Other expenditures—General	22		
44	Total general expenditures			
45	Total	22		
46	(80) Other elements of investment			
47	(90) Construction work in progress			
48	Grand Total	22		

330. ROAD AND EQUIPMENT PROPERTY (See Instructions)

Expenditures for additions and betterments during the year	Credits for property retired during the year	Net changes during the year	Balance at close of year	Line No.
(e)	(f)	(g)	(h)	
				1
				2
				3
				4
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				8
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	22		- 0 -	43
	22		- 0 -	44
				45
				46
	22		- 0 -	47
				48

330A. IMPROVEMENTS ON LEASED PROPERTY (See Instruction)

Line No.	Account (Dollars in thousands)	Balance at beginning of year	Expenditures during the year for original road and equipment, and road extensions	Expenditures during the year for purchase of existing lines, reorganizations, etc.
	(a)	(b)	(c)	(d)
1	(1) Engineering	\$	\$	\$
2	(2) Land for transportation purposes			
3	(3) Grading			
4	(4) Other right-of-way expenditures			
5	(5) Tunnels and subways			
6	(6) Bridges, trestles, and culverts			
7	(7) Elevated structures			
8	(8) Ties			
9	(9) Rails			
10	(10) Other track material			
11	(11) Ballast			
12	(12) Track laying and surfacing			
13	(13) Fences, snowsheds, and signs			
14	(16) Station and office buildings			
15	(17) Roadway buildings			
16	(18) Water stations			
17	(19) Fuel stations			
18	(20) Shops and enginehouses			
19	(22) Storage warehouses			
20	(23) Wharves and docks			
21	(24) Coal and ore wharves			
22	(25) TOFC/COFC terminals			
23	(26) Communication systems			
24	(27) Signals and interlockers			
25	(29) Power plants			
26	(31) Power-transmission systems			
27	(35) Miscellaneous structures			
28	(37) Roadway machines			
29	(39) Public improvements—Construction			
30	(44) Shop machinery			
31	(45) Power-plant machinery			
32	Other (specify and explain)			
33	Total expenditures for road			
34	(52) Locomotives			
35	(53) Freight-train cars			
36	(54) Passenger-train cars			
37	(55) Highway revenue equipment			
38	(56) Floating equipment			
39	(57) Work equipment			
40	(58) Miscellaneous equipment			
41	Total expenditures for equipment			
42	(76) Interest during construction			
43	(77) Other expenditures—General			
44	Total general expenditures			
45	Total			
46	(80) Other elements of investment			
47	(90) Construction work in progress			
48	Grand Total			

370. ITEMS IN SELECTED CURRENT LIABILITY ACCOUNTS

1. For accounts Nos. 751, "Loans and notes payable", 759, "Accrued accounts payable", and 763, "Other current liabilities", if the total of any such account exceeds 5% of total current liabilities, report the three largest items, and any other items which exceeds 5% of current liabilities.

2. Show character of loans and notes, with name of creditor

(or class of creditors), dates of issue and maturity, and appropriate description for each class of accrued accounts payable and for the other current liabilities.

3. Make full disclosure of the character of each item reported. (Dollars in thousands)

Line No.	Account No. (a)	Item (b)	Amount (c)
1	759	Accrued Accounts Payable	3
2		Audit Fee	5
3			
4			
5			
6			
7			
8			
9			
10			
11			
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379. OTHER LONG-TERM LIABILITIES AND OTHER DEFERRED CREDITS

If the caption "Other long-term liabilities and deferred credits" (accounts 771, 772, 774, 775, 782, and 784) exceeds 5% of total (current and noncurrent) liabilities, report the three largest items,

and each other item amounting to 5% or more of total liabilities. Disclose fully the nature of each item reported. (Dollars in thousands)

Line No.	Account No. (a)	Item (b)	Amount (c)
1	784	Other Deferred Credits	\$
2		Norfolk and Western Railway Company - Common Stock	
3		and Common Stock Rights	1,010
4			
5			
6			
7			
8		See notes, page 25.	
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410. RAILWAY OPERATING EXPENSE - Concluded

Line No.	Name of railway operating expense account	Freight					Passenger	Total
		Salaries and wages	Material, tools, supplies, fuels, and lubricants	Purchased services	General	Total freight expense		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	GENERAL AND ADMINISTRATIVE:	\$	\$	\$	\$	\$	\$	\$
601	Officers - General Administration							
602	Accounting, Auditing and Finance	17			9			26
603	Management Services and Data Processing							
604	Marketing							
605	Sales							
606	Industrial Development						N/A	
607	Personnel and Labor Relations							
608	Legal and Secretarial							
609	Public Relations and Advertising							
610	Research and Development							
611	Fringe Benefits	N/A	N/A	N/A				
612	Casualties and Insurance	N/A	N/A	N/A				
613	Writedown of Uncollectible Accounts	N/A	N/A	N/A				
614	Property Taxes	N/A	N/A	N/A				
615	Other Taxes Except on Corporate Income or Payrolls	N/A	N/A	N/A	5			5
616	Joint Facility - Debit	N/A	N/A		N/A			
617	Joint Facility - (Credit)	N/A	N/A		N/A			
618	Other				5			5
619	Total General and Administrative	17			19			36
620	Total Carrier Operating Expenses	17			19			36

412. WAY AND STRUCTURES

1. Report freight expenses only.
2. Furnish in column (b) the depreciation expenses and in column (c) the retirements pertaining to Way and Structures.
3. Report in column (d) the lease/rentals for the various property categories of Way and Structures. The total net lease/rentals presented on line 35 should balance with the total of the following accounts:

31-11-00	32-11-00
31-12-00	32-12-00
31-13-00	32-13-00
35-11-00	36-11-00
35-12-00	36-12-00
35-13-00	36-13-00

If an entire road or segment of track is leased and if the actual breakdown of lease/rentals by property categories is not known, apportion the lease/rentals based on the percentage of the categories' depreciation bases (or property bases for nondepreciable property) to the sum of (1) the depreciation bases for all categories of depreciable leased property plus (2) the property bases for nondepreciable leased property. Use Schedule 350 of this report for obtaining the depreciation bases of the categories of leased property.

4. Report on line 34 all other lease rentals not apportioned to any category listed on lines 1-33.
5. Report dollars in thousands.

Line No.	Property account	Category (a)	Depreciation (b)	Retirement (c)	Lease/Rentals (net) (d)
1	1	Engineering	\$	\$	\$
2	2	Land for transportation purposes	N/A	N/A	
3	3	Grading			
4	4	Other right-of-way expenditures			
5	5	Tunnels and subways			
6	6	Bridges, trestles and culverts		N/A	
7	7	Elevated structures		N/A	
8	8	Ties	N/A		
9	9	Rails	N/A		
10	10	Other track material	N/A		
11	11	Ballast	N/A		
12	12	Track laying and surfacing	N/A		
13	13	Fences, snowsheds and signs		N/A	
14	16	Station and office buildings		N/A	
15	17	Roadway buildings		N/A	
16	18	Water stations		N/A	
17	19	Fuel stations		N/A	
18	20	Shops and enginehouses		N/A	
19	22	Storage warehouses		N/A	
20	23	Wharves and docks		N/A	
21	24	Coal and ore wharves		N/A	
22	25	TOFC/COFC terminals		N/A	
23	26	Communications systems		N/A	
24	27	Signals and interlockers		N/A	
25	29	Power plants		N/A	
26	31	Power transmission systems		N/A	
27	35	Miscellaneous structures		N/A	
28	37	Roadway machines		N/A	
29	39	Public improvements; construction			
30	45	Power plant machines		N/A	
31	76	Interest during construction	N/A		N/A
32	77	Other expenditures; general	N/A		N/A
33	80	Other elements of investment	N/A		N/A
34	-	Other lease/rentals			
35	-	Total			

450. ANALYSIS OF FEDERAL INCOME TAXES

1. In column (a) are listed the particulars which most often cause a differential between taxable income and pretax accounting income. Other particulars which cause such a differential should be listed under the caption "Other", including State and other taxes deferred if computed separately. Minor items each less than \$100,000 may be combined in a single entry under "Other".

2. Indicate in column (b) the beginning of the year total of accounts 714, 744, 762 and 786 applicable to each particular item in column (a).

3. Indicate in column (c) the net change in accounts 714, 744, 762 and 786 for the net tax effect of timing differences originating and reversing in the current accounting period.

4. Indicate in column (d) any adjustments, as appropriate, including adjustments to eliminate or reinstate deferred tax effects (credits or debits) due to applying or recognizing a loss carry-forward or a loss carry-back.

5. The total of line 10 in columns (c) and (d) should agree with the total of the contra charges (credits) to account 557, provision for deferred taxes, and account 591, provision for deferred taxes-extraordinary items, for the current year.

6. Indicate in column (e) the cumulative total of columns (b), (c), and (d). The total of column (e) must agree with the total of accounts 714, 744, 762 and 786.

Report dollars in thousands.

Line No.	Particulars (a)	Beginning of Year Balance (b)	Net Credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc. 62-21.	\$	\$	\$	\$
2	Accelerated amortization of facilities Sec. 168, I.R.C.				
3	Accelerated amortization of rolling stock, Sec. 184 I.R.C.				
4	Amortization of rights of way, Sec. 185 I.R.C.				
5	Other (Specify)				
6					
7					
8					
9	Investment tax credit*				
10	TOTALS				

*Footnotes:

11. If flow-through method was elected, indicate net decrease (or increase) in tax accrual because of investment tax credit \$
12. If deferral method for investment tax credit was elected:
- (1) Indicate amount of credit utilized as a reduction of tax liability for current year \$
- (2) Deduct amount of current year's credit applied to reduction of tax liability but deferred for accounting purposes \$
- (3) Balance of current year's credit used to reduce current year's tax accrual \$
- (4) Add amount of prior year's deferred credits being amortized to reduce current year's tax accrual \$
- (5) Total decrease in current year's tax accrual resulting from use of investment tax credits \$

451. RAILWAY TAX ACCRUALS

1. In Sections A and B show the particulars called for with respect to net accruals of taxes on railroad property, and U.S. Government taxes.

2. Report dollars in thousands.

A. Other than U.S. Government Taxes

Line No.	State (a)	Amount (b)	State (a)	Amount (b)	Line No.
1	Alabama	\$	South Dakota	\$	41
2	Alaska		Tennessee		42
3	Arizona		Texas		43
4	Arkansas		Utah		44
5	California		Vermont		45
6	Colorado		Virginia	7	46
7	Connecticut		Washington		47
8	Delaware	5	West Virginia		48
9	Florida		Wisconsin		49
10	Georgia		Wyoming		50
11	Hawaii		District of Columbia		51
12	Idaho				
13	Illinois		Other		
14	Indiana		Canada		52
15	Iowa		Mexico		53
16	Kansas		Puerto Rico		54
17	Kentucky				55
18	Louisiana		Total—Other than U.S. Government Taxes	12	56
19	Maine				
20	Maryland		B. U.S. Government Taxes		
21	Massachusetts		Kind of tax (a)	Amount (b)	
22	Michigan				
23	Minnesota			\$	
24	Mississippi		Income taxes:		
25	Missouri		Normal tax and surtax		57
26	Montana		Excess profits		58
27	Nebraska		Total—Income taxes	None	59
28	Nevada		Old-age retirement*		60
29	New Hampshire		Unemployment insurance		61
30	New Jersey		All other United States Taxes		62
31	New Mexico		Total—U.S. Government Taxes	None	63
32	New York		Grand Total—Railway Tax Accruals	12	64
33	North Carolina				
34	North Dakota				
35	Ohio				
36	Oklahoma		*Includes taxes for hospital insurance (Medicare) and supplemental annuities as follows:		
37	Oregon		Hospital insurance	\$ None	65
38	Pennsylvania		Supplemental annuities	None	66
39	Rhode Island				
40	South Carolina				

460. ITEMS IN SELECTED INCOME AND RETAINED EARNINGS ACCOUNTS FOR THE YEAR

Give a brief description for all items, regardless of amount, included during the year in accounts 555, "Unusual or infrequent items"; 560, "Income or loss from operations of discontinued segments"; 562, "Gain or loss on disposal of discontinued segments"; 570, "Extraordinary items"; 590, "Income taxes on extraordinary items"; 592, "Cumulative effect of changes in accounting principles"; 603, "Appropriations released"; 606, "Other credits to retained earnings"; 616, "Other debits to retained earnings"; 620, "Appropriations for sinking and other funds"; 621,

"Appropriations for other purposes". If appropriations released reflect appropriations provided during the year, each account should not be reported.

For accounts 519, "Miscellaneous income" and 551, "Miscellaneous income charges", if the total in either account exceeds 10% of net income before extraordinary items, describe the three largest items in each account and any other items in excess of 10% of net income.

(Dollars in thousands)

Line No.	Account No. (a)	Item (b)	Debits (c)	Credits (d)
1	555	Unusual or Infrequent Items		
2		Provision for decline in value of investment		
3		in D&H Common Stock	41,762	
4				
5				
6				
7				
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30				

MEMORANDA RELATING TO SELECTED INCOME AND RETAINED EARNINGS ACCOUNTS

The use of the Account 555 and the accounting thereof was approved by the Interstate Commerce Commission, Bureau of Accounts, by letter of Bryan Brown, Jr., Chief, Section of Accounting and Reporting, dated March 9, 1979.

470. PAYMENTS FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES AND AFFILIATES

1. In the form below give information concerning payments, fees, retainers, commissions, gifts, contributions, assessments, bonuses, pensions, subscriptions, allowance for expenses, or any form of payments amounting in the aggregate to \$50,000 or more during the year to any corporation, institution, association, firm, partnership, committee, or any person, except:

(a) Payments to employees of the respondent shall be reported in Schedule 900.

(b) Payments for services rendered by affiliates.

(c) Payments for accounting and audit fees must be reported in full regardless of the \$50,000 limitation. These fees must not be included with management fees paid to parent companies.

2. The aggregate of payments to be reported in column (c) shall include amounts paid and/or accrued during the year which are applicable to the year.

3. When contributions under \$50,000 are made in common with other carriers under a joint arrangement in payment for the performance of services or as a donation, each such contribution shall be reported, irrespective of the amount thereof, if the total amount paid by all contributors for the performance of the particular service is equal to the sum of \$100,000 or more.

4. Payments to the independent public accountant reporting on the respondent's annual report shall be subdivided to show separately the amount paid for auditing and the total amount paid for other types of management services such as, but not limited to, compensation plans, pension plans, forecasts and budgets, and tax advice. All carriers, whether payments aggregate more or less than \$50,000, shall answer the following question.

Did the independent accountant reporting on the respondent's annual report provide any management services other than auditing?

Specify: Yes ☐ No ☐

5. To be included are, among others, payments, directly or indirectly, for legal, medical, engineering, advertising, valuation,

accounting, statistical, financial, educational, entertainment, charitable, advisory, defensive, detective, developmental, research, appraisal, registration, purchasing, architectural, and hospital services; payments for expert testimony and for handling wage disputes; and payments for services of banks, bankers, trust companies, insurance companies, brokers, trustees, promoters, solicitors, consultants, actuaries, investigators, inspectors, and efficiency engineers. Payments to the various railroad associations, commissions, committees, bureaus, boards, and other organizations maintained jointly by railroads shall also be included. The enumeration of these kinds of payments should not be understood as excluding other payments for services not excluded below.

6. To be excluded are: Rent of buildings or other property, taxes payable to the Federal, State, or local Governments, payments for heat, light, power, telegraph, and telephone services, and payments to other carriers on the basis of lawful tariff charges or for the interchange of equipment between carriers, as well as other payments for services which both as to their nature and amount may reasonably be regarded as ordinarily connected with the routine operation, maintenance, or construction of a railroad, but any special and unusual payments for services should be reported. Payments of \$50,000 or more to organizations maintained jointly by railroads with other railroads are not to be excluded even if their services are regarded as routine.

7. If more convenient, this schedule may be filled out for a group of roads considered as one system and shown only in the report of the principal road in the system, with references thereto in the reports of the other roads. When the respondent is reporting on a system basis, audit fees must be reported separately for each individual railroad included in the system.

8. If any doubt exists in the mind of the reporting officer as to the reportability of any type of payment, request should be made for a ruling before filing this report.

(Dollars in thousands)

Line No.	Name of recipient (a)	Description of service (b)	Amount of payment (c)
1			\$
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
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705. CHANGES DURING THE YEAR

Hereunder state the matters called for. Make the statements explicit and precise, and number them in accordance with the inquiries; each inquiry should be fully answered, and if the word "none" truly states the fact it may be used in answering any particular inquiry. Changes in mileage should be reported by classes and stated to the nearest whole mile adjusted to accord with footings, i.e.: counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile.

1. For each railroad property used in respondent's transportation service, show all increases and decreases in mileage, classifying the changes in the tables below as follows:

(Class 1) Line owned by respondent.

(Class 2) Line owned by proprietary companies.

(Class 3) Line operated under lease for a specified sum.

(Class 4) Line operated under contract or agreement for contingent rent.

(Class 5) Line operated under trackage rights.

2. For changes in miles of road, give dates of beginning or abandonment of operations. If any changes reportable in this schedule occurred under authority granted by the Commission in certificates of convenience and necessity, issued under paragraphs (18) to (22) of section 1 of the Interstate Commerce Act or otherwise, specific reference to such authority should in each case be made by docket number or otherwise, as may be appropriate.

3. All consolidations, mergers, and reorganizations effected, giving particulars.

This statement should show the mileage, equipment, and cash value of property of each company as well as the consideration received by each company party to the action. State the dates on which consolidated, etc., and whether the prior companies have been dissolved. Copies of the articles of consolidation, merger, or reorganization should be filed with this report.

4. Other important changes not elsewhere provided for involving more than \$50,000, giving full particulars.

INCREASES IN MILEAGE

INCREASE IN MILEAGE										
Line No.	Class	Main (M) or branch (B) line	Running Tracks, Passing Tracks, Cross-Overs, Etc.				Miles of way switching tracks	Miles of yard switching tracks	Total	Remarks
			Miles of road	Miles of second main track	Miles of all other main tracks	Miles of passing tracks, cross-overs and turn-outs				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13	Total Increase									

DECREASES IN MILEAGE

14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25	Total Decrease									

If returns under Inquiry No. 1 above include any first main track owned by respondent or its proprietary companies representing new construction or permanent abandonment give the following particulars:

Owned by respondent:

Miles of road constructed _____ Miles of road abandoned _____

Owned by proprietary companies:

Miles of road constructed _____ Miles of road abandoned _____

The item "miles of road constructed" is intended to show the mileage of first main track laid to extend respondent's road, and should not include tracks relocated and tracks laid to shorten the distance between two points, without serving any new territory.

By road abandoned is meant "permanently abandoned," the cost of which has been or is to be written out of the investment accounts.

NOTES AND REMARKS

Page 13, Schedule 230:

Capital Stock and Other Capital

All of Dereco's common stock is owned by NW, and there was no change in the shares outstanding during 1978. The remaining outstanding Class A preferred shares have preference with respect to noncumulative dividends of \$5.20 per share per annum to the extent declared by the Board of Directors, after which holders of Class B preferred shares will have similar preference at the same rate with respect to noncumulative dividends. In any year in which preference on both classes of preferred stock has been satisfied and in which dividends of \$1.30 per share have been paid on the common stock, any additional dividends will be shared ratably by holders of all classes of stock in proportion to their respective per share dividend rates.

Holders of preferred stock are entitled to one vote per share, and each share of outstanding preferred stock is exchangeable, at the option of the holder thereof, for three shares of NW common stock.

The changes for 1978 in Preferred Stock and Other Capital are as follows:
(Dollars in Thousands)

	Stock Liability for Conversion	Preferred Stock		Other Capital
		Class A	Class B	
Balance December 31, 1977	\$1,394	\$11	\$147	\$67,138
Conversion of Erie General Mortgage 4-1/2% Income Bonds: Into NW Common Stock (39,294 shares)	(878)	-	-	878
Payments Made in Lieu of Fractional Shares	-	-	-	(1)
Preferred Stock Surrendered in Exchange for NW Common:	-	(2)	-	2
Class A, 69 shares	-	-	(10)	10
Class B, 475 shares	-	-	-	-
Balance December 31, 1978	<u>\$ 516</u>	<u>\$ 9</u>	<u>\$137</u>	<u>\$68,027</u>

The outstanding preferred may be redeemed, at Dereco's option, at a price of \$150 per share. In liquidation, holders of the shares (first, Class A and then Class B) will have preference rights of \$130 per share before any distribution is made to holders of the common stock. As of December 31, 1978, 8,042 of the Company's Class A preferred shares, with the same rights and privileges as the presently outstanding shares, were reserved for conversion of \$1,895,000 principal amount of the Erie General Mortgage 4-1/2% Income Bonds; shares so issued are exchangeable for NW common stock, under the same conditions as the presently outstanding preferred stock.

900. COMPENSATION OF OFFICERS, DIRECTORS, ETC.

1. In columns (a) and (b) enter the name and position of each of the persons named in Schedule 110 of this report to whom the respondent paid the largest amount during the year as compensation for current or past service over and above necessary expenses incurred in discharge of duties. In addition, list all other officers, directors, pensioners or employees, if any, to whom the respondent paid \$75,000 or more in total compensation during the year.

2. The salary per annum to be entered in column (c) is the annual rate at which an employee is paid rather than the amount actually paid for a part of a year. If the salary of an individual was increased or decreased during the year, show salary before each change as well as at close of year.

3. If an officer, director, etc., receives compensation from one or more of the affiliated companies listed in Schedule 112 reference to this fact should be made if the aggregate compensation from all companies amounts to \$75,000 or more.

4. Report in column (d) the total amount of compensation other than annual salary paid to each listed employee during the year. This includes forms of nonmonetary compensation given which directly benefits each employee. Examples:

Fair value of property given, such as exclusive use of an automobile;

Amounts paid for membership of the employee in nonbusiness associations, private clubs, etc.;

Commissions, bonuses, shares in profits;

Contingent compensation plans;

Monies paid or accrued for any pension, retirement, savings, retirement annuities, deferred compensation, or similar plan;

Premiums on life insurance where the respondent is not the beneficiary. Do not report premiums on group life insurance for benefits less than \$75,000.

Give the details of any plan not previously reported, the basis of determining the ultimate benefits payable, and the payments or provisions made during the year.

5. Also include in column (d) all remuneration paid directly or indirectly, in the form of securities, options, warrants, rights or other property. Furnish particulars concerning any options, warrants, or rights issued or granted during the year including prices, expiration dates and other information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by each officer, director, etc. (Dollars in thousands)

Line No.	Name of person (a)	Position or Title (b)	Salary per annum as of close of year (see instructions) (c)	Other compensation during the year (d)
1	John P. Fishwick	President & Director	\$ (*)	\$ 1 (**)
2	Robert B. Claytor	Vice Pres. & Director	(*)	1 (**)
3	John R. Turbyfill	Vice Pres. & Director		1 (**)
4	Richard F. Dunlap	Director		1 (**)
5	John R. McMichael	Vice Pres. & Director		1 (**)
6	Joseph R. Neikirk	Director		1 (**)
7				
8				
9				
10				
11	* Compensated by Norfolk and Western Railway Company; no portion charged to Dereco, Inc.			
12				
13				
14	** Director's Fees.			
15				
16				
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VERIFICATION

The foregoing report shall be verified by the oath of the officer having control of the accounting of the respondent. This report shall also be verified by the oath of the president or other chief officer of the respondent, unless the respondent states that such officer has no control over the respondent's accounting and reporting.

OATH

(To be made by the officer having control of the accounting of the respondent)

State of Virginia
City of Roanoke
County of Roanoke

Jean Jones makes oath and says that he is Vice President & Comptroller
(Insert here name of the affiant) (Insert here the official title of the affiant)

Of Dereco, Inc.
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of accounts of the respondent and to control the manner in which such books are kept; that he knows that such books have been kept in good faith during the period covered by this report, that he knows that the entries contained in this report relating to accounting matters have been prepared in accordance with the provisions of the Uniform System of Accounts for Railroads and other accounting and reporting directives of this Commission; that he believes that all other statements of fact contained in this report are true, and that this report is a correct and complete statement, accurately taken from the books and records, of the business and affairs of the above-named respondent during the period of time from and including

January 1, 19 78, to and including December 31, 19 78

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and city Roanoke above named, this 12th day of June, 19 79

My commission expires August 23, 1982

Use an
L.S.
impression seal

(Signature of officer authorized to administer oaths)

SUPPLEMENTAL OATH

(By the president or other chief officer of the respondent)

State of Virginia
City of Roanoke
County of Roanoke

John P. Fishwick makes oath and says that he is President
(Insert here name of the affiant) (Insert here the official title of the affiant)

Of Dereco, Inc.
(Insert here the exact legal title or name of the respondent)

that he has carefully examined the foregoing report; that he believes that all statements of fact contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondent and the operations of its property during the period of time from and including

January 1, 19 78, to and including December 31, 19 78

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and city Roanoke above named, this 12th day of June, 19 79

My commission expires August 23, 1982

Use an
L.S.
impression seal

(Signature of officer authorized to administer oaths)

NW EQUIPMENT CORPORATION

COMPARATIVE BALANCE SHEET AS OF DECEMBER 31, 1978 AND 1977

ASSETS

Account Number		December 31 1978	December 31 1977
	<u>CURRENT ASSETS:</u>		
701	Cash	\$ 191,711.42	\$ 250,504.02
702	Temporary Cash Investments	2,795,000.00	2,130,000.00
707	Miscellaneous Accounts Receivable	152,603.99	153,200.23
708	Interest Receivable	73,006.15	31,345.28
709	Accrued Accounts Receivable	346,013.84	207,015.41
	Total Receivables	<u>571,623.98</u>	<u>391,560.92</u>
	Total Current Assets	<u>3,558,335.40</u>	<u>2,772,064.94</u>
	<u>TANGIBLE PROPERTY:</u>		
731	Equipment Property	24,807,758.83	25,197,695.13
735	Accumulated Depreciation - Equipment Property	15,188,273.43	14,531,160.93
	Net Equipment Property	<u>9,619,485.40</u>	<u>10,666,534.20</u>
	<u>OTHER ASSETS:</u>		
741	Other Assets	17,959.58	1,239.58
	TOTAL ASSETS	<u>\$13,195,780.38</u>	<u>\$13,439,838.72</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

	<u>CURRENT LIABILITIES:</u>		
755	Interest Payable	\$ 31,428.84	\$ 41,448.89
759	Accrued Accounts Payable	-	300.00
760	Federal Income Taxes Accrued	474,569.00	378,000.00
764	Equipment Obligations and Other Long-Term Debt Due Within One Year	517,367.01	660,641.52
	Total Current Liabilities	<u>1,023,364.85</u>	<u>1,080,390.41</u>
	<u>LONG-TERM DEBT DUE AFTER ONE YEAR:</u>		
766	Equipment Obligations	850,552.76	1,409,292.16
769	Accounts Payable - Affiliated Companies	72,225.17	-
	Total Long-Term Debt Due After One Year	<u>922,777.93</u>	<u>1,409,292.16</u>
	<u>DEFERRED CREDITS:</u>		
786	Accumulated Deferred Income Tax Credits	427,916.17	747,410.30
	<u>SHAREHOLDER'S EQUITY:</u>		
	<u>CAPITAL STOCK:</u>		
791	Capital Stock - Common - No Par	145,000.00	145,000.00
	<u>RETAINED EARNINGS:</u>		
798	Retained Earnings: Unappropriated		
	Balance at Beginning of Year	10,057,745.85	9,466,226.82
	Net Income	618,975.58	591,519.03
	Balance at End of Period	<u>10,676,721.43</u>	<u>10,057,745.85</u>
	Total Shareholder's Equity	<u>10,821,721.43</u>	<u>10,202,745.85</u>
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$13,195,780.38</u>	<u>\$13,439,838.72</u>

NW EQUIPMENT CORPORATION

Income Statement

Twelve Months Ended December 31

	<u>1978</u>	<u>1977</u>
Car Line Operating Revenues:		
Car Rental	<u>\$1,536,215.75</u>	<u>\$1,610,516.50</u>
Car Line Operating Expenses:		
Depreciation	972,817.69	983,188.10
General	<u>3,040.00</u>	<u>3,515.89</u>
Total Car Line Operating Expenses	<u>975,857.69</u>	<u>986,703.99</u>
	<u>560,358.06</u>	<u>623,812.51</u>
Car Line Tax Accruals (Excl. F.I.T.)	<u>102,596.29</u>	<u>65,702.89</u>
Car Line Operating Income	<u>457,761.77</u>	<u>558,109.62</u>
Other Income:		
Interest Income	187,810.94	70,465.86
Income from Car Pool Operations - Net Cr.	282,380.96	264,646.68
Miscellaneous Income	<u>49,000.99</u>	<u>256,242.77</u>
Total Other Income	<u>519,192.89</u>	<u>591,355.31</u>
Total Income	976,954.66	1,149,464.93
Miscellaneous Income Charges	<u>828.56</u>	<u>-</u>
Income Available for Fixed Charges	976,126.10	1,149,464.93
Interest on Funded Debt	<u>104,524.12</u>	<u>132,085.75</u>
Income before Federal Income Taxes	<u>871,601.98</u>	<u>1,017,379.18</u>
Federal Income Taxes		
Currently Payable	499,895.36	342,351.72
Deferred	<u>(59,260.67)</u>	<u>83,508.43</u>
Total Federal Income Taxes	<u>440,634.69</u>	<u>425,860.15</u>
Income (Loss) before Extraordinary Item	430,967.29	591,519.03
Extraordinary Item - Cr. *	<u>188,008.29</u>	<u>-</u>
Net Income (Loss)	<u>\$ 618,975.58</u>	<u>\$ 591,519.03</u>

* The extraordinary credit resulted from the reduction in the amount of deferred tax necessary to provide for the recapture of accumulated tax losses of EL to the IRS.

