RC 512660 NATIONAL RAILWAY UTILIZATION CORP. 1979 1

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ORIGINAL

R-3
Class III Railroads
Approved by GAO
B-180230 (R0581)
Expires 12-31-81

annual report

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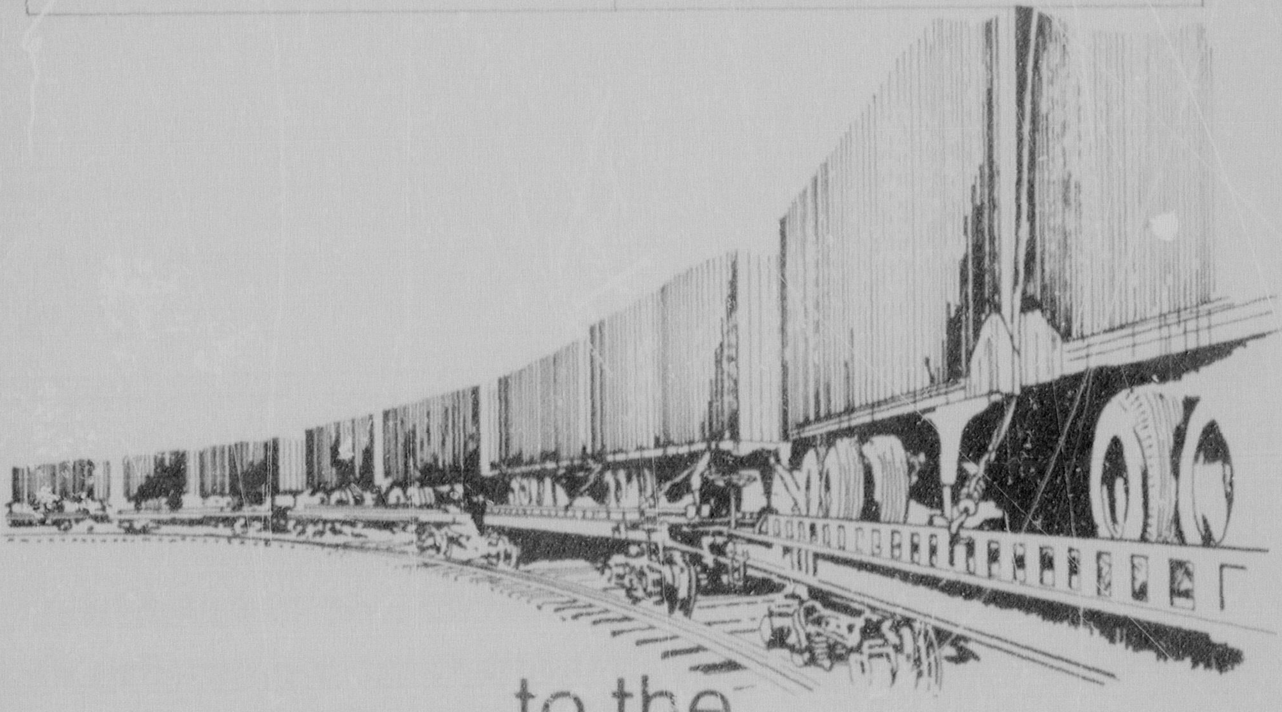
correct name and address if different than shown	[redacted] QC 512660 NATIONAL RAILWAY UTILIZATION CORP. DBA ST. LAWRENCE RAILROAD 1500 MARKET STREET PHILADELPHIA, PA. 19102 full name and address of reporting carrier (use mailing label on original, copy in full on duplicate)



to the Interstate Commerce Commission

for the year ended December 31, 1979

NOTICE

All switching and terminal companies will be designated class III railroads.

Switching and terminals companies are further classified as:

Class 1, 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.

R-3

Class II Railroads

annual report

correct name and address if different than shown	Full name and address of reporting carrier (Use mailing label on original, copy in full on duplicate)

to the

Interstate Commerce Commission

for the year ended December 31, 1979

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TABLE OF CONTENTS

101. IDENTITY OF RESPONDENT

1. Give the exact name* by which the respondent was known in law at the close of the year NATIONAL RAILWAY UTILIZATION CORPORATION, DBA ST. LAWRENCE RAILROAD

2. State whether or not the respondent made an annual report to the Interstate Commerce Commission for the preceding year, or for any part thereof. If so, in what name was such report made? YES, AS IN 1 ABOVE

3. If any change was made in the name of the respondent during the year, state all such changes and the dates on which they were made N/A

4. Give the location (including street and number) of the main business office of the respondent at the close of the year 1500 MARKET STREET, PHILADELPHIA, PA 19102

5. Give the titles, names, and office addresses of all general officers of the respondent at the close of the year. If there are receivers who are recognized as in the controlling management of the road, give also their names and titles, and the location of their offices.

Line No.	Title of general officer (a)	Name and office address of person holding office at close of year (b)
1	President	JOHN A. MARISCOTTI, 1500 MARKET STREET, PHILADELPHIA, PA
2	Vice president	ROBERT SHINER, JR., 1500 MARKET STREET, PHILADELPHIA, PA
3	Secretary	JOHN M. STERLING, JR., GREENVILLE, SC
4	Treasurer	CAROL D. VINSON, 1500 MARKET STREET, PHILADELPHIA, PA
5	Controller or auditor	JAMES MCCAUGHAN, 1500 MARKET STREET, PHILADELPHIA, PA
6	Attorney or general counsel	WYCHE, BURGESS, FREEMAN & PARHAM, GREENVILLE, SC
7	General manager	ROLAND MCKEE, NORFOLK, NY
8	General superintendent	LEE A. CLARK, NORFOLK, NY
9	General freight agent	HOLLY TWENTER, NORFOLK, NY
10	General passenger agent	NONE
11	General land agent	NONE
12	Chief engineer	NONE
13		

6. Give the names and office addresses of the several directors of the respondent at the close of the year, and the dates of expiration of their respective terms.

Line No.	Name of director (a)	Office address (b)	Term expires (c)
14	JOHN H. REES	1500 MARKET STREET, PHILADELPHIA, PA	1980
15	JOHN A. MARISCOTTI	1500 MARKET STREET, PHILADELPHIA, PA	1980
16	DONALD C. CARROLL	1500 MARKET STREET, PHILADELPHIA, PA	1980
17	F. E. HAAG	GREENVILLE, SC	1980
18	JOHN M. STERLING, JR.	GREENVILLE, SC	1980
19	BUCK MICKEL	GREENVILLE, SC	1980
20	R. HUNTER PARK	GREENVILLE, SC	1980
21			
22			
23			

7. Give the date of incorporation of the respondent 6/19/68 8. State the character of motive power used DIESEL ELECTRIC

9. Class of switching and terminal company N/A

10. Under the laws of what Government, State, or Territory was the respondent organized? If more than one, name all. Give reference to each statute and all amendments thereof, effected during the year. If previously effected, show the year(s) of the report(s) setting forth details. If in bankruptcy, give court of jurisdiction and dates of beginning of receivership or trusteeship and of appointment of receivers or trustees

S.C.; SECTION 3.5 OF THE S.C. BUSINESS CORPORATION OF 1962

11. State whether or not any corporation or association or group of corporations had, at the close of the year, the right to name the major part of the board of directors, managers, or trustees of the respondent; and if so, give the names of all such corporations and state whether such right was derived through (a) title to capital stock or other securities issued or assumed by the respondent, (b) claims for advances of funds made for the construction of the road and equipment of the respondent, or (c) express agreement or some other source NO CORPORATION OR ASSOCIATION OR GROUP OF CORPORATIONS HAD SUCH RIGHT

12. Give hereunder a history of the respondent from its inception to date, showing all consolidations, mergers, reorganizations, etc., and if a consolidated or merging corporation give like particulars for all constituent and subconstituent corporations. Describe also the course of construction of the road of the respondent, and its financing SEE ATTACHED

*Use the initial word the when (and only when) it is a part of the name, and distinguish between the words railroad and railway and between company and corporation.

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NATIONAL RAILWAY UTILIZATION CORPORATION

ANNUAL REPORT - FORM R-3

DECEMBER 31, 1979

Page 2 - Question 12

Corporation formed in 1973. Acquired lease with purchase right for St. Lawrence R.R. 1977. St. Lawrence R.R. existing prior to acquisition by National Railway Utilization Corporation.

The St. Lawrence Railroad is divided into three sections. The Ogdensburg to Norwood line was built in 1850 by the Northern Railroad Co. The Ogdensburg to Dekalb Junction line was built in 1868 by the Rome Watertown & Ogdensburg Railroad Co. The Norwood to Waddington line was built 1901 - 1909 by the Norwood - St. Lawrence Railroad Co. The St. Lawrence Railroad became a division of National Railway Utilization Corporation under an operating agreement dated March 31, 1977 with Ogdensburg Bridge & Port Authority & the New York State Department of Transportation.

107. STOCKHOLDERS

Give the names of the 30 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 in schedule No. 708, the names and addresses of the 30 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 30 security holders as of the close of the year.*

Line No.	Name of security holder (a)	Address of security holder (b)	Number of votes to which security holder was entitled (c)	NUMBER OF VOTES, CLASSIFIED WITH RESPECT TO SECURITIES ON WHICH BASED — Stocks — Common (d)	Stocks — Preferred — Second (e)	Stocks — Preferred — First (f)	Other securities with voting power (g)
1	CEDE & CO.	NEW YORK, NY	695,238	695,238	NONE	NONE	NONE
2	MICCO CORPORATION	GREENVILLE, SC	530,219	530,219	NONE	NONE	NONE
3	HENRY & CO.	COLUMBIA, SC	370,804	370,804	NONE	NONE	NONE
4	J. WESLEY DAVIS	GREENVILLE, SC	240,586	240,586	NONE	NONE	NONE
5	JOHN A. MARISCOTTI	PHILADELPHIA, PA	211,301	211,301	NONE	NONE	NONE
6	WALTER W. THEUS	COLUMBIA, SC	207,668	207,668	NONE	NONE	NONE
7	F. E. HAAG	PICKENS, SC	190,955	190,955	NONE	NONE	NONE
8	THE PROSPERITY CO.	GREENVILLE, SC	134,792	134,792	NONE	NONE	NONE
9	JOHN A. MUIR, JR.	GREENVILLE, SC	112,375	112,375	NONE	NONE	NONE
10	VIRGINIA DARMSTADTER	FALLS CHURCH, VA	109,214	109,214	NONE	NONE	NONE
11	STERLING CAPITAL LTD.	GREENVILLE, SC	82,616	82,616	NONE	NONE	NONE
12	C. T. WYCHE	GREENVILLE, SC	59,578	59,578	NONE	NONE	NONE
13	MARIE C. PARK	GREENIVLLE, SC	47,698	47,698	NONE	NONE	NONE
14	GEAN B. MONROE	PICKENS, SC	46,026	46,026	NONE	NONE	NONE
15	J. B. STEPHENS	GREENIVLLE, SC	43,808	43,808	NONE	NONE	NONE
16	WILLIAM W. KEHL	GREENVILLE, SC	43,802	43,802	NONE	NONE	NONE
17	HOWARD ARLIDGE	GREENVILLE, SC	42,944	42,944	NONE	NONE	NONE
18	ELIZABETH H. STERLING	GREENVILLE, SC	41,552	41,552	NONE	NONE	NONE
19	FANNIE T. CROMWELL	GREENVILLE, SC	39,424	39,424	NONE	NONE	NONE
20	GERLACH & CO.	NEW YORK, NY	33,866	33,866	NONE	NONE	NONE
21	DAVID L. FREEMAN	GREENVILLE, SC	33,548	33,548	NONE	NONE	NONE
22	SARA MCCALL WYCHE	GREENVILLE, SC	31,245	31,245	NONE	NONE	NONE
23	MARY FRANCIS WYCHE	GREENVILLE, SC	31,245	31,245	NONE	NONE	NONE
24	BRADFORD WHEELER WYCHE	GREENVILLE, SC	31,244	31,244	NONE	NONE	NONE
25	ARTHUR REES	ESSEX FALLS, NJ	28,207	28,207	NONE	NONE	NONE
26	LILLIAN H. PARK (M.G. PARK, CUST)	GREENVILLE	26,985	26,985	NONE	NONE	NONE
27	MARIE M. PARK (M.G. PARK, CUST)	GREENVILLE	26,985	26,985	NONE	NONE	NONE
28	WILLIAM G. PARK (M.G. PARK, CUST)	GREENVILLE	26,985	26,985	NONE	NONE	NONE
29	RUSSELL H. PARK (M.G. PARK, CUST)	GREENVILLE	26,984	26,984	NONE	NONE	NONE
30	KRAY & CO.	CHICAGO, IL	25,690	25,690	NONE	NONE	NONE

Footnotes and Remarks

STOCKHOLDERS REPORTS

1. *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.

[XX] Two copies will be submitted UPON PREPARATION (date)

[ ] No annual report to stockholders is prepared.

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - ASSETS

1. Accumulated deferred income tax charges related to current assets should be included in item 6, prepayments, while those related to non-current assets should be included in item 13, Other Deferred Debits.
2. Item 10, Special Funds and Other Investments and Advances, should be shown *net* of allowances and adjustments.
3. Amounts reported *on* line 12, Other Assets, should be shown net of depreciation and amortization.

(IN THOUSANDS)

Line No.	Item (a)	Respondent Only: Balance at Close of Year (b)	Respondent Only: Balance at Beginning of Year (c)
	CURRENT ASSETS	$	$
1	Cash	882	2,217
2	Temporary Cash Investments	617	6,585
3	Special Deposits	872	192
4	Accounts Receivable	5,866	5,452
5	Less: Allowance for Uncollectible Accounts	669	327
6	Prepayments (and working funds)	59	32
7	Materials and Supplies	23	20
8	Other Current Assets - INVENTORY	8,476	2,738
9	Total Current Assets	16,126	16,909
	OTHER ASSETS		
10	Special Funds and Other Investments and Advances	1,595	1,277
11	Other Assets	2,226	1,361
12	Other Deferred Debits	196	273
13	Total Other Assets	4,017	2,911
	ROAD AND EQUIPMENT		
14	Road and Equipment Property	56,128	19,367
15	Accumulated Depreciation and Amortization	1,826	585
16	Net Road and Equipment	54,302	18,782
17	Total Assets	74,445	38,602
	CURRENT LIABILITIES		
18	Loans and Notes Payable	6,294	4,462
19	Accounts Payable	476	77
20	Interest and Dividends Payable	-----	324
21	Taxes Accrued	2,210	718
22	Other Current Liabilities	12,974	1,120
23	Equipment Obligations and Other Long-term Debt Due Within One Year		
24	Total Current Liabilities	21,954	6,701
	NON CURRENT LIABILITIES		
25	Funded Debt Unmatured	33,178	13,812
26	Equipment Obligations		
27	Capitalized Lease Obligations		
28	Accumulated Deferred Income Tax Credits	5,195	5,480
29	Other Long-term Liabilities and Deferred Credits		
30	Total Non current Liabilities	38,373	19,292

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - LIABILITIES AND SHAREHOLDERS' EQUITY—Continued

Line No.	Item (a)	Respondent Only: Balance at Close of Year (b)	Respondent Only: Balance at Beginning of Year (c)
		(IN THOUSANDS)	
	SHAREHOLDERS' EQUITY	$	$
	Capital Stock:		
31	Common	212	208
32	Preferred		
33	Discount on Capital Stock		
34	Additional Capital	7,725	7,340
	Retained Earnings:		
35	Appropriated		
36	Unappropriated	6,181	5,061
37	Net Unrealized Loss on Noncurrent Marketable Equity Securities		
38	Less: Treasury Stock		
39	Net Shareholders' Equity	14,118	12,609
40	Total Liabilities and Shareholders' Equity	74,445	38,602

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.

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 $2,100,000

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: NO PENSION FUND

(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 X

210. RESULTS OF OPERATIONS

INSTRUCTIONS

1. Disclose the requested information for the respondent pertaining to the results of operations for the year.
2. List dividends from investments accounted for under the cost method on the appropriate line, under subsection "Other Income." List dividends accounted for under the equity method on the appropriate line under the "Income from Affiliated Companies" subsection of this schedule.
3. All contra entries hereunder should be indicated in parenthesis.

210. RESULTS OF OPERATIONS (IN THOUSANDS)

Line No.	Item (a)	Amount for Current Year (b)
	ORDINARY ITEMS	$
	OPERATING INCOME	
	Railway Operating Income	
1	Freight	424
2	Passenger	
3	Other	
4	Railway Operating Revenues	424
5	Railway Operating Expenses	512
6	*Net Revenue from Railway Operations	(88)
	OTHER INCOME	
7	Dividend income	
8	Interest income	477
9	Other income; Other	56,124
	Income from affiliated companies:	
10	Dividends	
11	Equity in undistributed earnings (losses)	403
12	Total other income (Lines 7-11)	57,004
13	Total income (Lines 6, 12)	56,916
	OTHER DEDUCTIONS	
14	Miscellaneous deductions from income	55,719
15	Fixed charges	
16	Income after miscellaneous deductions and fixed charges	1,197
	UNUSUAL OR INFREQUENT ITEMS	
17	Unusual or infrequent items (debit) credit	
18	Income (loss) from continuing operations (before income taxes) (Line 16 less Line 17)	1,197
	PROVISIONS FOR INCOME TAXES	
	Income taxes on ordinary income:	
19	Federal income taxes	364
20	State income taxes	
21	Other income taxes	
22	Provisions for deferring income taxes	77
23	Income before extraordinary items (Line 18 less Lines 19-22)	756
	EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES	
24	Extraordinary items (net)	364
25	Income taxes on extraordinary items	
26	Provisions for deferred taxes - Extraordinary items	
27	Total extraordinary items (Lines 24-26)	364
28	Cumulative effect of changes in accounting principles	
29	(Less applicable income taxes of $)	
30	Net income	1,120

210. RESULTS OF OPERATIONS—Continued

Line No.	Item (a)	Amount for Current Year (b)
	RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)	
31	Net revenues from railway operations	(88)
32	Income taxes on ordinary income	(364)
33	Provisions for deferred income taxes	(77)
34	Income from Lease of Road and Equipment	18,734
35	Rent for leased Roads and Equipment	(12,450)
36	Net Railway Operating Income	5,755
37	Revenue freight - Ton-miles	

APPENDIX A

SCHEDULE 210A. SUPPLEMENTAL INFORMATION FOR SWITCHING AND TERMINAL COMPANIES

1.

Joint Facility		
Category	Debit	Credit
Way and Structures Equipment Road Yard Other Transportation		

2. Depreciation Expense - way and structures - running
Depreciation Expense - way and structures - switching
Depreciation Expense - way and structures - others
All other way and structure operating expenses
Total Way and Structures Operating Expenses
Depreciation Expense - locomotives
Depreciation Expense - freight cars
Depreciation Expense- other equipment

3. *Number of locomotive-miles in yard switching service: Freight Passenger

*Number of locomotive-miles in yard switching service should be computed in accordance with OS-A report note F.

330. ROAD AND EQUIPMENT PROPERTY

1. Give particulars of changes during the year in Road and Equipment property, and Improvements on leased property.
2. Gross charges during the year should include disbursements made for the specific purpose of purchasing, constructing, and equipping new lines, extensions of old lines, and for additions and betterments. Both the debit and credit involved in each transfer, adjustment, or clearance, between road and equipment accounts, should be included in columns (c) and (d), as may be appropriate, depending on the nature of the itme. Adjustments in excess of $100,000 should be explained.
3. Report on line 32 amounts not includable in the primary road accounts.

Line No.		ITEM (a)	Balance at beginning of year (b)	Gross charges during year (c) (ADDITIONS)	Credits for property retired during year (d)	Balance at close of year (e)	Accrued depreciation at close of year (f)
1	(1)	Engineering					
2	(2)	Land for transportation purposes					
3	(3)	Other right-of-way expenditures					
4	(4)	Grading					
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, INCL. LAND	80,520			80,520	3,533
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	8,174			8,174	1,498
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	88,694			88,694	5,031
34	(52)	Locomotives					
35	(53)	Freight-train cars	17,438,203	35,779,430		53,217,633	1,322,379
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	17,438,203	35,779,430		53,217,633	1,322,379

330. ROAD AND EQUIPMENT PROPERTY—Continued

Line No.		ITEM (a)	Balance at beginning of year (b)	Gross charges during year (c)	Credits for property retired during year (d)	Balance at close of year (e)	Accrued depreciation at close of year (f)
42	(76)	Interest during construction					
43	(77)	Other expenditures - General					
44		Total General Expenditures					
45		Total	17,526,897	35,779,430		53,306,327	1,327,410
46	(80)	Other elements of investments	1,840,119	981,803		2,821,922	499,133
47	(90)	Construction work in progress					
48		Grand Total	19,367,016	36,761,233		56,128,249	1,826,543

705. IMPORTANT CHANGES DURING THE YEAR

Hereunder state the following matters, numbering the statements in accordance with the inquiries, and if no changes of the character below indicated occured during the year, state that fact. Changes in mileage should be stated to the nearest hundredth of a mile. 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.

1. All portions of road put in operation or abandoned, giving *(a)* termini, *(b)* length of road, and *(c)* dates of beginning operations or of abandonment.
2. All other important physical changes, including herein *all new tracks built*.
3. All leaseholds acquired or surrendered, giving *(a)* dates, *(b)* length of terms, *(c)* names of parties, *(d)* rents, and *(e)* other conditions.
4. All agreements for trackage rights acquired or surrendered, giving *(a)* dates, *(b)* length of terms, *(c)* names of parties, *(d)* rents, and *(e)* other conditions.
5. All consolidations, mergers, and reorganizations effected, giving particulars.
6. All stocks issued, giving *(a)* purposes for which issued, *(b)* names of stocks, and *(c)* amounts issued, and describing *(d)* the actual consideration realized, giving *(e)* amounts and *(f)* values; give similar information concerning all stocks retired (if any).
7. All funded debt issued, giving *(a)* purposes for which issued, *(b)* names of securities and *(c)* amounts issued, and describing *(d)* the actual consideration realized, giving *(e)* amounts and *(f)* values; also give particulars concerning any funded debt paid or otherwise retired, stating *(a)* date acquired, *(b)* date retired or canceled, *(c)* par value of amount retired.
8. All other important financial changes.
9. All changes in and all additions to franchise rights, describing fully *(a)* the actual consideration given therefor, and stating *(b)* the parties from whom acquired; *if no consideration was given, state that fact*.
10. In case the respondent has not yet begun operation, and no construction has been carried on during the year, state fully the reasons therefor.
11. All additional matters of fact (not elsewhere provided for) which the respondent may desire to include in its report.

1. NONE
2. NONE
3. NONE
4. NONE
5. SEE NOTES TO FINANCIAL STATEMENTS
6. SEE NOTES TO FINANCIAL STATEMENTS
7. N/A
8. SEE NOTES TO FINANCIAL STATEMENTS
9. N/A
10. N/A
11. SEE NOTES TO FINANCIAL STATEMENTS

If returns under items 1 and 2 include any first main track owned by respondent representing new construction or permanent abandonment give the following particulars:

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.

710. INVENTORY OF EQUIPMENT

INSTRUCTIONS

1. Give particulars of each of the various classes of equipment which respondent owned or leased during the year.
2. In column (c) give the number of units of equipment purchased, built in company shops, or otherwise acquired.
3. Units leased to others for a period of one year or more are reportable in column (i); units temporarily out of respondent's service and rented to others for less than one year are to be included in column (e); units rented from others for a period less than one year should not be included in column (f). Units installed during the year and subsequently leased to others for a year or more should be shown as added in column (c), as retired in column (d), and included in column (i).
4. For reporting purposes, a "locomotive unit" is a self-propelled vehicle generating or converting energy into motion, and designed solely for moving other equipment. An "A" unit is the least number of wheel bases with superstructure designed for use singly or as a lead locomotive unit in combination with other locomotive units. A "B" unit is similar to an "A" unit, but not equipped for use singly or as a lead locomotive unit. A "B" unit may be equipped with hostler controls for independent operating at terminals.
5. A "self-propelled car" is a rail motor car propelled by electric motors receiving power from third rail or overhead, or internal combustion engines located on the car itself. Trailers equipped for use only in trains of cars that are self-propelled are to be included as self-propelled equipment.
6. A "Diesel" unit includes all units propelled by diesel internal combustion engines irrespective of final drive, and whether power may at times be supplied from external conductor. Units other than diesel-electric, e.g., diesel-hydraulic, should be identified in a footnote giving the number and a brief description. An "Electric" unit includes all units which receive electric power from an overhead contact wire or third rail, and use the power to drive one or more electric motors that propel the vehicle. An "Other self-powered unit" includes all units other than diesel or electric, e.g., steam, gas turbine. Show the type of unit, service and number, as appropriate, in a brief description sufficient for positive identification. An "Auxiliary unit" inlcudes all units used in conjunction with locomotives but which draw their powr from the "mother" unit, e.g., boosters, slugs, etc.
7. Column (h) should show aggregate capacity for all units reported in column (g), as follows: For locomotive units, report the manufacturers' rated horsepower (the maximum continuous power output from the diesel engine or engines delivered to the main generator or generators for tractive purposes); or tractive effort of steam locomotive units; for freight-train cars report the nominal capacity (in tons of 2,000 lbs.) as provided for in Rule 86 of the AAR Code of Rules Governing Cars in Interchange. Convert the capacity of tank cars to capacity in tons of the commodity which the car is intended to carry customarily.

UNITS OWNED, INCLUDED IN INVESTMENT ACCOUNT, AND LEASED FROM OTHERS

Line No.	Item (a)		Units in service of respondent at beginning of year (b)	Units installed during year (c)	Number retired during year (d)	Units at close of year: Owned and used (e)	Leased from others (f)	Total in service of respondent (e + f) (g)	Aggregate capacity of units reported in col. (g) (h)	Leased to others (i)
	LOCOMOTIVE UNITS									
1	Diesel-Freight	A units	3				3	3	2200 (h.p.)	
2	Diesel-Freight	B units								
3	Diesel-Passenger	A units								
4	Diesel-Passenger	B units								
5	Diesel-Multiple purpose	A units								
6	Diesel-Multiple purpose	B units								
7	Diesel-Switching	A units								
8	Diesel-Switching	B units								
9	Total (lines 1-8)		3				3	3	XXXXXX	
10	Electric Locomotives									
11	Other self-powered units									
12	Total (lines 9, 10 and 11)		3				3	3	XXXXXX	
13	Auxiliary units									
14	Total Locomotive Units (lines 12 and 13)		3				3	3	XXXXXX	

UNITS OWNED, INCLUDED IN INVESTMENT ACCOUNT, AND LEASED FROM OTHERS—Cont.

Line No.	Item (a)	Units in service of respondent at beginning of year (b)*	Units installed during year (c)*	Number retired during year (d)	Units at close of year: Owned and used (e)	Leased from others (f)*	Total in service of respondent (e+f) (g)	Aggregate capacity of units reported in col. (g) (h)	Leased to others (i)
	FREIGHT TRAINCARS							Tons	
15	Plain Box Cars - 40' (B100-129)								
16	Plain Box Cars - 50' (B200-229, B300-329)	3,861	2,607	10	1,573	4,885	6,458	452,060	
17	Equipped Box Cars (All Code A)								
18	Plain Gondola Cars (G092-392, G401-492)								
19	Equipped Gondola Cars (All Codes C and E)								
20	Covered Hopper Cars (L 151-154; 251-254; 351-354; 451-454; 551-554; 651-654; 751-754)								
21	Open Top Hopper Cars - General Service (All Code H)		25			25	25	2,500	
22	Open Top Hopper Cars - Special Service (All Codes J and K)								
23	Refrigerator Cars - Non Mechanical (R 100, 101, 102, 103, 105, 106, 107, 108, 109, 113, 114, 115, 116, R 200, 201, 202, 203, 205, 206, 207, 208, 209, 213, 214, 215, 216)								
24	Refrigerator Cars - Mechanical (R 104, 110, 112, 117, 118, R 204, 210, 211, 212, 217, 218)								
25	Flat Cars - TOFC/COFC (F 071-078 F 871-978)								
26	Flat Cars - Multi-level (All Code V)								
27	Flat Cars - General Service (F 101-109, F 201-209)								
28	Flat Cars - Other (F 11-189, 211-289, 301-389, 401-540)								
29	Tank Cars - Under 22,000 Gallons (T-0, T-1, T-2, T-3, T-4, T-5)								
30	Tank Cars - 22,000 Gallons and over (T-6, T-7, T-8, T-9)								
31	All Other Freight Cars (F 191-199; 291-299; 391-399, L 006-048; L 070, L 080 L 090 - All "L" with second numeric 6; L 161-L 764)								
32	Total (lines 15-31)	3,861	2,632	10	1,573	4,910	6,483	454,560	
33	Caboose (All N)							XXXXXX	
34	Total (lines 32-33)	3,861	2,632	10	1,573	4,910	6,483	XXXXXX	

*INCLUDES CARS UNDER MANAGEMENT AGREEMENTS, CAPITAL LEASES AND OPERATING LEASES UNDER NSL, M & NJ, PT, HOSC & MISS MARKINGS.

720. TRACKS

(1) Show, by State, total mileage of tracks owned and operated by respondent NEW YORK 43 MILES

(2) Show, by State, mileage of tracks owned but not operated by respondent: First main track, N/A; second and additional main tracks, N/A, industrial tracks, N/A; yard track and sidings, ______, total, all tracks, ______ (†)

(3) Road is completed from (Line Haul Railways only)* Waddington, NY to Ogdensburg, NY Total distance, 43 miles

(4) Road located at (Switching and Terminal Companies only)* ______

(5) Gauge of track 70,80,90 ft 8-½ in.

(6) Weight of rail ______ lb. per yard.

(7) Kind and number per mile of crossties Mixed Hardwood approx. 2880 per mile

(8) State number of miles electrified: First main track, NONE, second and additional main tracks, NONE passing tracks, cross-overs, and turn-outs, NONE; way switching tracks, ______ yard switching tracks, NONE

(9) Ties applied in replacement during year: Number of crossties, 1861; average cost per tie, $ 14.32; number of feet (B.M.) of switch and bridge ties, 2385' Switch ties average cost per M feet (B.M.), $ 1,900

(10) Rail applied in replacement during year: Tons (2,000 pounds), Ø; Weight per year, Ø; average cost per ton, $ Ø

*Insert names of places. (†)Mileage should be stated to the nearest whole mile.

MEMORANDA

(For use of Commission only)

Correspondence

Officer addressed		Date of letter or telegram			Subject (Page)	Answer				
						Answer needed	Date of— Letter			File number of letter or telgram
Name	Title	Month	Day	Year			Month	Day	Year	

Corrections

Date of correction			Page	Letter or telegram of—			Authority		Clerk making correction (Name)
							Officer sending letter or telegram		
Month	Day	Year		Month	Day	Year	Name	Title	

VERIFICATION

The foregoing report must be verified by the oath of the officer having control of the accounting of the respondent. It should be verified, also by the oath of the president or other chief officer of the respondent, unless the respondent states on the last preceding page of this report that such chief officer has no control over the accounting of the respondent. The oath required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

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

State of Pennsylvania

ss

County of Philadelphia

Charles P. Turnburke makes oath and says that he is Vice President/Chief Financial Officer
(Insert here the name of the affiant) (Insert here the official title of the affiant)

of
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Interstate Commerce Commission, effective during the said period; that he has carefully examined the said report, and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other 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 during the period

of time from and including January 1 19 79 to and including December 31 197

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and

county above named, this First day of May 19 80

My commission expires MARTHA T. MILLS Notary Public, Phila., Phila. Co. My Commission Expires March 5, 1984

(Signature of officer authorized to administer oaths)

SUPPLEMENTAL OATH

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

State of Pennsylvania

ss

County of Philadelphia

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

of National Railway Utilization Corp.
(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 operation of its property during

the period of time from and including Januray 1 19 79 to and including December 31 1979

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and

county above named, this First day of May 19 . 80

My commission expires MARTHA T. MILLS Notary Public, Phila., Phila. Co. My Commission Expires March 5, 1984

(Signature of officer authorized to administer oaths)

* U. S. GOVERNMENT PRINTING OFFICE : 1980--307-550

NATIONAL RAILWAY UTILIZATION CORPORATION DBA ST. LAWRENCE RAILROAD
FORM R-3
NOTES TO FINANCIAL STATEMENTS

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries: Pickens Railroad Company is a wholly-owned subsidiary of the Company. Pickens Railroad files a separate Form R-3 with the Interstate Commerce Commission. Track One Company is a limited partnership in which the Pickens Railroad owns a 54% interest as a limited partner. The remaining 46% interest in the partnership is held by stockholders of the Company or individuals who exercise control over corporate stockholders of the Company. The accounts of Rail Fleet Corporation, a wholly-owned subsidiary of the Company, have been combined with the Company as if they had merged in a pooling of interests and all financial data for 1978 have been restated to include Rail Fleet. The Company accounts for its investments in subsidiaries by the equity method.

Railroad Accounting: Railroad operations of the Company maintain their accounts in accordance with the Uniform System of Accounts of the Interstate Commerce Commission ("ICC"). There is no significant difference between accounting under these regulations and generally accepted accounting principles.

Inventories: Inventories are stated at the lower cost (first-in, first-out basis) or market. Market is based on replacement cost for raw materials and current contract cost for manufactured items.

Property, Plant and Equipment: Major renewals and betterments are capitalized and upon sale, retirement, or disposal of items, the asset cost and accumulated depreciation are removed from the accounts and any resulting profit or loss is recorded in income. For financial reporting, properties are depreciated by the straight-line method, using rates prescribed by the ICC. For income tax reporting, depreciation expense is greater than that for financial reporting because certain properties are depreciated by an accelerated method, using rates based on estimated useful lives allowed under Treasury Department regulations.

Amortization: Intangibles, which include both the values assigned to records, research, etc., acquired by a predecessor company and the excess of cost over related net assets acquired in the merger with the predecessor, are being amortized on a straight-line basis over 20 years. Acquisition costs of purchased, leased and managed boxcars are being amortized over estimated useful lives or terms of leases or management agreements, as appropriate.

Maintenance: In accordance with established industry practice, all boxcar maintenance charges are expensed as incurred. Light running maintenance is performed by the railroad industry. Major (preventive) maintenance comprising complete inspection of all components, with repair or replacement of worn parts as necessary, is performed at scheduled intervals. Since the Company's fleet is relatively new, a significant amount of major maintenance has not been incurred.

NOTE A--SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residual Values Under Management Agreements: At the expiration of certain management agreements, the Company is to receive a share of the proceeds from disposal by sale or lease of the boxcars covered by the agreement. At the inception of such agreements, the Company records the present value of its share of the future proceeds, discounted at current interest rates. The discount is credited to income over the term of the agreement. Prior to 1978, the Company's policy was to recognize these residual values in income upon disposal of the boxcars.

Income Taxes: The Company and Pickens Railroad file consolidated Federal income tax returns. Track One Company, as a limited partnership, is not a taxable entity; the Pickens Railroad's share of its taxable income (which is reported substantially on the cash basis) is included in the consolidated returns. Deferred income taxes result from timing differences arising from capital leases, of Pickens Railroad depreciaton, the income of Track One Company, recognition of gains and fees on sale and leaseback of boxcars and recognition of residual values under management agreements. Investment tax credits are accounted for by the flow-through method.

NOTE B--CAR-HIRE OPERATIONS

The fleet of general service boxcars operated for hire through the national railroad interchange system at December 31, 1979, includes 1,343 owned cars and 2,082 cars controlled under management agreements.

At December 31, 1979, the total minimum amounts required in the future as installment payments (including interest) on notes financing the purchase of boxcars are summarized as follows:

(IN THOUSANDS)

YEAR	INSTALLMENT NOTES
1980	$12,804
1981	9,696
1982	5,085
1983	7,721
1984	4,037
Later years	26,679
	$66,022

Under ICC regulations, railroads which use the Company's boxcars must pay the Company car-hire for these cars. ICC regulations pertaining to car-hire provide for incentive per diem in addition to regular per diem and mileage charges on all boxcars in the fleet. All incentive per diem collected must be earmarked to be used only to obtain new or rebuilt boxcars by purchase or the equity portion of leases of two or more years or nonequity of 10 years or more. The Company's qualified expenditures under these regulations exceeded the incentive per diem collected during the periods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C--ASSEMBLY OPERATIONS

Most of the boxcars assembled in the Company's boxcar assembly and repair shop are sold to outside customers and are then either operated by the Company under management agreements or leased to Pickens Railroad under long-term leases. Profit on sales of boxcars leased back by Pickens Railraod has been deferred and will be recognized over the terms of the leases. Such sales and the cost of sales applicable thereto, both of which areeliminated in consolidation, and the resulting deferred income for the year ended December 31, 1978, were $3,876,000, $3,111,000 and $765,000, respectively. During 1979 there were no sale-leaseback transactions.

The inventory is comprised of the following:

(IN THOUSANDS)

	December 31	
	1979	1978
Finished goods	$3,432	$ 358
Work in process	1,259	53
Raw materials	3,708	2,290
Repair parts	77	37

NOTE D--PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment and their estimated useful lives are as follows:

(In thousands)	December 31, 1979	December 31, 1978	Useful life in Years
Land	$ 242	$ 178	
Land and leasehold improvements	357	203	7-10
Road	113	---	
Buildings	872	296	20
Boxcars	53,055	17,438	27
Railroad operating equipment	------	------	15
Manufacturing equipment	559	304	3-10
Construction in Progress	166	495	
Other	764	453	3-10
	$56,128	$19,367	

NOTE E--LONG-TERM DEBT

(In thousands)

	December 31	
	1979	1978
Notes payable for purchase of boxcars	$45,792	$14,704
Other notes payable	360	228
	46,152	14,932
Less current portion	12,974	1,120
	$33,178	$13,812

NOTE E--LONG-TERM DEBT (CONTINUED)

Information on long-term debt for purchase of boxcars is tabulated below:

(In thousands)	December 31, 1979 Company	December 31, 1978 Company
Installments payable:		
Quarterly	$34,322	$14,704
Monthly	------	------
	$34,322	$14,704
Interest rates:		
Variable 17½% to 17 3/4%	$ 8,530	$ 2,838
17%	------	------
14%	------	------
10% to 11 3/4%	25,792	11,866
	$34,322	$14,704
Number of Notes	16	7
Collateral:		
Number of boxcars	1,135	493
Net book amount	$41,712	$16,972

In the classification and description of long-term debt for purchase of boxcars, effect has been given to the refinancing in 1979 under commitments existing at December 31, 1978, of notes with total balances of $4,966,000. $6,999,000 of long-term debt is subject to a joint agreement with a bank and an insurance company. The agreement among other matters: (i) restricts the right of the Company to change current management, effective ownership control or lines of business; (ii) requires the Company to maintain operating cash flow (as defined) equal to 1.2 times existing debt service requirements and "net worth" of at least $1,942,000; and (iii) requires that the Company maintain on deposit with the bank a compensating balance equal to 20% of the total loan balance owed to the bank. The required compensating balance at December 31, 1979 was $700,000.

At December 31, 1979, long-term debt includes borrowing of $14,700,000 have been made under an agreement dated August 6, 1979 which permitted the Company to borrow up to $30,000,000 to be used as 80% of the purchase price of boxcars. The agreement provides for the lender to receive up to 75,000 warrants which expire December 31, 1984 for purchase of the Company's common stock at $22 per share. As of December 31, 1979, 38,250 warrants have been issued under this agreement. Among other matters, the agreement restricts the Company's additional borrowings, requires a specified minimum cash flow; limits the dividends which the Company can pay; and requires that stockholder's equity be maintained at not less than $10,000,000.

NOTE E--LONG-TERM DEBT (CONTINUED)

Other long-term debt at December 31, 1979 includes $173,000 of mortgage notes payable in monthly installments collateralized by land and buildings with net book value of $299,000. Also included in other long-term debt at December 31, 1979 is $170,000 note payable in quarterly installments issued in part payment for the stock of Peninsula Terminal Company. The note is collateralized by pledge of the stock of Peninsula Terminal Company.

Annual maturities of long-term debt through 1984 are as follows:

	December 31, 1979
(In thousands)	Company
1980	$1,466
1981	6,420
1982	2,147
1983	5,132
1984	1,915

Notes payable to banks are generally for interim financing. The notes bear interest at 16.775% at December 31, 1979. Notes with December 31, 1979 balances of $6,494,200 are collateralized by 200 boxcars owned by the Company with total net book value of $8,088,000. Another note with December 31, 1979 balance of $4,976,000 is collateralized by pledge of 116 boxcars included in finished goods inventory at a cost of approximately $4,500,000, and requires a compensating balance of $250,000.

NOTE F--LEASES

In connection with one lease of boxcars to Pickens Railroad, the Company has agreed not to make any distribution of its capital or, in any year, declare or pay dividends on its common stock in excess of 25% of its net income for that year. In addition, the Company has agreed to subordinate any indebtedness to it by Pickens Railroad. The lessor under another lease has been given a security interest in eight boxcars owned by the Company and four boxcars owned by Pickens Railroad with net book value of approximately $296,000 at December 31, 1979. Under another lease, the lessor holds a non-interest-bearing security deposit of $400,000; this amount will be reduced over the term of the lease as provided in the agreement.

All capital leases for boxcars are recorded on the books of Pickens Railroad. For substantially all of these leases the Company is either a guarantor or co-lessee.

The Company leases various office equipment, automotive equipment and office space under operating leases.

NOTE F--LEASES (CONTINUED)

The Company has an agreement effective April 1, 1977, to operate the St. Lawrence Railroad and to lease certain of the properties. Rent payments are based on annual gross receipts (excluding car-hire revenue) of the railroad with minimum rent of 5% and maximum 25%. In no case will the annual rent be less than $5,000 or more than net income after taxes from the operation of the railroad. The initial term of the agreement is three years, with a renewal option for six consecutive five-year periods. The Company has a contract to purchase the railroad properties, subject to receipt of applicable regulatory approvals. The purchase price under the contract is $485,000.

The following is a schedule by years of future minimum rental payments required under all operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 1979:

(In thousands)	
1980	$ 277
1981	326
1982	276
1983	242
1984	243
Later years	1,040
Total minimum payments required	$2,404

The composition of total rental expense is shown below:

(In thousands)	Year Ended December 31,	
	1979	1978
Minimum rentals under operating leases	$ 347	$ 204
Contingent Rentals	23	
Other rentals	157	75
Total rental expense	$ 527	$ 279

NOTE G--MANAGEMENT AGREEMENTS

The fleet of boxcars operated by the Company includes boxcars controlled under management agreements under which the Company provides all necessary administrative functions, including arranging for utilization of the boxcars and performing all car accounting services. In addition, the Company is responsible for all repairs to keep the boxcars in good operating condition. The agreements have terms of 5-½ to 15 years and provide for a fixed fee for the maintenance functions and a fixed or variable fee for the management functions.

NOTE G--MANAGEMENT AGREEMENTS (CONTINUED)

The management fee decreases in direct proportion to any decreases in the utilization of the boxcars. Most of the management agreements allow the boxcar owners to terminate if the boxcars are not used at specified minimum levels over certain periods of time. During the fourth quarter of 1979 and the first quarter of 1980, many of the boxcars have not attained these specified usage levels. Management agreements covering 258 cars are with various officers, directors and stockholders of the Company and persons associated with them. Cash received in payment of maintenance fees must be held in separate accounts and can be spent only for maintenance of the specific boxcars covered by the agreement. Any expenditures in excess of amounts received for maintenance are the responsibility of the Company. At the expiration of the agreement, any funds remaining in the account become unrestricted funds of the Company. The amount held in the various separate accounts was $192,000 at December 31, 1978 and $872,000 at December 31, 1979. In addition, at December 31, 1979, the Company was holding approximately $173,000 for deposit for deposit into various separate accounts.

	Year ended December 31, 1978	Year ended December 31, 1979
Income before extraordinary credit	$5,624	$ 756
Net income	$5,624	$ 756
Per share of common stock:		
Income before extraordinary credit	$ 1.60	$ .18
Net income	$ 1.60	$ .18

NOTE H--INCOME TAXES

The effective tax rate in the accompanying financial statements is substantially less than the statutory rate, principally because of investment tax credits.

Since utilization of investment tax credit carryforwards for financial reporting differs from their utilization in income tax returns, the amounts of carryforwards available for financial reporting is substantially greater than the amounts available for tax reporting. The differences will be reflected in reductions of provisions for Federal income tax in future periods.

The amounts of investment tax credit carryforwards at December 31, 1979 are approximately $7,909,000 for financial reporting and $6,035,000 for tax reporting. In addition, the Company has a new job credit carryforward of $200,000 for tax and financial reporting. For tax reporting, the tax credit carryforwards expire substantially in 1985 and 1986.

NOTE H--INCOME TAXES

A reconciliation of total income tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes for the year ended December 31, 1979 follows:

(In thousands)

Income tax expense at 46% of pre-tax income	$ 551
Surtax exemption	(19)
State income taxes, net of Federal benefit	40
Effect of timing differences generating an operating loss	(131)
Total income tax expense	$ 441

Tax effects of the timing differences referred to in Note A for the year ended December 31, 1979 were as follows:

	Year Ended December 31, 1979
Capital lease expenses greater than corresponding tax deductions	$ (60)
Profits on sales and leasebacks of boxcars recognized for taxes earlier than for books	11
Accelerated depreciation for tax purposes	140
Profits on maintenance fees recognized for taxes earlier than for books	(24)
Profits on residual values recognized for books earlier than for taxes	9
Other	1
Deferred tax	$ 77

NOTE I--STOCKHOLDERS' EQUITY

1. Under a nonqualified stock option plan the Company may grant options to key employees to purchase up to a total of 7,000 shares of its $1 par value common stock (140,000 shares of $.05 par value after the amendment and stock splits referred to in (2) below) upon such terms and conditions as the Board of Directors shall prescribe. The options may be exercised at any time within five years from date of grant.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I--STOCKHOLDERS' EQUITY (CONTINUED)

Option activity is summarized as follows:

Options	Number of Shares	Option Price Per Share	Option Price Total	Corresponding Market Price Per Share	Corresponding Market Price Total
Outstanding at December 31, 1977	-0-		-0-		-0-
Granted	92,000	$ .35	$ 32,200	$ .35	$ 32,200
Exercised	11,316	.35	3,961	12.00	135,792
Outstanding at December 31, 1978	80,684	.35	28,239	.35	28,239
Granted	36,000	12.00	432,000	13.50	486,000
Exercised	(65,163)	.35	(22,807)	12.5-16.125	992,536
Cancelled	(2,250)	12.00	(27,000)	16.00	36,000
Outstanding at December 31, 1979	49,271	$.35-12.00	$410,432	$.35-13.50	$461,057

Total shares of the Company's common stock reserved for future issuance are summarized below:

Stock options:	
Granted and exercisable	49,271
Available for grant	12,000
	61,271

Upon exercise of options, the Company credits the par value of shares issued to common stock and credits the difference between the exercise price and such par value to capital in excess of par value.

2. The stockholders and directors on May 23, 1978, voted to amend the Articles of Incorporation of the Company to increase the authorized number of shares of common stock from 5,000,000 to 10,000,000 and to decrease its par value to $.05 a share. A 2-for-1 stock split was also voted by the stockholders and directors. This stock split and a 10-for-1 stock split approved by the shareholders and directors in 1977 but not approved by the ICC until 1978 are reflected in the 1978 financial statements.

3. Income per share of common stock for the year ended December 31, 1979 is as follows:

Before extraordinary credit	$.18
Extraordinary credit	.09
Net income	$.27

NOTE I--STOCKHOLDERS' EQUITY (CONTINUED)

Primary earnings per share are computed on the weighted average number of shares outstanding after giving retroactive effect to the stock splits in (2) above and after dividends declared on preferred stock. Common stock equivalents are not presented because the convertible preferred shares have been redeemed and therefore such presentation would no longer have any significance.

4. Reference is made to Note F concerning restrictions on the payment of dividends by the Company.

NOTE J--EQUITY IN OPERATIONS OF SUBSIDIARIES

Certain sales by the Company to the subsidiaries are accounted for as immediate sales by the Company but are capitalized by the subsidiaries. These transactions require that entries be made in consolidation to adjust not only for current year transactions but also for proportionate reversals of prior years' transactions. For the Company's Statement of Operations, such adjustments have been netted with the current operations of the subsidiaries. The following is a reconciliation of the results of operations of the subsidiaries, and the equity in income (loss) of subsidiaries shown in the statements of income of the Company for the year ended December 31, 1979:

(In thousands)	Year Ended December 31, 1979
Income (loss) of Pickens Railroad Company	$(1,020)
Income (loss) of Rail Fleet Corporation	939
Income (loss) of Peninsula Terminal Company	(26)
Income (loss) of N.R. Financial Corporation	124
Income (loss) of N.R. Realty	(1)
Amortization of acquisition fees previously charged	196
Gain on sale of boxcars which were acquired by subsidiaries (principally under leases with third parties)	(208)
Recognition of gain on sales-leasebacks deferred in previous periods	369
Adjustment to depreciation expense for gain on sale of boxcars purchased by subsidiaries	30
Equity in income of subsidiaries, adjusted for deferred intercompany profit	$ 403

NOTE K--NEW SUBSIDIARIES

On March 7, 1979, the Company acquired for $300,000 all of the outstanding stock of Peninsula Terminal Company, a Class III switching railroad located in Portland, Oregon. This transaction has been accounted for as a purchase, and results of operations of the acquired company are included in the accompanying financial statements since the date of acquisition. Operations of Peninsula Terminal would not have had a material effect on the consolidated operations of the Company in previous periods.

On March 31, 1979, the Company exercised its option to convert to common stock the noncumulative convertible preferred stock of Rail Fleet Corporation ("Rail Fleet") (formerly Gantt Manufacturing Corporation) which it had purchased in 1978 for $20,000. Rail Fleet is engaged in the business of assembling and repairing railroad equipment. In accordance with an earlier agreement, the previous Rail Fleet common stockholders contributed their common stock to the Company when it exercised this option.

In the aggregate, previous stockholders of Rail Fleet, members of their families and persons who may be deemed to control such stockholders own beneficially approximately 50% of the Company's outstanding Common Stock. In addition, one of the previous stockholders of Rail Fleet is an officer of the Company. Accordingly, this combination has been accounted for in a manner similar to a pooling of interests.

NOTE L--TRANSACTIONS WITH RELATED PARTIES

In addition to leases and management agreements with various affiliated parties (Notes F and G) the Company engages in the following affiliated party transactions:

(1) The Company obtains legal services from a firm certain members of which, when considered in the aggregate, own beneficially approximately 9% of the outstanding common stock of the Company. Total charges for services, a portion of which is included in unamortized acquisition costs is approximately $331,000.00.

NOTE M--COMMITMENTS AND OTHER COMMENTS

As of December 31, 1979, purchase orders have been executed and remain outstanding for boxcars and boxcar parts for approximately $126,000,000. The Company has deferred delivery of these items pending increases in the market for general purpose boxcars.

The Company has leased 160 covered hopper cars for 15 years at an aggregate monthly rental of $60,000. The term of the lease will begin upon delivery of the cars with 25 received in the December, 1979, and the remaining cars delayed due to a strike at the manufacturer's plant.