

## Figure: Computations

### Comparable (?) Asset Betas (calculated from Value Line and Bloombe

Greyhound Bus Lines	0.70
Southwest Airlines	1.14
Conrail (railroad)	0.90
Average $\beta_A =$	<u>0.91</u>

$$\beta_l = \beta_u \times \left[ 1 + \frac{D}{E} \times (1 - t_c) \right] =$$

$$= 0.91 \times [1 + 388.79\% \times (1 - 38\%)] = 3.1$$

$$r_e = r_f + r_p \times \beta_l =$$

$$= 8.6\% + 7.5\% \times 3.1 = 31.88\%$$

Type of Capital	Total Amount Contributed (amt, Ex-7)	Percent of Total Capital (calculated)
Tax Exempt Debt	\$1,900	23.7%
Taxable Debt	\$1,780	22.2%
Federal Trust Funds	\$2,700	33.7%
<b>Total Debt</b>	<u>\$6,380</u>	<u>79.5%</u>
<b>Equity</b>		
Founders'	\$60	0.7%
Venture	\$105	1.3%
Construction	\$1,000	12.5%
Construction	\$476	5.9%
<b>Total Equity</b>	<u>\$1,641</u>	<u>20.5%</u>
<b>Total Capital</b>	<b>\$8,021</b>	
	<b>E/V =</b>	<b>20.5%</b>
	<b>V/E =</b>	<b>4.89</b>