

## Summary of Norfolk Southern –NCRRT Trackage Rights Agreement, dated July 27, 1999

### 1. History of Prior Lease Agreements

In 1871, NCRRT signed a 30-year lease for operations and equipment with the Richmond and Danville Railroad (R&D). J.P. Morgan's Southern Railway System acquired the R&D in 1894, and NCRRT then entered into a 99-year lease with Southern Railway (now Norfolk Southern) commencing on January 1, 1896, of all assets and property owned by the NCRRT.

### 2. Term

The current Trackage Rights Agreement became effective in July, 1999. Agreement term is until December 31, 2044 if all options are exercised by Norfolk Southern. Norfolk Southern (NS) has the option to extend the agreement in 15-year periods, but must provide notice to NCRRT of their intentions 2 years prior to each expiration date. In July 2012 NS gave notice of the first extension through December 31, 2029.

### 3. Compensation

\$11,000,000 base (minimum) began January 1, 2000. The escalation formula uses the Implicit Price Deflator of the GDP. There is 4 ½% annual cap (arbitration of cap if it exceeds average of 4 ½ % over any 7-year period). 2012 gross revenue from the Agreement was \$14,311,367.

### 4. Rights Granted

Exclusive freight trackage rights are granted to Norfolk Southern to operate all freight business over the NCRRT(i.e. not a lease of assets); Amtrak & Norfolk Southern contract will continue, consistent with Amtrak's franchise to operate over NSR operated lines under federal law; NSR has the duty to continue to provide rail service to all industries on the NCRRT line.

### 5. Party Responsibilities

- Dispatching - NS is responsible for dispatching (except 8 miles between Raleigh and Cary which is dispatched by CSX).
- Industrial Development - NS and NCRRT will work cooperatively with the NC Departments of Commerce and Transportation and with regional economic development interests to enhance economic development.

- Maintenance - NS is responsible for maintenance of the NCRR line to certain standards outlined in the Agreement. NS will not maintain additional tracks or facilities for passenger trains at NS expense.
- Capital Improvements - NS may make capital improvements to NCRR line at their own expense, but improvements will be owned by NCRR. NCRR can make capital improvements to the line, but construction will be done by/through NS (unless written consent otherwise). Passenger-related investments can not preclude future freight capacity growth; construction of passenger projects cannot interfere with exiting freight traffic.
- Passenger Rail - Agreement allows for addition of more inter-city (Amtrak) passenger trains (not over 90 mph) and commuter trains, but must meet all future freight capacity needs. NCRR/3<sup>rd</sup> parties are responsible for making improvements to ensure freight capacity needs for business development are met with the addition of passenger or commuter trains.
- Property Taxes - NS pays all property (ad valorem) taxes on NCRR operating corridor property. NCRR is responsible for property taxes on non-system property. Total taxes paid are approximately \$2 million annually.