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January 16, 2012

Paul Morris
Deputy Secretary for Transit
North Carolina Department of Transportation
1501 Mail Service Center
Transportation Building
Raleigh, NC 27699-1501

Re: Proposed Red Line Project

Dear Paul:

Thanks for making time for Durwood Laughinghouse and myself to meet with you in Raleigh this past Wednesday to discuss the proposed Red Line commuter rail project. I am following up with a letter in order to clarify one item and to further outline Norfolk Southern's concerns regarding that proposed project. Right up front, though, I need to reiterate what I said at that meeting – at this time, Norfolk Southern has not determined that its concerns regarding the proposed Red Line project can be resolved.

Our meeting on January 11, 2011 was the first substantive discussion with Norfolk Southern since the project “died in late 2008”, as you so aptly put it. Norfolk Southern now has a clearer understanding of the current NCDOT concept for use of the O Line, which is owned and operated as part of Norfolk Southern’s freight rail system, as a commuter rail corridor dubbed the “Red Line”.

As I explained in our meeting, Norfolk Southern is concerned that the proposed Red Line project may now be fundamentally incompatible with Norfolk Southern’s potential future use of the line and our ability to grow our business in North Carolina. Among the major concerns are the following, each of which were touched upon in our meeting:

- Current publicity and discussions indicate that Norfolk Southern has agreed to, endorsed, or otherwise has consented to the proposed Red Line project, which is simply not the case.
- There has been a significant change in the use of the North Carolina mainline between Charlotte and Raleigh that may require the O Line to be used as an alternative through freight route.

- Norfolk Southern generally no longer provides for exclusive freight or passenger windows.
- Norfolk Southern requires \$500 million in liability protection for any passenger entity operating on its lines.
- Norfolk Southern generally designs, builds, maintains and dispatches its own lines, which may be inconsistent with the Red Line so-called "DBOM" (design, build, operate and maintain) proposal.
- The environmental review of the Red Line project has expired and would need to be performed anew.
- Previous discussions concerning needed infrastructure, maintenance, signalization and other payments are outdated, particularly in light of the significant infrastructure modifications and traffic increases anticipated for the North Carolina Railroad and the likely tax treatment of any infrastructure construction and payments to Norfolk Southern arising from the modification to the Red Line project funding sources.
- Any desire to get the proposed Red Line project up and running, if it were deemed acceptable to Norfolk Southern, could not be accomplished within the time frame that is currently being publicly advocated.
- Norfolk Southern has not previously contracted with a North Carolina joint powers authority, so there may be additional concerns regarding liability, limited life, recourse, and other issues that have yet to be identified.

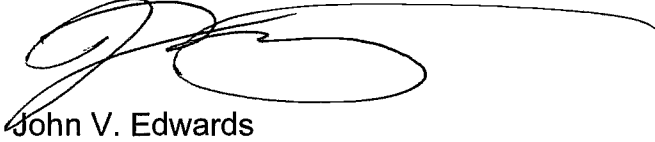
I also want to clear up one potential item of confusion. In our meeting, you mentioned an abandoned section of track, which caused me some confusion. I now believe that the abandoned section of track that you were speaking of has no relationship to the initial Red Line project – from Charlotte to Mooresville. Instead, I believe (and here I ask you to confirm or clarify as appropriate), you were referring to a second phase of the Red Line project. That second phase would extend the Red Line from Mooresville to Statesville over a partially abandoned portion of the O Line right of way. As you may know, there has been significant development on that right of way which could make the reacquisition and use of that line very expensive. As a result, I had thought your reference to a second phase involved the use of the Norfolk Southern L Line between Mooresville and Barber Junction and the Norfolk Southern S Line to reach Statesville. Although neither of these alternatives are the subject of discussions with Norfolk Southern at this time, I want you to know that Norfolk Southern would have significant concerns regarding a proposal to use either alternative.

As we delve deeper into the proposal, I am sure that Norfolk Southern will have additional thoughts and questions. I do not want to leave you with the idea that the above represents a comprehensive list of concerns, or that this is a negotiation about payments to Norfolk Southern. Our issues with the Red Line project are fundamental, and the specific concerns were only the ones that we had an opportunity to discuss in the short time we had. You have promised to send to me additional materials for

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Norfolk Southern review, and I look forward to receiving them. As we discussed, I do not know if the proposed Red Line project is feasible on Norfolk Southern right-of-way, but together we can explore that question.

Sincerely,

A handwritten signature in black ink, appearing to read "John V. Edwards". The signature is stylized with a large, sweeping loop that extends to the right and then curves back down and left.

John V. Edwards

cc: John Woods, Red Line Task Force
Durwood Laughinghouse, Norfolk Southern
Katherine Henderson, KKH Consulting