

**Birmingham Regional Intermodal Facility Project
Initial Financial Plan**


LETTER OF CERTIFICATION

The Federal Highway Administration Eastern Federal Lands Highway Division (FHWA-EFLHD) in partnership with Norfolk Southern Railway Company, on behalf of itself and its subsidiary Alabama Great Southern Railroad Company (Railroad) has developed a comprehensive Financial Plan for construction of the Birmingham Regional Intermodal Facility (BRIMF) project in McCalla (Jefferson County), Alabama in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fully finance the project.

The cost data in the Financial Plan provides an accurate accounting of costs incurred to date and includes a realistic estimate of future costs based on engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions, they represent realistic estimates of available resources to fully fund the project.

FHWA-EFLHD and Railroad believe it provides an accurate basis upon which to schedule and fund the BRIMF project. FHWA-EFLHD and Railroad will review and update the Financial Plan on an annual basis.

To the best of our knowledge, the Financial Plan as herein submitted, fairly and accurately presents the financial position of the BRIMF project. The financial forecasts in the Financial Plan are based on FHWA-EFLHD's and Railroad's judgment of the expected project conditions and the expected course of action. FHWA-EFLHD and Railroad believe that the assumptions which underlie the Financial Plan are reasonable and appropriate. Further, the FHWA-EFLHD and Railroad have made available all significant information relevant to the Financial Plan. To the best of our knowledge, the documents and records supporting the assumptions are appropriate.


Division Engineer
Eastern Federal Lands Highway Division

12 Apr 11
Date


Vice President
Norfolk Southern Railway Company, on behalf of
Alabama Great Southern Railroad Company

4/8/11
Date

**FEDERAL HIGHWAY ADMINISTRATION
EASTERN FEDERAL LANDS HIGHWAY
DIVISION**

and

**NORFOLK SOUTHERN RAILWAY
COMPANY and its subsidiary
ALABAMA GREAT SOUTHERN RAILROAD
COMPANY**

PROJECT FINANCIAL PLAN

**BIRMINGHAM REGIONAL INTERMODAL
FACILITY PROJECT**

FEDERAL HIGHWAY ADMINISTRATION

and

NORFOLK SOUTHERN RAILWAY COMPANY and its subsidiary ALABAMA GREAT SOUTHERN RAILROAD COMPANY

PROJECT FINANCIAL PLAN

BIRMINGHAM REGIONAL INTERMODAL FACILITY PROJECT

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BACKGROUND

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and appropriated \$1.5 billion, available through September 30, 2011, for Supplementary Discretionary Grants for a National Surface Transportation System. The U.S. Department of Transportation (USDOT) launched the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program on June 17, 2009 and solicited applications for innovative, multi-modal and multi-jurisdictional transportation projects that provide significant economic and environmental benefits. Applications were due to USDOT on September 15, 2009.

INTRODUCTION

Norfolk Southern Railway Company, on behalf of itself and its subsidiary Alabama Great Southern Railroad Company (Railroad) has initiated the Crescent Corridor Intermodal Freight Program of projects as the development of a fast, efficient rail intermodal route from the Gulf Coast to the Northeast. When fully developed, this program of projects will provide new and improved domestic rail intermodal service across a projected 64 lanes between the Northeast and Southeast for the intermodal freight facility host cities of Memphis, Birmingham, Atlanta, Charlotte, Knoxville, Greencastle, Harrisburg, Bethlehem, Philadelphia, and Northern New Jersey. The finished program of independent projects contemplates more than 300 miles of new rail double-track and more than 500 independent speed and capacity improvements on existing rights of way. Connecting this 2,500-mile network of existing rail lines with regional intermodal freight distribution centers will strengthen domestic and international distribution in the Southeast, Gulf Coast, and mid-Atlantic markets, resulting in the diversion to rail intermodal of more than 1.3 million domestic long-haul trucks annually by 2021.

The full development of the Crescent Corridor will produce substantial public benefits, including job creation, improved economic competitiveness and energy efficiency, safer roads, and an enhanced quality of life. In addition, public highways will experience less congestion.

Rail route enhancements and intermodal terminal development are required to provide the service necessary to create these public benefits. The initial projects in the Crescent Corridor Intermodal Freight Program include the construction or improvement of intermodal terminals, including the construction of one in the Birmingham region.

On February 17, 2010, the Crescent Corridor Intermodal Freight Program was awarded a TIGER grant in the amount of \$105 million. \$52.5 million of that amount will be applied toward the construction of an intermodal facility in McCalla (Jefferson County), Alabama. Birmingham Regional Intermodal Facility (BRIMF) is a public-private partnership, consisting of a \$97.5 million project to construct the facility with adjacent infrastructure improvements that will contribute toward the creation of a highly efficient freight rail transportation link between the Northeast and the South.

Figure 1: Crescent Corridor trackage and Interstate routes



While BRIMF construction has been planned as scalable, this Financial Plan only covers construction of the initial facility, built to accommodate approximately 100,000 annual lifts. Railroad has acquired sufficient property rights to expand the facility if additional public funding sources are identified or if market conditions warrant a privately financed expansion. While construction permits will only include the initial phase of construction, Railroad has obtained environmental documents (NEPA) for a facility with a 165,000-lift capacity.

The Federal Highway Administration Eastern Federal Lands Highway Division (FHWA-EFLHD), the Alabama Department of Transportation (AL DOT), and Railroad signed a Memorandum of Agreement (MOA) on December 29, 2010 which outlines the roles and responsibilities for each of the Parties during BRIMF's initial phase of construction. FHWA-EFLHD is responsible for the coordination and facilitation of the overall schedule during this initial phase, as well as for the management of the TIGER funding. The design and construction of the facility will be completed by Railroad.

PROJECT DESCRIPTION AND SCOPE OF WORK

The Birmingham Regional Intermodal Facility (BRIMF) will be built in the McCalla area of unincorporated Jefferson County, Alabama. The site is approximately eight miles southwest of downtown Bessemer, adjacent to Railroad's mainline connecting Birmingham with Meridian, Mississippi. The terminal development will occupy approximately 261 acres of 313 acres of secured right-of-way. General components of the initial phase of the facility capable of handling 100,000 lifts of containers from or to a rail car will include (subject to the completion of detailed engineering plans):

- Two pad tracks totaling 8,400 ft. of loading and unloading space
- Three support tracks totaling approximately 14,000 ft.
- A 1,000 ft. long locomotive storage track.
- 932 paved trailer parking spaces
- 7,000 ft. long lead track connecting the facility to Railroad's mainline on the north
- 5,800 ft. long lead track connecting the facility to Railroad's mainline on the south
- A 20,900 ft. long passing track on the west side of the mainline
- Ancillary modular buildings and operating equipment
- An automated gate system (AGS) including hardware, software, AGS gate building and other structures, and related appurtenances.
- A 3,400 ft. access road to link the Birmingham Regional Intermodal Facility to McAshan Drive.

A Concept Plan and Estimate of Expense follow on the next two pages.

Table 1: BRIMF Overall Cost Estimate
(Note amounts shown by calendar year quarter)

PROJECT ITEMS	Component Description	Estimated Cost (Millions)	2009, 2010 (plus const svpr)	Calendar Year											
				2011			2012			2013			2014		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Funding Source - US DOT TIGER Grant / NS															
Track		\$11.30													
Site Preparation		\$3.70													
Grading		\$9.20			\$0.92		\$2.78								
Electrical Distribution		\$1.94			\$2.60		\$4.60								
Oil Water Separator		\$0.30					\$0.50								
Fencing		\$0.90													
Fuel Tanks & Equipment Maintenance Pad		\$0.55													
Sub-Ballast for Track Bed		\$1.85													
Railway Signals		\$3.50													
Drainage		\$3.00													
Viewshed Wall		\$1.50													
Utilities (Water & Sewer)		\$0.40													
Signs & Landscaping		\$0.40													
Retaining Wall		\$3.00													
Security Equipment		\$0.83													
Mechanical Dept Cost		\$0.75													
Performance & Payment Bond		\$0.43													
Modular Bldgs (Lift Contractor & T/E)		\$0.40													
Pavement		\$13.52													
Source Total		\$57.47	\$0.00	\$0.00	\$8.05	\$12.05	\$5.68	\$1.50	\$16.97	\$9.01	\$4.51	\$0.20	\$0.20	\$0.20	\$2.30
NOTE - NS will bear all costs above \$52.5 million															
Funding Source - 80% CMAQ and 20% NS															
Automatic Gate System		\$3.30													
AGS Gate Bldg		\$1.50													
Lift Machines		\$4.50													
Source Total		\$9.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.65	\$2.00	\$0.35	\$0.15	\$4.50	\$4.65
NOTE - NS will bear all costs above \$6.57 million															
*CMAQ Eligible portion of AGS Gate Bldg is \$0.17M															
Funding Source - 100% State of Alabama															
Access Road		\$4.00													
Source Total		\$4.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	\$0.00
Funding Source - 100% NS															
Property		\$12.70													
Engineering and Permitting		\$6.60													
Air System		\$0.25													
Wetland Mitigation		\$1.10													
Communication Facilities		\$0.90													
Tire Spikes		\$0.20													
HMT Lighting		\$1.40													
EFL Oversight Expense		\$0.60													
Relocation of AL Power Transmission Line		\$0.50													
Contingencies (see note)		\$2.48													
Source Total		\$26.73	\$19.30	\$2.20	\$0.49	\$0.49	\$0.50	\$0.50	\$1.61	\$0.50	\$1.44	\$0.50	\$0.50	\$0.50	\$0.00
Note - Contingencies is not a bid item - included only for estimating purposes to cover potential overruns in other work items.															
Grand Total Cost Estimate		\$97.50	\$19.30	\$2.20	\$8.54	\$12.54	\$6.18	\$2.65	\$22.58	\$16.36	\$6.95	\$0.00	\$0.00	\$0.00	\$0.00

GRANTS AND PROJECT EXPENSE

In following Figure 3 and Table 2, the current cost estimate for the initial phase of construction is broken down by Federal and state participation, activity and calendar year. In this estimate, it is anticipated that the \$52.5 million in TIGER funding may be used for any of the sub-projects included within the initial construction as listed. The \$52.5 million in TIGER funding will be coupled with \$6.57 million in Federal CMAQ funds, \$4 million from the Alabama Industrial Road and Bridge Access Program, and the Railroad's commitment of \$34.43 million to fully construct the initial phase and cover any funding gaps as necessary.

Of the \$34.43 million, Railroad has expended (in 2009 and 2010) \$19.3 million on:

- Acquisition of property (\$12.7 million)
- Engineering and permitting (\$6.6 million)

Figure 3: Total of project costs by source and on a calendar year basis

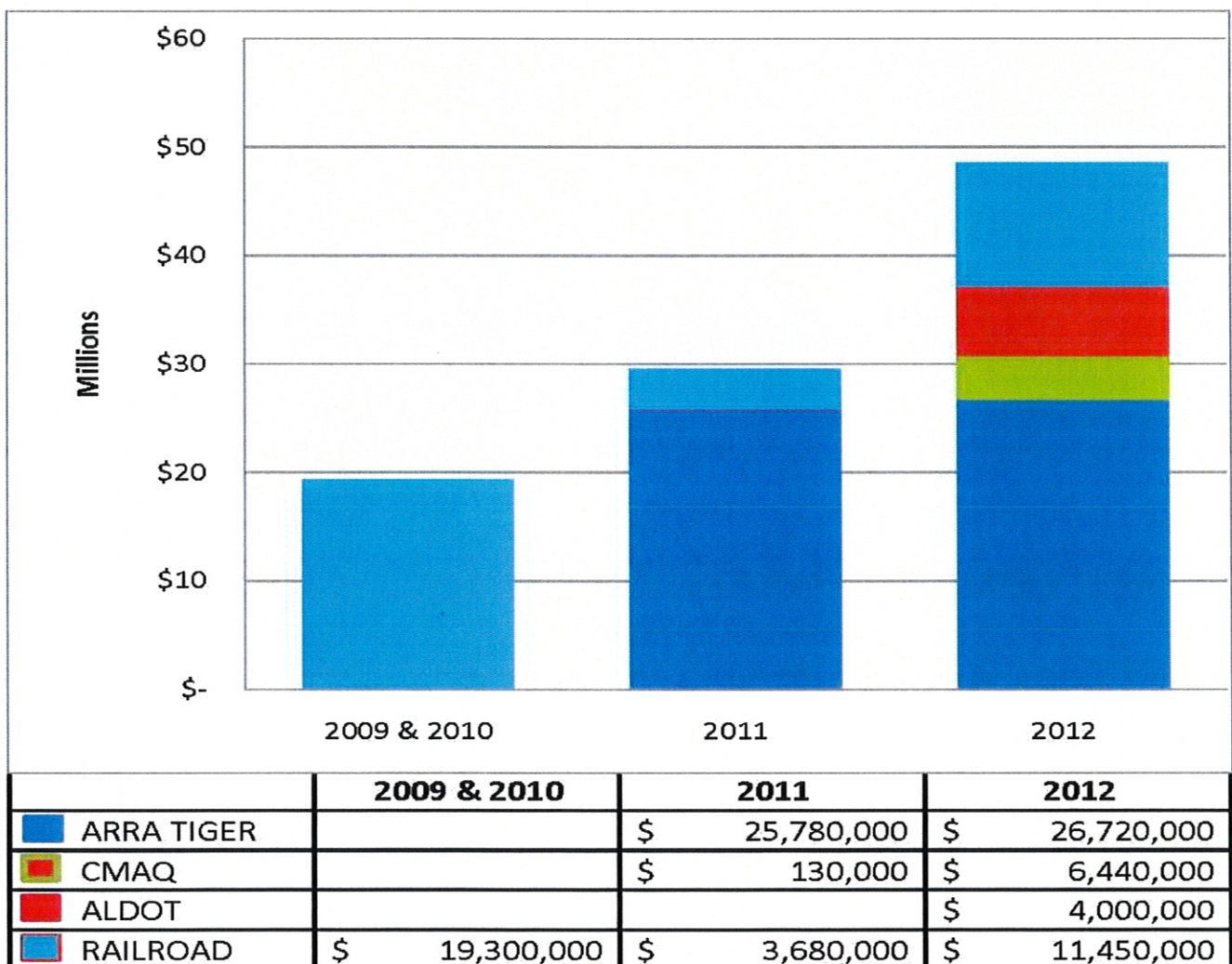


Table 2: Funding estimate - Birmingham Regional Intermodal Facility (BRIMF)
 (Note amounts by calendar year quarters)

TIGER-funded work (in millions)

TIGER-funded work (in millions)

Description	Expense	Percent	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Track installation	\$7.62	15%					\$1.00	\$6.65	\$0.97	
Site Preparation	\$3.70	7%		\$0.92	\$2.78					
Grading	\$9.20	18%		\$2.60	\$4.60	\$2.00				
Electrical Distribution & Lights	\$1.94	4%			\$0.50	\$0.50	\$0.50	\$0.44		
Oil Water Separator	\$0.30	1%							\$0.30	
Fencing & Security	\$0.60	1%						\$0.30	\$0.30	
Fuel Tanks & Equipment Maintenance Pad	\$0.55	1%						\$0.55		
Sub-ballast for Track Bed	\$1.85	4%			\$0.37	\$1.48				
Railway Signals	\$2.50	5%				\$1.50	\$0.60	\$0.40		
Drainage	\$3.00	6%		\$1.50	\$1.50					
Viewshed Barrier	\$1.50	3%		\$1.50						
Utilities (Water & Sewer)	\$0.40	1%		\$0.10	\$0.30					
Signs & Landscaping	\$0.40	1%				\$0.20		\$0.20		
Retaining Wall	\$3.00	6%		\$1.00	\$2.00					
Security Equipment	\$0.84	2%					\$0.42	\$0.42		
Mechanical Dept. Cost	\$0.75	1%						\$0.75		
Performance & Payment Bond	\$0.43	1%		\$0.43						
Modular Bldgs for Lift Contractor and T/E	\$0.40	1%						\$0.40		
Pavement	\$13.52	26%						\$9.01	\$4.51	
TOTAL	\$52.50	100%	\$0.00	\$8.05	\$12.05	\$5.68	\$1.50	\$16.97	\$8.25	\$0.00

CMAQ-funded work (in millions)

Description	Expense	Percent	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
AGS building	\$0.13	2%			\$0.13					
Automatic Gate System	\$2.64	40%						\$1.32	\$1.32	
Lift Machines	\$3.80	58%								\$3.80
TOTAL	\$6.57	100%	\$0.00	\$0.00	\$0.13	\$0.00	\$0.00	\$1.32	\$1.32	\$3.80

AL DOT-funded work (in millions)

Description	Expense	Percent	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Access Road	\$4.00	100%						\$2.00	\$2.00	

PROJECT FUNDING

The initial phase of BRIMF is a public-private partnership. The work will be financed through a combination of federal, state, and Railroad's funds.

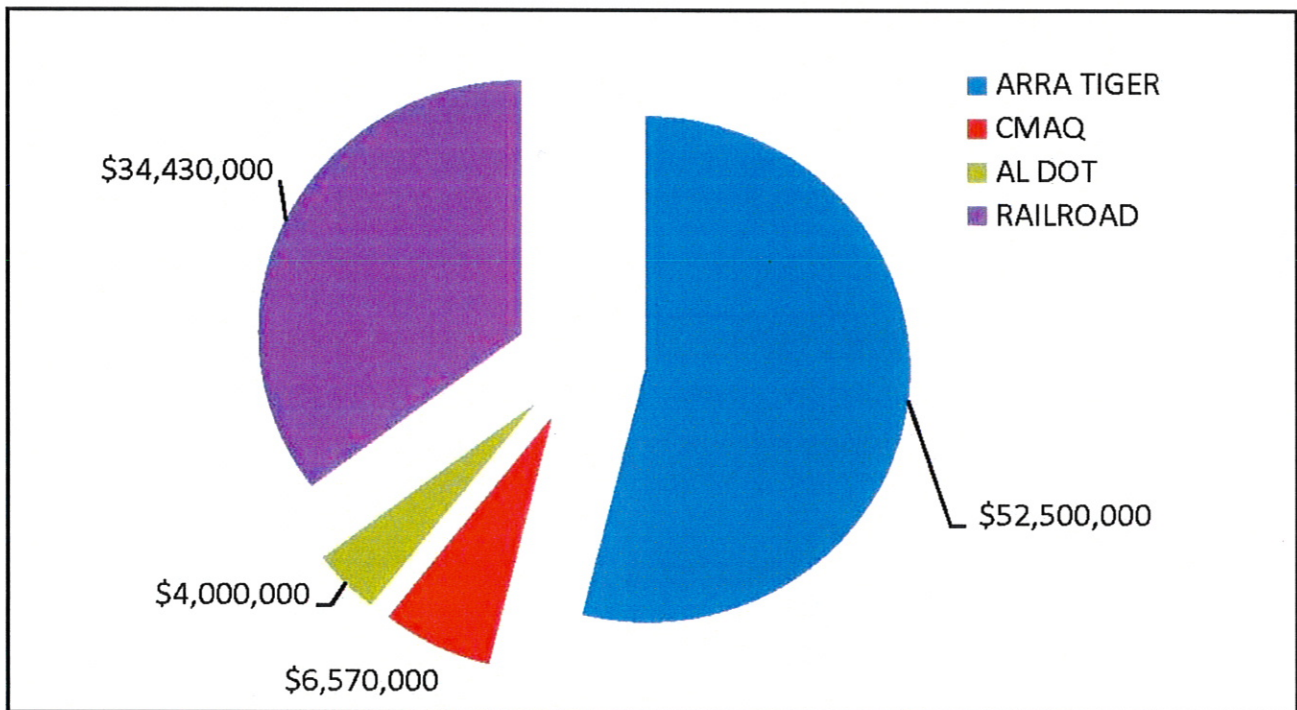
Funding Sources

TIGER Grant Amount: On February 17, 2010, USDOT awarded \$105 million from the TIGER program to fund the Crescent Corridor Intermodal Freight Program. \$52.5 million of that amount will be applied toward the BRIMF.

Other Funding: The projected cost of BRIMF is \$97.5 million. Railroad will own the facility and has committed \$34.43 million toward project costs. \$52.5 million of the \$105 million TIGER Grant awarded to the Crescent Corridor Program has been allocated to the facility. As shown, \$6.57 million in federal CMAQ funding will be made available toward the BRIMF for offsetting 80% of the costs of four Tier 4 lift machines, an automated gate system, and associated structures. Railroad will provide the required 20% non-federal match (included within the \$34.43 million). Further, Jefferson County will request \$4 million in Alabama Industrial Road and Bridge Access Program funding for the BRIMF access road.

The funding needs for the project are provided in Table 2 and depicted by Figure 4.

Figure 4: Project funding by source



CASH FLOW

Railroad expects to have sufficient revenues available from other portions of its operations for purposes of the initial facility construction, as no revenues will accrue from the facility until it is placed into service in 2012. During the construction phase, and as invoices are received from contractors performing the services listed in Table 2, Railroad will seek reimbursement from the funding authority as per the agreed schedules associated with the obligated funds. In the specific case of TIGER funding, invoices will be forwarded for reimbursement up to the allowed amount of \$52.5 million. In the case of CMAQ funded portions, invoices will be submitted for 80% reimbursement of the cost of eligible project components.

Table 3: Project expenditure timing - BRIMF
(Note amounts shown in millions)

	CY2011			CY2012		
	TIGER	CMAQ	ALDOT	TIGER	CMAQ	ALDOT
Jan				\$0.50		
Feb				\$0.50		
Mar				\$0.50		
Apr				\$5.00		
May	\$3.00			\$5.00	\$0.50	\$0.50
Jun	\$5.05			\$6.97	\$0.82	\$1.50
Jul	\$4.00			\$3.00	\$0.70	\$1.50
Aug	\$4.05	\$0.13		\$3.00	\$0.50	\$0.50
Sep	\$4.00			\$2.25	\$0.12	
Oct	\$3.68				\$1.90	
Nov	\$1.00				\$1.90	
Dec	\$1.00					
TOTALS	\$25.78	\$0.13	\$0.00	\$26.72	\$6.44	\$4.00

OTHER FACTORS

Termination of Project

While it is the intention of the FHWA-EFLHD and Railroad to complete the construction of BRIMF, it is recognized that not all future events can be anticipated. If upon receipt of construction bids for the majority of the cost to complete BRIMF but before the awarding of that work it is determined by AL DOT and Railroad that the total construction cost of BRIMF, excluding acquisition of property and lift machines, will exceed \$80.3 million by more than 5%,

Railroad shall have the option to redesign and re-bid. If after such redesign and re-bid the estimated cost still exceeds \$80.3 million by more than 5%, or if any of the expected TIGER funding, CMAQ funding, or Industrial Road and Bridge Access funding is not available on or before April 30, 2011, AL DOT shall have the right to terminate this Agreement. If AL DOT exercises this termination right, Railroad shall refund to the FHWA-EFLHD any of the Federal funds received by Railroad less any payments to the FHWA-EFLHD, and the parties shall have no further responsibility.

Cost Increase Mitigation Options and Strategy

Railroad's Board of Directors has approved Railroad's share of the funding for BRIMF construction, and funding will be budgeted by Railroad on an annual basis. To ensure that the total cost of the initial phase of BRIMF construction is less than the amount of actual Federal reimbursement and within Railroad's capital improvement budget authority, Railroad reserves the right to not accept proposals and re-advertise the project or portions thereof as appropriate, re-design the project or portions thereof as appropriate, or take other reasonable measures as may be appropriate under the circumstances.

Schedule for Annual Updates

Railroad's records for the initial phase of BRIMF construction are kept on a calendar year basis. The annual updates for the project Financial Plan will be completed between January and March of each year with updated information through December of the previous year.