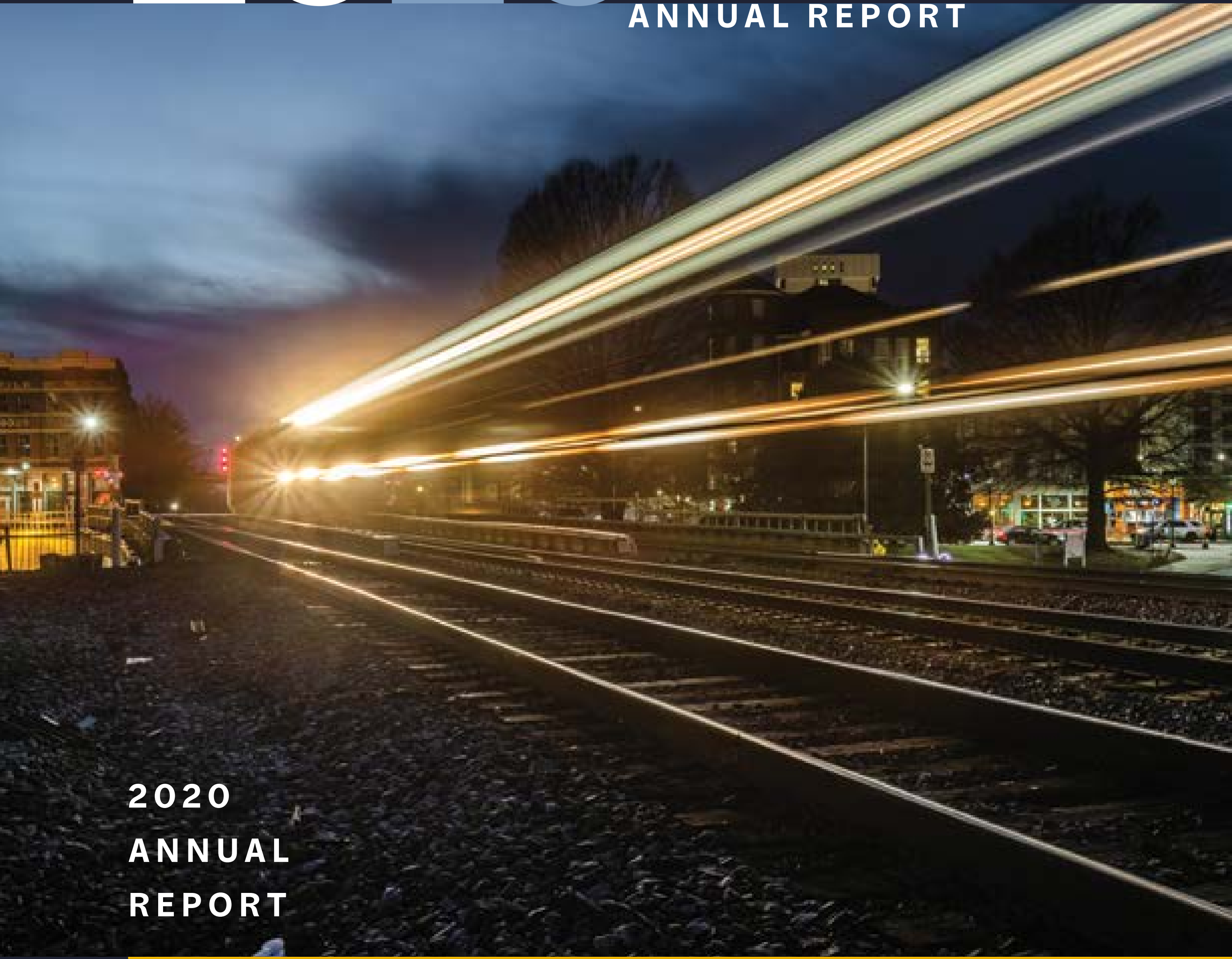
2020

ANNUAL REPORT



2020
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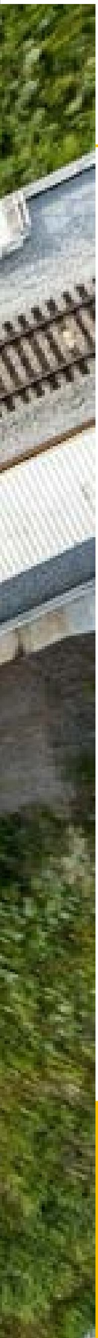
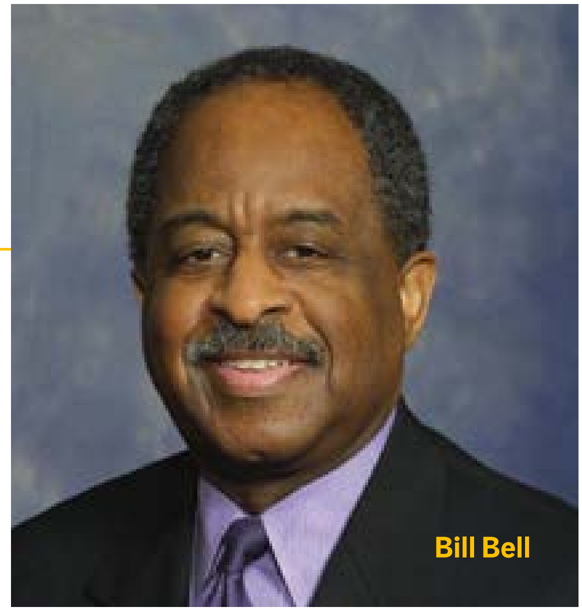
REPORT

NORTH
CAROLINA
RAILROAD
COMPANY

NORTH CAROLINA RAILROAD COMPANY



LETTER FROM THE CHAIRMAN



Bill Bell

ON BEHALF OF THE BOARD OF DIRECTORS AND STAFF OF THE NCRR, I AM PLEASED TO SAY THAT 2020 WAS A YEAR OF TRANSITION FOR THE NORTH CAROLINA RAILROAD COMPANY. The Company welcomed a new President and CEO, Carl Warren. Carl brings a wealth of expertise from the railroad industry as well as a passion for economic development. He will build on the historic foundation of the North Carolina Railroad Company and leverage this important asset to take the Company even further.

Through our economic development initiative, NCRR Invests, we continued to assist in the recruitment and retention of major rail-served employers who are making considerable investments in the state. We began planning for a new round of infrastructure investment projects that will allow for increased capacity on the portion of our line stretching from Greensboro to Raleigh. We also welcomed new staff members to the Company who bring diverse skill sets and experiences to the team.

As we celebrate the successes of 2020 and begin working toward the goals of 2021, the Company will continue to be a proactive partner, committed to ensuring NCRR delivers on its vision to continually expand economic opportunities across the state for North Carolinians.

William V. "Bill" Bell

Chairman
North Carolina Railroad Company
Board of Directors

INTERVIEW WITH CARL WARREN

In 2020, the North Carolina Railroad Company announced Carl Warren as its new President and CEO. Warren joined the company from Class I freight railroad, CSX.

During his tenure at CSX, Warren led teams focused on industrial, port and commercial development throughout the CSX system across 23 states and two Canadian provinces. His most recent role focused on driving growth to CSX by aligning business development efforts around short lines, port authorities, site selection consultants and new customers. He also has diverse public and private sector experience from previous assignments at the Port of Portland, Oregon and BNSF Railway, in real estate, operations planning, sales and marketing, and port development.

Carl Warren

YOU JOINED NCRR IN AUGUST 2020. HOW HAS YOUR PREVIOUS EXPERIENCE EQUIPPED YOU TO LEAD NCRR?

I'm very fortunate that over the last 20 years or so I've had the experience of working for two major Class I railroads. I've been in a leadership role at a major port authority and in the process of working through these roles, I've developed a strong understanding of how railroads function, their economic drivers, and the interface between a railroad and a state, as well as how railroads can influence and impact economic development, industry location and passenger rail service. Over my career I've worked on things that touch all these areas, so when I was contacted by the recruiter and learned what NCRR was looking for, I thought it would be fantastic to bring together all these elements to shape the future of NCRR.

LOOKING AHEAD, WHAT DO YOU SEE AS NCRR'S BIGGEST OPPORTUNITIES, AND HOW DO YOU SEE THE COMPANY PURSUING THESE OPPORTUNITIES?

I think NCRR has several opportunities in economic development with programs like NCRR Invests and Build Ready Sites. Through these programs, I see the company enlisting other partners and acting as a catalyst for getting rail sites ready for market to create more jobs and attract investment. Our programs afford us the opportunity to make strategic investments in rail-served industrial sites as well as educate site selectors and potential rail customers about the advantages of locating and growing their rail served businesses in North Carolina. With the right focus, I believe we can do this better than any other State, and our company can make a greater difference.

I also see NCRR being more thoughtful about the use of its assets, especially the rail. I think if we can do that well, we will be more effective in enabling economic development and improving the rail system overall.

NCRR WORKS CLOSELY WITH COMMUNITIES ALONG THE LINE, WITH THE ECONOMIC DEVELOPMENT ORGANIZATIONS ACROSS THE STATE, WITH NCDOT AND TRANSIT PARTNERS LIKE GOTRIANGLE, AND CATS BASED IN CHARLOTTE. DISCUSS THE IMPORTANCE OF PARTNERSHIP.

The successes I've witnessed over my career typically have resulted from a willingness to find common ground and find a way for all the players at the table to get something worthwhile out of it. Lopsided win-lose deals are the easy way out. To move beyond that, we must be willing to believe that shared gains create a better overall outcome.

I saw this early in my career when I was part of an effort that helped more than 20 political jurisdictions, three ports and two Class I railroads figure out how to develop a comprehensive grade separation program that met the needs of a region. When I was at CSX, I saw it again when we implemented the National Gateway clearance project and removed more than 60 overhead obstructions across six states, enabling double stack rail service to the Midwest.

At NCRR, we have partnered to help create an industry-leading property at the Greensboro-Randolph Megasite and embedded the concept of shared gains in all our economic development programs. I am confident that as we work on freight and passenger mobility in North Carolina, we will apply the same principles going forward.

NCRR WAS CHARTERED MORE THAN 170 YEARS AGO FOR THE PURPOSE OF INCREASING ECONOMIC DEVELOPMENT ACROSS THE STATE. HOW DO YOU SEE THE COMPANY FULFILLING THIS MISSION WITH A MODERN OUTLOOK?

In a lot of ways, the fundamentals are not that different than they were 170 years ago. North Carolinians needed to ship and receive products and raw materials and enjoy the improved mobility that rail offered relative to the other alternatives in the marketplace.

When I look at where we are today, we are in a much more interconnected space with intense pressure on land use and development, as well as continued competition for jobs and investment across state lines. When NCRR was built, it was a better choice than relying on horse carriages. Now the railroad is surrounded by interstate highways and must prove its value for moving passengers and freight.

I think we can continue to do some basic things – we must protect the corridor – or it will be consumed by the frenetic activity around it – but we must also see it for what it is – which is truly a platform for growth.

NCRR is a spine for the movement of people between Charlotte and Raleigh, but it will also enable regional transportation around places like Raleigh and Charlotte by providing a new option for regional connectivity with commuter rail development that could link the prosperity of urban and rural parts of the state.

By investing in the railroad itself, we create capacity that allows rail centered commodities like chemicals, ethanol, fertilizer, feed grains, lumber and stone to keep moving, connecting our North Carolina businesses with markets all over North America, and bringing in the materials we need to continue development in our state.

Finally, the foundation for making a difference resides in managing our assets wisely so they generate returns that enhance our ability to invest in our state. Doing that allows us to expand economic development across the state, enabling even greater long-term investments in North Carolina as well as increased job growth, while also fortifying the state's competitive advantage in the recruitment of rail-served companies.

BUILD-READY SITES

Nestle Purina site in Rockinham County

BUILD READY SITES ARE A CATALYST FOR ECONOMIC GROWTH

North Carolina has more than 3,000 miles of railroad served by two Class I rail carriers and more than 20 short lines. This network links North Carolina shippers and receivers to markets throughout North America and across the globe with freight rail and intermodal services.

The North Carolina Railroad Company (NCRR) has invested for years in the success of the freight rail network to attract investment and create jobs, reinforcing and building on the value of rail served industry to the economy of North Carolina. Now NCRR is taking its investment in North Carolina to the next level with its newest program – Build Ready Sites.

“One of the major roadblocks to economic development in North Carolina and across the U.S. is the availability of sites that are ready for development,” says Anna Lea Moore, NCRR Vice President of Economic Development. “As our world continues to innovate, speed-to-market for products is a manufacturer’s central focus and thus, the critical construction timeline at a new location is completely dependent upon a site’s development-readiness. Our goal is to ensure that North Carolina has a healthy inventory of available rail-served sites positioned to meet the stringent timeline and development requirements of new and expanding clients by significantly reducing the development risk.”

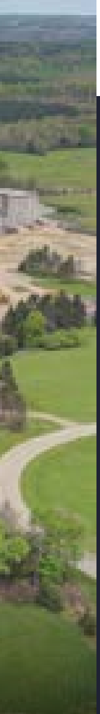
Through Build Ready Sites, NCRR will partner with communities, railroads and other economic development allies across the state to provide matching funds for site needs, acting as a catalyst to advance more rail-served sites to a development-ready position. The objective is to remove barriers and improve the time-to-construction predictability around land that could be developed by a manufacturer or rail-served employer in 18 months or less.

“A lack of development-ready sites has forced some companies to eliminate North Carolina from their search,” says Moore. “If North Carolina doesn’t have what companies are looking for – sites that can be ready to go in 18 months or less – we cannot get clients to visit this great State and all it has to offer. Most of our competitor states offer resources for this challenge. NCRR sees an opportunity to fill a gap where there is a distinct need.”

“To be a contender in today’s competitive landscape, communities must have an inventory of ready sites, primed and on hand for prospects. At Global Location Strategies (GLS), we are witnessing an unprecedented client demand for speed-to-market never seen before,” says Sarah White, Principal at GLS. “Historically, over half of our projects have preferred or required direct rail access, further solidifying the need for available, rail-served sites. The Build Ready Sites program will be a pivotal tool to help alleviate communities’ infrastructure costs and schedule risks, providing a competitive edge to North Carolina.”

The Build Ready Sites initiative will target rail-served sites ranging in size from 50-100 acres. Proposals from both rural and economically distressed communities as well as sites with demonstrated community backing and support from infrastructure partners, such as railroads and utility providers, will be prioritized. Another key consideration will be the degree to which NCRR’s funding makes an impact on the overall development goals for the site. Examples of eligible funding uses include land preparation such as clearing or grading, utility extensions, access roads and construction of speculative buildings.

Like NCRR Invests, a state-wide rail infrastructure investment program launched by NCRR in 2016, Build



Ready Sites has the potential to be a game changer in advancing N.C.'s competitive position.

"To our knowledge there is no other entity in the country focusing on the development-readiness and marketing of a single state's rail-served buildings and sites," says Moore. "While North Carolina has many effective economic development tools, there is a substantial lack of funding and resources available to assist communities in their site development efforts, and that's why NCRR is stepping into this space with this new program. By working with communities to enhance their efforts to get these sites to that sought-after construction-ready position, North Carolina will be distinctly more competitive in the recruitment of the jobs created by rail-served companies."

Charlotte Pipe and Foundry site in Stanly County

NCRR INVESTS

PARTNERS FOR SUCCESS

In 2020, two significant rail-served employers announced they would be building manufacturing facilities in North Carolina – a total capital investment of nearly $800 million by the companies.

Rather than relocate from Charlotte to a competing state, NCRR helped ensure that Charlotte Pipe kept its operation in North Carolina at a new site in Stanly County.

The North Carolina-based manufacturer and distributor of cast iron and plastic pipe fittings has seven production facilities across the U.S. Charlotte Pipe and Foundry will invest a minimum of $325 million to construct a new, state-of-the-art manufacturing facility at a site in Oakboro. The company will continue to employ 1,050 in Mecklenburg, Union, and Stanly counties, with 400 of those employees relocating to the new Oakboro, NC facility.

The North Carolina Railroad Company (NCRR) is investing approximately $1.5 million to assist Charlotte Pipe and Foundry with the construction of a railroad industrial lead track as well as related infrastructure required for the company's operations. The plant will be served by the Aberdeen, Carolina and Western Railroad, which offers access to both Norfolk Southern and CSX.

NCRR is also one of several partners that assisted in the recruitment of Nestlè Purina Petcare Company (Purina). Purina decided to take advantage of an abundant local manufacturing workforce and will repurpose a former Miller-Coors manufacturing facility in Rockingham County. Purina will make an investment of at least $450 million and create 300 jobs.

Purina requires freight rail service at the new facility. NCRR is investing approximately $1.9 million in a partnership with Class I freight provider Norfolk Southern to return an existing rail line to service, which will re-establish the Eden-area's connection to rail networks throughout North America. Restoration of service also creates the opportunity for companies located along the line to take advantage of this restored rail service and connects available industrial land sites to rail, enabling them to be marketed to rail-served manufacturers.

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NCRR INVESTS, *Continued*

"These two investments are the result of strong partnerships," says NCRR President and CEO, Carl Warren. "With Charlotte Pipe, we helped keep a North Carolina company in the state with the right freight rail infrastructure at a great new site. Aligning the company with short line ACWR is good for a homegrown short line and it gives the customer the option of using both CSX and NS, enhancing its sourcing options for rail transportation."

"The recruitment of an employer like Nestlè Purina is also a considerable victory for our State and Rockingham County. To help bring new life to the Miller-Coors site and put more sites back into play with rail in Rockingham County with restored rail access during a pandemic is significant. These projects required collaboration at all levels, and NCRR is proud to be a part of the picture."

PARTNER PERSPECTIVES

"The NCDOT Rail Division truly appreciates its relationship with the North Carolina Railroad Company. Our long-standing partnership has helped contribute to significant improvements to rail transportation and safety along the critically important NCRR corridor. We look forward to continuing this work together on transformative developments for the safe mobility of our citizens and movement of freight on rail."

JASON ORTHNER, Director, Rail Division
North Carolina Department of Transportation

"Eight years ago, Randolph county and Joseph M. Bryan Foundation joined together to develop a megasite for the purpose of attracting a large, advanced manufacturing facility. Shortly thereafter, the North Carolina Railroad joined our efforts. Their participation has been magnificent. The staff of the North Carolina Railroad is very talented and efficient. They have a very "can-do" attitude. With their help, we have accumulated a great 1825-acre site in Randolph County. Our partnership which includes Randolph County, the Bryan Foundation and the North Carolina Railroad is very unique."

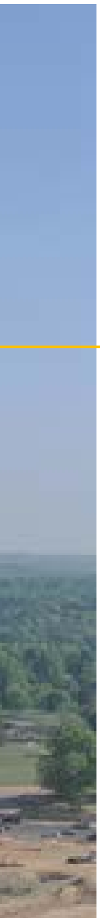
JIM MELVIN, President
The Joseph M. Bryan Foundation of Greater Greensboro

"The North Carolina Railroad is a truly unique resource that we're all fortunate to have as a partner in the state's economic development efforts. Whether helping communities develop potential rail-served industrial sites or teaming up with them to work active recruitment and expansion opportunities, NCRR gives North Carolina a distinct advantage in the intense competition for new jobs and investment."

CHRISTOPHER CHUNG, CEO
Economic Development Partnership of North Carolina

"The North Carolina Railroad is a key strategic partner with GoTriangle in developing new transit alternatives for residents living in Wake, Durham and Johnston counties. NCRR's willingness to assist with a commuter rail study within their corridor demonstrates how the value of this state-owned asset can be maximized to serve the region's freight and mobility needs. We look forward to working with the great team at NCRR to complete our study and building a new rail-based transit network that will ensure the economic success of the Triangle region."

CHARLES E. LATTUCA, President & CEO
GoTriangle



INFRASTRUCTURE INVESTMENT PLAN TARGETS GREENSBORO TO RALEIGH

The North Carolina Railroad is about to embark on a new infrastructure investment plan, and Vice President of Engineering, Donald Arant, says the timing couldn't be better.

The investment plan, totaling $18.1 million, is primarily targeting the portion of the railroad corridor that runs between Greensboro and Raleigh. In 2017, the North Carolina Department of Transportation's Rail Division and NCRR partnered on the Piedmont Improvement Program, which resulted in double tracking the railroad from Greensboro to Charlotte as well as adding passing sidings and removing at-grade crossings at various locations between Greensboro and Raleigh.

The NCRR corridor is resilient and in sound condition, but we need to do more to be ready for the future. It's the best it's been in at least 60 years, and we are effectively meeting the needs of freight service along the line, but expected population increases and industrial activity in the future mean we must be prepared for growth while supporting both freight and passenger service on the railroad.

- **DONALD ARANT**, NCRR VP of Engineering

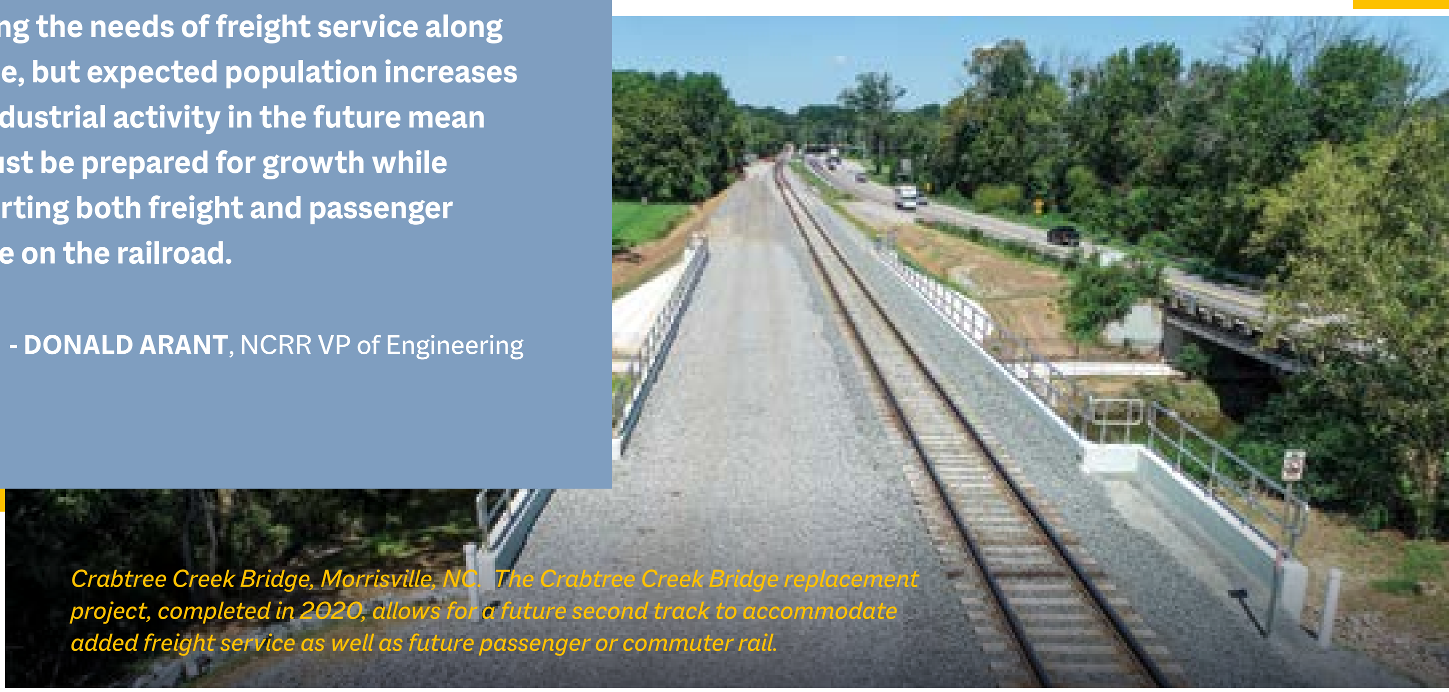
The new investment plan proposed by NCRR will provide more operational capacity between Greensboro and Raleigh, allowing opportunities for higher passenger train speeds and more predictable transit times. NCRR will partner with NCDOT's rail division on a study of the line between Raleigh and Greensboro. Together, they will identify a priority list of specific infrastructure improvements that will help increase train speeds and reduce overall travel time while increasing capacity on the line.

NCRR has already identified two projects it plans to initiate in 2021. The first is a curve straightening project in Hillsborough which will allow a speed increase for passenger trains from 45 to 65 miles-per-hour. The curve improvement will also increase sight distance for train crews, enhancing safety. The second project involves extending a second main track from Morrisville, east toward Cary — a carefully targeted improvement spanning up to six miles that will enable two trains to pass each other without having to stop.

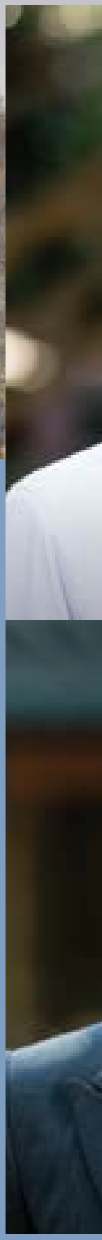
"As we continue to see increased needs for travel connectivity options, this is the right time to begin these projects," says Arant.

The study in collaboration with NCDOT's Rail Division will be complete in 2021. The other projects will be initiated this year with construction at least two to three years out given the scale of the projects.

"All of these projects require significant collaboration," says Arant. "We are looking forward to working with NCDOT and Norfolk Southern as we make significant improvements that decrease travel times, improve capacity opportunities and enhance safety on a key route for both freight and passenger service."



Crabtree Creek Bridge, Morrisville, NC. The Crabtree Creek Bridge replacement project, completed in 2020, allows for a future second track to accommodate added freight service as well as future passenger or commuter rail.



We really are transitioning this company to a culture of excellence where we keep raising the bar, we keep challenging ourselves, and we keep asking ourselves what more we can learn and accomplish. The NCRR staff delivers a valuable combination of expertise and a desire to exceed expectations. I'm thrilled with our new team members and the diverse set of experiences and perspectives they are contributing to help the company achieve its goals and keep moving forward.

- **CARL WARREN**, President and CEO, NCRR

STAFF & LEADERSHIP UPDATES

THE NORTH CAROLINA RAILROAD COMPANY WELCOMED TWO NEW MEMBERS TO ITS BOARD OF DIRECTORS.

MICHAEL S. FOX was appointed to the North Carolina Railroad Company Board of Directors by Governor Roy Cooper. Fox is fulfilling the remainder of the unexpired term previously held by Nina Schlosberg-Landis. Fox, a Greensboro resident, is a partner at Tuggle Duggins, P.A., and is currently Chairman of the North Carolina Board of Transportation.

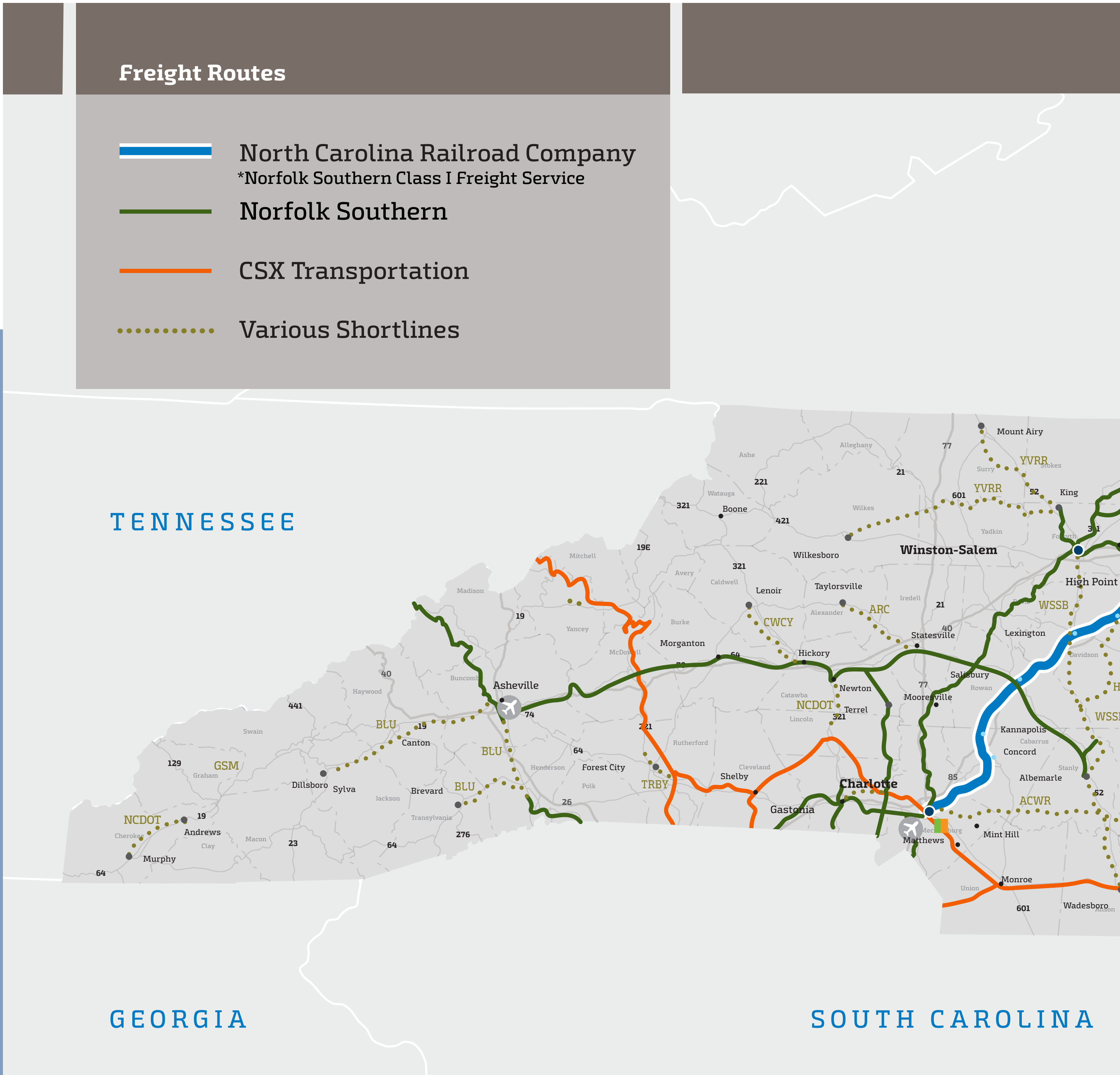
JORDAN WHICHARD is representing the North Carolina Department of Commerce on the NCRR Board of Directors and was designated by Commerce Secretary, Machelle Sanders. Whichard is Chief Deputy Secretary at the Department of Commerce. Whichard is a resident of Raleigh and previously served as Director of Intergovernmental Affairs for Governor Roy Cooper.

NEW FACES AND NEW POSITIONS ENABLE NCRR TO WORK TOWARD VISION

2020 and early 2021 brought new staff members to NCRR as well as some restructuring to better align the Company to meet key goals.

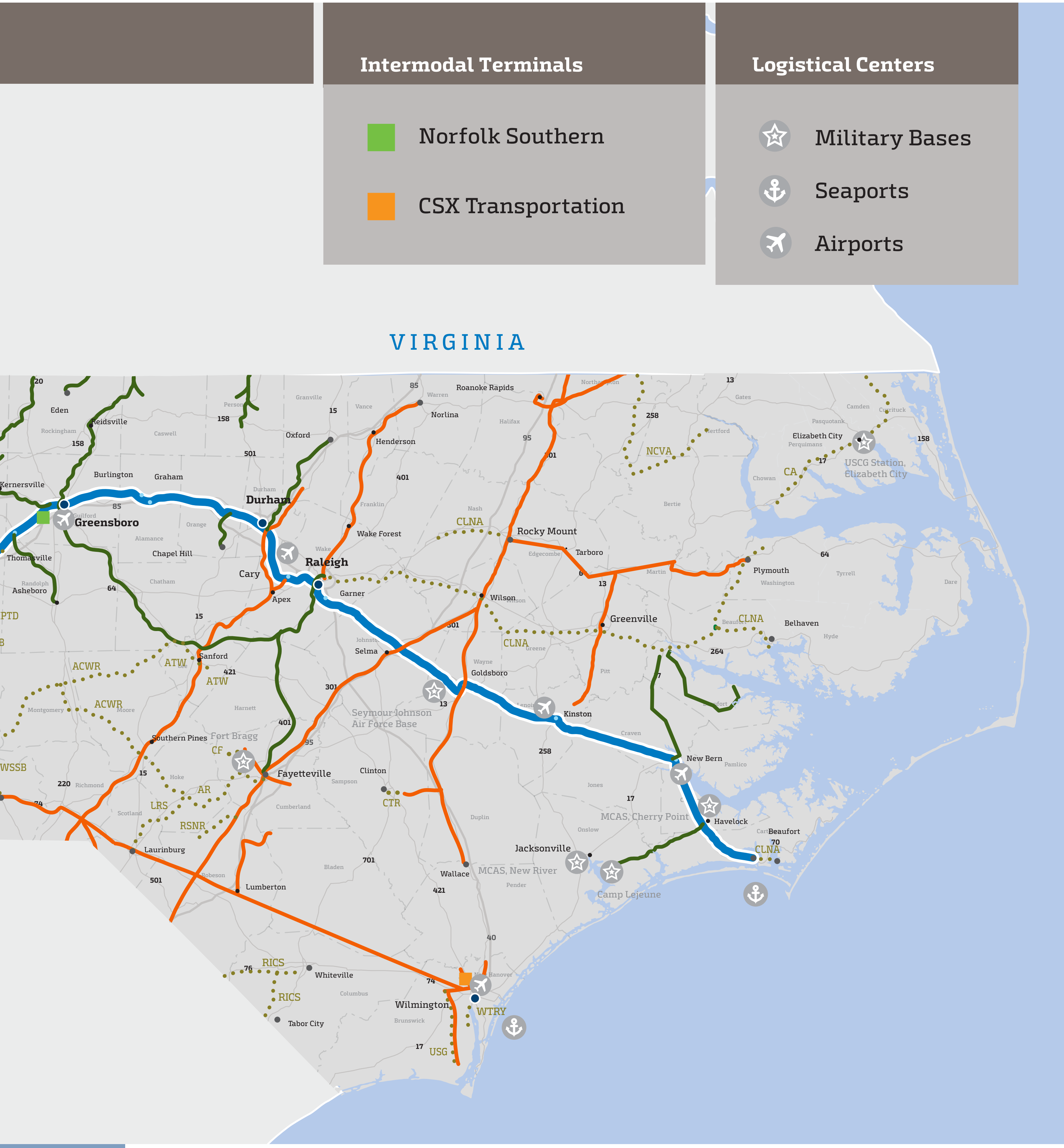
The North Carolina Railroad Company (NCRR) welcomed **EDWARD WU** as the new Director of Engineering, **TERESA STERLING** as the new Controller, **SUSAN WISNIEWSKI** as the new Accounting Manager, **JAMAR NIXON** as the new Real Estate Representative, and **ABBEY THAYER** as the new Real Estate Project Coordinator.

Longtime employee **CATHERINE KNUDSON** was promoted to Director of Planning and Information Management, a leadership role involving strategic plan development and implementation as well as records and information management, which includes the Department of Archives and Geographic Information Systems.



NORTH CAROLINA RAILROAD COMPANY

CORRIDOR MAP



Intermodal Terminals
Norfolk Southern
CSX Transportation
Logistical Centers
Military Bases
Seaports
Airports
VIRGINIA
Roanoke Rapids
Norlina
Henderson
Oxford
Eden
Reidsville
Burlington
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Kernersville
Greensboro
Thomasville
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Chapel Hill
Cary
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Raleigh
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Selma
Goldsboro
Seymour Johnson Air Force Base
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MCAS, New River
Camp Lejeune
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Fort Bragg
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Lumberton
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CEO, Goldsboro Milling Company

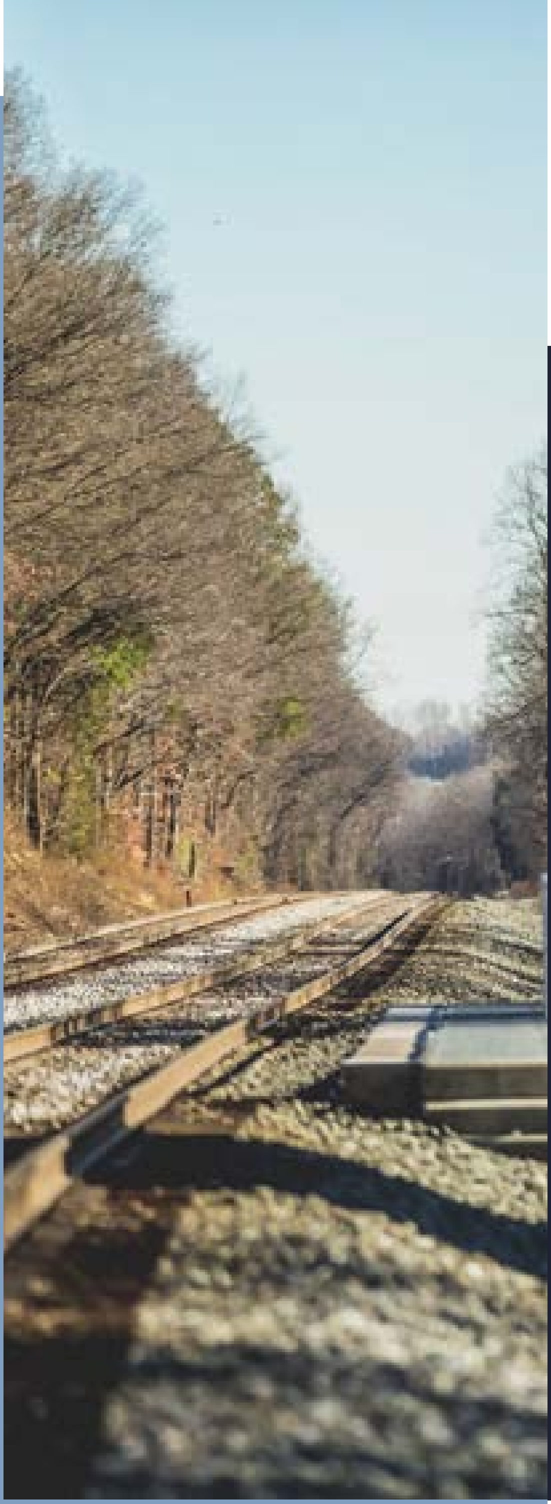
GEORGE ROUNTREE III
Wilmington
Attorney & Special Counsel Rountree Losee, LLP

FRANKLIN ROUSE
Leland
President, Rouse Insurance Agency, Inc.

MICHAEL WALTERS
Fairmont
President, Claybourn Walters Logging Co., Inc.

JORDAN WHICHARD
Raleigh
Chief Deputy Secretary, North Carolina Department of Commerce

NCRR MANAGEMENT



PRESIDENT

CARL WARREN, President & CEO

GENERAL COUNSEL

ROBERT DOBRONSKI, General Counsel

ACCOUNTING AND FINANCE

MICHELLE JENG, CFO

TERESA STERLING, Controller

NANCY D. PICKETT, Office Manager

SUSAN WISNIEWSKI, Accounting Manager

DAVINA KILLINGSWORTH, Administrative Assistant

CORPORATE COMMUNICATIONS

MEGEN HOENK, Director of Corporate Communications

PLANNING & INFORMATION MANAGEMENT

CATHERINE KNUDSON, Director of Planning & Information Management

KRISTIAN FORSLIN, **GISP**, **PLS**, GIS and Survey Manager

HILARY KANUPP, C.A., Archivist

MONIQUE BOOKER, Administrative Assistant

ENGINEERING

DONALD H. ARANT, **P.E.**, Vice President, Engineering

JUSTIN MADIGAN, Infrastructure Manager

EDWARD WU, Director of Engineering

ECONOMIC DEVELOPMENT

ANNA LEA MOORE, Vice President, Economic Development

EMILY COX, Strategic & Economic Development Projects Manager

CONNOR CHRISTENSEN, Economic Development Coordinator

PROPERTY DEPARTMENT

AMY SANDIDGE, Corridor Manager

TAELOR FIELDS, Facilities Manager

JAMAR NIXON, Real Estate Representative

ABBEY THAYER, Real Estate Project Coordinator

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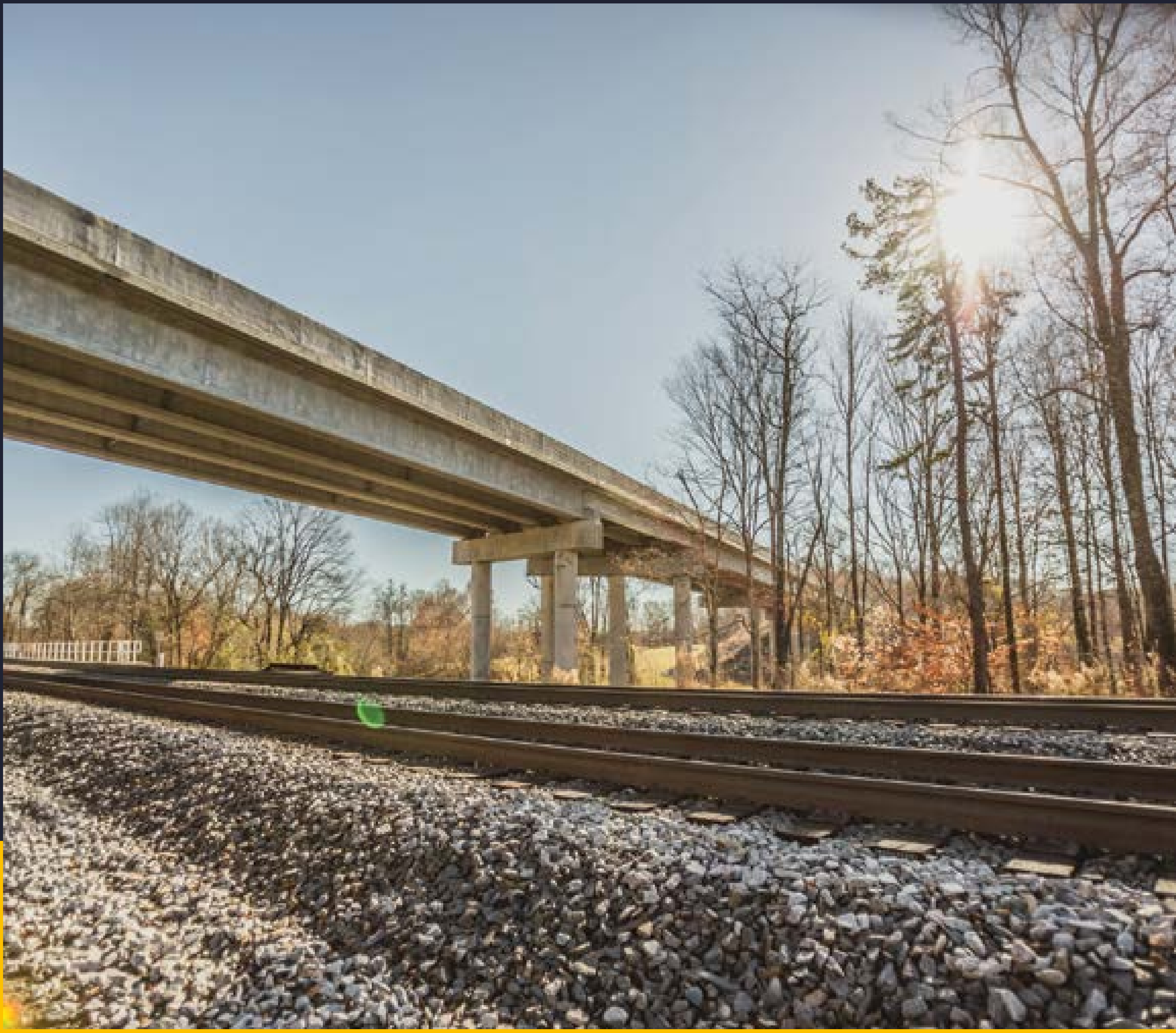

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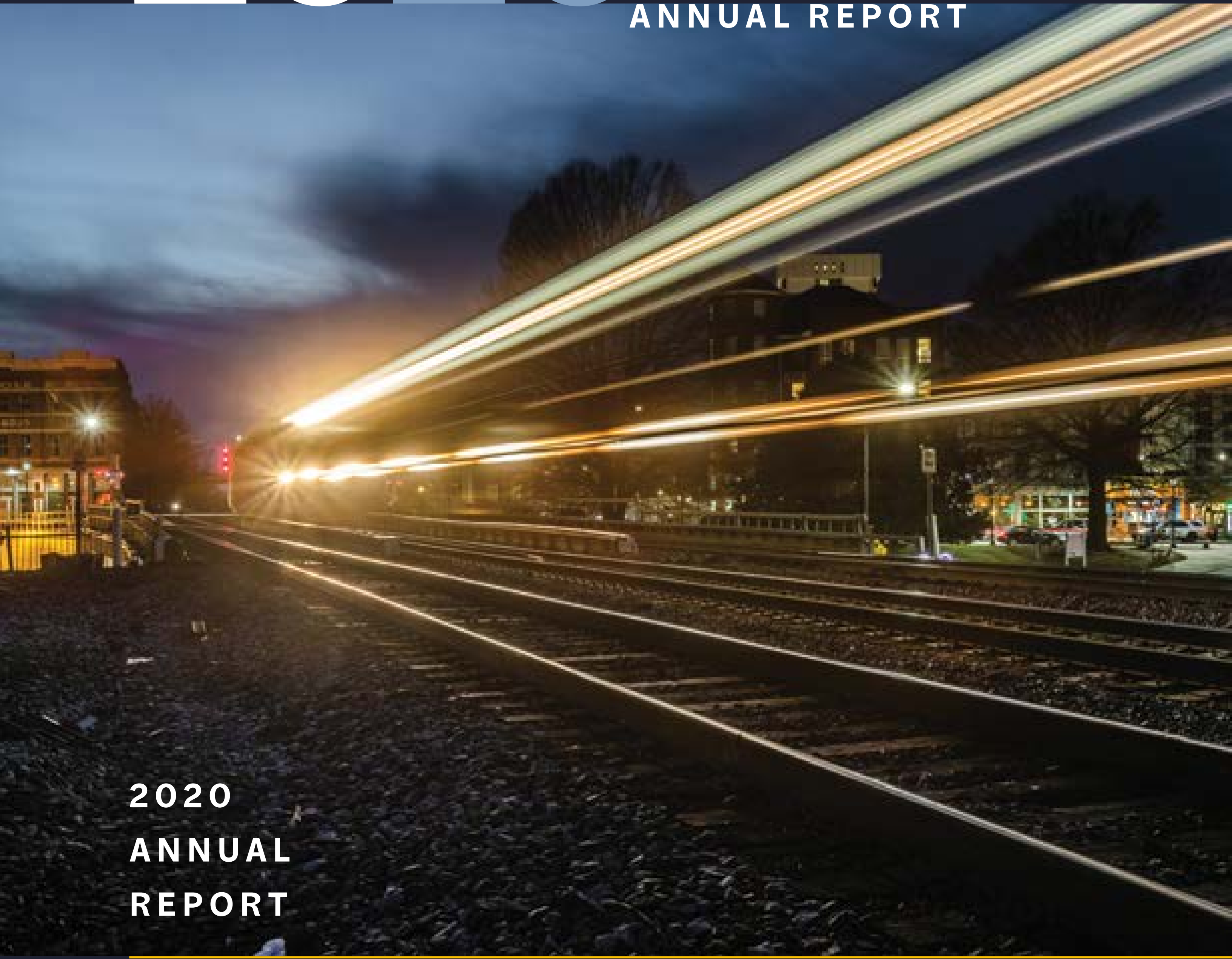

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