

Project Copper

Valuation Overview

June 2023

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Current Lease vs Endowment Annual Cash Flows

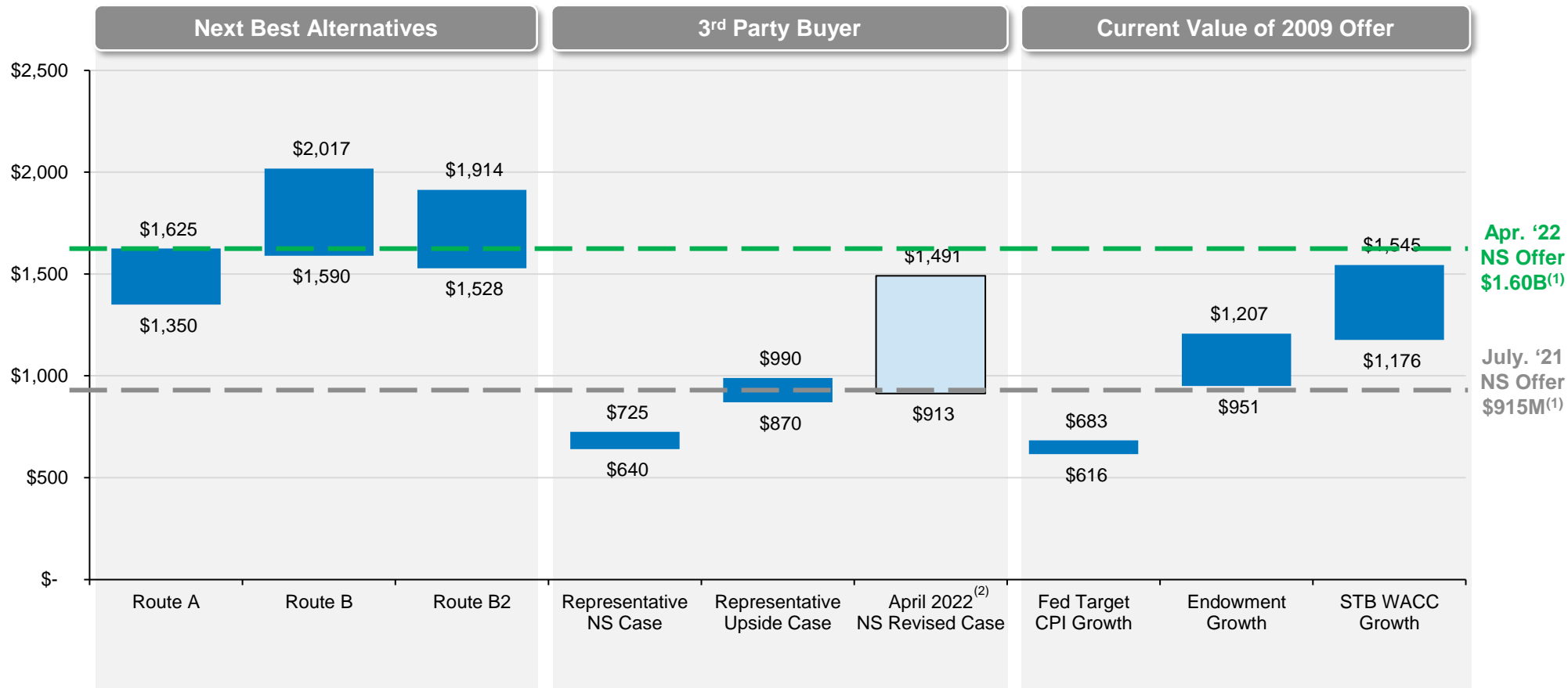
Valuation Review

(\$ in millions)

Preliminary Valuation Perspectives

- The chart below outlines several valuation approaches including:
 - Next-Best Alternative Route option A, option B, option B2
 - Third Party Buyer Valuation
 - Current Value of NS' 2009 offer based on various growth rates

Valuation Analysis Comparison

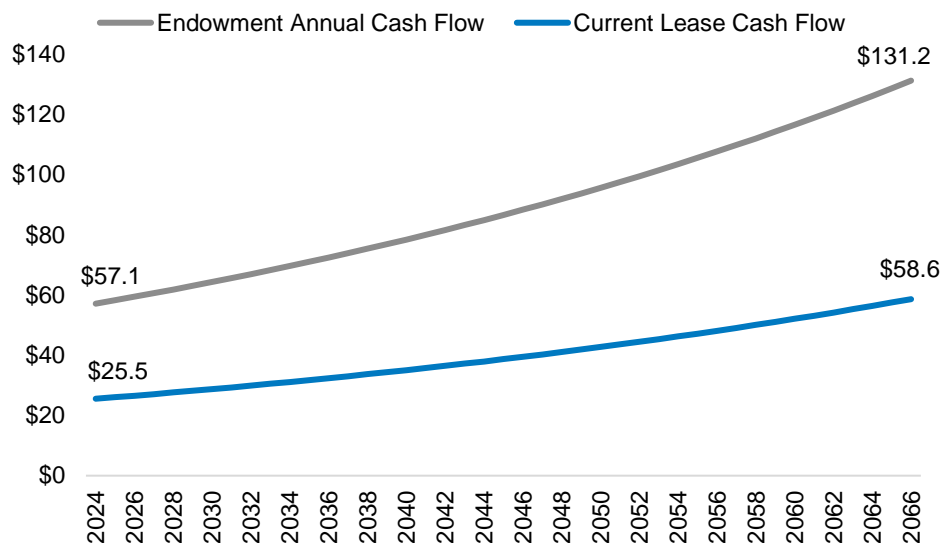


2 Note(s):
 1. Assumes additional \$50M transaction incentive.
 2. Represents valuation range presented on page 6 of Norfolk Southern's April 2022 valuation presentation.

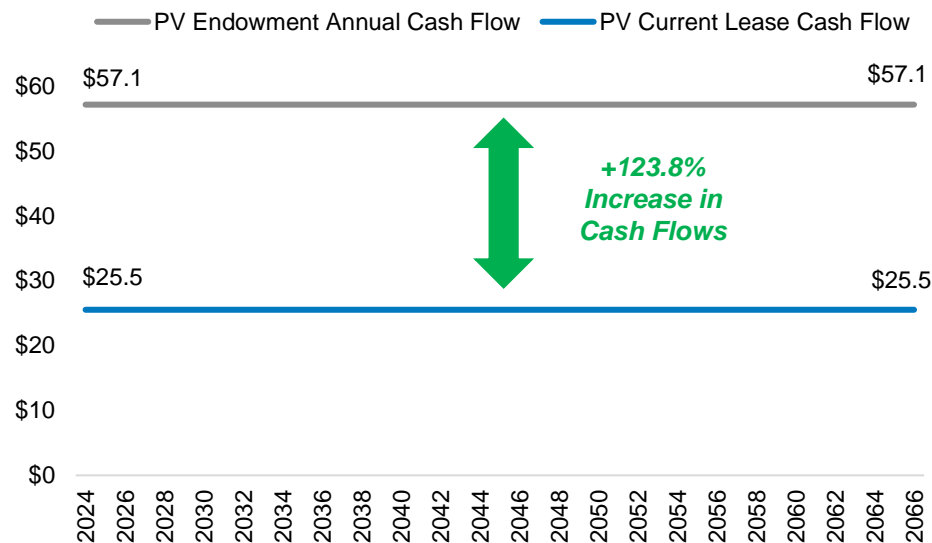
Current Lease vs Endowment Annual Cash Flows

(\$ in millions)

Nominal Cash Flows Over Time



Real Cash Flows Over Time in 2024 Dollars⁽¹⁾



Summary Explanation

- According to the Marquette Associates, the city should expect to earn 5.5% in nominal terms and 3.5% in real terms on the principal balance of **\$1.60B** over the long term⁽⁴⁾. This generates an implied perpetual nominal cash flow of \$89.8M and a perpetual real cash flow of **\$57.1M** in constant 2024 dollars.
- The Endowment's expected real cash flow on close represents a **~124%** increase from the current lease and a **~62%** increase from NS's proposed revised lease.

(\$ in millions)	2022	2023	2024	2025	2026	2027
Inflation ⁽²⁾	3.0%	4.0%	2.0%	2.0%	2.0%	2.0%
Current Lease	\$24.1	\$25.0	\$25.5	\$26.0	\$26.6	\$27.1
NS Proposed Revised Lease			\$35.2	\$35.9	\$36.6	\$37.3
Sale and "Endowment" ⁽³⁾		\$56.0	\$57.1	\$59.1	\$61.2	\$63.3

Note(s):
 1. Projection estimates assumes 2024 close and long term inflation of 2.0%.
 2. Estimate.
 3. Assumes 5.5% annual net return and 2.0% inflation, generating 3.5% real return.
 4. Per "Portfolio B" as presented in the Marquette Associates memo dated May 2, 2022.

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