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CSR Proposal Review: Confidential

April 2022

Norfolk Southern

Proposal Summary

This document is intended to provide support for the valuation of both the lease and purchase offers

- Lease: NS is proposing a lease valuation in 2023 dollars of \$35.16 million based on our appraisal of the property, a strategic corridor factor, and an annual lease percentage.
- Purchase: NS has done extensive valuation work on the line based on the value that a prospective infrastructure fund would pay for the property. Depending on key assumptions, we believe that an infra fund would purchase the line for \$913 million to \$1.49 billion. Our proposed purchase price all in is \$1.6 billion.

Proposal Summary - Lease

NS Calculation of Lease Price

- NS land appraisal - CNO&TP: \$146.5 million
 - Approximately 7,500 acres
 - Average price per acre: \$19,533
- Corridor Factor: 3.0
- Land * Corridor Factor: \$439,500,000
- Annual Lease %: 8%
- Annual Lease: \$35,160,000

Two purchase scenarios



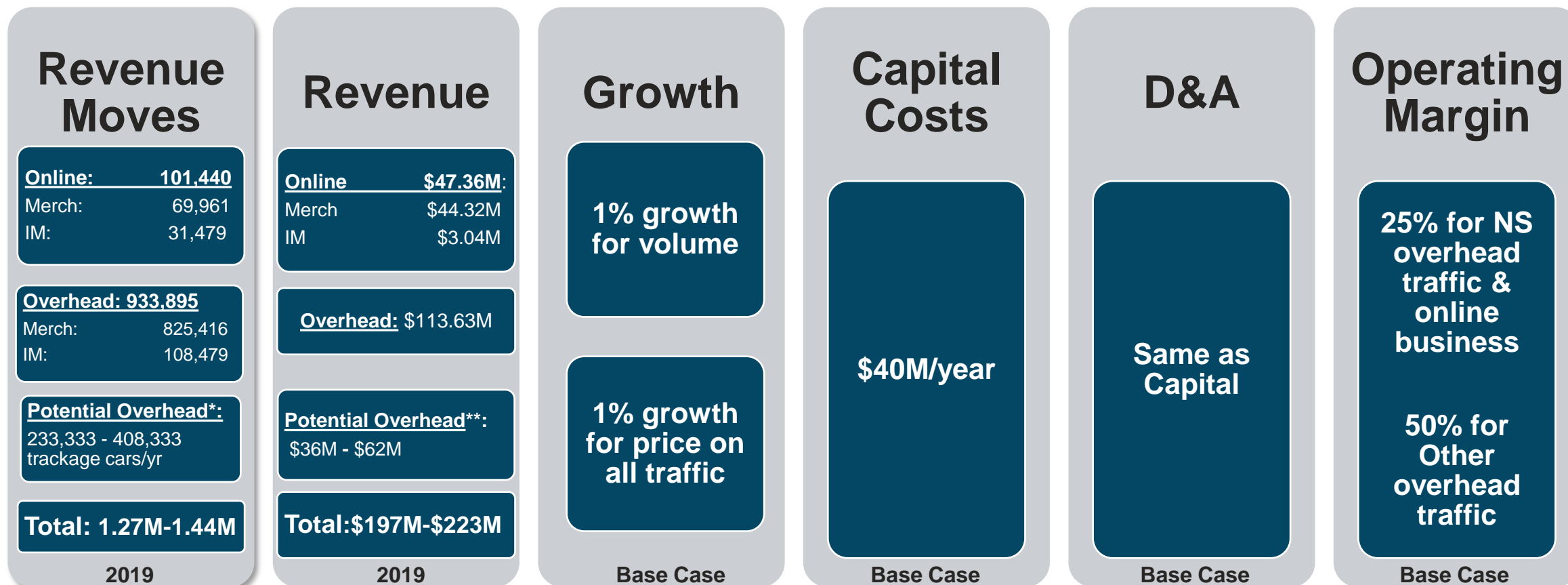
#1: Buyer enters into agreement with NS for overhead traffic

- Captures through-freight revenue
- ~84% of revenue moves are through-freight
- Assumes standard trackage rights fees / car mile
- Maintenance standards consistent with current NS
- Includes purchase of assets, not owned by CSR, from NS

#2: Buyer does not enter into agreement with NS for overhead traffic

- Land purchase
- Includes only assets that NS relinquishes to CSR at the end of lease
- ~16% of current revenue moves in base case starts/stops online

Proposal Summary – Purchase: Core Valuation Assumptions



* Range reflects 1-4 new train pairs of overhead trackage rights revenue

** Range reflects revenue of 1-4 new overhead trackage train pairs using industry standard rate

Proposal Summary - Purchase

Based on our assumptions, NS calculates a 3rd party purchase price of \$913mm to \$1.491B

- Growth rates range from 1% to 2%
- CSX freight ranges from 2 to 8 trains per day
- EBITDA ranges from 25% to 40% of revenue
- Target IRR is 10% to 13%
- Assumes that STB will provide NS with favorable sale conditions

Proposal Summary - Purchase

Key considerations associated with an outside party purchase of the CSR line

- We believe that a third-party transaction would not be completed until 2027 or 2028
- Any purchaser of the CSR line would be required to purchase NS assets to which CSR is not entitled.
- Any purchaser of the CSR line would be required to purchase locomotives and rolling stock to support the local on-line freight
- Any purchaser of the CSR line would be required to reach agreement with NS on local and overhead traffic in order to maximize the value of the transaction.
- Any transaction requires STB approval.

Purchase Proposal Summary: Incremental Cash Value to CSR

Assuming a 1.7% annual Increase, CSR could earn over \$130 million more in cash between 2023 and 2026 with a sale of the line (\$232,911 - \$99,232)

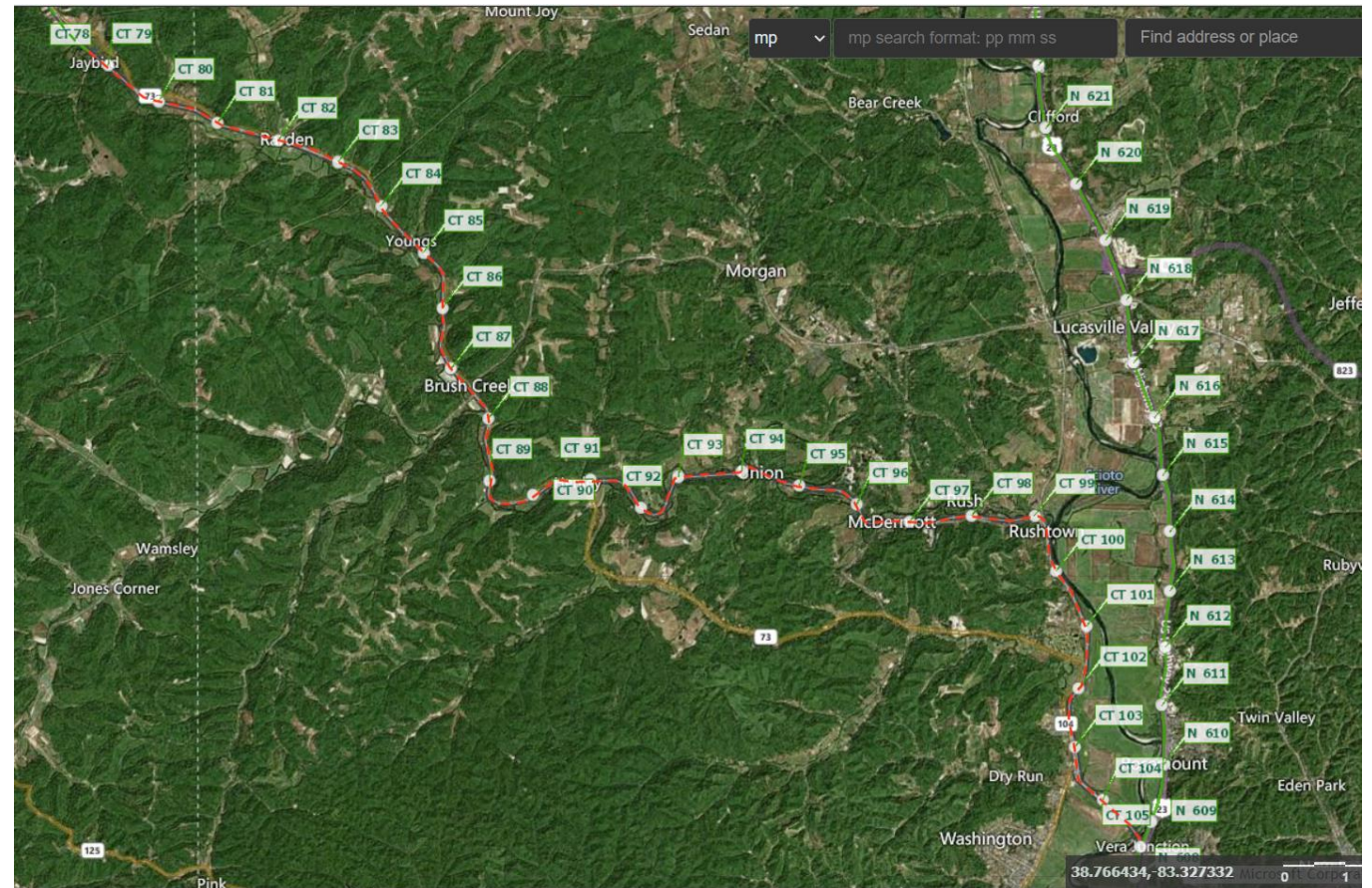
<i>\$ in 000</i>	2023	2024	2025	2026	TOTAL
Current Lease	\$ 24,184	\$ 24,595	\$ 25,014	\$ 25,439	\$ 99,232
Purchase Basis (\$1.55B)	\$ 1,550,000	\$ 1,576,350	\$ 1,603,148	\$ 1,630,401	
2023 Lease	\$ 24,184				\$ 24,184
Transaction Fee	\$ 50,000				\$ 50,000
Interest (3.3%)		\$ 52,020	\$ 52,904	\$ 53,803	\$ 158,727
				TOTAL	\$ 232,911

Assumes line sale would close in January 2024

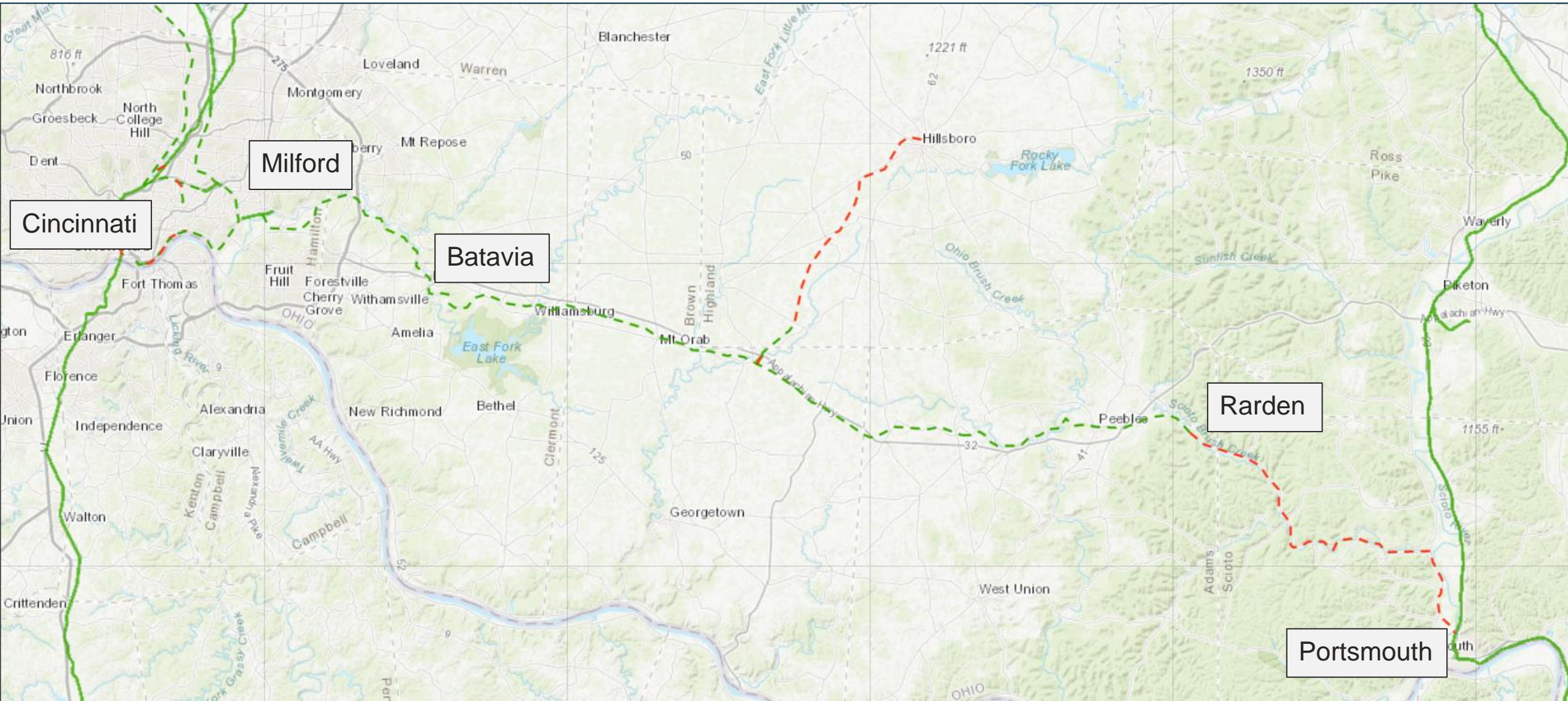
Proposal Summary: Peavine Donation

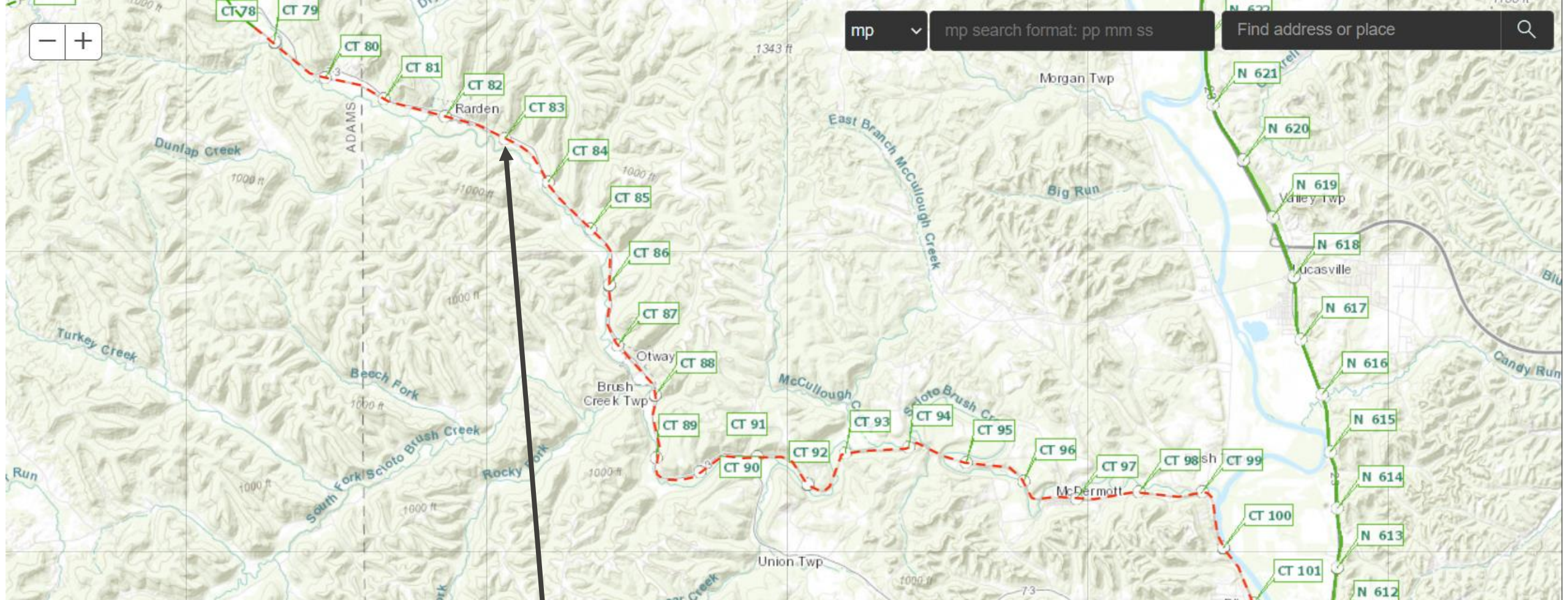
East End of the Peavine

- *If and when a purchase and sale transaction is completed, NS will donate the East end of the Peavine line running between Cincinnati, OH and Portsmouth, OH to the State of Ohio or its designee for use as a recreational trail or other purpose as it sees fit.*
- Donated portion of the Peavine covers approximately 20 miles.
 - Estimated 50 to 75 acres.
- Donation of this property would effectively restrict NS' ability to ever use this as a through route in the future.
- *NS will only guarantee this provision if purchase takes place by 2028.*



The Peavine Line runs from Cincinnati through Milford and Batavia to Portsmouth, OH





The segment to be conveyed upon completion of a sale of the CSR line would run roughly from milepost (MP) CT 83 near Rarden to at least MP CT 103 past Rushtown. NS would consider conveying the remainder of the line to MP CT 105 if (1) the State is willing to take ownership of the bridge over the Scioto River and (2) the connection to NS' mainline in Portsmouth is grade-separated.

NS does not warrant access to the line from any adjacent property holders.



Proposal Summary: STB

Surface Transportation Board (STB) Process Discussion

Lease: Two courses available

- NS could file a Notice of Exemption with the STB to extend and modify the lease. This is a 30-day process but is only available if the changes to the lease involve purely an extension of time.
- Another option is to proceed as a Minor transaction, as described below.

Purchase

- Transaction will require approval of the STB.
- NS will file this as a “Minor” transaction as it does not impact the competitive landscape (no 2 to 1 customer impacts, no loss of competition, etc.).
 - A minor transaction is a 210-day proceeding.
- The timing of the proceeding will be a joint decision of the Trustees and NS.