

iNShort



Volume 1, 4th Quarter, March 19, 2012



Mark your Calendar

The 2012 Norfolk Southern Short Line Meeting will be held July 18 -20, 2012 at the Hotel Roanoke and Conference Center. Per suggestions received on our follow-up survey from 2011, we are making several changes to our agenda. On Wednesday morning, we will host our annual golf outing, providing tours of the O. Winston Link museum and the Virginia Museum of Transportation, as well as the new Thoroughbred Bulk Transfer facility in Roanoke and the NS-Roanoke Valley Resource Authority waste transfer facility. The trade show, held on Thursday evening, will be extended to 1-1/2 hours. In addition, more breakout meetings will be offered on both Thursday afternoon and Friday morning.

NS to offer HazMat Training

Norfolk Southern is pleased to announce that we are providing 10 slots for classes at the Association of American Railroads Transportation Technology Center's Security & Emergency Response Training Center at Pueblo, Colo. The class dates are May 7 - 10 and May 14 - 17, 2012 and will have five slots per session available. The course title is "Advanced Rail Car Specialist" and contents will include incident command, US DOT hazard classes, DECIDE (an incident management tool), site assessment, product/chemical information research, rail car markings, general service tank cars, pressure tank cars (construction, valves, fittings, etc.), intermodal tanks, vent and burn, flaring, transporting radioactive materials, monitoring equipment, to name just a few of the classes. This class will also include responding to both daytime and nighttime derailments where students will be required to respond and mitigate whatever problems they are presented by the instructional staff. Norfolk Southern will cover the cost of the class. Attendees will be responsible for all travel expenses, hotel accommodations and meals.

If you would like to attend one of these sessions, contact Lynne Siemon at (540) 524-6057 or via email to lynne.siemon@nscorp.com.

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Southern has been a key partner in the growth of Regional Rail, as ESPN, MNJ, and TYBR are all handling line partners with NS, and Conshohocken Recycling and Rail Transfer is an NS-served shipper.



Short Line of the Quarter

Regional Rail LLC

Regional Rail LLC was formed in April 2007 to acquire and operate short line railroads and rail related businesses. Regional Rail subsequently purchased the East Penn Railroad LLC in August 2007, followed by the purchase of the Middletown & New Jersey Railroad LLC in April 2009, the Tyburn Railroad LLC in September 2011, and will soon complete the acquisition of Conshohocken Recycling and Rail Transfer LLC.

Regional Rail works to significantly grow its business through aggressive marketing, investment in equipment and facilities, and through acquisition of additional rail lines or rail related businesses. Since its formation in 2007, Regional Rail has been able to grow its annual revenues by almost 300 percent, from \$3.5 million to \$9.8 million. Norfolk



In addition, Regional Rail subsidiary MNJ expanded its operations in Orange County, N.Y. significantly through the lease and operation of the NS's Campbell Hall Cluster, and most recently, ESPN has entered into a long term lease to operate NS' North York Industrial Track located in York, Pa. Regional Rail is headquartered in Kennett Square, Pa., inside the historic rail station located along the ESPN's Octoraro line.

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The East Penn Railroad

East Penn Railroad LLC was formed through the merger of East Penn Railways and Penn Eastern Rail Lines, and ESPN was the first acquisition for Regional Rail LLC in August 2007. ESPN operates 114 miles of track throughout southeastern Pennsylvania and northern Delaware, and operates a fleet of 15 locomotives. ESPN is somewhat unique in that it operates 10 different line segments, only 2 of which connect to each other. Each of these mini short lines has its own locomotive(s), and ESPN crews drive between the line segments to provide service. Each ESPN crew typically serves two or three different rail lines on any given day. ESPN also has a talented and well equipped track maintenance team, which handles virtually all maintenance and capital programs on ESPN, as well as MNJ and TYBR. In addition, ESPN maintenance forces also provide contract services for new track construction, as well as existing track repairs and upgrades.

ESPN serves a broad geographic area, and has a diverse customer base. Commodities handled include steel, scrap metal, paper, ethanol, biodiesel, food products, aggregates, grains, propane, lumber, and many other commodities, as well as loaded and empty railcar storage. Despite an unfavorable economy, and the absence of Marcellus Shale related opportunities in ESPN's service area, ESPN has been able to increase its carload business from approximately 5,000 carloads per year in 2007 to 6,800 carloads per year in 2010 - an increase of 35 percent over a three-year period.



To foster and accommodate this growth, ESPN has invested heavily in track upgrades, track construction, new facilities, and new equipment. Since 2007, ESPN has placed 4.5 miles of out of service track back into service to accommodate new business, constructed a new switching yard on its

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Wilmington & Northern line at Pocopson, Pa., and invested millions in ties, surfacing, rail, and bridges to upgrade its track infrastructure.

ESPN has also partnered with the Kenan Advantage Group to reconfigure its Avondale, Pa. transload facility to handle liquid as well as dry bulk materials. In addition, ESPN has invested in additional locomotives to handle increased volumes, as well as to upgrade and replace older power. Recently, ESPN took delivery of two newly rebuilt GP-38-2's from GATX. These units have been assigned to the Octoraro/Wilmington Northern Lines to handle increased business in this area.



ESPN works closely with local partners to attract rail-centric industrial development projects to properties that are adjacent to ESPN rail lines. Although the economic

climate of the past few years has tempered demand for greenfield industrial development projects in ESPN's service area, ESPN's operations are located in an excellent area for distribution and manufacturing operations needing to reach the huge population areas of the mid-Atlantic region. ESPN has developed an extensive database of rail-served properties to accommodate virtually any industry, and has been instrumental in convincing an existing ESPN customer to develop a rail centric industrial park on 123 acres of surplus land in East Nottingham, Pa.



The Middletown & New Jersey Railroad

The Middletown & New Jersey Railroad LLC has been an independent short line railroad since it was constructed in 1867. When the MNJ was acquired by Regional Rail in 2009, it was a company that was on the verge of abandonment. Only about two miles of its seven miles of rail line were in service, and because of the prolonged illness of the long time owner, followed by a brief but tumultuous period of ownership by a company seeking to establish a waste-to-rail facility, the MNJ was down to one remaining

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customer, and handling only about 120 carloads per year. Immediately following the purchase, Regional Rail initiated work to restore service on the MNJ's five miles of out-of-service track to serve new customers. This involved extensive brush cutting, re-opening of road crossings that had been paved over by municipalities, and tie replacement. In addition, out-of-service yard tracks were cleared of dilapidated rail cars and other debris and placed back into service.

MNJ began to aggressively market its services to the business community of Orange County, most of whom were not even aware that there was a short line in the area. A key component of this marketing plan was the redevelopment of MNJ's property near Dolson Avenue in Middletown, N.Y. into a regional transload facility. This property had previously been leased by an MNJ customer, and operated as a fertilizer distribution center.



In the mid 1990's, the customer went bankrupt, and the facility burned and was

subsequently abandoned by the customer. Under Regional Rail, MNJ began to raze the remaining fire-damaged structures, rebuild the track serving the property, and use the concrete foundation of the former building as a boxcar unloading dock. Once this work was complete, MNJ began marketing its new transload capabilities, and within a short time had secured several new customers who were located off-rail, but wanted to take advantage of rail economics. MNJ's transload facility now handles dry fertilizers, soda ash, bulk food products, and fresh onions and potatoes in refrigerated cars. MNJ also has used this facility to secure a large movement of containerized contaminated soil from a nearby Superfund reclamation site.



MNJ has also made tremendous strides in improving its infrastructure. At the time of purchase by Regional Rail in 2009, MNJ's physical plant was in extremely poor condition, with predominantly 70- and 80-pound rail, badly deteriorated ties, and several significant bridge issues. MNJ was able to work with NYSDOT to utilize a

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rehabilitation grant that had been awarded to previous owners of MNJ but never used. Under this program, MNJ has been able to relay approximately 1.5 miles of railroad with 100-pound rail, install new ties and switches, and make necessary bridge repairs. Most of this work was performed by in-house forces from ESPN.

MNJ was able to expand its operations considerably with the lease of the Campbell Hall Cluster from NS in October 2010. This acquisition added 34 miles of rail line, plus approximately five miles of trackage rights on the Metro North Port Jervis line. These lines more than tripled the size of the MNJ and added a number of new customers who receive chemicals, paper, beer, potatoes & onions, lumber, and other commodities.



Like many northeastern railroads, the rail lines in Orange County, N.Y. incurred significant flood damage from Hurricane Irene. Metro North's Port Jervis line was severely damaged between Sloatsburg and Suffern, N.Y., which also severed MNJ's

connections with NS. In addition, the MNJ's Hudson Secondary, which also is utilized as a portion of the NYSW's main line between Binghamton and New Jersey, incurred a multitude of washouts in the area of Warwick, N.Y. With the assistance of NYSW and dedicated railroad contractors, MNJ was able to reopen this line within five days of the end of the storm, which also permitted MNJ to resume interchange with NS through a detour arrangement via NYSW.



The Tyburn Railroad

The Tyburn Railroad has been providing rail/truck transload and truck delivery services at its facility in Morrisville, Pa. (rail station – Fairless, Pa.) for more than 20 years. Previously, TYBR had leased a seven-acre portion of Conrail's former Tyburn yard property for these operations, but with Regional Rail's recent purchase of the Tyburn Railroad, Regional Rail simultaneously acquired from Conrail the seven acres that TYBR had previously leased, along with the additional seven acres

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that comprised the remainder of the former yard property. TYBR now owns all of the property used for its transload activities, and has significant room to grow.

TYBR's facility is strategically located in the I-95 corridor approximately 30 miles north of Philadelphia, and 40 miles south of Newark, N.J. The facility has excellent highway access and can handle a variety of liquid and dry bulk commodities, including hazardous materials. Current commodities handled include soda ash, minerals, oils and greases, salts, liquid and dry urea, scrap iron, bakery waste, and a variety of other chemicals.



TYBR provides an onsite truck scale, along with various conveyors, steam and hot water heating systems, product blending and testing capabilities, daily customer inventory reports, and onsite, on demand railcar switching services. Tyburn also owns and operates its own fleet of tractor trailers for both liquids and dry bulk materials, providing customers with the option of either turnkey delivery service or the ability to use third-party motor carriers.

Conshohocken Recycling and Rail Transfer

Conshohocken Recycling and Rail Transfer LLC operates a state-of-the-art construction and demolition debris transfer station on 12 acres northwest of Philadelphia in Conshohocken, Pa. This facility was formerly known as Conshohocken Rail and was a part of the vertically integrated Total Waste Logistics, which also owned landfills in Ohio. TWL entered bankruptcy in 2009, and Conshohocken Rail has been operating in receivership since mid 2010. An affiliate of Regional Rail purchased all of the outstanding debt of Conshohocken Rail and has formed Conshohocken Recycling and Rail Transfer to take over operation of the facility and bring it out of receivership.

CRRT's transfer facility is permitted to handle up to 2,000 tons per day of C&D material, and the facility has both inbound and outbound truck scales to expedite turn times for haulers delivering material to CRRT. In addition, CRRT owns a fleet of 80 high cube (6100 cu ft) gondolas for the movement of C&D to landfills in Ohio, and a trackmobile to provide onsite switching services for railcars between CRRT's storage and loading tracks.

CRRT is not a rail carrier, but as the only rail-served C&D transfer station in the Philadelphia area, CRRT is a significant

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customer of NS. NS serves this facility from Abrams Yard, and CRRT ships in excess of 700 carloads per year via NS.

markets through acquiring additional rail lines or short line companies.



Regional Rail expects to consummate the purchase of CRRT in the 1st quarter of 2012. Once the business is fully under Regional Rail's control, they intend to make an intensive effort to regain customers lost during the receivership and attract new customers who may have been reluctant to move their business through CRRT because of the receivership. With continued good service and competitive rates, both CRRT and NS have an excellent opportunity to increase market share and build volumes in the Philadelphia C&D market.

Regional Rail has enjoyed significant growth, despite the challenging economic climate of the past few years. The strategic plan of Regional Rail is to continue to grow its existing businesses while seeking additional opportunities to serve new customers and new

NS/Pan Am Host New England Short Line Symposium

On December 7 and 8, Norfolk Southern and Pan Am Railways hosted the First Annual New England Short Line Symposium. Representatives from thirteen short lines from across New England converged on Devens, Mass. to participate in the first of its kind event. NS and Pan Am marketing representatives held private, individual break-out sessions with each short line to discuss cooperative efforts for business opportunities. All participants agreed it was a very worthwhile event and concurred that a second annual symposium be held sometime this fall.

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