ANNUAL REPORT 2016

NORTH CAROLINA RAILROAD COMPANY

NORTH CAROLINA'S PARTNER

OUR MISSION:

Putting the North Carolina Railroad Company to work for the good of the people of North Carolina.

OUR VISION:

To improve our state by:

Enabling freight to grow business;

Expanding rail to move people;

Investing in North Carolina.

LETTER FROM THE CHAIRMAN

Franklin Rouse, Chairman
North Carolina Railroad Company
Board of Directors

In 2016, the North Carolina Railroad Company continued to honor the visionary history on which the Railroad was built, by making investments with an eye toward the future.

Numerous milestones and events made 2016 an exciting year for the North Carolina Railroad Company. Several rail infrastructure projects were completed and others initiated—some in partnership with Norfolk Southern, NCDOT and local communities—all with the purpose of positively impacting North Carolina's economic development through long-term capital investments.

The role freight rail infrastructure plays in recruiting new and expanding industry to North Carolina continues to be an important focus for the Company. Through *NCRR Invests*, we are working to establish a competitive advantage among rail-served businesses, creating jobs for North Carolina.

The Company also made investments in North Carolina's workforce, establishing an engineering scholarship endowment with the American Railway Engineering and Maintenance of Way Association (AREMA) Foundation, and scholarships through two of North Carolina's community colleges, creating the NCRR Global Logistics and Distribution Management Technology Scholarship.

We collaborate with the communities located along the 317-mile railroad line to ensure the corridor can continue to meet the needs of rail-served business and industry as well as the passenger trains that utilize a portion of our line.

Through our long-term trackage rights agreement with Norfolk Southern, a Class I freight rail operator, the North Carolina Railroad connects business and industry on our line to the rest of the country and the world, and we are excited about what the future holds for rail in North Carolina.

Franklin Rouse

Chairman,
North Carolina Railroad Company Board of Directors

NCRR INVESTS

NCRR Invests continued to build momentum in 2016 and into 2017. The goal of *NCRR Invests* is to enhance North Carolina's competitive advantage in recruiting rail-served business and industry. Through *NCRR Invests,* the North Carolina Railroad Company provides assistance to companies that take advantage of the state's freight rail opportunities and create jobs by locating or expanding their business in North Carolina. The goal of any NCRR investment is to drive job creation and economic growth.

Through *NCRR Invests*, the Company is investing $650,000 in the rehabilitation of an industrial lead track at Laurinburg-Maxton Airport Industrial Park in Scotland County. In January 2017, Mountaire Farms announced it will build a new a feed mill operation at the Park. Mountaire Farms will bring 65 jobs to the area and plans to invest nearly $44 million at the site over the next three years. The new company requires rail service as part of its expansion. The lead track connects to Class I freight rail service, and will provide opportunities for existing companies and future users located at the Park to ship via rail.

Other projects announced in early 2017 include a 180-job expansion by Clearwater Paper in Shelby. The North Carolina Railroad Company will invest up to $875,000 to construct a lead track, providing the company's new facility with access to the Class I freight rail service as well as opening up additional county-controlled site options for other future potential rail users.

Weitron, Inc., a manufacturer and distributor of refrigerant gases for automotive, residential and industrial air conditioning, and cold storage refrigeration applications, announced plans to build a new manufacturing and distribution facility in the Martin County Regional Business Park. The company plans to create 31 new jobs and invest up to $12.8 million over the next three years. The North Carolina Railroad Company committed to invest up to $467,000 to assist with the land preparation costs associated with the construction of a lead track into the county-owned industrial park. This new lead track opens up additional county-controlled site options for other future potential rail users, which Martin County plans to begin marketing immediately.

NCIC LEAD TRACK COMPLETE

In December 2016, representatives from Cambro Manufacturing, the North Carolina Railroad Company (NCRR), the Alamance Chamber of Commerce, as well as Alamance County and the City of Mebane, celebrated the completion of a lead track at the North Carolina Industrial Center (NCIC) and the first freight rail shipment received by the manufacturer of food service equipment.

In 2014, Cambro Manufacturing announced plans to open a new plant in Alamance County, creating 100 new jobs. The plant required a rail spur to deliver raw materials. The 317-mile North Carolina Railroad runs through Alamance County and Mebane, and offers Class I rail service via Norfolk Southern. The North Carolina Railroad Company constructed a lead track, which will serve multiple businesses within the industrial park, with the North Carolina Department of Transportation contributing to spur track construction costs.

INVESTING IN LARGE-SCALE INDUSTRIAL SITES

The Company was created for the purpose of economic development. Large-scale manufacturers rely heavily on rail, and the Company is committed to making strategic investments in the recruitment of a large-scale manufacturer to North Carolina. North Carolina is home to four megasites—industrial sites of 1,000 acres or more—the Moncure Megasite, the Chatham-Siler City Megasite, the Greensboro-Randolph Megasite and the Kingsboro Megasite. When these sites are considered by a business or industry for a transformational job growth opportunity, the North Carolina Railroad Company assists in investments related to freight rail infrastructure.

As part of the North Carolina Railroad Company's focus on rail-served economic development, in January 2016, the Company announced that it would assist in securing land for the Greensboro-Randolph Megasite, located near Liberty. The Company owns more than 900 acres in the 1,500-acre site. This investment along with investments by other partners comprising the Greensboro-Randolph Megasite Foundation—Randolph County, and City of Greensboro—will position North Carolina to be better prepared to compete with the most attractive sites in the southeast, increasing opportunities to recruit new and expanding business and industry to the state.

PARTNER IN PROGRESS AWARD

The North Carolina Railroad Company was named Randolph County Economic Development Corporation's 2016 Partner in Progress, receiving recognition for its efforts to recruit large-scale manufacturers to the state as well as its support of the Greensboro-Randolph Megasite.

(*left to right*: **Richard Wiley**, Senior Consultant—Economic Development; **Jim Nance**, NCRR Board of Directors; **Anna Lea Moore**, Vice President of Economic Development; **Scott Saylor**, President)

VISIONARY INFRASTRUCTURE INVESTMENTS

The North Carolina Railroad Company continues to make strategic investments in infrastructure along its 317-mile line. By the close of 2018, the Company will have invested $103 million to upgrade the line, ensuring the railroad will meet current and future capacity needs—keeping it competitive and maintaining a high-value asset for the future.

In 2016, design began for the Crabtree Creek Bridge replacement. The new bridge over Crabtree Creek in Morrisville will replace a nearly 100-year-old structure. The Company is partnering with the Town of Morrisville and will invest $6.9 million in the new bridge, which will allow for a second track to meet potential future freight and passenger rail capacity needs.

Crabtree Creek Bridge: Rendering of future railroad bridge over Crabtree Creek in Morrisville, NC.

The North Carolina Railroad line through downtown High Point runs through a deep cut with a number of bridges. The Company is partnering with the City of High Point and Norfolk Southern on slope improvements, which will significantly improve drainage along the line and control erosion. The total cost of the project is $5 million. NCRR is contributing $3 million to the project.

DOUBLE TRACK AND SAFETY PROJECTS

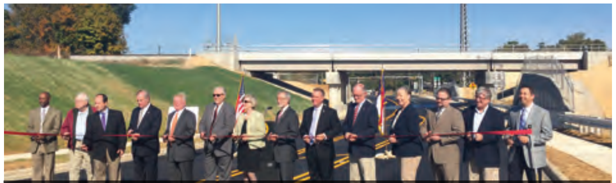
The North Carolina Railroad Company, NC Department of Transportation, Norfolk Southern, as well as state and community leadership celebrated several milestones in the **Piedmont Improvement Program** in 2016. The Program involves upgrades to portions of the North Carolina Railroad line to accommodate future increases in capacity related to passenger trains.

Progress continues on construction of the Sugar Creek Road overpass, which replaces an at-grade railroad crossing with an overhead bridge. Sugar Creek Road experiences the highest amount of traffic of any crossing on the North Carolina Railroad line. The total cost of the project is $43 million. NCRR is contributing $10 million to the project.

North Carolina Railroad Company President, Scott Saylor makes remarks at a construction viewing of the Sugar Creek Road bridge. (July 2016)

Sugar Creek Road Bridge: The bridge, currently under construction, replaces an at-grade railroad crossing with an overhead bridge of the main freight & passenger line at Sugar Creek Road in Charlotte — the highest-traffic railroad crossing on NCRR.

Double track at Turner Road in Davidson County



Representatives from the North Carolina Railroad Company, NCDOT, City of Salisbury and Rowan County participate in ribbon-cutting ceremony at Klumac Road in Salisbury. (October 2016)

NORTH CAROLINA MILITARY BASES RELY ON FREIGHT RAIL SERVICE

The North Carolina Railroad Company Board of Directors toured Marine Corps Air Station Cherry Point in August 2016. The Base receives shipments of coal and jet fuel via rail. Three of North Carolina's four major military installations, including MCAS Cherry Point and Marine Corps Base Camp Lejeune, are served via the North Carolina Railroad line.

(*above*: Marine Corps Air Station Cherry Point in Craven County receives jet fuel via rail tanker cars.)

(*left*: NCRR Board of Directors tours Marine Corps Air Station Cherry Point)

FREIGHT RAIL PARTNERSHIP IN NORTH CAROLINA

The North Carolina Railroad is a critical lifeline for freight rail service in North Carolina. Adjacent to the North Carolina Railroad Line in Linwood, NC, is Norfolk Southern's Spencer Yard. The 4.5-mile-long hump yard comprises 65 miles of track and is owned by Class I freight rail provider, Norfolk Southern. As trains arrive, the freight cars are "humped" or sorted based on their destinations, and then reassembled to continue their journey. Over an eight-hour period, hundreds of cars are classified and six trains are "built" by Norfolk Southern's trained operations staff. The yard is strategically located in the Piedmont area of North Carolina and considered a gateway to North Carolina's freight rail network.

Trains are sorted at Spencer Yard in Linwood, NC. (Davidson County)

INVESTING IN NORTH CAROLINA'S WORKFORCE

The North Carolina Railroad Company is strategically focused on infrastructure. However, the Company also understands the role that workforce plays in North Carolina's economic well-being.

In 2016, The North Carolina Railroad Company announced the establishment of a Global Logistics and Distribution Technology Management Scholarship. Rail-served manufacturers require a skilled workforce to meet their logistics and distribution management needs. The scholarship is awarded annually to a qualifying student enrolling in an Associate in Applied Science Degree program of study in Global Logistics and Distribution Management Technology at Davidson County and Lenoir County Community Colleges.

Additionally, the Company established a $50,000 endowed North Carolina Railroad Company Engineering Scholarship through the American Railway Engineering and Maintenance of Way Association (AREMA) Foundation. Through this scholarship, an aspiring engineer will receive the added assistance he or she needs to pursue his or her education at an accredited North Carolina college or university civil, mechanical, electrical or industrial engineering program of study.

AREMA EDUCATIONAL FOUNDATION

DCCC
THE COLLEGE OF DAVIDSON AND DAVIE COUNTIES

Lenoir Community College

PROGRESS IN MOTION RAIL FORUM

The North Carolina Railroad Company hosted its sixth Progress in Motion Rail Forum in 2016. The Forum gathered more than 250 freight, passenger rail and economic development professionals, engineers, government officials, planners and policymakers to discuss the rail industry and the role of rail infrastructure in economic development and job creation.

Nationally recognized rail industry analyst Tony Hatch, President of ABH Consulting, offered an overview of the current state of the rail industry. Gray Swoope, President of Vision First Advisors, a leading economic development consulting firm, shared insight on how North Carolina's economic development efforts stack up against other states. The Forum also featured a panel discussion, Moving People in North Carolina, moderated by Joe Milazzo, the Executive Director of the Triangle's Regional Transportation Alliance and featuring Paul Worley, Director of the North Carolina Department of Transportation Rail Division; Jeff Mann, General Manager of Go Triangle; and John Lewis, CEO of Charlotte Area Transportation System (CATS). The panelists discussed passenger rail at a statewide level, as well as the future of rail transit in North Carolina and their respective communities.

(*above*: NCRR Board of Directors Chairman, Franklin Rouse welcomes attendees to Rail Forum)

(*top right*: Nationally known economic development consultant Gray Swoope discusses how North Carolina compares to other states.)

(*bottom right*: More than 250 freight, passenger rail and economic development professionals, engineers, government officials and planners attended the 6th Progress in Motion Rail Forum.)

BOARD OF DIRECTORS AND MANAGEMENT TEAM

NCRR BOARD MEMBERS

Franklin Rouse
Chairman
Leland
President, Rouse Insurance Agency, Inc.

Robert Brown
Vice Chairman
High Point
CEO, B&C Associates

Jacob F. Alexander, III
Salisbury
Sales Director, Genan, Inc.

Roy E. Carroll
Greensboro
Founder, Chairman, & CEO, The Carroll Companies

Anthony M. Copeland
Raleigh
Secretary, NC Department of Commerce

Thomas Glasgow
Morehead City
Retired Vice President and CEO, Clancy and Theys Construction Company, Virginia Division

Jeffrey Goodman
Asheville
Chairman and CEO, Hedrick Industries

Fred Klein
Charlotte
Senior Managing Partner, Childress Klein Properties

James E. Nance
Albemarle
Managing Member, North State Acquisitions, LLC

John M. Pike
Goldsboro
CEO, Goldsboro Milling Company

George Rountree III
Wilmington
Attorney and Special Counsel, Rountree Losee, LLP

Douglas Stafford
Charlotte
Principal, Griffin Stafford Hospitality

Michael Walters
Fairmont
President, Claybourn Walters Logging Co., Inc.

MANAGEMENT TEAM

Scott M. Saylor
President

Daniel P. Halloran, CPA
Vice President and Chief Financial Officer

Charles E. Burnell, Jr.
Vice President, Real Estate

James K. Kessler, P.E.
Vice President, Engineering

Anna Lea Moore
Vice President, Economic Development

Patricia Alemparte Glass
Property Contracts Manager

Donald H. Arant, P.E.
Staff Engineer

Catherine Campbell Knudson
Planning Director

Cathy Deeley
Real Estate Representative

Melissa DeVita
Department Administrative Assistant

Kristian Forslin, GISP, PLS
GIS Coordinator

Megen Hoenk
Director of Corporate Communications

Hilary A. Kanupp, CA
Archivist

Cameron Kidd
Land Manager

Davina Killingsworth
Administrative Assistant

Justin Madigan
Infrastructure Manager & Information Technology

William C. Miller
Property Manager

Nancy D. Pickett
Office Manager

John L. Spencer
Director of Corridor Property

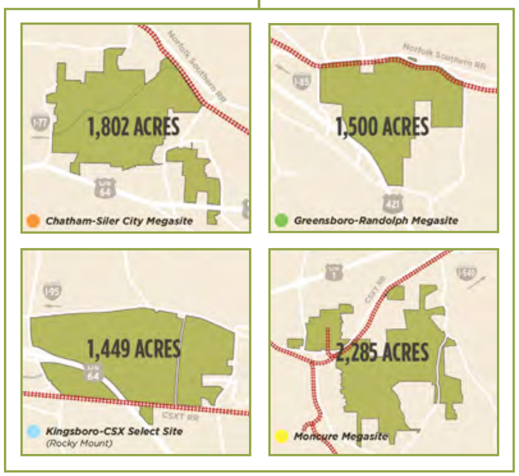
Richard L. Wiley
Senior Consultant for Economic Development

NORTH CAROLINA RAILROAD 2016 TIMELINE

THE NORTH CAROLINA RAILROAD is an asset like no other in the state. We have a rich heritage in North Carolina and NCRR is committed to continuing to invest in opportunities that lead to job growth. We work closely with local, regional and state government, and we partner with the economic development community. Our goal is to ensure North Carolina's rail infrastructure continues to be a catalyst in growing rail-served business and industry, resulting in new jobs for North Carolina's citizens.

INVESTING IN LARGE-SCALE INDUSTRIAL SITES

Strategic investments in large-scale industrial sites will position North Carolina to be better prepared to compete with the most attractive sites in the southeast, increasing opportunities to recruit new and expanding business and industry to the state.



INVESTING IN NORTH CAROLINA'S WORKFORCE

In 2016, the North Carolina Railroad Company announced the establishment of a Global Logistics and Distribution Management Scholarship in partnership with Lenoir Community College and Davidson County Community College. Additionally, the Company established an endowed North Carolina Railroad Company Engineering Scholarship through the American Railway Engineering and Maintenance of Way Association (AREMA) Foundation.

PROGRESS IN MOTION RAIL FORUM

The Forum gathered more than 250 freight, passenger rail and economic development professionals, engineers, government officials, planners and policymakers to discuss the rail industry and the role of rail infrastructure in economic development and job creation.

PARTNER IN PROGRESS AWARD

The North Carolina Railroad Company was named Randolph County Economic Development Corporation's 2016 Partner in Progress, receiving recognition for its efforts to recruit large-scale manufacturers to the state as well as its support of the Greensboro-Randolph Megasite.

VISIONARY INFRASTRUCTURE INVESTMENTS

The North Carolina Railroad Company continues to make strategic investments in infrastructure along its 317-mile line.

NC MILITARY BASES RELY ON FREIGHT RAIL SERVICE

The North Carolina Railroad Company Board of Directors toured Marine Corps Air Station Cherry Point in August 2016. The Base receives shipments of coal and jet fuel via rail. Three of North Carolina's four military installations, including MCAS Cherry Point are served by the North Carolina Railroad line.

NCRR INVESTS

NCRR Invests continued to build momentum in 2016 and into 2017. The goal of *NCRR Invests* is to enhance North Carolina's competitive advantage in recruiting rail-served business and industry. Through *NCRR Invests* the North Carolina Railroad Company provides assistance to companies that take advantage of the state's freight rail opportunities and create jobs by locating or expanding their business in North Carolina. The goal of any NCRR investment is to drive job creation and economic growth.

North Carolina Railroad Company

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

DIXON HUGHES GOODMAN LLP

Table of Contents

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Directors and Stockholder
North Carolina Railroad Company
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of North Carolina Railroad Company and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Railroad Company and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Raleigh, North Carolina
June 2, 2017

North Carolina Railroad Company
Consolidated Balance Sheets
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ **6,644,612**	$ 5,804,488
Due from escrow agent	**1,814,531**	-
Accounts receivable, net of allowance for doubtful accounts of $397,000 and $350,000 for 2016 and 2015	**85,761**	102,362
Prepaid expenses	**25,845**	19,498
Total current assets	**8,570,749**	5,926,348
Property and equipment:		
Roadway and land	**7,848,742**	7,848,742
Tracks, signals and bridges	**167,652,165**	141,548,125
Land	**19,434,303**	4,402,236
Buildings and improvements	**16,322,189**	16,396,347
Equipment and furniture	**2,662,531**	2,561,604
Construction in progress	**3,128,765**	3,578,952
	217,048,695	176,336,006
Less accumulated depreciation	**113,287,012**	102,838,984
Property and equipment, net	**103,761,683**	73,497,022
Other assets:		
Investments reserved for capital projects	**88,960,404**	82,450,682
Long-term receivables	**3,581,545**	4,573,674
Other	**28,726**	8,065
Total other assets	**92,570,675**	87,032,421
Total assets	$ **204,903,107**	$ 166,455,791

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company
Consolidated Balance Sheets
December 31, 2016 and 2015 **(Continued)**

		2016		2015
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**1,040,995**	$	1,542,949
Dividend payable		**3,848,466**		3,779,305
Current portion of unearned rent		**287,036**		262,623
Total current liabilities		**5,176,497**		5,584,877
Long-term liabilities:				
Other liabilities		**255,100**		202,745
Deferred tax liability		**928,000**		1,043,000
Unearned rent		**10,692,913**		10,874,545
Total long-term liabilities		**11,876,013**		12,120,290
Total liabilities		**17,052,510**		17,705,167
Stockholder's equity:				
Common stock, $0.50 par value; 10,000,000 shares authorized; 317 shares issued and outstanding		**159**		159
Additional paid-in capital		**230,389,267**		204,866,667
Accumulated deficit		**(44,215,560)**		(56,625,365)
Accumulated other comprehensive income:				
Unrealized gain on available-for-sale securities		**1,676,731**		509,163
Total stockholder's equity		**187,850,597**		148,750,624
Total liabilities and stockholder's equity	**$**	**204,903,107**	$	166,455,791

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Income:		
Lease of roadway and land	$ 15,393,865	$ 15,117,219
Other lease income	2,527,248	2,531,006
Total lease income	17,921,113	17,648,225
Expenses:		
Wages and benefits	2,491,360	2,009,007
Professional fees	835,205	574,238
Contracted services	1,153,258	1,186,891
Franchise and property taxes	537,318	437,961
Insurance	195,874	157,902
Reporting and public relations	293,602	189,186
Depreciation	10,522,184	10,111,387
Engineering, surveying and mapping	224,376	539,818
Property and corridor management	341,143	402,667
Bad debts	87,976	44,481
General and administrative	975,557	696,461
Economic development	68,413	535,100
Total expenses	17,726,266	16,885,099
Operating income	194,847	763,126
Other income (expense):		
Investment income, net of expenses	1,558,491	2,666,092
Gain on disposition of assets	13,741,286	181,856
Other income	901,802	853,756
Project contributions	-	(5,410,000)
Total other income (expense)	16,201,579	(1,708,296)
Income (loss) before income taxes	16,396,426	(945,170)
Income tax expense	138,155	98,442
Net income (loss)	$ 16,258,271	$ (1,043,612)
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	$ 831,267	$ (587,979)
Reclassification adjustments for unrealized holding gains (losses) included in net income	336,301	(798,708)
Other comprehensive income (loss)	1,167,568	(1,386,687)
Comprehensive income (loss)	$ 17,425,839	$ (2,430,299)

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company
Consolidated Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholder's Equity
Balance, December 31, 2014	$ 159	$ 199,001,857	$ (51,802,448)	$ 1,895,850	$ 149,095,418
Capital improvement contributions	-	5,864,810	-	-	5,864,810
Dividends	-	-	(3,779,305)	-	(3,779,305)
Net loss	-	-	(1,043,612)	(1,386,687)	(2,430,299)
Balance, December 31, 2015	159	204,866,667	(56,625,365)	509,163	148,750,624
Capital improvement contributions	-	25,522,600	-	-	25,522,600
Dividends	-	-	(3,848,466)	-	(3,848,466)
Net income	-	-	16,258,271	1,167,568	17,425,839
Balance, December 31, 2016	$ 159	$ 230,389,267	$ (44,215,560)	$ 1,676,731	$ 187,850,597

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Net income (loss)	$ 16,258,271	$ (1,043,612)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for bad debts	(87,976)	44,481
Depreciation	10,522,184	10,111,387
Deferred income tax benefit	(115,000)	(104,000)
Interest earned by investments reserved for capital projects	(1,603,831)	(2,674,044)
Gain on disposal of property and equipment	(13,741,286)	(181,856)
Changes in operating assets and liabilities:		
Accounts receivable	104,577	(93,845)
Long-term receivable	992,129	(978,142)
Prepaid expenses	(6,347)	6,320
Other assets	(20,661)	14,200
Accounts payable and accrued expenses	(996,616)	1,411,848
Unearned revenues	(181,632)	(150,455)
Other liabilities	52,355	35,907
Net cash provided by operating activities	11,176,167	6,398,189
Cash flows from investing activities:		
Purchase of property and equipment	(15,033,824)	(1,699,126)
Proceeds from sale of property	14,029,940	434,180
Due from escrow agent	(1,814,531)	-
Transfer of unrestricted cash and cash equivalents to investments reserved for capital projects	(16,300,000)	(6,000,000)
Transfers of investments reserved for capital projects to cash and cash equivalents for capital expenditures	12,561,677	5,461,247
Net cash used in investing activities	(6,556,738)	(1,803,699)
Cash flow from financing activities:		
Payment of dividend	(3,779,305)	(3,717,995)
Net cash used in financing activities	(3,779,305)	(3,717,995)
Net increase in cash and cash equivalents	840,124	876,495
Cash and cash equivalents at beginning of year	5,804,488	4,927,993
Cash and cash equivalents at end of year	$ 6,644,612	$ 5,804,488
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 229,509	$ 207,495
Supplemental schedule of noncash investing and financing activities:		
Additions to property and equipment contributed by the North Carolina Department of Transportation	$ 25,522,600	$ 5,864,810
Disposal of CIP to Economic Development Expense	$ -	$ 410,000
Property and equipment purchases in accounts payable	$ 519,075	$ -
Accrued dividends payable	$ 3,848,466	$ 3,779,305

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Business

The North Carolina Railroad Company and subsidiaries, a North Carolina company, (collectively referred to as the "Company"), owns approximately 317 miles of continuous railroad line extending from Charlotte, North Carolina to Morehead City, North Carolina. The Company's railroad facilities are operated by Norfolk Southern Railway Company ("NSR"). The State of North Carolina is the sole owner of all the common stock of the Company.

N.C. Railroad, Inc. ("NCRI"), a wholly owned subsidiary of the North Carolina Railroad Company ("NCRR"), was formed on December 15, 2006. NCRI conducts certain taxable activities, such as leasing of commercial real estate, while NCRR conducts all tax exempt activities, such as leasing of railroad facilities and corridor management.

North Carolina Lessee LLC ("NCRR Lessee"), a wholly owned subsidiary of NCRR, was formed on April 5, 2016. NCRR Lessee manages real estate properties to be used in future economic development projects of NCRR.

North Carolina Holdings I LLC and North Carolina Holdings II LLC (collectively "NCRR Holdings"), wholly owned subsidiaries of NCRR, were formed on April 5, 2016, for the purpose of acquiring real estate to be used in future economic development projects of NCRR.

2. Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of NCRR and its wholly owned subsidiaries, NCRI, NCRR Lessee, and NCRR Holdings. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

In preparing its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents include money market funds. Cash and cash equivalents that are restricted or designated by the Board of Directors for capital projects are reported as investments reserved for capital projects in the accompanying consolidated balance sheets. See Note 5.

At times, the Company places cash and cash equivalents and certificates of deposits with original maturities of three months or more with financial institutions in amounts that are in excess of Federal Deposit Insurance Company insurance limits. The Company has not experienced any losses in such accounts. The financial condition of financial institutions is periodically reassessed, and the Company believes the risk of any loss is minimal.

Accounts Receivable

Accounts receivable are uncollateralized obligations due under lease agreements. The Company provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and management's review of the current status of the existing receivables. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Company computes depreciation using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives (Years)
Buildings and building improvements	25
Bridges	25
Track and signals	10
Equipment and furniture	3 - 7

Values of the properties included in Roadway and Land approximate 1916 valuations by the Interstate Commerce Commission. These properties represent fully depreciated roadway or undepreciated land. The Company assesses long-lived assets for impairment whenever events or changes indicate that the carrying amount of the assets may not be recovered based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

Investments Reserved for Capital Projects

Investments reserved for capital projects consist of investments in marketable equity securities and debt securities. These investments are classified as available-for-sale and are reported at fair value, with changes in net unrealized gains and losses included in other comprehensive income, net of tax, if any. When securities are sold, gains and losses are determined using the specific identification method for all investments except mutual funds which are determined using the average cost method. Investments are classified as noncurrent due to the board designations of investments for capital improvements. The Company reviews securities when quoted market prices are less than cost to determine if the impairment is other than temporary. Declines in the fair value of individual securities below their cost that are other than temporary would result in write-downs of the individual securities to their fair value with such write down being included in earnings as realized losses.

Fair Values

The Company uses market data or assumptions that market participants would use in pricing assets and liabilities at fair value, and establishes a three-tier fair-value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include values based on quotes in active markets for identical assets (Level 1), values estimated based on other available market information including quoted market prices for similar assets in active and non-active markets and pricing models based on observable inputs (Level 2), and values based on management's estimates using various valuation methods (Level 3).

Revenue Recognition

Lease of Roadway and Land

Revenue received from property that is operated by NSR is reflected in the consolidated statements of income when earned in accordance with the Company's lease arrangements.

Other Lease Income

The Company leases certain property that is not operated by NSR. Revenue is reflected in the consolidated statements of operations when earned. The Company also collects license fee revenue which is recognized when earned. The Company defers recognition of contingent rentals until the requirements are met.

Advertising

The Company incurred $101,665 and $37,788 in advertising costs in 2016 and 2015, respectively.

Income Taxes

Pursuant to Section 11146 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005 (the "Act"), a substantial portion of the Company's income is exempt from federal and state income taxes. The activities that generate income which is not exempt from federal and state income taxes pursuant to the Act are conducted in NCRI.

Deferred tax assets and liabilities are recognized by NCRI for the estimated future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized.

Reclassifications

Certain reclassifications were made to the consolidated balance sheet for 2015 to conform to 2016 presentation. Total equity and net income are unchanged due to these reclassifications.

3. Investments Reserved for Capital Projects

The following is a summary of the securities portfolio by major classification included in investments reserved for capital projects at December 31, 2016 and 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016				
Available for Sale:				
Foreign debt instruments	**$ 1,739,613**	**$ 42,011**	**$ -**	**$ 1,781,624**
U.S. Government and federal agencies	**10,217,464**	**36,572**	**10,466**	**10,243,570**
Mortgage backed securities	**13,615,892**	**-**	**253,685**	**13,362,207**
Collateralized mortgage obligations	**17,251,810**	**456**	**221,363**	**17,030,903**
State and local governments	**4,601,915**	**-**	**66,544**	**4,535,371**
Corporate debt securities	**21,268,650**	**13,191**	**73,544**	**21,208,297**
Mutual funds	**16,191,391**	**2,210,103**	**-**	**18,401,494**
	$ 84,886,735	**$ 2,302,333**	**$ 625,602**	**$ 86,563,466**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Available for Sale:				
Foreign debt instruments	$ 1,421,698	$ 17,296	$ -	$ 1,438,994
U.S. Government and federal agencies	4,763,388	-	12,058	4,751,330
Mortgage backed securities	11,557,311	-	114,458	11,442,853
Collateralized mortgage obligations	16,346,845	-	108,383	16,238,462
State and local governments	5,511,823	-	75,139	5,436,684
Corporate debt securities	17,196,939	-	157,635	17,039,304
Mutual funds	13,002,863	959,540	-	13,962,403
	$ 69,800,867	$ 976,836	$ 467,673	$ 70,310,030

Available for sale securities are carried in the consolidated financial statements at fair value. For the year ended December 31, 2016, a net unrealized holding gain on available for sale securities in the amount of $1,167,568 has been included in accumulated other comprehensive income. For the year ended December 31, 2015, a net unrealized holding loss on available for sale securities in the amount of $1,386,687 has been included in accumulated other comprehensive income.

In addition to the investments disclosed above, investments reserved for capital projects includes cash and cash equivalents totaling $2,396,139 and $12,136,635 and accrued interest receivable totaling $799 and $4,017 at December 31, 2016 and 2015 respectively. Investment management fees, totaling $176,853 and $156,657, respectively, in 2016 and 2015, are netted against investment income.

The fair values of securities carried at fair value in the consolidated financial statements are determined as follows:

	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign debt instruments	**$ 1,781,624**	**$ -**	**$ 1,781,624**	**$ -**
U.S Government and federal agencies	**10,243,570**	**-**	**10,243,570**	**-**
Mortgage backed securities	**13,362,207**	**-**	**13,362,207**	**-**
Collateralized mortgage obligations	**17,030,903**	**-**	**17,030,903**	**-**
State and local governments	**4,535,371**	**-**	**4,535,371**	**-**
Corporate debt securities	**21,208,297**	**-**	**21,208,297**	**-**
Mutual funds	**18,401,494**	**18,401,494**	**-**	**-**
	$ 86,563,466	**$ 18,401,494**	**$ 68,161,972**	**$ -**

	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign debt instruments	$ 1,438,994	$ -	$ 1,438,994	$ -
U.S Government and federal agencies	4,751,330	-	4,751,330	-
Mortgage backed securities	11,442,853	-	11,442,853	-
Collateralized mortgage obligations	16,238,462	-	16,238,462	-
State and local governments	5,436,684	-	5,436,684	-
Corporate debt securities	17,039,304	-	17,039,304	-
Mutual funds	13,962,403	13,962,403	-	-
	$ 70,310,030	$ 13,962,403	$ 56,347,627	$ -

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active.

The amortized cost and fair values of available for sale securities at December 31, 2016 and 2015 by contractual maturity are shown below. Actual expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. No securities have been in a continuous loss position for more than 12 months.

	Amortized Cost	Fair Value
December 31, 2016		
Available for sale:		
Due within one year	**$ 3,894,116**	**$ 3,840,782**
Due after one year through five years	**24,396,677**	**24,279,727**
Due after five years through ten years	**18,187,406**	**18,124,252**
Due after 10 years	**22,217,145**	**21,917,210**
Equities	**16,191,391**	**18,401,494**
	$ 84,886,735	**$ 86,563,466**
December 31, 2015		
Available for sale:		
Due within one year	$ 4,568,766	$ 4,406,318
Due after one year through five years	21,995,609	21,733,043
Due after five years through ten years	11,435,275	11,407,749
Due after 10 years	18,798,353	18,800,517
Equities	13,002,863	13,962,403
	$ 69,800,867	$ 70,310,030

4. Trackage Rights Agreement and Leases on Roadway and Land

Prior to 1999, substantially all of the Company's assets were leased to NSR or its predecessors in two leases originally dating back to 1895 and 1939. The terms of the leases did not require either the Company or Norfolk Southern to renew the leases.

On August 10, 1999, the Board of Directors of the Company approved a Trackage Rights Agreement ("TRA") concurrent with NSR terminating the original leases. The TRA's term is 15 years with two 15-year renewal options by NSR (45 years) for a base annual rental of $11,000,000 (minimum) beginning January 1, 2000, with annual adjustments based upon an inflation index and a 4.5% annual cap (arbitration of cap if it exceeds an average of 4.5% over any 7-year period). The TRA was approved by the Surface Transportation Board on September 1, 1999. During 2012, NSR exercised its option to renew the TRA for the 15 year period beginning January 1, 2015 and ending on December 31, 2029.

The TRA grants exclusive freight trackage rights to NSR to conduct all freight operations over the NCRR railroad line. Under federal law, the National Rail Passenger Corporation ("Amtrak") operates over NSR operated lines under agreements with NSR. NSR is obligated under the TRA to provide rail service to all industries on the NCRR line. NSR is obligated to maintain the NCRR line and any improvements made to the line by NSR for freight operations. Under the TRA, NSR does not have financial responsibility for passenger improvements made by the Company, North Carolina Department of Transportation (NCDOT), Amtrak, or other parties.

Under the TRA, approximately 38 parcels not used in railroad operations have been returned to the Company for separate (non-NSR) management. These noncorridor properties are managed by the Company after transition from NSR management. The TRA contains provisions for responsibility for environmental matters by NSR and the Company.

NSR is responsible for any taxes on its freight operations. A Policy Planning Committee comprised of NCRR and NSR representatives addresses all future planning issues, capital improvements, and any disputes that arise under the TRA. In the event of any disagreements, NCRR and NSR are subject to binding arbitration under the TRA.

A lease of certain properties in Charlotte, North Carolina to NSR (the “1968 Lease”) expires on December 31, 2067, and provides for an annual rental of $81,319 through December 2018. The 1968 Lease provides that beginning on January 1, 2019, the annual rental for the remaining term of the 1968 Lease is 6% of the appraised value of the property on that date. Under the terms of the 1968 Lease, all taxes connected with the property, except income taxes, are paid by the lessee. The 1968 Lease was not affected by the TRA. During 2016, the Company sold a portion of the property subject to the 1968 Lease. The 1968 Lease was not affected by the sale.

Pursuant to agreements signed in each year since 2008, NCRR has assigned to NSR all of the NCRR lines that constitute eligible railroad tracks solely for purposes of allowing NSR to qualify as an eligible taxpayer with respect to such track and to claim tax credits under section 45G(a) for qualified railroad track maintenance expenditures it pays or incurs during each year under agreement with respect to such track. In exchange, NSR agrees to pay to NCRR fifty percent of the tax credits NSR claims. Payment of the amount owed under the agreement is not due until the amount of the allowable credit is not subject to further appeal, review or modification through proceedings or otherwise.

The Company has recorded a long-term receivable amounting to $3,581,545, representing $3,398,500 of total tax credit revenue that the Company is due for tax years 2013 to 2016 from NSR, plus accumulated 4% interest of $183,045, as of December 31, 2016. As of December 31, 2015 the long-term receivable amounted to $4,555,718, representing $4,243,750 of total tax credit revenue that the Company was due for tax years 2011 to 2015 from NSR, plus accumulated 4% interest of $311,968.

5. Capital Commitments

Project Agreements and Contracts

As of December 31, 2016, the Company has capital commitments under various individual project agreements and other contracts totaling $35 million. The contractual commitments of the Company consist of certain capital improvement projects set forth in project agreements, other strategic and economic development investments including commitments for the purchase of certain real estate, and ARRA/PRIIA High-Speed Passenger Rail improvement projects. The ARRA/PRIIA High-Speed Passenger Rail improvement commitments are further described in more detail below. The various individual projects, capital improvements and strategic investments to which capital is committed are scheduled for completion between 2017 and 2021.

ARRA/PRIIA High-Speed Passenger Rail Projects

In 2011, the State of North Carolina was selected to receive certain federal grant awards through the American Recovery and Reinvestment Act of 2009 (“ARRA”) and the Passenger Rail Investment Act of 2008 (“PRIIA”) for the capital funding of certain high speed intercity passenger rail projects, under which NCDOT is the grantee of the awards. On December 15, 2010, the Company, the NCDOT, and NSR entered into an Agreement on Principles (“AOP”), which outlined certain terms for capital improvements within and along the NCRR corridor operated by NSR (Note 4). On March 21, 2011, the Company, NCDOT, NSR and Amtrak entered into a Definitive Service Outcomes Agreement (“DSOA”), clarifying the individual parties’ responsibilities and further detailing the projects to be funded by the grants to NCDOT. On March 21, 2012, the Company and the NCDOT entered into a Railroad Corridor Property Acquisition Agreement (“RCPA”) regarding rail corridor property, including acquisition of additional railroad corridor property needed in connection with certain projects funded by the grants to NCDOT. As a result of these agreements, management expects to record a capital contribution and related assets for a portion of the improvements that will be made by NCDOT as the improvements are completed in future periods, in addition to the commitment of funds made by the Company described below.

Under the AOP, DSOA, and RCPA, the Company has committed up to a total of $31,000,000 of capital investment toward certain projects in order to assist in completion of certain track capacity improvement projects and engineering. Out of its $31,000,000 commitment, the AOP and DSOA provide that the Company reserve up to $10,000,000 for a Capital Reserve Fund, which is designated by the Company for the purpose of making further capacity improvements to the NCRR line in the future in order to improve passenger and freight train reliability caused by identified unacceptable train delays. Investments by the Company under these agreements are to be applied against and reduce the Company's commitment under the agreements. Through December 31, 2016, the Company has expended approximately $4.3 million of its commitments under these agreements. In the year ended December 31, 2015, the Company made a project contribution of $5.4 million for a joint highway and rail project in Charlotte for which the Company did not receive any depreciable assets. The Company also has committed use of the Company's rail corridor lands for such capacity and other related improvement projects.

Board Designated Funds

The Board of Directors passed resolutions during 2016 and 2015 to designate $16,300,000 and $6,000,000, respectively, of unrestricted cash for use on future capital improvement projects.

The Company has designated the following amounts (invested in cash, certificates of deposit, debt securities and mutual funds) for capital improvement projects as follows:

	2016	2015
Restricted under contracts	**$ 34,961,900**	$ 47,376,109
Restricted for other capital improvements	**147,436**	146,772
Board designated funds	**53,851,068**	34,927,801
Investments reserved for capital projects	**$ 88,960,404**	$ 82,450,682

6. Employee Benefit Plan

The Company established a Safe Harbor 401(k) Plan effective January 1, 2012 to provide retirement benefits for its employees. All full-time employees who meet certain eligibility requirements are qualified to participate in the 401(k) Plan. Participants may make pre-tax deferrals up to 90% of their compensation subject to Internal Revenue Service limitations. Participants are fully vested in their contributions plus actual earnings thereon and any rollovers into their accounts. The Company contributes 3% of the compensation of all eligible active participants. In addition, the Company may elect each plan year whether to make a discretionary employer contribution on behalf of eligible active participants. Employer contributions for the years ended December 31, 2016 and 2015 were $120,481 and $92,977, respectively, including $68,846 and $53,130, respectively, of discretionary contributions.

In 2013 the Company entered into a deferred compensation agreement with an officer. The deferred compensation liability is fully vested at all times unless the officer is terminated for cause as defined in the plan, at which time the deferred compensation balance would be forfeited in its entirety. The plan requires annual employer contributions equal to a percentage of the officer's compensation plus an earnings component. The Company recognized expense of $52,355 and $35,908 related to the plan in 2016 and 2015, respectively. The resulting deferred compensation liability of $207,586 at December 31, 2016 and $155,231 at December 31, 2015, is included in other liabilities in the accompanying financial statements.

7. Future Minimum Lease Revenue

The Company derives income from leased commercial space and other property under non-cancellable operating leases. Of the non-cancellable leases, one lease, described in Note 4, comprises 85% of the lease income. Rental income received from this lease during 2016 and 2015 was approximately $15.4 million and $15.1 million, respectively. The remaining non-cancellable leases are related to the rental of commercial space. Future minimum rent receipts, excluding renewal periods, on the non-cancellable operating leases are as follows for the years ending December 31:

	Amount
2017	$ 15,583,379
2018	15,602,453
2019	15,292,040
2020	15,282,783
2021	15,108,893
Thereafter	122,750,950
	$ 199,890,498

Minimum lease receipts do not include contingent rentals that may be received under certain leases. The Company's policy is to defer recognition of such contingent rentals until the requirements are met. Contingent rental income earned during the years ended December 31, 2016 and 2015 totaled $58,057 and $69,933, respectively.

City of Charlotte Lease Agreement

The Company and the City of Charlotte (“Charlotte”) entered into an agreement (“Lease Agreement”) dated May 3, 2012, whereby Charlotte leased a segment of the North Carolina Railroad corridor, approximately 2.7 miles in length parallel to the Company’s main line railroad tracks and facilities, for the purpose of the extension of Charlotte’s LYNX Blue Line light rail transit system. The Lease Agreement provides for a one time rent payment to be paid to the Company in the amount of $11,760,000 for the 50 year lease term, all of which was received in full on October 16, 2013. The Lease Agreement provides that Charlotte is responsible for all construction, operations, maintenance, taxes, assessments and costs related to Charlotte’s use of the segment.

Coincident with the execution of the Lease Agreement, Charlotte entered into a Construction and Reimbursement Agreement and an Operations Agreement with NSR related to Charlotte’s use of the segment and the compatibility thereof with NSR’s operation and maintenance of the Company’s rail line.

The Lease Agreement provides that design and construction is to be provided by Charlotte at its expense, subject to the approval of the Company. The Lease Agreement is subject to early termination, in which event a portion of the lease fee may be refundable. The Lease Agreement contains one renewal term at a rate agreed upon by the parties, or in the absence of agreement, based upon an appraised value.

The Company has recorded an unearned rent liability of $10,842,302 and $11,137,168 at December 31, 2016 and 2015, respectively, of which $218,122 and $262,623 is included in the current portion of unearned rent at December 31, 2016 and 2015, respectively.

8. Income Taxes

The Company's income (loss) before income taxes for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Income (loss) before income taxes:		
Nontaxable entities	**$ 15,973,394**	$ (1,313,589)
Taxable entity	**423,032**	368,419
Income (loss) before income taxes	**$ 16,396,426**	$ (945,170)

The difference between the federal income tax computed by the statutory federal income tax rate of 34% and NCRI's income tax expense as reflected in the consolidated financial statements is as follows:

	2016	2015
Income tax at statutory federal income tax rates	**$ 143,831**	$ 125,262
Decrease attributable to:		
State income tax, net of federal income tax benefit	**21,637**	22,137
Change in state tax rate	**(19,000)**	(40,000)
Other	**(8,313)**	(8,957)
	$ 138,155	$ 98,442

The Company's taxable subsidiary, NCRI, has deferred income tax balances at December 31, 2016 and 2015 as follows:

	2016	2015
Asset:		
Deferred rent	$ 50,000	$ -
Liability:		
Property and equipment	(978,000)	(1,043,000)
Net deferred tax liability	$ (928,000)	$ (1,043,000)

The Company's total tax expense for 2016 and 2015 is summarized as follows:

	2016	2015
Current income tax expense	$ 253,155	$ 202,442
Deferred income tax benefit	(115,000)	(104,000)
Total income tax expense	$ 138,155	$ 98,442

9. Commitments and Contingencies

The Company is subject to litigation in the ordinary course of business. Management believes that any potential liability thereto is not material to the Company's financial position and results of operations.

10. Subsequent Events

The Company evaluated the effect subsequent events would have on the consolidated financial statements through June 2, 2017, which is the date the financial statements were available to be issued.

PAGE INTENTIONALLY LEFT BLANK

NORTH CAROLINA RAILROAD COMPANY CORRIDOR MAP

The NCRR Corridor spans 317 miles of North Carolina from Charlotte to Morehead City.

Intermodal Terminals
Norfolk Southern
CSX Transportation
Logistical Centers
Military Bases
Seaports
Airports
VIRGINIA
UTH CAROLINA
Winston-Salem
Greensboro
Durham
Raleigh
Cary
High Point
Charlotte
Fayetteville
Wilmington
Rocky Mount
Greenville
Kinston
New Bern
Jacksonville
Goldsboro
Wilson
Mount Airy
Eden
Reidsville
King
Kernersville
Burlington
Graham
Oxford
Henderson
Roanoke Rapids
Norlina
Wake Forest
Chapel Hill
Thomasville
Lexington
Asheboro
Statesville
Salisbury
Mooresville
Kannapolis
Concord
Albemarle
Matthews
Mint Hill
Monroe
Wadesboro
Sanford
Apex
Garner
Selma
Southern Pines
Fort Bragg
Seymour Johnson Air Force Base
Clinton
Laurinburg
Lumberton
Whiteville
Tabor City
Wallace
Tarboro
Plymouth
Belhaven
Elizabeth City
USCG Station, Elizabeth City
Havelock
Beaufort
MCAS, Cherry Point
MCAS, New River
Camp Lejeune
YVRR
ARC
WSSB
HPTD
ACWR
ATW
CF
AR
LRS
RSNR
CTR
CLNA
NCYR
NCVA
BMH
CALA
USG

ANNUAL REPORT
2016

NORTH CAROLINA RAILROAD COMPANY

2809 Highwoods Blvd.
Raleigh, NC 27604
www.ncrr.com
@NCRailroad