NORTH CAROLINA RAILROAD COMPANY

ANNUAL REPORT

NORTH
CAROLINA
RAILROAD
COMPANY

2022

BUILDING A STRONG FOUNDATION

MISSION

To benefit North Carolina by aggressively leveraging the unique strengths and capabilities of the North Carolina Railroad Company.

VISION

A modernized railroad that meets the needs of the future, expanding North Carolina's competitive advantage.

CORE VALUES

- **Collaborate to forge meaningful partnerships built on mutual respect and identifying solutions**
- **Earn trust by delivering, act with integrity**
- **Innovate through fostering growth, conscientious listening, challenging assumptions and encouraging new ideas**
- **Cultivate inclusivity by welcoming feedback, removing barriers to success, and providing a safe space for transparent communication**
- **Encourage diversity, creating strength by learning from others and welcoming all points of view and perspectives**
- **Constantly engage, centered around the well-being of our employees and the protection & enhancement of our resources as the company grows**

The North Carolina Railroad Company's Ties to Progress and Prosperity in North Carolina

THE NORTH CAROLINA RAILROAD COMPANY (NCRR) owns and manages the 317-mile rail corridor that stretches from Charlotte to the Port Terminal in Morehead City. Our rail corridor is a rich asset and valuable business franchise, which we proudly grow and protect to benefit North Carolina. NCRR is a private business corporation with one hundred percent of the stock owned by the state of North Carolina.

LETTER FROM THE CHAIRMAN

As a representative for our Board of Directors and the NCRR team, I am thrilled to report that 2022 was a highly productive year for the North Carolina Railroad Company.

Building on the momentum of the previous year, we have moved the needle toward our vision of a modernized and competitive railroad company and an economic engine for the state, one that meets and exceeds the expectations of North Carolinians and continues to bring jobs and new business into our state.

In 2022, our commitment to innovation and industrial development, particularly in rural communities, continued with the second year of our Build Ready Site (BRS) program. This innovative program encourages local economic growth and helps to attract new businesses to our state by helping to reduce the risk of developing rail served sites in North Carolina. The 2022 Award Recipients include eight projects in seven counties and an investment of $3.9 million for communities across the state. Our economic development initiative, NCRR Invests, has continued to support winning competitive projects with significant investments in infrastructure projects across the state.

These programs boost economic potential through job creation and new business, and we are proud to support the future prosperity of North Carolina.

In addition, NCRR made steady progress in 2022 bringing new life to two significant railroad sites, the Raleigh Depot in our state's capital and the Former (1899) Passenger Depot building in Greensboro. These properties bridge the past and future in their communities and for the North Carolina Railroad Company. We can't wait to see both properties realize their full potential as landmarks of creativity and economic growth.

In closing, I would like to express my gratitude to the dedicated NCRR team. Together, we are truly making a difference, and I have no doubt we will continue to bolster economic opportunities across the state.

WILLIAM V. "BILL" BELL
CHAIRMAN
NORTH CAROLINA RAILROAD COMPANY
BOARD OF DIRECTORS

Meet the NORTH CAROLINA RAILROAD COMPANY

NCRR TEAM

CARL WARREN
President & CEO

ROBERT DOBRONSKI
General Counsel

TRISH HAVER
Sr. Vice President of Business Development & Head of Strategy

MICHELLE JENG
Chief Financial Officer

CATHERINE KNUDSON
Chief of Staff

MASHAL AL KIRDASI
Systems Manager

DONALD ARANT, P.E.
Vice President, Engineering

JOANN BIAZZO-SMITH
Controller

MONIQUE BOOKER
Executive & HR Assistant

TEDDI BURNETT
Real Estate Representative

CONNOR CHRISTENSEN
Economic Development Program Manager

TAELOR FIELDS
Real Estate Asset Manager

KRISTIAN FORSLIN, GISP, PLS
GIS and Survey Manager

HILARY KANUPP, C.A.
Archivist

DAVINA KILLINGSWORTH
Administrative Assistant

JUSTIN MADIGAN
Infrastructure Manager

JASON MENDIETA
Director of Human Resources

JAMAR NIXON
Market Research Analyst

NANCY PICKETT
Business Process Specialist

JASMIN PRIDE-HARRIS
Paralegal & Contract Specialist

AMY SANDIDGE
Director of Sales & Commercial Development

GLEDI SOFTA
Planning & Development Manager

JOE STALLINGS
Director of Economic Development

ILAN WAJSMAN
Vice President, Information Technology

SUSAN WISNIEWSKI
Accounting Manager

EDWARD WU
Director of Engineering

LEADERSHIP SPOTLIGHT

TRISH HAVER

Driving Growth and Innovation at the North Carolina Railroad Company

In April 2022, Trish Haver joined the NCRR Leadership Team. Serving as Senior VP of Business Development & Head of Strategy, Trish brings a wealth of executive experience in the transportation and maritime industries, with previous roles as the CCO of Green Rock Distribution & Logistics in New Orleans, CEO of Pyxis Associates, LLC, in New Orleans, and Vice President of Strategy and Industrial Development for the Port of New Orleans and New Orleans Public Belt Railroad. After earning her BA in Linguistics and Marketing from William & Mary, Trish started her career at Norfolk Southern Corporation, rising through the ranks into several leadership roles in marketing, finance, and business development. During this time, she also earned an MBA in Logistics and Ports Management from Old Dominion University, where she completed a thesis analyzing the advantages of rail economics on global supply chains. Trish's results-driven approach to leadership helps her excel in business development, operations management, strategic planning, financial analysis, and logistics management. We're thankful to have her on the team and we look forward to her future work bringing progress and prosperity to the state.

BOARD OF DIRECTORS

WILLIAM "BILL" V. BELL, *Chairman*
Durham
Executive Vice President/COO, UDI Community Development Corporation (UDI/CDC)

MICHAEL L. WEISEL
Vice Chairman
Raleigh
Managing Member, Capital Law Group

JACOB F. ALEXANDER III
Salisbury
The Alexander Companies, Inc.

CHARLES BOWMAN
Charlotte
Retired, Bank of America

MICHAEL S. FOX
Greensboro
Partner, Tuggle Duggins, P.A.

MALCOMB COLEY
Charlotte
Central Region Private Leader & Charlotte Managing Partner, EY

STEVE LERNER
Chapel Hill
Founder & Managing Partner, Blue Hill Group

JAMES E. NANCE
Albemarle
Managing Member, North State Acquisitions, LLC

TOMMY GLASGOW
Morehead City
Retired, Clancy & Theys Construction 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

BUILD READY SITES

Our Role in Building North Carolina's Competitive Advantage

The North Carolina Railroad Company started the Build Ready Sites (BRS) program in 2021. The program provides funding for potential rail-served sites to develop land and become "build ready" to attract new businesses to the area. Award recipients must undergo a rigorous application and site review process. Recipients can use BRS funds for land preparation (clearing/grading) and critical water/sewer extension. This innovative program encourages business investment in the state, fosters growth in local communities and expands North Carolina's competitive edge.

Through this program, North Carolina is positioned for greater economic development opportunities as rail-served sites are made build-ready without an upfront investment from a client. As a result, communities can work proactively toward attracting new businesses.

$6.82 MILLION IN TOTAL PROGRAM AWARDS

BUILD READY SITES

2021

RECIPIENTS

Introduced in 2021 as a significant opportunity to invest in North Carolina's communities, the BRS program is designed to eliminate common roadblocks to economic advancement – the availability of sites that are ready for development.

With an investment of $2.92 million from NCRR during its first year, the program has proven to be a catalyst for growth by accelerating the available rail-served sites, decreasing development risk, attracting new business to the state, and creating jobs.

The 2021 Build Ready Sites Award Recipients represent six North Carolina counties:

- **Alexander County EDC Site in Taylorsville (ALEXANDER COUNTY) $500,000 Award**
- **Butler Hill Site in Drexel (BURKE COUNTY) $500,000 Award**
- **Eastfield Business Park in Selma (JOHNSTON COUNTY) $750,000 Award**
- **Candor Property in Candor (MONTGOMERY COUNTY) $500,000 Award**
- **Iron Horse Industrial Park in Aberdeen (MOORE COUNTY) $167,670 Award**
- **Ayden Rail Site in Ayden (PITT COUNTY) $500,000 Award**

14
TOTAL PROJECTS

12
COUNTY RECIPIENTS

"We applaud the North Carolina Railroad Company and its initiatives like the Build Ready Sites program that drive greater economic potential across North Carolina. With this innovative site readiness program, NCRR is accelerating the development of rail-served sites, encouraging the creation of new jobs, and bringing new business investment to our state. Kudos to NCRR and to the successful applicants for this latest round of funding awards."

CHRISTOPHER CHUNG
CHIEF EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT PARTNERSHIP OF NORTH CAROLINA

BUILD READY SITES 2022 RECIPIENTS

2022 marked the second year of success with the BRS program. The program had a 25% increase in applications in its second year.

With even greater emphasis on establishing build-ready rail sites, we expect more business development, available jobs, and prosperity in communities across the state.

In its second year, NCRR expanded the initiative with a $3.9 million investment in eight projects across seven North Carolina counties for the 2022 Build Ready Sites Award Recipients:

- **Beaufort County Industrial Park** **(BEAUFORT COUNTY)** **$500,000 Award**
- **Claremont International Rail Site** **(CATAWBA COUNTY)** **$500,000 Award**
- **CAM Site** **(CHATHAM COUNTY)** **$500,000 Award**
- **Midstate Development Center** **(CHATHAM COUNTY)** **$500,000 Award**
- **Project Tin Cup** **(IREDELL COUNTY)** **$500,000 Award**
- **Candor Downtown Site** **(MONTGOMERY COUNTY)** **$500,000 Award**
- **311 South Site** **(RANDOLPH COUNTY)** **$500,000 Award**
- **Scotland Incubator Park** **(SCOTLAND COUNTY)** **$400,000 Award**

NCRR INVESTS

Building a Foundation for North Carolina's Economic Advancement

The NCRR Invests program evaluates requests for investments to address the freight rail infrastructure needs of businesses considering North Carolina for locations or expansions. The goal of any NCRR investment is to drive job creation, promote rail use, and support economic growth.

Since the creation of *NCRR Invests* in 2016, NCRR has committed over $17 million to help secure the new or expanded locations of 18 manufacturing facilities, resulting in over 10,000 new jobs and local capital investment of more than $11 billion by the companies locating to the state.

NCRR INVESTS PROJECTS ANNOUNCED IN 2022

SUMITOMO FORESTRY RAIL-SERVED SITE

NCRR is investing $200,000 to help establish a rail-served site in Archdale, where Sumitomo Forestry America, a housing and wood products company, is building a manufacturing facility. The new production facility will be served by Norfolk Southern and will increase yearly activity by 364 rail cars. This project will create 129 jobs in Randolph County with an average salary of $45,782, over $5,000 higher than the current average wage in the area, and is estimated to grow the state's economy by $308.3 million over the next 12 years.

TECHNIMARK

Our $250,000 investment will assist Technimark, a global manufacturing provider for the healthcare, consumer packaging, and specialty industrial markets with headquarters in Asheboro, in expanding its operations in Randolph County through the construction of a new onsite rail spur for Norfolk Southern. The project will increase yearly activity by 40 rail cars and create 220 new jobs for the area with an average salary of $44,290, nearly $4,000 more than the current average wage in Randolph County.

NUCOR

NCRR is investing $750,000 to assist Charlotte-based Nucor, the largest producer of steel in the United States, in building a new micro mill steel plant in Lexington. This addition will create 180 jobs for skilled workers in Davidson County, with an average salary of $99,660, nearly double the current average wage in the County. With the expansion, Nucor expects to produce 430,000 tons of rebar annually made of nearly 100% recycled material, a feat that will establish the manufacturer as a provider of the cleanest sustainable steel globally.

ATTRACTING OVER
$4.4
BILLION
IN PRIVATE INVESTMENT

$2.8
MILLION
CRR INVESTS
OMMITMENT
in **2022**

NEARLY
8,500
JOBS CREATED
in **2022**

"We look forward to partnering with North Carolina Railroad Company on the development of this facility, which will not only help builders and developers with supply chain needs but will also contribute to the local economy and community. We greatly appreciate the support we received and will continue to share updates as the project progresses."

ATSUSHI IWASAKI
PRESIDENT
SUMITOMO FORESTRY AMERICA, INC.

VINFAST

NCRR is providing a significant investment of $1 million to help private auto manufacturer VinFast establish an electric vehicle assembly and battery manufacturing facility in Chatham County, the first for the company in the United States. This project will bring significant economic growth to the area, including 7,500 new jobs, and the new freight rail infrastructure serving the facility will increase activity by a minimum of 5,000 rail cars annually.

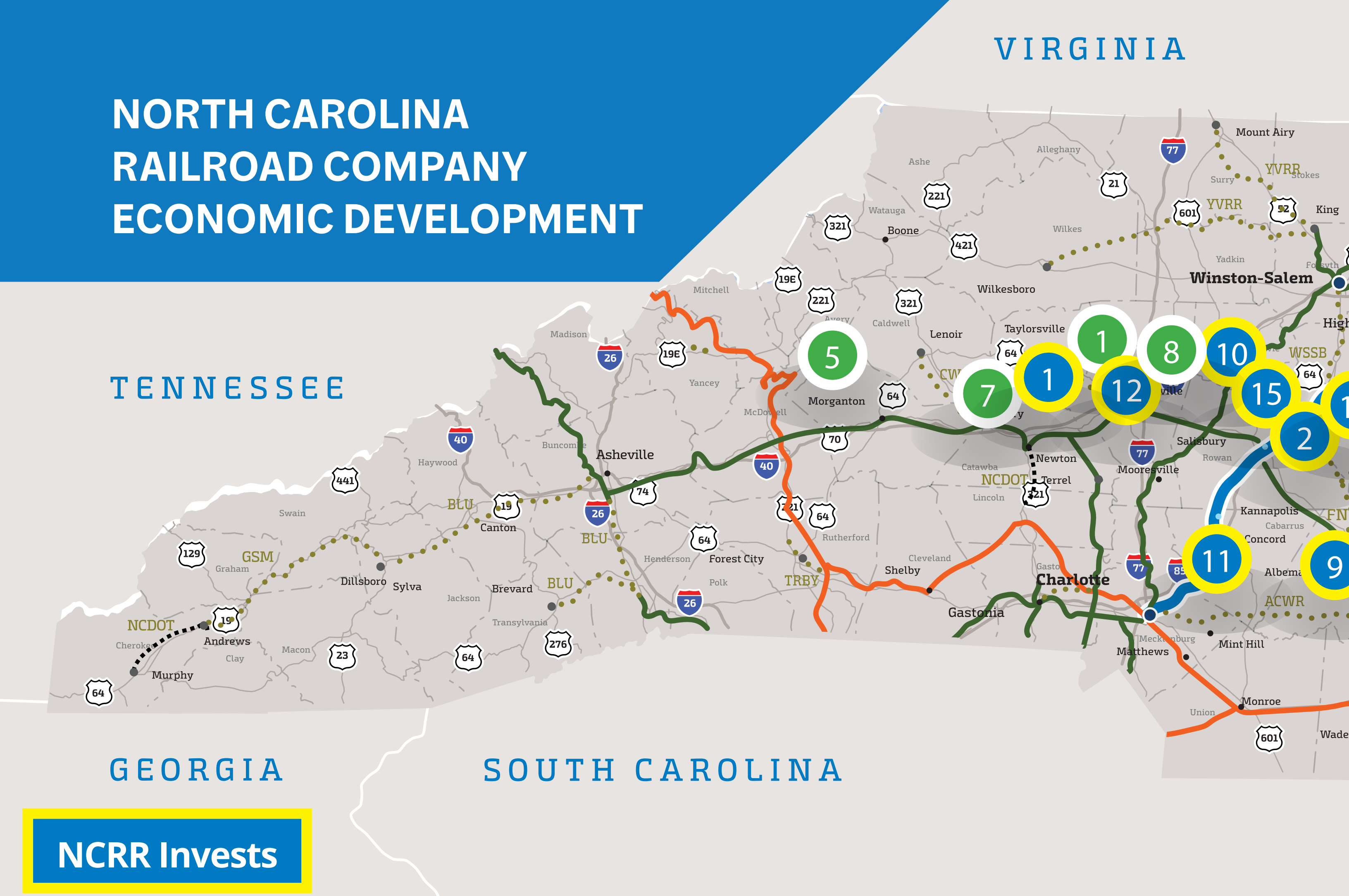
SERVICE OFFSITE SOLUTIONS

With an investment of $300,000, NCRR is proud to be part of the future of homebuilding with the establishment of a new manufacturing facility by Service Offsite Solutions, a supplier of offsite homebuilding solutions that utilizes innovative processes and high-tech equipment and tools. This Sanford facility will be the first home-building operation of its kind to take advantage of this groundbreaking approach in the United States. The project will increase activity by 150 rail cars annually and will add 235 jobs to Lee County, with an average annual salary of $50,470 in an area where the current average salary is $42,516.

SHERWIN WILLIAMS

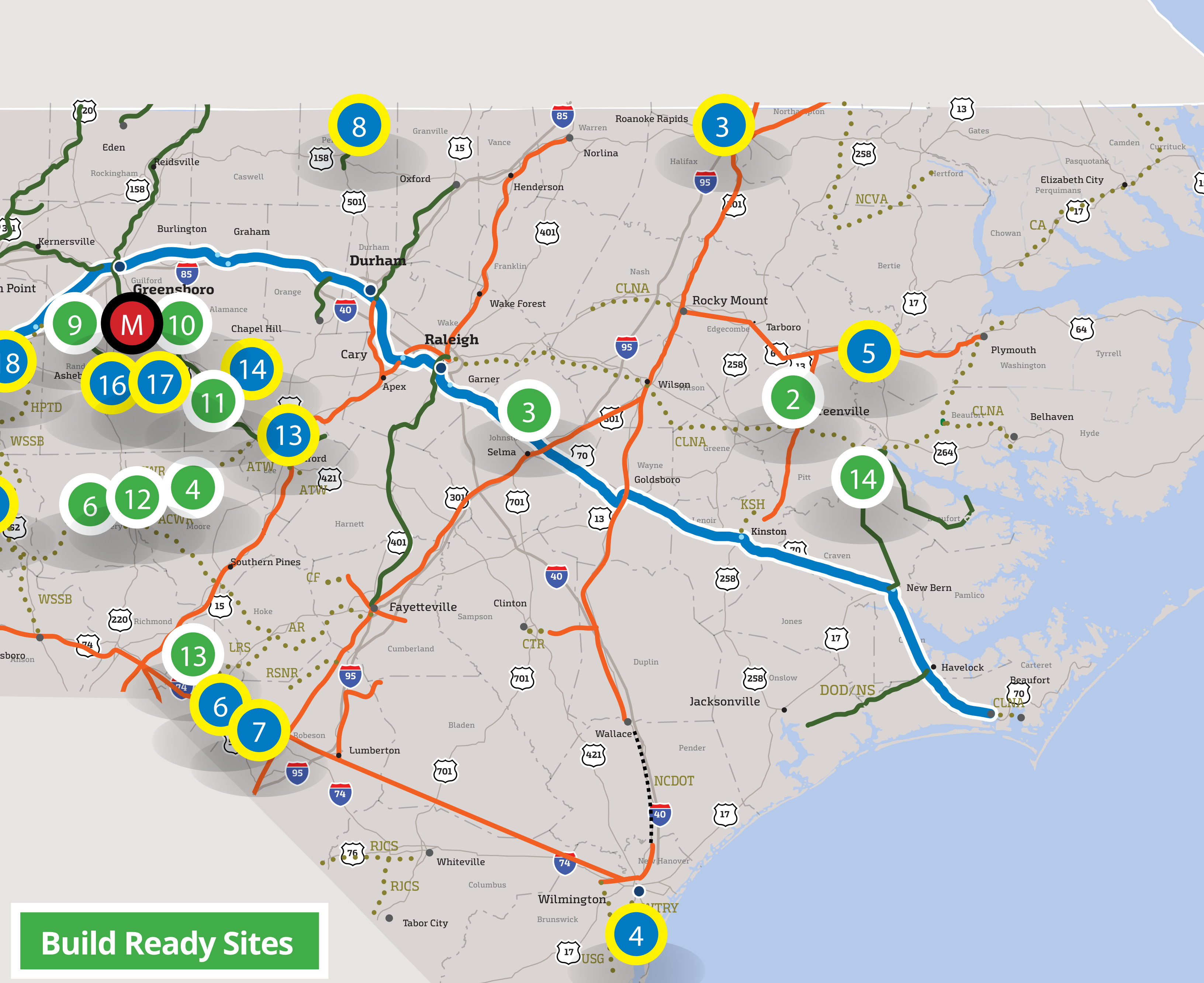
With a $300,000 investment from NCRR, Sherwin Williams is able to expand its current North Carolina facility by 36,000 square feet and build a larger, 800,000-square-foot distribution and fleet transportation center at the Statesville site. This project will create 183 jobs in Iredell County, and the payroll impact from these new positions will add more than $10 million each year to the local economy, as well as increase rail activity by 600 rail cars annually.

NORTH CAROLINA RAILROAD COMPANY ECONOMIC DEVELOPMENT



NCRR Invests

Company	Jobs Created	NCRR Invested	Company Invested	Date	County
1. Borealis Compounds	47	$225,000	$15 million	May 2017	Alexander
2. Egger	770	$6.4 million	$700 million	Jul 2017	Davidson
3. JBB Packaging	50	$400,000	$11.9 million	Nov 2018	Halifax
4. National Gypsum	51	$400,000	$25 million	May 2017	New Hanover
5. Weitron	31	$467,000	$7 million	Apr 2017	Martin
6. Edwards Wood Products	91	$450,000	$50 million	Jul 2017	Scotland
7. Mountaire Farms	65	$650,000	$44 million	Jan 2017	Scotland
8. Nestle Purina	300	$2.1 million	$450 million	Oct 2020	Rockingham
9. Charlotte Pipe and Foundry	400	$1.5 million	$325 million	June 2020	Stanly
10. Liberty Storage Solutions	50	$350,000	$8 million	June 2021	Davie
11. Red Bull/Rauch/Ball	633	$700,000	$900 million	July 2021	Cabarrus
12. Sherwin-Williams	183	$300,000	$324 million	Feb 2022	Iredell
13. Service Offsite Solutions	235	$300,000	$18 million	Mar 2022	Lee
14. VinFast	7,500	$1 million	$4 billion	Mar 2022	Chatham
15. Nucor	180	$750,000	$350 million	April 2022	Davidson
16. Technimark	220	$250,000	$62 million	April 2022	Randolph
17. Sumitomo Forestry America, Inc	129	$200,000	$19.5 million	Dec 2022	Randolph
18. Siemens Mobility	506	$1 million	$220 million	Mar 2023	Davidson



Build Ready Sites

County	NCRR Award Amount	County	NCRR Award Amount
1. Alexander 2021	$500,000	8. Iredell 2022	$500,000
2. Pitt 2021	$500,000	9. Randolph 2022	$500,000
3. Johnston 2021	$750,000	10. Chatham 2022	$500,000
4. Moore 2021	$167,000	11. Chatham 2022	$500,000
5. Burke 2021	$500,000	12. Montgomery 2022	$500,000
6. Montgomery 2021	$500,000	13. Scotland 2022	$400,000
7. Catawba 2022	$500,000	14. Beaufort 2022	$500,000

Greensboro-Randolph Megasite

Company	Jobs Created	NCRR Invested	Company Invested	Date	County
Toyota	2,100	$35 million	$3.79 billion	Dec 2021	Randolph

REACHING OUT FOR PROSPERITY

More revitalization is coming to Lexington with a $220 million manufacturing facility built by Siemens Mobility, a leading provider of sustainable and efficient transport solutions with headquarters in Munich, Germany.

Based on work that began in 2022, and as part of our economic development initiative NCRR Invests, the North Carolina Railroad Company invested $1 million in March of 2023 to help make this project a reality. In partnership with Davidson County, the City of Lexington, the North Carolina Department of Commerce, the North Carolina Department of Transportation, the North Carolina General Assembly, and Norfolk Southern, Siemens Mobility's project will establish this new east coast manufacturing facility.

Siemens Mobility is a global leader in transportation solutions and has over 39,000 employees worldwide. The facility will create a substantial 506 new jobs for Davidson County, and altogether, it's estimated that these new jobs will pay 114% of the County's current average annual wage.

NCRR's investment will go toward the construction and building materials for new on-site rail infrastructure operations, an addition that will increase annual rail activity by 264 rail cars. With the creation of over 500 new jobs in the area and a significant boost to the local and state economy, this project is another step toward positioning our state as a nationwide leader in the rail industry.

This project is an excellent example of how NCRR contributes to NC's competitive advantage through monetary investments and its strong rail expertise.

506
NEW JOBS CREATED FOR DAVIDSON COUNTY

114%
OF COUNTY'S CURRENT AVERAGE ANNUAL WAGE

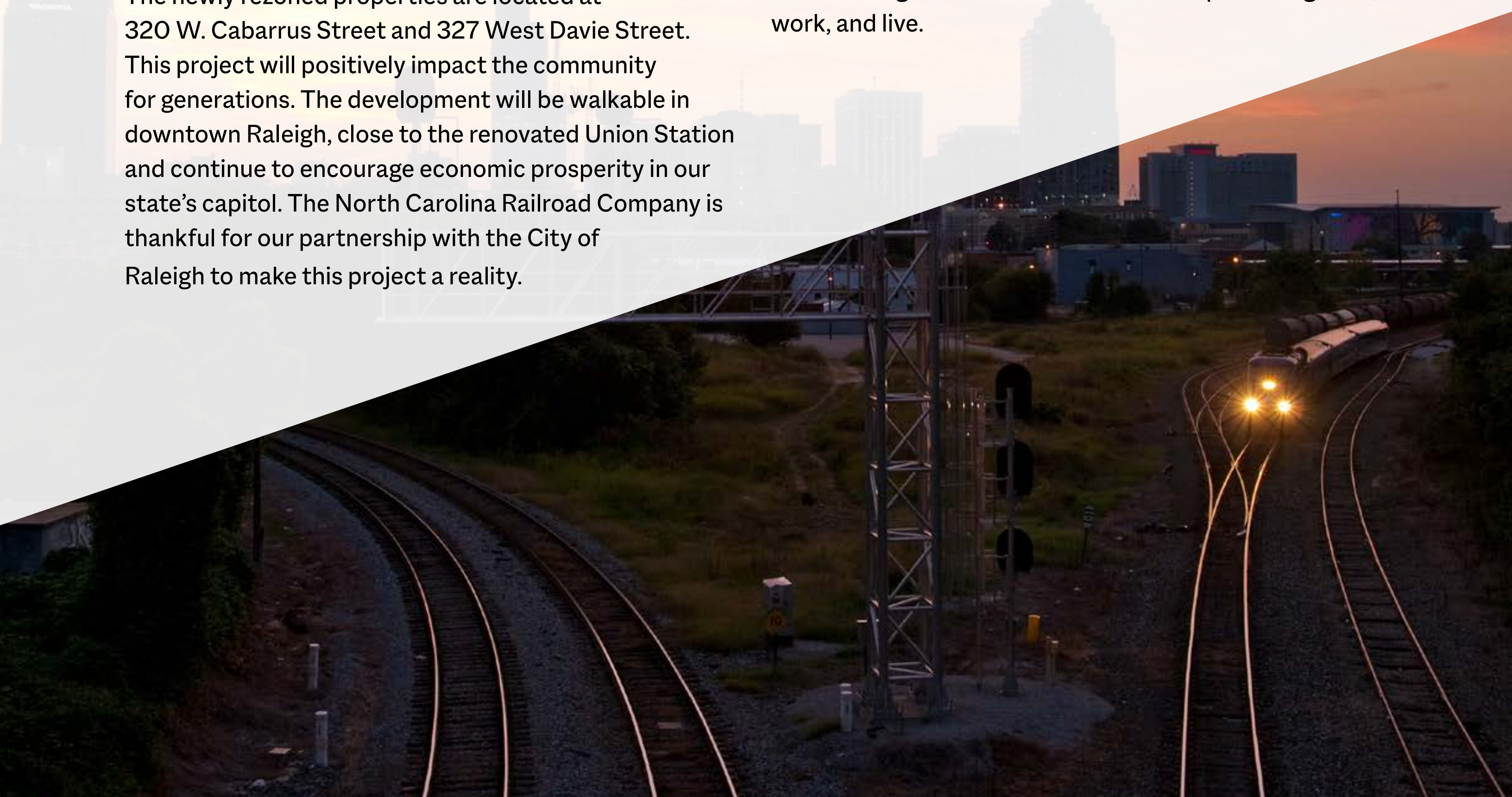
INCREASE IN ANNUAL RAIL ACTIVITY BY
264
RAIL CARS

REZONING FOR PROGRESS

In 2022, the North Carolina Railroad Company completed a rezoning request in Wake County to redevelop properties located in downtown Raleigh's Warehouse District. This rezoning project and its benefit for the local community was enthusiastically passed by the Raleigh City Council in September 2022.

The newly rezoned properties are located at 320 W. Cabarrus Street and 327 West Davie Street. This project will positively impact the community for generations. The development will be walkable in downtown Raleigh, close to the renovated Union Station and continue to encourage economic prosperity in our state's capitol. The North Carolina Railroad Company is thankful for our partnership with the City of Raleigh to make this project a reality.

Our team is committed to helping downtown Raleigh thrive. The Raleigh Depot redevelopment project will complement and support the revitalized rail station in downtown Raleigh, which was designed to spur new development as well as encourage more passenger rail use. This Raleigh Depot rezoning is a step toward realizing this community vision of a re-energized downtown with more spaces to gather, work, and live.



REVITALIZATION IN GREENSBORO

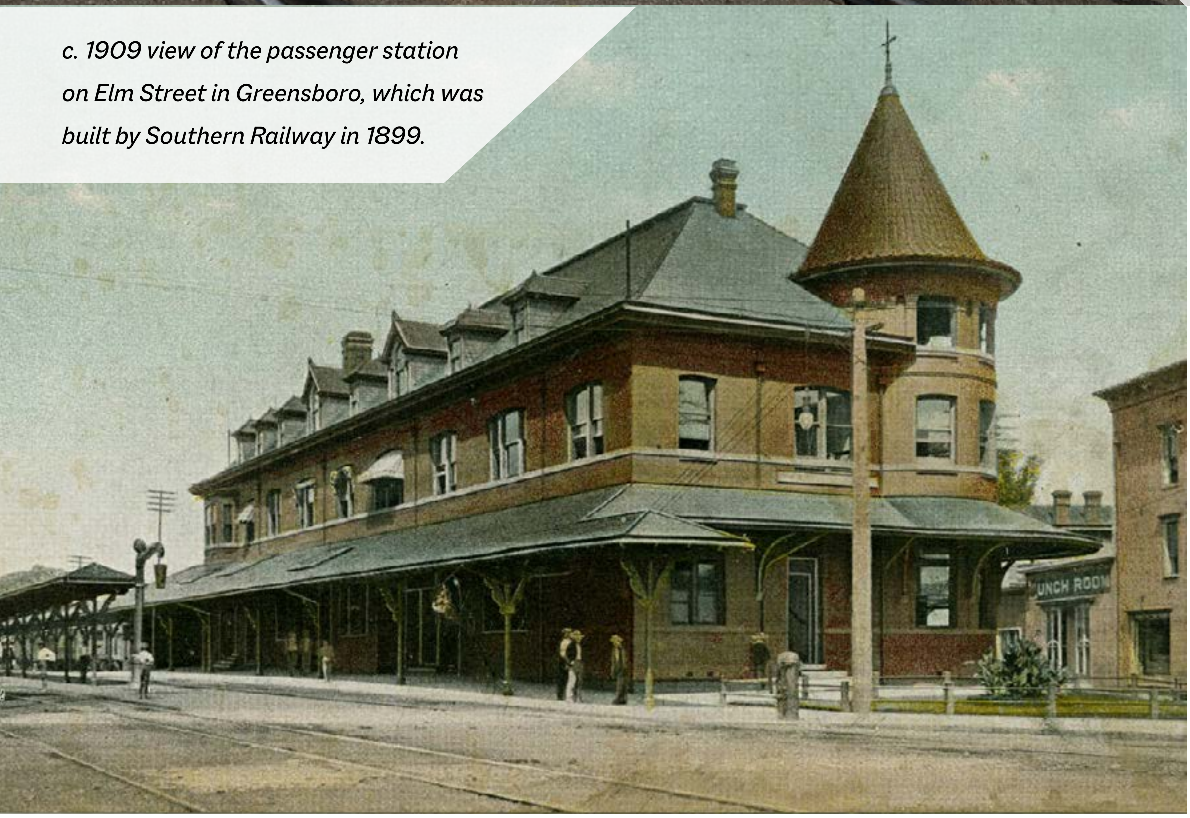
North Carolina Railroad continues to focus on community revitalization with the new 1899 Depot Project in Greensboro. Fostering partnership with the City of Greensboro, the Preservation Greensboro Development Fund, and Downtown Greensboro, Inc., NCRR will restore a 123-year-old passenger depot located at 400 South Elm Street in historic downtown Greensboro.

Built in 1899, the Richardsonian Romanesque landmark originally boasted dormer windows with decorative finials, elaborate brickwork with granite trim, a clay tile roof, a canopy, and a three-story turret. A fire in 1927 damaged the roof and upper floor to such an extent that the building was reduced to a utilitarian two-story flat roof structure.

Vacant for more than a decade, the building sits at a crossroads of usefulness. With a vision of restoration over possible demolition, NCRR purchased the historic structure from Norfolk Southern Railway in 2022. The station was listed on the National Register of Historic Places in April 1980 and is part of the Downtown Greensboro Historic District; this makes it eligible to receive historic-preservation tax credits from the state and federal government. NCRR is currently working on renovation designs and cost estimates and is eager to begin work on the restoration, with input, support, and coordination with local partners.

This initial rendering by Clearscapes depicts how the renovated building could appear.

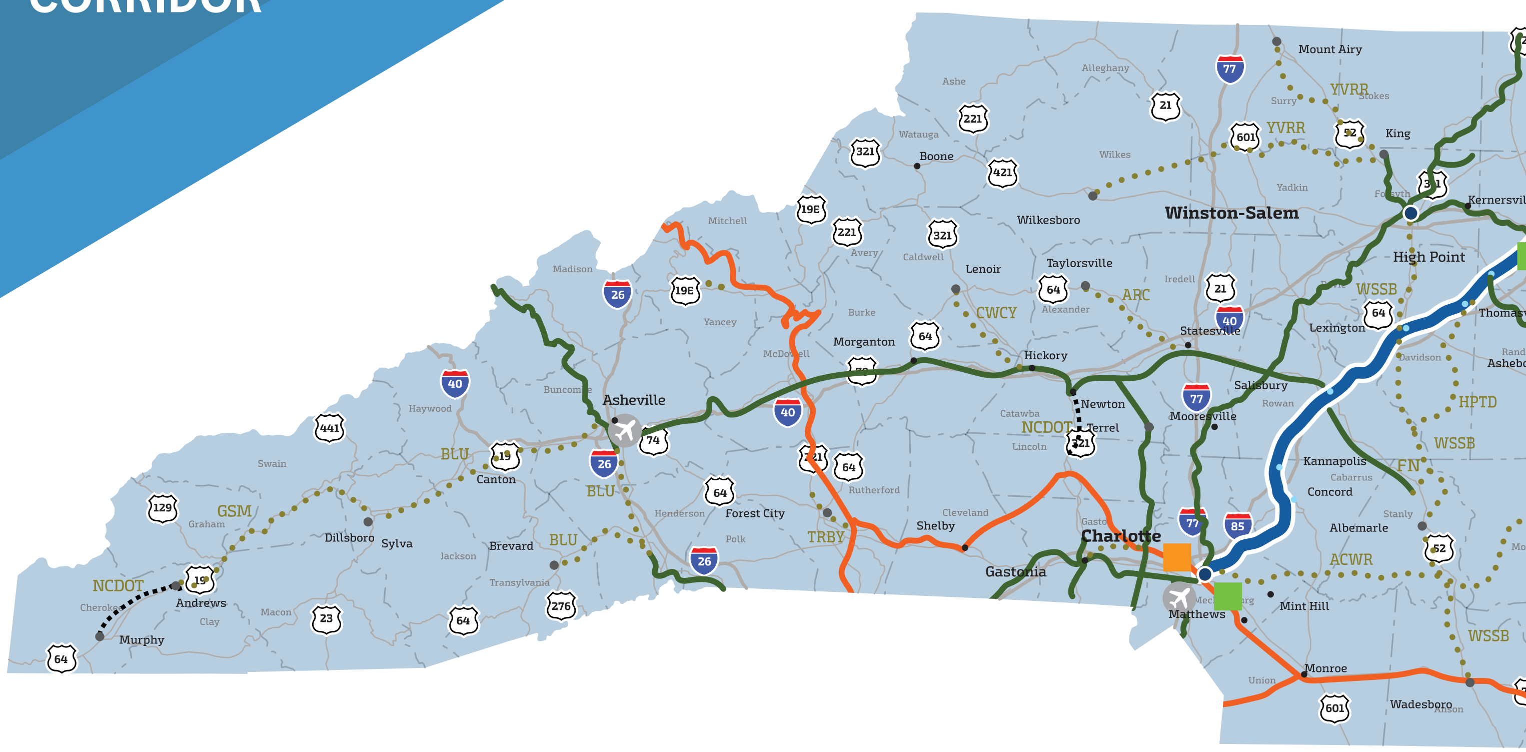
The building as it appears today. The top floor was damaged by fire in 1927 and refinished with a flat roof.



c. 1909 view of the passenger station on Elm Street in Greensboro, which was built by Southern Railway in 1899.

CORRIDOR MAP

NORTH CAROLINA RAILROAD COMPANY CORRIDOR



FREIGHT ROUTES

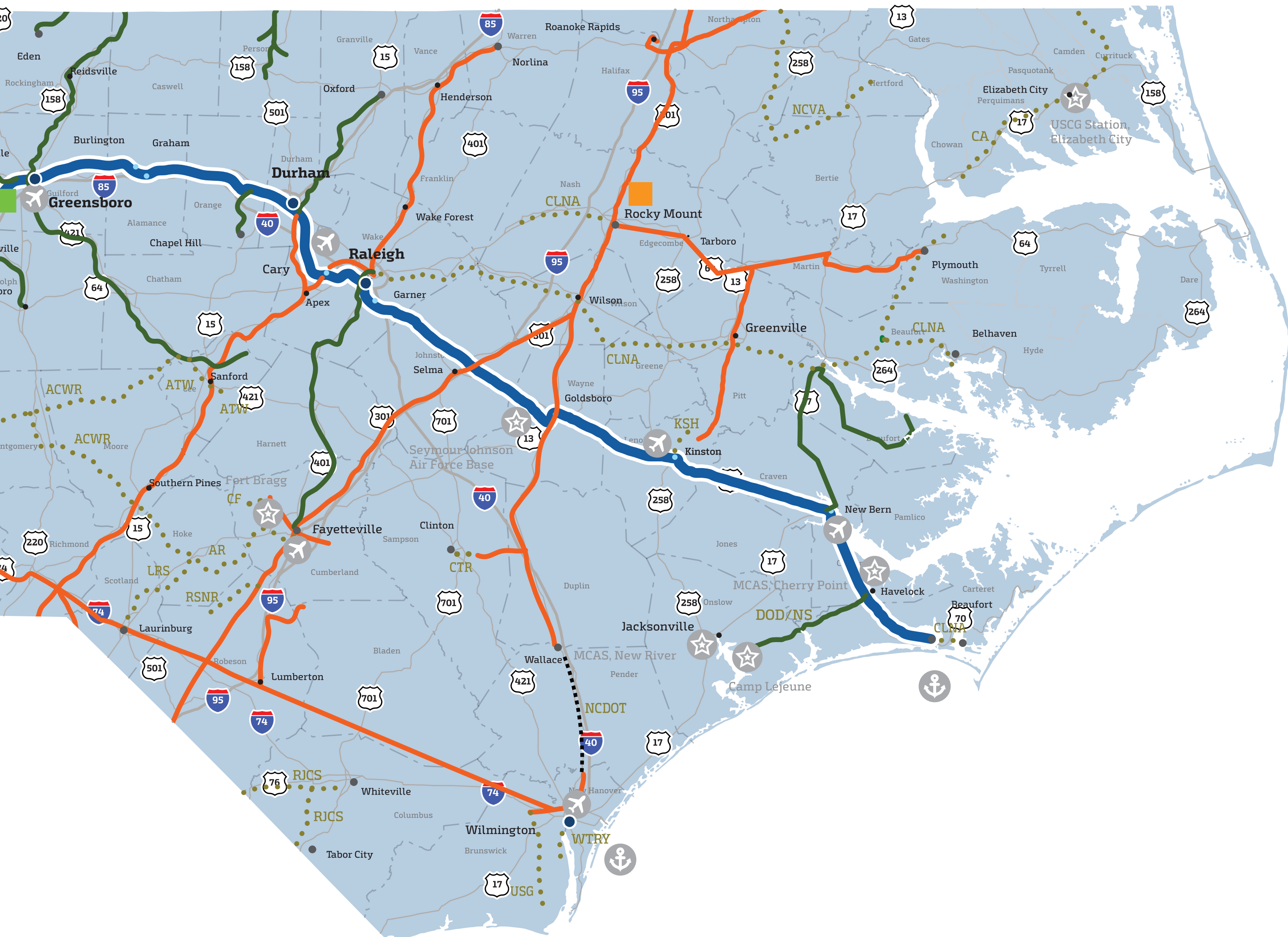
- North Carolina Railroad Company
  *Norfolk Southern Class I Freight Service
- Norfolk Southern
- CSX Transportation
- Various Shortlines

INTERMODAL TERMINALS

- Norfolk Southern
- CSX Transportation

LOGISTICAL CENTERS

- Military Bases
- Seaports
- Airports


Eden
Reidsville
Rockingham
Caswell
Person
Granville
Vance
Warren
Roanoke Rapids
Northampton
Gates
Camden
Currituck
Pasquotank
Elizabeth City
Perquimans
USCG Station, Elizabeth City
Hertford
Chowan
CA
NCVA
Halifax
Norlina
Henderson
Oxford
Burlington
Graham
Durham
Orange
Guilford
Greensboro
Alamance
Chapel Hill
Chatham
Cary
Raleigh
Wake
Apex
Garner
Franklin
Wake Forest
Nash
CLNA
Rocky Mount
Edgecombe
Tarboro
Martin
Bertie
Plymouth
Washington
Tyrrell
Dare
Wilson
Greenville
Pitt
Beaufort
Belhaven
Hyde
Johnston
Selma
Greene
Wayne
Goldsboro
KSH
Lenoir
Kinston
Craven
Seymour Johnson Air Force Base
Sanford
Lee
ATW
ACWR
Moore
Montgomery
Harnett
Southern Pines
Fort Bragg
CF
Fayetteville
Hoke
AR
Richmond
Scotland
LRS
RSNR
Cumberland
Sampson
Clinton
CTR
Laurinburg
Robeson
Lumberton
Bladen
Duplin
Wallace
MCAS, New River
Pender
NCDOT
Jones
New Bern
Pamlico
Havelock
MCAS, Cherry Point
Carteret
Beaufort
CLNA
Onslow
Jacksonville
DOD/NS
Camp Lejeune
RJCS
Whiteville
Columbus
Tabor City
New Hanover
Wilmington
WTRY
Brunswick
USG
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North Carolina Railroad Company and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

North Carolina Railroad Company and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

North Carolina Railroad Company and Subsidiaries

Contents

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Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

Independent Auditor's Report

Board of Directors and Stockholder
North Carolina Railroad Company and Subsidiaries
Raleigh, North Carolina

Opinion

We have audited the consolidated financial statements of North Carolina Railroad Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related statements of operations and comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

May 17, 2023

Consolidated Financial Statements

North Carolina Railroad Company and Subsidiaries

Consolidated Balance Sheets

December 31,		2022		2021
Assets				
Current assets:				
Cash and cash equivalents	$	**25,355,018**	$	17,689,209
Accounts receivable, net of allowance for doubtful accounts of $102,022 and $74,516 for 2022 and 2021, respectively		**337,191**		704,450
Prepaid expenses		**522,221**		494,816
Total current assets		**26,214,430**		18,888,475
Property and equipment:				
Roadway and land		**7,848,742**		7,848,742
Tracks, signals and bridges		**415,167,718**		415,167,718
Land		**13,766,174**		36,144,887
Buildings and improvements		**19,555,091**		19,570,087
Equipment and furniture		**3,393,154**		3,348,559
Construction in progress		**9,468,080**		9,226,824
		469,198,959		491,306,817
Less accumulated depreciation		**(279,143,658)**		(251,527,759)
Property and equipment, net		**190,055,301**		239,779,058
Other assets:				
Investments reserved for capital projects		**105,567,328**		122,689,784
Long-term receivables		**4,708,926**		3,602,789
Other		**47,384**		66,037
Total other assets		**110,323,638**		126,358,610
Total Assets	$	**326,593,369**	$	385,026,143

North Carolina Railroad Company and Subsidiaries

Consolidated Balance Sheets (continued)

December 31,		**2022**		2021
Liabilities and Stockholder's Equity				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**3,024,094**	$	2,293,826
Customer deposits		**180,494**		766,611
Current portion of unearned rent		**200,455**		200,455
Total current liabilities		**3,405,043**		3,260,892
Long-term liabilities:				
Other liabilities		**46,300**		60,565
Deferred tax liability		**471,405**		497,294
Unearned rent, less current portion		**9,421,363**		9,621,818
Total long-term liabilities		**9,939,068**		10,179,677
Total liabilities		**13,344,111**		13,440,569
Stockholder's Equity:				
Common stock, $0.50 par value; 10,000,000 shares authorized;				
317 shares issued and outstanding		**159**		159
Additional paid-in capital		**473,812,602**		473,812,602
Accumulated deficit		**(159,287,159)**		(102,142,298)
Accumulated other comprehensive loss:				
Unrealized loss on available-for-sale securities		**(1,276,344)**		(84,889)
Total stockholder's equity		**313,249,258**		371,585,574
Total Liabilites and Stockholder's Equity	**$**	**326,593,369**	$	385,026,143

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31,		2022		2021
Income:				
Lease of roadway and land	$	**16,929,447**	$	16,723,415
Other lease income		**7,207,900**		6,616,295
Total lease income		**24,137,347**		23,339,710
Expenses:				
Wages and benefits		**4,898,476**		3,989,313
Professional fees		**369,814**		547,855
Contracted services		**1,500,482**		986,945
Franchise and property taxes		**940,837**		950,800
Insurance		**352,101**		320,204
Reporting and public relations		**192,342**		175,742
Depreciation		**27,650,863**		27,322,512
Engineering, surveying and mapping		**239,316**		762,919
Property and corridor management		**423,911**		304,848
Bad debt expense (recoveries)		**14,492**		(15,109)
General and administrative		**1,206,185**		1,469,506
Economic development		**2,977,670**		2,732,518
Total expenses		**40,766,489**		39,548,053
Operating loss		**(16,629,142)**		(16,208,343)
Other (Loss) Income:				
Investment (loss) income, net of expenses		**(62,065)**		5,482,242
Unrealized (loss) gain on marketable equity securities		**(15,672,819)**		4,773,687
Other income		**1,324,451**		1,170,077
Project contributions		**(25,985,105)**		(25,000)
Other (loss) income, net		**(40,395,538)**		11,401,006
Loss before income taxes		**(57,024,680)**		(4,807,337)
Income tax expense		**120,181**		113,384
Net Loss	$	**(57,144,861)**	$	(4,920,721)
Other comprehensive (loss) income:				
Unrealized (losses) gains on securities:				
Unrealized holding losses	$	**(1,634,256)**	$	(888,440)
Reclassification adjustments for unrealized holding gains (losses) included in net loss		**442,801**		(143,403)
Other comprehensive loss		**(1,191,455)**		(1,031,843)
Comprehensive Loss	$	**(58,336,316)**	$	(5,952,564)

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

	Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	Total Stockholder's
	Shares	Amount	Paid-in Capital	Deficit	Income (Loss)	Equity
Balance, December 31, 2020	317	$ 159	$ 462,774,353	$ (97,221,577)	$ 946,954	$ 366,499,889
Capital contributions	-	-	11,038,249	-	-	11,038,249
Net loss and other comprehensive loss	-	-	-	(4,920,721)	(1,031,843)	(5,952,564)
Balance, December 31, 2021	317	$ 159	$ 473,812,602	$ (102,142,298)	$ (84,889)	$ 371,585,574
Net loss and other comprehensive loss	**-**	**-**	**-**	**(57,144,861)**	**(1,191,455)**	**(58,336,316)**
Balance, December 31, 2022	**317**	**$ 159**	**$ 473,812,602**	**$ (159,287,159)**	**$ (1,276,344)**	**$ 313,249,258**

See accompanying notes to consolidated financial statements.

North Carolina Railroad Company and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,		**2022**		2021
Cash Flows from Operating Activities:				
Net loss	$	**(57,144,861)**	$	(4,920,721)
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities:				
Bad debt expense (recoveries)		**14,492**		(15,109)
Depreciation		**27,650,863**		27,322,512
Loss on property and equipment contributed to projects		**25,985,105**		-
Deferred income tax benefit		**(25,889)**		(12,706)
Loss (income) from investments reserved for capital projects		**15,734,884**		(10,255,929)
Changes in operating assets and liabilities:				
Accounts receivable		**352,767**		38,880
Prepaid expenses		**(27,405)**		(389,246)
Long-term receivable		**(1,106,137)**		(25,623)
Other assets		**18,653**		19,223
Accounts payable and accrued expenses		**730,268**		(6,725,460)
Customer deposits		**(586,117)**		739,445
Unearned rent		**(200,455)**		(200,454)
Other liabilities		**(14,265)**		2,705
Net cash and cash equivalents provided by operating activities		**11,381,903**		5,577,517
Cash Flows from Investing Activities:				
Purchases of property and equipment		**(3,912,211)**		(1,843,401)
Maturity of certificate of deposit, net		**-**		4,071,263
Transfer of unrestricted cash and cash equivalents to investments reserved for capital projects		**-**		(5,000,015)
Purchases of investments		**(72,232,118)**		(58,914,495)
Proceeds from sales of investments		**72,428,235**		58,905,873
Net cash and cash equivalents used in investing activities		**(3,716,094)**		(2,780,775)
Net increase in cash and cash equivalents		**7,665,809**		2,796,742
Cash and Cash Equivalents, at beginning of year		**17,689,209**		14,892,467
Cash and Cash Equivalents, at end of year	$	**25,355,018**	$	17,689,209
Supplemental Disclosure of Cash Flows:				
Cash paid for income taxes	$	**202,092**	$	-
Supplemental Disclosure of Non-Cash Transactions:				
Property and equipment purchases in accounts payable	$	**-**	$	654,333
Non-cash capital contributions	$	**-**	$	11,038,249

See accompanying notes to consolidated financial statements.

1. Organization and 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 Railroad Holdings I, LLC, a wholly owned subsidiary of NCRR, ("NCRR Holdings") was formed on April 5, 2016, for the purpose of acquiring real estate to be used in future economic development projects of NCRR.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of NCRR and its wholly owned subsidiaries, NCRI 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 U.S. 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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment. Actual results could differ from those estimates.

Cash and cash equivalents

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. Cash and cash equivalents exclude amounts held in long-term investment portfolios as those amounts are commingled with investments reserved for capital projects.

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.

Certificate of Deposit

The Company purchased a certificate of deposit during the year ended December 31, 2020 that had a maturity date between three and twelve months from the date of purchase. The certificate matured during the year ended December 31, 2021.

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 improvements	25
Bridges	25
Tracks 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. The investments in debt securities 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 debt securities are sold, gains and losses are determined using the specific identification method. Marketable equity securities are reported at fair value with all changes recorded through income. Realized and unrealized gains and losses are determined by using the average cost method. Investments are classified as noncurrent due to the board designations of investments for capital improvements. The Company reviews debt 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.

Long-Term Receivables

The Company's long-term receivables primarily consist of receivables under tax credit revenue agreements, plus accumulated interest.

Unearned Rent

The Company's unearned rent consists of payments received in excess of the rent recognized on a straight-line basis over the term of the underlying lease agreement.

Revenue Recognition

The Company's operating income consists of the following and is recognized in accordance with the Financial Accounting Standards Board's ("FASB") Topic 842, *Leases*:

> Lease of roadway and land: Revenue received from property that is operated by NSR is reflected in the consolidated statements of operations and comprehensive income on a straight-line basis in accordance with the lease term in 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 and comprehensive income on a straight-line basis in accordance with the lease term in the Company's lease arrangements. The Company also collects license fee revenue which is recognized in accordance with the lease term. The Company defers recognition of contingent rentals until the requirements are met.

Advertising

The Company incurred $32,870 and $70,782 in advertising costs in 2022 and 2021, 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.

Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which made certain targeted improvements to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. However, lessor accounting remains largely consistent with the previous accounting model under ASC Topic 840, *Leases* ("ASC 840"). The Company adopted ASU 2016-02 for the annual period ending December 31, 2022 using the modified retrospective approach. Under this transition provision, results for reporting period beginning on January 1, 2022 are presented under Topic 842 while prior period amounts continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC 840. This guidance did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is designed to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. When determining such expected credit losses, the guidance requires companies to apply a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective on a modified retrospective basis for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

3. Fair Value Measurements

Accounting Standard Codification 820 ("ASC 820"), *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability; and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following table summarizes the levels in the ASC 820 fair value hierarchy for the Company as of:

December 31, 2022	Level 1	Level 2	Level 3	Total
Investments reserved for capital projects:				
Cash and cash equivalents:				
Board designated	$ -	$ -	$ -	$ -
Other	8,621,514	-	-	8,621,514
Mutual funds:				
Equity securities	57,391,940	-	-	57,391,940
Fixed income	19,889,253	-	-	19,889,253
Available for sale:				
U.S Government and federal agencies	-	5,999,636	-	5,999,636
Mortgage-backed securities	-	1,687,854	-	1,687,854
Collateralized mortgage obligations	-	3,101,103	-	3,101,103
Corporate debt securities	-	7,889,731	-	7,889,731
Foreign bonds	-	986,297	-	986,297
Total investments reserved for capital projects	$ 85,902,707	$ 19,664,620	$ -	$ 105,567,328

December 31, 2021	Level 1	Level 2	Level 3	Total
Investments reserved for capital projects:				
Cash and cash equivalents:				
Board designated	$ 158,188	$ -	$ -	$ 158,188
Other	2,548,344	-	-	2,548,344
Mutual funds:				
Equity securities	62,608,029	-	-	62,608,029
Fixed income	17,620,096	-	-	17,620,096
Available for sale:				
U.S Government and federal agencies	-	16,456,227	-	16,456,227
Mortgage-backed securities	-	2,481,112	-	2,481,112
Collateralized mortgage obligations	-	5,537,506	-	5,537,506
Corporate debt securities	-	12,797,385	-	12,797,385
Foreign bonds	-	2,482,897	-	2,482,897
Total investments reserved for capital projects	$ 82,934,657	$ 39,755,127	$ -	$ 122,689,784

There were no purchases or sales of Level 3 investments nor any transfers into or out of Level 3 during the years ended December 31, 2022 and 2021.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses, which qualify as financial assets and financial liabilities, approximate fair value due to the relative terms and short maturity of these financial instruments. The carrying amount for the long-term receivables approximates fair value primarily based on the terms of the underlying tax credits receivable.

4. Investments Reserved for Capital Projects

The following is a summary of the investment portfolio by major classification included in investments reserved for capital projects at:

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:				
Board designated	$ -	$ -	$ -	$ -
Other	8,621,514	-	-	8,621,514
Total Cash and cash equivalents	8,621,514	-	-	8,621,514
Mutual funds:				
Equity securities	59,800,664	141,298	(2,550,022)	57,391,940
Fixed income	22,998,190	-	(3,108,937)	19,889,253
Total mutual funds	82,798,854	141,298	(5,658,959)	77,281,193
Available for sale:				
U.S. government and federal agencies	6,148,520	3,190	(152,074)	5,999,636
Mortgage-backed securities	1,817,707	-	(129,853)	1,687,854
Collateralized mortgage obligations	3,290,460	-	(189,357)	3,101,103
Corporate debt securities	8,597,219	669	(708,157)	7,889,731
Foreign bonds	1,092,134	-	(105,837)	986,297
Total available for sale	20,946,040	3,859	(1,285,278)	19,664,621
Total investments reserved for capital projects	$ 112,366,408	$ 145,157	$ (6,944,237)	$ 105,567,328

December 31, 2021		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
Cash and cash equivalents:								
Board designated	$	158,188	$	-	$	-	$	158,188
Other		2,548,344		-		-		2,548,344
Total cash and cash equivalents		2,706,532		-		-		2,706,532
Mutual funds:								
Equity securities		52,037,318		10,799,108		(228,397)		62,608,029
Fixed income		18,035,873		391		(416,168)		17,620,096
Total mutual funds		70,073,191		10,799,499		(644,565)		80,228,125
Available for sale:								
U.S. government and federal agencies		16,524,204		72,081		(140,058)		16,456,227
Mortgage-backed securities		2,415,302		73,644		(7,834)		2,481,112
Collateralized mortgage obligations		5,514,441		56,806		(33,741)		5,537,506
Corporate debt securities		12,872,364		70,283		(145,262)		12,797,385
Foreign bonds		2,375,378		147,664		(40,145)		2,482,897
Total available for sale		39,701,689		420,478		(367,040)		39,755,127
Total investments reserved for capital projects	$	112,481,412	$	11,219,977	$	(1,011,605)	$	122,689,784

Investment management fees, totaling $241,293 and $233,267, respectively, in 2022 and 2021, are netted against investment (loss) income.

The Company recognized a net realized loss of $3,032,298 and a net realized gain of $3,233,399 during the years ended December 31, 2022 and 2021, respectively, on the sale of securities.

Accounting standards require management to evaluate certain investments whereby fair value is below cost to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of the impairment loss.

The following table reflects the investments in an unrealized loss position as of December 31, 2022 and 2021 for which impairment loss has not been taken, aggregated by investment category and length of time that the individual securities have been in a continuous loss position:

	Less than 12 Months		More than 12 Months		Total	
December 31, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agencies	$3,196,650	$ (92,485)	$1,957,998	$ (59,588)	$5,154,648	$ (152,074)
Mortgage-backed securities	1,109,188	(46,347)	578,666	(83,506)	1,687,854	(129,853)
Collateralized mortgage obligations	524,734	(41,372)	2,576,369	(147,985)	3,101,103	(189,357)
Corporate debt securities	2,796,257	(204,640)	5,007,805	(503,518)	7,804,062	(708,157)
Foreign bonds	-	-	986,297	(105,837)	986,297	(105,837)
Total	$ 7,626,829	$ (384,844)	$11,107,134	$ (900,435)	$18,733,963	$ (1,285,279)

	Less than 12 Months		More than 12 Months		Total	
December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agencies	$11,548,823	$ (115,489)	$ 871,265	$ (24,569)	$12,420,088	$ (140,058)
Mortgage-backed securities	787,861	(7,834)	-	-	787,861	(7,834)
Collateralized mortgage obligations	3,820,543	(33,741)	-	-	3,820,543	(33,741)
Corporate debt securities	8,636,108	(137,856)	205,529	(7,406)	8,841,637	(145,262)
Foreign bonds	2,052,535	(40,145)	-	-	2,052,535	(40,145)
Total	$26,845,870	$ (335,065)	$ 1,076,794	$ (31,975)	$27,922,662	$ (367,040)

Management continually reviews the marketable securities portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost and the Company's ability and intent to hold the investment until maturity. Any such losses are characterized in the period of determination as investment loss and included in nonoperating income (loss).

Other-than-temporary does not mean permanent impairment. Management believes that the securities that are in an unrealized loss position at December 31, 2022 and 2021 for which other-than-temporary impairment was not taken will recover their losses. This assessment is based on the length of time the securities have been in an unrealized loss position and the nature of the security held. Management has determined that their available for sale securities are of high quality and the Company has the intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value.

The amortized cost and fair values of available for sale securities at December 31, 2022 and 2021 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.

December 31, 2022	**Amortized Cost**	**Fair Value**
Available for sale:		
Due within one year	**$ 3,348,245**	**$ 3,248,372**
Due after one year through five years	**15,099,249**	**14,109,792**
Due after five years through ten years	**1,434,421**	**1,361,595**
Due after 10 years	**1,064,126**	**944,860**
Total	**$ 20,946,040**	**$ 19,664,620**

December 31, 2021	**Amortized Cost**	**Fair Value**
Available for sale:		
Due within one year	$ 3,193,641	$ 3,188,427
Due after one year through five years	31,852,283	31,679,454
Due after five years through ten years	3,364,370	3,441,907
Due after 10 years	1,291,395	1,445,339
Total	$ 39,701,689	$ 39,755,127

The Company's investments reserved for capital projects were restricted as follows as of:

December 31,	**2022**	2021
Restricted under contracts	**$ 31,227,816**	$ 27,951,220
Board designated funds	**74,339,511**	94,738,564
Investments reserved for capital projects	**$ 105,567,328**	$ 122,689,784

See Note 6 below for discussion regarding the Company's capital project commitments.

5. 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 provided 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 resulting in an annual payment of $2,700,000. 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.

NSR Tax Credits

The Company's long-term receivable balances primarily consist of tax credits and related accrued interest receivable as follows:

December 31,		**2022**		2021
Tax credits receivable	**$**	**4,270,000**	$	3,416,000
Accrued interest (interest rates of 3.5% to 4.5%)		**275,381**		159,330
Total tax credits and related accrued interest receivable	**$**	**4,545,381**	$	3,575,330

The tax credits as of December 31, 2022 and 2021 were for the tax years 2018 to 2022 and tax years 2017 to 2021, respectively.

6. Capital Commitments

Project Agreements and Contracts

As of December 31, 2022 and 2021, the Company has commitments under various individual project agreements and other contracts totaling approximately $31 and 28 million, respectively. The contractual commitments of the Company consist of capital improvement projects, American Recovery and Reinvestment Act of 2009 ("ARRA") and the Passenger Rail Investment and Improvement Act of 2008 ("PRIIA") High-Speed Passenger Rail improvement projects, and certain economic development projects, including NCRR Invests projects. The commitments to ARRA/PRIIA High-Speed Passenger Rail projects and NCRR Invests projects are described in more detail below. The various individual projects, capital improvements and strategic investments to which capital is committed are scheduled for completion between 2023 and 2026.

ARRA/PRIIA High-Speed Passenger Rail Projects

In 2011, the State of North Carolina was selected to receive certain federal grant awards through ARRA and 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. 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. Except as described below, as of December 31, 2017, substantially all of the ARRA and PRIIA projects were completed. The Company has recorded capital contributions and related assets for a portion of the improvements made by NCDOT.

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 ongoing and their costs are to be applied against and reduce the Company's commitment under the agreements. Through December 31, 2022 and 2021, the Company has expended approximately $16.5 million and $16.4 million, respectively, of its commitments under these agreements. The Company also has committed use of the Company's rail corridor lands for such capacity and other related improvement projects.

NCRR Invests

NCRR Invests is an economic development initiative started in 2016 to create a competitive advantage for the State of North Carolina in the recruitment of rail-served business and industry. NCRR Invests works with economic development partners at the state and local level to provide assistance to rail served companies that have committed to job creation in North Carolina. Through December 31, 2022 and 2021, the Company has expended approximately $38.2 million and $11.6 million of its commitments under NCRR Invests project agreements, with an additional $8.2 million and $9.9 million, respectively, committed. During fiscal year 2022, NCRR Invests conveyed approximately 1,250 acres of land in northern Randolph County to Toyota as part of an economic development project. The loss on the property contributed to the project totaled $25.9 million and is reported as "Project contributions" within "Other (loss) income, net" on the accompanying consolidated statements of operations and comprehensive income. NCRR Invests expenditures that are not i) spent on NCRR property or ii) for the acquisition of NCRR owned assets, are expensed as incurred and are reported as "Economic development" expenses on the accompanying consolidated statements of operations and comprehensive income.

7. Employee Benefit Plan and Deferred Compensation

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, including discretionary contributions, for the years ended December 31, 2022 and 2021 were $202,465 and $133,150, respectively.

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 officer retired during 2020 and the full amount of the deferred compensation liability outstanding at December 31, 2020 of $579,871 (included in accounts payable and accrued expenses in the accompanying consolidated balance sheets) was paid during the year ended December 31, 2021. The Company recognized $68,309 of expense related to the plan during the year ended December 31, 2021.

8. Line of Credit

In July 2018, the Company executed a line of credit with a financial institution which provides maximum borrowings of up to $5,000,000. The line of credit was renewed in May 2020 with a maturity of July 2021 and has a variable interest rate at one-month LIBOR plus 0.85%, with a 1.0% LIBOR floor, and is unsecured. The line of credit was renewed in July 2021, extending the term through July 2023 at the same interest rate. There was no outstanding balance as of December 31, 2022 and 2021. The Company's line of credit contains a restrictive covenant to maintain a minimum liquidity. The Company was in compliance with respect to this covenant as of December 31, 2022.

9. 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 5, comprises 70% of the lease income during the years ended December 31, 2022 and 2021. Rental income received from this lease during 2022 and 2021 was approximately $16.9 million and $16.7 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 as of December 31, 2022:

Year ending December 31,	**Amount**
2023	**$ 20,590,185**
2024	**21,188,871**
2025	**21,160,177**
2026	**21,126,259**
2027	**22,287,983**
Thereafter	**150,058,753**
Total	**$ 256,412,228**

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. There was no contingent rental income during the years ended December 31, 2022 and 2021.

10. 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 recognized unearned rent liability as follows as of:

December 31,	**2022**	2021
Current portion	**$ 200,455**	**$ 200,455**
Non-current portion	**9,421,363**	**9,621,818**
Total unearned rent liability	**$ 9,621,818**	**$ 9,822,273**

11. Income Taxes

The Company's loss before income taxes was as follows:

Years ended December 31,	**2022**	2021
Loss before income taxes:		
Nontaxable entities	**$ (57,533,537)**	$ (5,297,629)
Taxable entity	**508,857**	490,292
Loss before income taxes	**$ (57,024,680)**	$ (4,807,337)

The difference between the federal income tax computed by the statutory federal income tax rate of 21% and NCRI's income tax expense as reflected in the consolidated financial statements was as follows:

Years ended December 31,	**2022**	2021
Income tax at statutory federal income tax rates	**$ 130,356**	$ 111,430
(Decrease) increase attributable to:		
State income tax, net of federal income tax benefit	**(7,949)**	3,206
Other	**(2,226)**	(1,252)
Total	**$ 120,181**	$ 113,384

The Company's taxable subsidiary, NCRI, has deferred income tax balances as follows at:

December 31,		**2022**		2021
Liability:				
Property and equipment	**$**	**(471,405)**	$	(497,294)
Net deferred tax liability	**$**	**(471,405)**	$	(497,294)

The Company's total tax expense is summarized as follows:

Years ended December 31,		**2022**		2021
Current income tax expense	**$**	**146,071**	$	126,090
Deferred income tax benefit		**(25,890)**		(12,706)
Total income tax expense	**$**	**120,181**	$	113,384

12. 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 consolidated balance sheets and results of operations.

13. Subsequent Events

The Company has evaluated subsequent events and their potential effects on the accompanying consolidated financial statements from December 31, 2022 (the date of the most recent consolidated balance sheet presented) through May 17, 2023 (the date the accompanying consolidated financial statements were available to be issued). No material recognizable events were identified.


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