

**FEDERAL HIGHWAY
ADMINISTRATION
EASTERN FEDERAL LANDS
HIGHWAY DIVISION
And
CSX TRANSPORTATION**

**FINANCIAL PLAN
Update 1**

**NATIONAL GATEWAY
INITIATIVE
CLEARANCE PROJECT
PHASE 1**

**FEDERAL HIGHWAY ADMINISTRATION
And
CSX TRANSPORTATION
PROJECT FINANCIAL PLAN
NATIONAL GATEWAY PROJECT**

TABLE OF CONTENTS

Background	4
Introduction	4
Project Background	6
Project Description	7
Scope of Work	8
Chapter 1: Project Cost Estimate	8
Chapter 2: Implementation Plan	10
Chapter 3: Project Funding	11
Funding Sources	11
Project Expenditures	14
Chapter 4: Cash Flow	16
Chapter 5: Other Factors	18
Termination of Project	
Cost Increase Mitigation Options and Strategies	
Schedule for Annual Updates	

BACKGROUND

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and appropriated \$1.5 billion, available through September 30, 2011, for Supplementary Discretionary Grants for a National Surface Transportation System. The U.S. Department of Transportation (USDOT) launched the Transportation Investment Generating Economic Recovery Discretionary Grant program (TIGER) on June 17, 2009 and solicited application for innovative, multi-modal and multi-jurisdictional transportation projects that provide significant economic and environmental benefits. Applications were due to USDOT on September 15, 2009.

INTRODUCTION

On February 17, 2010, the National Gateway was awarded \$98 million from the TIGER program to fund clearance projects between rail terminals in Northwest Ohio and Chambersburg, Pennsylvania. The National Gateway is a public-private partnership, consisting of \$842 million in projects to increase: bridge and tunnel clearance heights to accommodate double stacked intermodal trains; and intermodal terminal capacity. When complete, the National Gateway will create a highly efficient freight rail transportation link between Mid-Atlantic ports and the Midwest.

The National Gateway consists of three major segments:

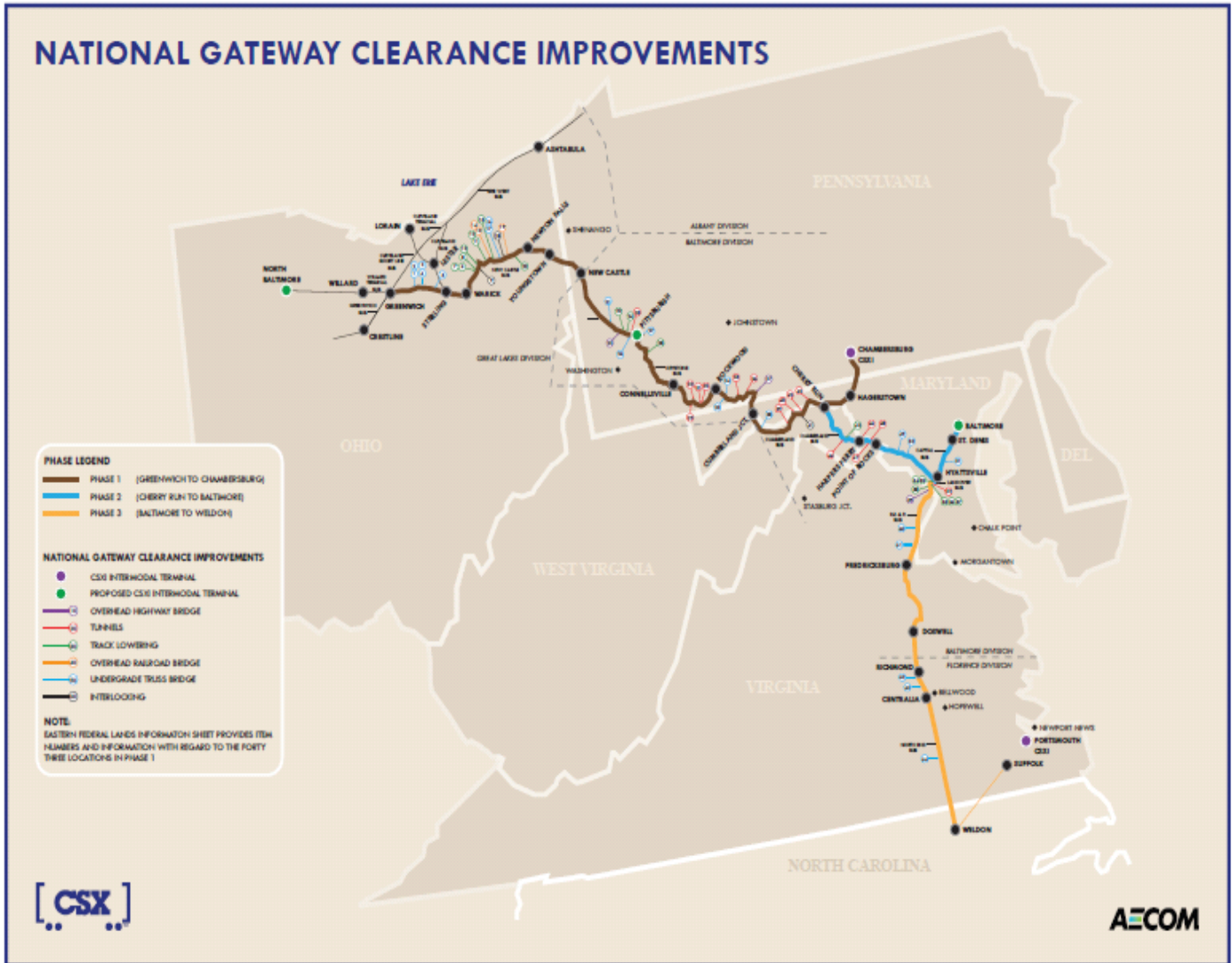
- **Phase 1:** This segment will run from the \$175 million intermodal terminal which began operations February 22, 2011, (financed by CSX and its affiliates with additional safety investments by the Ohio Rail Development Commission) in Wood County in Northwest Ohio to a recently completed CSX Intermodal terminal in Chambersburg, Pennsylvania.
- **Phase 2:** This segment will run from the intermodal terminal in Chambersburg, to a proposed intermodal terminal that CSX and the State of Maryland have agreed to jointly develop at a site along CSX's mainline between Baltimore and Washington, DC
- **Phase 3:** This segment will run from the Baltimore-Washington, DC area south along CSX's mainline (parallel to Interstate 95), to the ports of Hampton Roads, Virginia and Wilmington, North Carolina.

This Financial Plan only covers Phase 1, which will enable double-stacked intermodal service between Northwest Ohio and Chambersburg, Pennsylvania by increasing tunnel clearances and modifying other overhead obstructions in Ohio, Pennsylvania, West Virginia and Maryland. Phase 1 does not include work at rail facilities or intermodal terminals.

The Federal Highway Administration (FHWA) Eastern Federal Lands Highway Division and CSX Transportation (Railroad) signed a Memorandum of Agreement (MOA) on December 17, 2010 which outlines the roles and responsibilities for each of the Parties during Phase 1 of the National Gateway project. FHWA is responsible for the coordination and facilitation of the overall schedule for Phase 1 of the National Gateway, as well as for the management of the Federal TIGER funding. The design and construction of Phase 1 will be completed by the Railroad.

In Figure 1 below, the project limits are identified on maps of the corridor.

Figure 1: The National Gateway



Project Background

The National Gateway project is located on two of CSX's busiest rail lines: 1) the B&O Route, which is the east-west line between the Midwest and the Mid-Atlantic; and 2) the I-95 Corridor, which is the north-south rail line between the Baltimore–Washington region and the southern Mid-Atlantic region of Virginia and North Carolina.

The B&O Route

The clearance projects in Phase 1 of the National Gateway are located on the former B&O line. This route, between the Midwest and the Mid-Atlantic of Maryland, extends from Greenwich, Ohio through Pittsburgh, Pennsylvania and Cumberland, Maryland to the Baltimore – Washington area. From Greenwich, Ohio to New Castle, Pennsylvania, this line is part of CSX's Great Lakes Division and from New Castle, Pennsylvania to Baltimore, Maryland it is part of CSX's Baltimore Division. The route extends from north-central Ohio east through Youngstown, Ohio then southeast through New Castle, Pennsylvania to Pittsburgh, Pennsylvania. The line continues southeast, crosses the Allegheny Mountains in the southwest portion of Pennsylvania, and then crosses into Maryland near Cumberland. East from Cumberland the line follows the Potomac River valley along the Maryland – West Virginia boarder to Cherry Run, Maryland where the line to Chambersburg, Pennsylvania diverges.

The B&O line continues east through Harpers Ferry, West Virginia; Brunswick, Maryland; and Point of Rocks, Maryland to the north edge of Washington, DC at Hyattsville, Maryland. At Hyattsville, the line connects with the north-south line of the National Gateway.

The line averages over 30 freight trains per day west of the junction at Cumberland where trains from the Grafton, West Virginia route join and more than 40 freight trains per day east of Cumberland. The line hosts Amtrak's Capital Limited east of Pittsburgh and MARC commuter trains east of Martinsburg, West Virginia. The route is primarily double track with short sections of single track through tunnels and in the Pittsburgh area. Numerous crossovers permit train movement between the main tracks. The entire route is equipped with automatic block signals and many miles operate under a centralized traffic control system.

The line from Cherry Run to Chambersburg, PA is already cleared for double-stack equipment and will not involve any clearance work. The line to Chambersburg is single track under Track Warrant Control. Train volume on this branch averages less than 5 trains per day.

The I-95 Corridor

The route between the Baltimore–Washington region and the southern Mid-Atlantic extends from near Baltimore, Maryland; through Washington, DC; Richmond, Virginia; and Weldon, North Carolina to Pembroke, North Carolina where the line crosses and connects to the CSX line between Wilmington, North Carolina and Charlotte, North Carolina. This line is referred to as the I-95 Corridor. From Baltimore to Richmond the line is part of the Baltimore Division. South of Richmond, Virginia, the line is part of the CSX's Florence Division. The line extends from south of Baltimore, Maryland; around the east edge of Washington, DC (where it crosses the Anacostia River and passes through Virginia Avenue Tunnel); crosses the Potomac River into Alexandria, Virginia then runs south along the eastern seaboard. At Weldon, North Carolina, the CSX line from Portsmouth, Virginia connects to provide rail access to the ports of Hampton Roads. The I-95 Corridor south of Weldon is already cleared to handle double-stack equipment.

The line averages at least 30 trains per day on the entire route with nearly 80 trains each weekday in the Washington, DC area. The line hosts MARC commuter trains between Baltimore and Washington, DC; VRE commuter trains between Washington, DC and Fredericksburg, Virginia; and more than 20 Amtrak trains south of Washington, DC. Between Baltimore and Petersburg, Virginia the route is primarily double track with short sections of single track through Washington, DC. Numerous crossovers permit train movement between the main tracks. South of Petersburg the line alternates segments of single and double track. The entire route is equipped with a centralized traffic control system. The route is equipped with cab signals between Washington, DC and Richmond, Virginia.

The line between Portsmouth, Virginia and Weldon, North Carolina is called the CSX's Portsmouth Subdivision and will not involve any clearance work as it is already cleared for double-stack equipment. The Portsmouth Subdivision is single track under Track Warrant Control. Train volume on this branch averages about 5 trains per day.

Project Description

The National Gateway is being undertaken to increase tunnel clearances and modify other overhead obstructions to accommodate double-stacked intermodal shipments. Phase 1 consists of 40 clearance projects and three new interlockings at 43 work locations between the Northwest Ohio terminal in Wood County, Ohio and the Chambersburg, Pennsylvania terminal. The clearance projects along this segment are located in the states of Ohio, Pennsylvania, West Virginia and Maryland. Completion of these projects would allow for double-stacked intermodal service for the large volume of traffic currently coming into ports along the West Coast, transloaded in Chicago, and, ultimately, destined for markets thought the Mid-Atlantic region. In addition, this would improve the efficiency of domestic intermodal shipments between key Midwest and Mid-Atlantic markets.

In Phase 1, three categories of clearance improvement methods have been identified for the tunnel work (taking into account the condition of the tunnel and additional clearance required):

- Raising or replacing tunnel roofs
- Notching or replacing tunnel linings
- Removal of tunnels

The overhead obstructions that have been identified include overpass structures and railway bridges. The possible clearance improvement methods include:

- Track Modifications
- Removal or replacement of the bridge
- Raising or modifying the bridge

Scope of Work

Within Phase 1, there are 10 mountain tunnels that have or had clearance deficiencies. The Railroad company standards for double-stack operation specify a vertical clearance of greater than 21' above the top of rail. Currently double stack clearances have been achieved in 4 of the 10 tunnels.

In addition to the tunnel work, there are 30 other overhead obstructions that required replacement, removal or modifications. These additional obstructions include:

- 8 overhead bridges where tracks have been lowered;
- 2 through truss railroad bridges where structural steel modifications have occurred
- 9 overhead bridge replacements, 8 have clearance
- 8 overhead bridges removals, 5 have clearance
- 3 overhead bridge raisings, 1 has clearance.

Only certain portions of the work will be paid for in part with Federal funding, as noted below:

- All work to allow double-stacked freight trains to run between Northwest Ohio and Chambersburg, Pennsylvania was eligible for federal funds. In a MOA signed by the FHWA and the State of Ohio, it was agreed that all TIGER funds would be used for improvements in the States of Ohio, Pennsylvania, West Virginia and Maryland.
- Federal funds will not be used for work at rail facilities or intermodal terminals.
- The Railroad is responsible solely for up to \$20 million in construction costs for Phase 1 work.
- Work in Ohio will be paid for using TIGER funds, ARRA and state funds and/or Railroad funds, if needed.
- Work in Pennsylvania will be paid for using TIGER funds and state funds and/or Railroad funds, if needed.
- Work in West Virginia will be paid for using TIGER funds and/or Railroad funds, if needed
- Work in Maryland will be paid for using TIGER and/or Railroad funds, if needed

CHAPTER 1: PROJECT COST ESTIMATE

In the following Table 1, the current cost estimate for Phase 1 is broken down by Federal participation, state, activity and calendar year. Preliminary engineering, construction estimates, and expenses to date have been provided by the Railroad. EFL has determined that TIGER funds can be used on non-TIGER projects on throughout the corridor, if approved in advance by EFL. EFL also indicated that once the \$98 million in TIGER funds were expended, the Corridor needs to be fully operational. These savings from the \$98 million in TIGER funding will be coupled with the Railroad's commitment of \$20 million to fully construct Phase 1 and cover any funding gaps as necessary. In Table 1, actual expenses incurred are shown in the columns entitled; 2009 & Prior, 2010, 2011, and 2012 (1st 3 Quarters). Projected costs are shown in columns entitled; 2012 (4th Quarter) and 2013.

As Phase 1 expenditures have occurred, the Railroad has first paid; construction contractors, material suppliers, CSX construction labor, consultants and other entities supplying goods and services. Subsequent to these payments, CSX has (and continues) to render invoices to the funding agencies.

Table 1- Estimated Project Cost Breakdown by State and Calendar Year

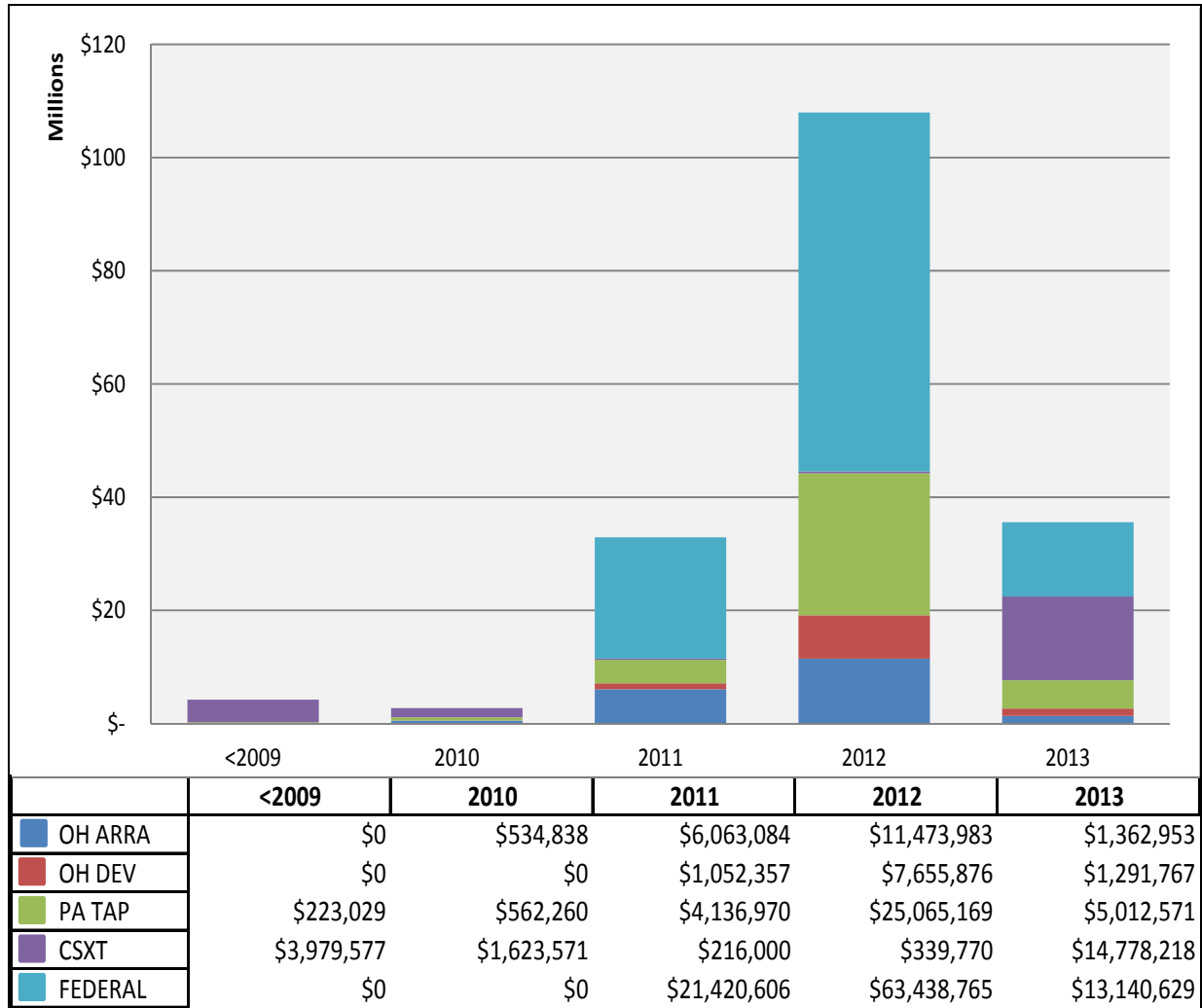
Funding Type	2009 & Prior	2010	2011	2012 (1st 3 Quarters)	2012 (4th Quarter)	2013	Total
TIGER Funding							
Ohio			\$833,052	\$7,560,904	\$996,817	\$118,547	\$9,509,320
Pennsylvania			\$9,897,946	\$19,447,923	\$12,309,326	\$7,107,275	\$48,762,470
West Virginia			\$9,703,962	\$10,654,168	\$4,798,979	\$4,837,458	\$29,994,567
Maryland			\$985,646	\$3,149,203	\$4,521,445	\$5,302,378	\$13,958,672
Project Costs Above TIGER funding to be paid by CSX						(\$4,225,029)	(\$4,225,029)
TIGER Subtotal			\$21,420,606	\$40,812,198	\$22,626,567	\$13,140,629	\$98,000,000
CSX Participation							
Ohio	\$14,458	\$123,537			\$325,770		\$463,765
Pennsylvania	\$90,119	\$275,034	\$216,000		\$14,000	\$534,157	\$1,129,310
West Virginia							\$0
Preliminary Eng & Design **	\$3,875,000	\$1,225,000					\$5,100,000
Project Costs Above TIGER funding						\$4,225,029	\$4,225,029
Project Costs Above ODOD funding						\$853,415	\$853,415
Project Costs Above ARRA funding						\$828,000	\$828,000
Project Costs Above PA TAP Funding						\$8,337,617	\$8,337,617
CSX Subtotal	\$3,979,577	\$1,623,571	\$216,000	\$0.00	\$339,770	\$14,778,218	\$20,937,136
Non-Fed							
ODOD							
Ohio			\$1,052,357	\$4,126,003	\$3,529,873	\$2,145,182	\$10,853,415
Project Costs Above ODOD funding to be paid by CSX						(\$853,415)	(\$853,415)
ODOD Subtotal			\$1,052,357	\$4,126,003	\$3,529,873	\$1,291,767	\$10,000,000
ARRA *							
Ohio		\$534,838	\$6,063,084	\$7,471,546	\$4,002,437	\$2,190,953	\$20,262,858
Project Costs Above ARRA funding to be paid by CSX						(\$828,000)	(\$828,000)
ARRA Subtotal		\$534,838	\$6,063,084	\$7,471,546	\$4,002,437	\$1,362,953	\$19,434,858
PA TAP							
Pennsylvania	\$223,029	\$562,260	\$4,136,970	\$15,438,109	\$9,627,060	\$13,350,188	\$43,337,617
Project Costs Above PA Tap Funding to be paid by CSX						(\$8,337,617)	(\$8,337,617)
PA TAP Subtotal	\$223,029	\$562,260	\$4,136,970	\$15,438,109	\$9,627,060	\$5,012,571	\$35,000,000
Non-Fed Total	\$223,029	\$1,097,098	\$11,252,411	\$27,035,658	\$17,159,370	\$7,667,291	\$64,434,858
Grand Total	\$4,202,606	\$2,720,669	\$32,889,017	\$67,847,856	\$40,125,707	\$35,586,138	\$183,371,994

Notes:

* \$455,000 of the funds shown is provided through an OHDOT grant to Portage County.

**\$5.1 million was expended by CSXT prior to the Grant Agreement(s). These costs are not reimbursable

Figure 2: Forecast Project Costs by Source and Calendar Year



Note: PE and construction management costs are included in total cost for each project.

CHAPTER 2: IMPLEMENTATION PLAN

Preliminary engineering (PE) for the entire National Gateway project (Phases 1-3) was started in 2007. The Compliance with National Environmental Policy Act (NEPA) requirements for the entire project (Phases 1-3) was started in February 2009. The states and the Railroad worked with the Federal Railroad Administration (FRA) to complete an Environmental Assessment (EA) for Phase 1. The PE continued on a parallel path with the NEPA compliance in order to provide supporting documentation for the EA. Final NEPA documents were completed in December 2010, clearing the way for the Railroad to complete final design. The first Notice to Proceed (NTP) was issued on February 28, 2011 for the Park Street bridge removal in Akron Ohio. All projects were advertised and bids received prior to September 30, 2011 with the exception of the bridge removal project at Mexico Maryland which was awarded August 28, 2012. Construction is now expected to be completed by July 2013.

Exhibit 1: Clearance Project Timeline (by calendar year)

Milestone	2007	2008	2009	2010	2011	2012	2013
PE/DESIGN						11/1	
NEPA		2/0			12/10		
CONSTR - OH				2/28			12/30
CONSTR - PA				4/19			4/30
CONSTR - WV				3/24			12/29
CONSTR - MD						9/12	12/14

CHAPTER 3: PROJECT FUNDING

The National Gateway is a public-private partnership. Phase 1 of the project will be financed through a combination of federal, state and Railroad funds.

Funding Sources

On February 17, 2010, USDOT awarded \$98 million from the TIGER program to fund Phase 1 of the National Gateway from Northwest Ohio to Chambersburg, Pennsylvania. The current total estimated cost to complete Phase 1 is \$183.4 million, including the federal TIGER award for \$98 million, \$29.4 million committed from the state of Ohio, \$35 million committed from the Commonwealth of Pennsylvania and \$25.1 million committed from the Railroad.

The State of Ohio’s \$29.4 million will be financed through two programs:

- The State of Ohio Department of Transportation awarded \$19.4 million of American Recovery and Reinvestment Act funding toward a series of bridge replacement projects in the National Gateway corridor that will contribute to the overall corridor development goal of providing double-stack container clearances from a new CSX intermodal facility in Northwest Ohio to another intermodal facility in Chambersburg, Pennsylvania.
- The Ohio Department of Development has awarded \$10 million from the State of Ohio Logistics and Distribution Stimulus Program to the National Gateway project.

The Commonwealth of Pennsylvania’s \$35 million will be financed through the Pennsylvania Department of Transportation’s Rail Transportation Assistance Program over three state fiscal years beginning FY 2009-2010.

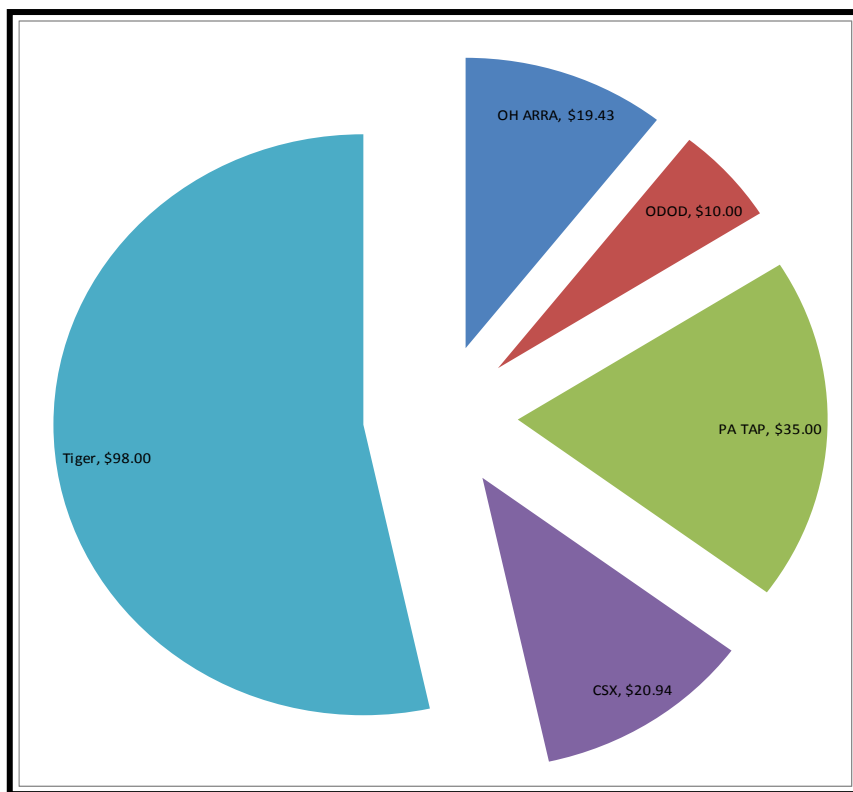
The Railroad has approved \$20 million in capital funding to cover the remaining portion of clearance work in Phase 1, if needed, so the states can begin implementing the project as quickly as possible. In addition, CSX incurred \$5.1 million of expenses performing preliminary engineering work prior to the Grant Agreements.

To cover the administrative costs of the project, the Railroad is providing up to \$1.125 million to the Ohio Rail Development Commission (ORDC) for the sole and express purpose of funding the expense of FHWA-Eastern Federal Lands Highway Division to administer the TIGER grant in Federal Fiscal Year 2011 and beyond. ORDC will accept the funds on or near September 1 prior to the start of each respective fiscal year for the sole purpose of granting the funds to FHWA-Eastern Federal Lands Highway Division. ORDC, in turn, will make payments to FHWA-Eastern Federal Lands Highway Division between October 1 and October 31 of each year. These funds are included as part of the Railroad's commitment of \$25.1 million.

The funding needs for the project are provided in Table 2 and depicted by the pie chart in Figure 3. The funding sources and use of funds are identified in figure 5.

In addition to the funding detailed above, each state is responsible for covering its own administrative costs. These administrative costs are expected to be minimal and are not shown in the tables and figures.

Figure 3: Project Funding



Note: Savings from the \$98 million in TIGER funding will be coupled with the Railroad's commitment of \$20 million to fully construct Phase 1 and cover any funding gaps as necessary.

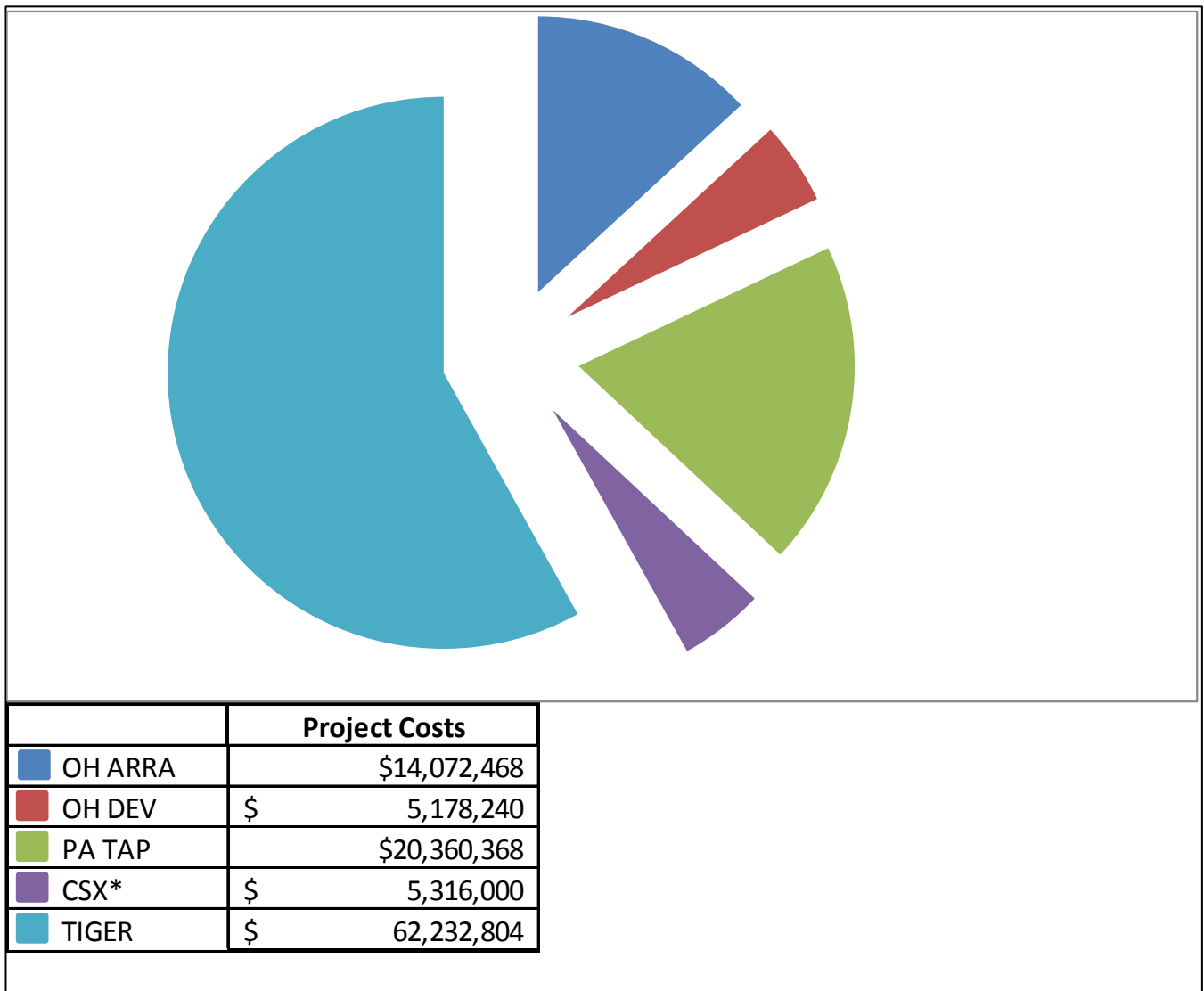
Table 2 - Project Funding by Funding Source

Row Labels	OH ARRA	ODOD	PA TAP	CSX	Tiger
MD				\$588,672	\$13,370,000
OH	\$16,749,626	\$10,000,000		\$4,875,009	\$9,110,000
PA			\$35,000,000	\$11,156,626	\$46,670,000
WV				\$1,274,664	\$28,850,000
Grand Total	\$16,749,626	\$10,000,000	\$35,000,000	\$17,894,971	\$98,000,000

* OH ARRA includes a \$455,000 OH DOT grant to Portage County

An expenditure breakdown by funding source is provided below in Figure 4.

Figure 4: Current Expenditures by Funding Source (3rd Quarter 2012 and Prior)



CHAPTER 4: CASH FLOW

The Railroad expects to have sufficient revenues available for Phase 1 to meet the project expenditures as they occur. Table 4 shows the anticipated cash flow. The data for Table 3 was taken from Table 1 and Figure 3.

Table 3 - Cash Flow Analysis, Gateway Clearance Project, Phase 1 (by calendar year)

	2009 & Prior	2010	2011	2012 (1st 3 Quarters)	2012 (4th Quarter)	2013
Expenditures						
Ohio ARRA *		\$534,838	\$6,063,084	\$7,471,546	\$4,002,437	\$1,362,953
Ohio Development			\$1,052,357	\$4,126,003	\$3,529,873	\$1,291,767
PA TAP	\$223,029	\$562,260	\$4,136,970	\$15,438,109	\$9,627,060	\$5,012,571
CSXT **	\$3,979,577	\$1,623,571	\$216,000	\$0	\$339,770	\$14,778,218
Federal (TIGER)			\$21,420,606	\$40,812,198	\$22,626,567	\$13,140,629
Subtotal	\$4,202,606	\$2,720,669	\$32,889,017	\$67,847,856	\$40,125,707	\$35,586,138
Running Total		\$6,923,275	\$39,812,292	\$107,660,148	\$147,785,855	\$183,371,993
GB Invoicing						
Ohio ARRA			\$457,737	\$11,261,586		
Ohio Development			\$35,308	\$4,817,267		
PA TAP			\$4,497,664	\$15,212,786		
CSXT (unbillable)	\$3,979,577	\$1,623,571	\$216,000			
Federal (TIGER)			\$10,600,649	\$48,394,772		
Subtotal	\$3,979,577	\$1,623,571	\$15,807,358	\$79,686,411		
Running Total		\$5,603,148	\$21,410,506	\$101,096,917		
Revenue Received						
Ohio ARRA *			\$457,737	\$2,132,474		
Ohio Development			\$35,308	\$1,176,112		
PA TAP			\$4,497,664	\$2,775,297		
Federal (TIGER)			\$10,600,649	\$26,022,216		
Subtotal			\$15,591,358	\$32,106,099		
Running Total			\$15,591,358	\$47,697,457		

CHAPTER 5: OTHER FACTORS

Termination of Project

While it is the intention of FHWA and the Railroad to complete Phase 1 of the National Gateway, it is recognized that not all future events can be anticipated. If it becomes apparent that total project costs, less the total amount of reimbursement from Federal funds, exceed the Railroad's approved capital budget authorization for the project, the Railroad shall give notice to the FHWA of the gap in funding. If, at the end of ninety (90) days (or such other period as the Railroad and FHWA may mutually agree) from the date the Railroad gives notice, the Railroad and FHWA have failed to reach an agreement on how the gap in funding will be filled, either with as yet unidentified Federal funds, Railroad funds or funds from other sources, the Railroad may terminate the project by sending written notice to FHWA. If the Railroad exercises this termination right, it shall refund to FHWA any of the Federal funds received by the Railroad.

Cost Increase Mitigation Options and Strategy

The CSX Board of Directors has approved the National Gateway project as a whole. Annual funding needs will be budgeted by the Railroad on an annual basis. To ensure that the total cost of Phase 1 less the amount of actual Federal reimbursement is within its capital improvement budget authority, the Railroad reserves the right to reject bids, re-bid the project or portions thereof as appropriate, re-design the project or portions thereof as appropriate, or take other reasonable measures as may be appropriate under the circumstances.

Schedule for Annual Updates

The Railroad's records for Phase 1 are kept on a calendar year basis. The annual updates for the project Financial Plan will be completed between January and March of each year with updated information through December of the previous year.