

FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208

Phone: (312) 252-1500
Fax: (312) 252-2400
www.fletcher-sippel.com

THOMAS J. LITWILER
(312) 252-1508
tlitwiler@fletcher-sippel.com

September 23, 2021

303031

VIA ELECTRONIC FILING

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20423-0001

ENTERED
Office of Proceedings
September 23, 2021
Part of
Public Record

Re: **Docket No. FD 36522**
Norfolk Southern Railway Company --
Petition for Declaratory Order

Dear Ms. Brown:

Attached for filing in the above-captioned proceeding is the **Opening Statement and Evidence of Norfolk and Portsmouth Belt Line Railroad Company**, dated September 23, 2021.

If you have any questions regarding this filing, please feel free to contact me.
Thank you for your assistance on this matter. Kind regards.

Respectfully submitted,

/s/ *Thomas J. Litwiler*

Thomas J. Litwiler
Attorney for Norfolk and Portsmouth
Belt Line Railroad Company

TJL:tl

Attachment

cc: Parties on Certificate of Service

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36522

NORFOLK SOUTHERN RAILWAY COMPANY --
PETITION FOR DECLARATORY ORDER

**OPENING STATEMENT AND EVIDENCE OF
NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY**

Thomas J. Litwiler
Robert A. Wimbish
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208
(312) 252-1500

James L. Chapman, IV
W. Ryan Snow
Crenshaw, Ware & Martin, PLC
150 West Main Street, Suite 1500
Norfolk, Virginia 23510
(757) 623-3000

**ATTORNEYS FOR
NORFOLK AND PORTSMOUTH BELT
LINE RAILROAD COMPANY**

Dated: September 23, 2021

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36522

NORFOLK SOUTHERN RAILWAY COMPANY --
PETITION FOR DECLARATORY ORDER

**OPENING STATEMENT AND EVIDENCE OF
NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY**

Pursuant to the Board’s decision served on August 9, 2021 in this proceeding, Norfolk and Portsmouth Belt Line Railroad Company (“NPBL”) hereby provides its opening statement and evidence on matters referred to the agency from the U.S. District Court for the Eastern District of Virginia in *CSX Transportation, Inc. v. Norfolk Southern Railway Company*, No. 2:18-cv-00530 (E.D. Va., May 18, 2021). NPBL anticipates that Norfolk Southern Railway Company (“NSR”) and CSX Transportation, Inc. (“CSXT”) will address in their opening filings the nature and effect of the control authority granted by the Interstate Commerce Commission (“ICC”) in *Norfolk Southern Corp. – Control – Norfolk & Western Ry. Co.*, 366 I.C.C. 171 (1982) (“*NS Control*”), and NPBL will respond to their positions and arguments as appropriate in the reply phase of this proceeding. In this filing NPBL demonstrates that from the time of the *NS Control* decision onward, Norfolk Southern Corporation (“NS”) has been in a position of control with respect to NPBL, and that such control was always mutually understood, acknowledged and accepted by all relevant parties in this proceeding.

NPBL is a Class III switching and terminal railroad that provides neutral terminal switching services to customers and interchange partners in Norfolk, Portsmouth and Chesapeake, Virginia. NPBL was originally formed in 1896 and historically owned by eight line-haul railroads.

Just prior to the 1980 merger transaction that created the core of today's CSXT rail system,¹ NPBL's ownership was held by five railroads, representing four different rail systems:

The Chesapeake and Ohio Railway Company ("C&O"):	14.3% (72 of 504 shares)
Norfolk and Western Railway Company ("N&W"):	28.6% (144 of 504 shares)
Seaboard Coast Line Railroad Company ("SCL"):	28.6% (144 of 504 shares)
Southern Railway Company ("Southern"):	14.3% (72 of 504 shares)
Norfolk Southern Railway Company ("Old NS") ² :	14.3% (72 of 504 shares)

Verified Statement of Donna N. Coleman, NPBL Vice President, Corporate Secretary and Comptroller, attached hereto ("Coleman V.S."), at 5. Old NS was a subsidiary of Southern, so Southern controlled 28.6% of NPBL's shares. Essentially, N&W, SCL and Southern each owned two/sevenths of NPBL, while C&O owned one/seventh of the company.

The 1980 *CSX Control* transaction brought the C&O and SCL ownership interests in NPBL under the umbrella of the new CSX Corporation ("CSX"), thus giving CSX indirect ownership of 42.86% of NPBL's outstanding common stock – the same percentage that CSXT holds today. Coleman V.S. at 5. That did not constitute majority control of NPBL, and N&W and Southern (which were independent in 1980) each continued to hold (directly or indirectly) 28.6% of NPBL's stock. Upon the NS assumption of control of N&W and Southern in 1982 pursuant to the ICC's authorization in *NS Control*, however, NS succeeded to its present, indirect 57.14% ownership interest in, and majority control of, NPBL.

¹ See *CSX Corp. – Control – Chessie and Seaboard C.L.I.*, 363 I.C.C. 518 (1980) ("*CSX Control*"). The *CSX Control* transaction was consummated on November 1, 1980. See *Louisville and Nashville R. Co. – Abandonment*, 366 I.C.C. 1, 5 (1981).

² This was a historical subsidiary of the Southern, and a different entity than today's NSR. Upon creation of the Norfolk Southern system in 1982, Old NS changed its name to Carolina and Northwestern Railway Company ("C&NW"). See, e.g., *Matter of Southern Ry. Co.*, 313 N.C. 177, 178 n.1, 328 S.E.2d 235, 237 (1985).

In 1981, NPBL's board of directors consisted of six voting members – one each affiliated with N&W, Old NS, C&O, Southern and SCL, as well as the individual serving as the President and General Manager of NPBL who was essentially selected for that position by the balance of the board membership.³ Coleman V.S. at 2. There were thus, at that time, two directors (those affiliated with C&O and SCL) representing the interests of CSX, but they did not constitute a majority of the non-management members of the board.

In each year from 1982 – when the *NS Control* transaction was consummated – to 1988, NPBL's board of directors consisted of three voting members representing NS railroads,⁴ two voting members representing CSX railroads,⁵ and NPBL's president and general manager as the final voting member. Coleman V.S. at 2-4. Thus, from 1982 onward, NS-affiliated directors constituted a majority of the non-management members of the board.

On March 1, 1989, CSXT, N&W and Southern⁶ entered into a Supplemental Agreement to the July 7, 1897 operating agreement between NPBL's original proprietary railroads. Coleman V.S., Exhibit D. The Supplemental Agreement recited the current ownership of NPBL's common stock – CSXT owning 216 shares, and N&W/Southern owning a total of 288 shares (144 shares each). The parties agreed that, going forward and regardless of the number of individual railroad subsidiaries holding NPBL stock, NS would be entitled to appoint three representatives to

³ Another NPBL officer served as a seventh, non-voting member of the board.

⁴ N&W, Southern and C&NW (the renamed Old NS).

⁵ C&O (subsequently CSXT) and SCL (subsequently Seaboard System Railroad, Inc. ("SBD") and ultimately CSXT).

⁶ C&NW had been merged into the Southern in 1988. *Southern Railway Company – Merger Exemption – Carolina and Northwestern Railway Company*, Docket No. FD 31255 (ICC served May 12, 1988).

the NPBL board of directors, and CSX would be entitled to appoint two directors. In thus providing for NS's control of the NPBL board of directors, the Supplemental Agreement acknowledged and formalized the practice that had been occurring for the prior seven years following implementation of the *NS Control*-authorized transaction. As so constituted, the board of directors has chosen a former NSR employee to be NPBL's President/General Manager in each instance that a vacancy has arisen since 1989. Coleman V.S. at 5.

Other actions by NPBL's owners confirm the common understanding that NS obtained control of NPBL as a result of the 1982 *NS Control* decision. As is reflected in Exhibits A and B to Ms. Coleman's verified statement, each year an Audit Committee prepared an audit report for NPBL that was submitted to the NPBL board of directors. The chairmanship of the Audit Committee rotated on an annual basis between NPBL's owner railroads. The Southern was the chairman of the 1981 Audit Committee, and its audit report for that year is typical of those prepared for NPBL in these years. Coleman V.S., Ex. A. C&O (CSX) was the chairman of the Audit Committee for 1982 – the year in which the *NS Control* transaction was authorized and consummated. The audit report overseen by CSX for that year is similar in content and layout to the prior year, but includes this entry under "Summary of Significant Accounting Policies":

Consolidation of Financial Statements

The financial statements of the NPBL are now being consolidated with the financial statement of the Norfolk Southern Corporation who is the majority owner with 288 (57%) of the 504 shares of common stock outstanding.

Coleman V.S., Ex. B, Audit Report, Exhibit VI, p. 2.

This change resulting from NS's assumption of control of NPBL resulted in a significant modification in NPBL's accrual timing practices to conform to those of NS:

Change in Accounting Closing Date

In order to consolidate the NPBL financial statements with those of the Norfolk Southern Corporation it has become necessary for NPBL to close their books five working days after year-end. In the past the NPBL has been able to keep the books of account open 30-40 days after year-end thereby making fewer accruals. However, with the new closing now in effect significantly larger accruals have resulted in the respective balance sheet accounts.

Coleman V.S., Ex. B, Audit Report, Exhibit VI, p. 2.

Similarly, the chairman of NPBL's Insurance Committee – a CSX designee – noted in the minutes of the committee's 1983 annual meeting how NS's acquisition of control of NPBL was affecting that committee's function:

The undersigned has served as Chairman of the Insurance Committee since the retirement of the previous Chairman, Al Royce of Penn Central, on January 19, 1976. By letter of May 3, 1983, I advised the members of the Committee of my intention to resign as Chairman at our 1983 meeting so that the N&PBL could take advantage of the economies of an insurance placement within the Norfolk Southern program, since NS owns 57% of the Belt Line.

Coleman V.S., Ex. C, pg. 2.

In all of these instances, it was clear to all parties involved – to NPBL, to its owners, and specifically to representatives of CSX engaging in NPBL's affairs – that NS had acquired, and was entitled to exercise, control of NPBL as a result of the 1982 *NS Control* transaction and that such control had implications for NPBL and its constituents going forward. None of this evidence indicates any doubt or hesitation to proceed on such a basis arising from questions about the extent of the control authority granted by the ICC in *NS Control*.

WHEREFORE, NPBL respectfully requests that the Board accept the evidence and information provided herewith for consideration in this proceeding.

Respectfully submitted,

/s/ *Thomas J. Litwiler*

By: _____

Thomas J. Litwiler
Robert A. Wimbish
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208
(312) 252-1500

James L. Chapman, IV
W. Ryan Snow
Crenshaw, Ware & Martin, PLC
150 West Main Street, Suite 1500
Norfolk, Virginia 23510
(757) 623-3000

**ATTORNEYS FOR
NORFOLK AND PORTSMOUTH BELT
LINE RAILROAD COMPANY**

Dated: September 23, 2021

**VERIFIED STATEMENT
OF
DONNA N. COLEMAN**

My name is Donna N. Coleman. I am the Vice President, Corporate Secretary and Comptroller of Norfolk and Portsmouth Belt Line Railroad Company ("NPBL") in Chesapeake, Virginia. I have been Vice President of NPBL since 2007, and Corporate Secretary and Comptroller of NPBL since 2006.

In my position with NPBL, I am responsible for the maintenance and organization of NPBL's corporate records and archives, including minutes and other materials relating to meetings and the composition of NPBL's Board of Directors, records reflecting the interests in NPBL stock held by NPBL's railroad owners (which today consist of Norfolk Southern Railway Company ("NSR") and CSX Transportation, Inc. ("CSXT")), and various other documentary materials related to NPBL's governance and affairs. The purpose of this statement is to provide certain documents and information from those corporate records, which are maintained by NPBL in the ordinary course of its business.

Attached as Exhibit A hereto are the minutes of NPBL's regular April 15, 1982 Board of Directors meeting, as well as the 1981 audit report for NPBL that is referenced in those minutes.

Attached as Exhibit B hereto are the minutes of NPBL's regular October 19, 1983 Board of Directors meeting, as well as the 1982 audit report for NPBL that is referenced in those minutes.

Attached as Exhibit C hereto are minutes of the June 15, 1983 meeting of NPBL's Insurance Committee, as referenced in the Board of Directors meeting minutes attached in Exhibit B.

Attached as Exhibit D hereto are the minutes of NPBL's regular April 4, 1989 Board of Directors meeting, as well as the March 1, 1989 Supplemental Agreement entered into by CSXT, Norfolk and Western Railway Company and Southern Railway Company with respect to NPBL's 1897 Operating Agreement that is referenced in those minutes.

For each of the years 1981 through 1988, NPBL's Board of Directors was comprised of the following individuals:

1981	
<u>Name</u>	<u>Affiliation</u>
R.F. Dunlap	N&W
T.H. Kerwin	Old NS (SOU)
F.S. Morrison	NPBL
R.G. Rayburn	C&O (CSX)
P.R. Rudder	SOU
R.D. Spence	SCL (CSX)
L.W. Fisher (non-voting)	NPBL

1982	
<u>Name</u>	<u>Affiliation</u>
R.F. Dunlap	N&W (NS)
A.C. Jones, Jr.	SCL (CSX)
T.H. Kerwin	C&NW (NS)
F.S. Morrison	NPBL
R.G. Rayburn	C&O (CSX)
P.R. Rudder	SOU (NS)
L.W. Fisher (non-voting)	NPBL

1983	
<u>Name</u>	<u>Affiliation</u>
R.F. Dunlap	N&W (NS)
T.H. Kerwin	C&NW (NS)
F.S. Morrison	NPBL
R.G. Rayburn	C&O (CSX)
P.R. Rudder	SOU (NS)
R.D. Spence	SBD (CSX)
L.W. Fisher (non-voting)	NPBL

1984	
<u>Name</u>	<u>Affiliation</u>
R.F. Dunlap	N&W (NS)
A.C. Jones, Jr.	SBD (CSX)
T.H. Kerwin	C&NW (NS)
F.S. Morrison	NPBL
R.G. Rayburn	C&O (CSX)
P.R. Rudder	SOU (NS)
L.W. Fisher (non-voting)	NPBL

1985	
<u>Name</u>	<u>Affiliation</u>
R.F. Dunlap	N&W (NS)
A.C. Jones, Jr.	SBD (CSX)
T.H. Kerwin	C&NW (NS)
F.S. Morrison	NPBL
K.C. Morriss	C&O (CSX)
P.R. Rudder	SOU (NS)
L.W. Fisher (non-voting)	NPBL

1986	
<u>Name</u>	<u>Affiliation</u>
R.W. Drucker	C&O (CSX)
R.F. Dunlap	N&W (NS)
A.C. Jones, Jr.	SBD (CSX)
T.H. Kerwin	C&NW (NS)
F.S. Morrison	NPBL
P.R. Rudder	SOU (NS)
L.W. Fisher (non-voting)	NPBL

1987	
<u>Name</u>	<u>Affiliation</u>
K.C. Dufford	C&O (CSX)
L.W. Fisher (at large)	NPBL
C.M. Irvin	N&W (NS)
A.C. Jones, Jr.	SBD (CSX)
T.H. Kerwin	C&NW (NS)
P.R. Rudder	SOU (NS)

1988	
<u>Name</u>	<u>Affiliation</u>
K.C. Dufford	CSXT (CSX)
L.W. Fisher (at large)	NPBL
C.M. Irvin	N&W (NS)
A.C. Jones, Jr.	CSXT (CSX)
T.H. Kerwin	C&NW (NS)
P.R. Rudder	SOU (NS)

Affiliation Key:

C&NW: Carolina and Northwestern Railway Company

C&O: The Chesapeake and Ohio Railway Company

CSX: CSX Corporation'

CSXT: CSX Transportation, Inc.

N&W: Norfolk and Western Railway Company

NS: Norfolk Southern Corporation

Old NS: Norfolk Southern Railway Company (former company)

SBD: Seaboard System Railroad, Inc.

SCL: Seaboard Coast Line Railroad Company

SOU: Southern Railway Company

As of November 1, 1980, there were 504 shares of NPBL common stock outstanding, which were held as follows:

72 shares	-	The Chesapeake and Ohio Railway Company
144 shares	-	Norfolk and Western Railway Company
72 shares	-	Norfolk Southern Railway Company (former company)
144 shares	-	Seaboard Coast Line Railroad Company
72 shares	-	Southern Railway Company

As of June 1, 1982, the ownership of NPBL's stock remained the same, except that the name of Norfolk Southern Railway Company was changed to Carolina and Northwestern Railway Company on that date.

At the present time, NSR holds 288 shares (or 57.14%) of NPBL's outstanding common stock, and CSXT holds 216 shares (or 42.86%) of NPBL's outstanding common stock.

NPBL's current President and General Manager, as well as each of his predecessors since 1989, was an employee of NSR or one of its predecessor railroads prior to assuming his position at NPBL.

**VERIFIED STATEMENT
OF
DONNA N. COLEMAN**

EXHIBIT A

Minutes of April 15, 1982
NPBL Board of Directors Meeting
and 1981 Audit Report

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

Atlanta Airport Hilton Inn
Hapeville, Georgia
April 15, 1982

A regular meeting of the Board of Directors was held this day at 11:00 A.M.

PRESENT: Mr. R. F. Dunlap
Mr. L. W. Fisher (non-voting member)
Mr. T. H. Kerwin
Mr. R. G. Rayburn
Mr. P. R. Rudder
Mr. F. S. Morrison, President, in the Chair.

Mr. L. G. Anderson, Vice President and Treasurer, CSX Corporation, Mr. J. R. Turbyfill, Executive Vice President, Norfolk and Western Railway Company and Mr. J. E. Clarkson, representing the Company's General Counsel, were also present.

There being a quorum, the President called the meeting to order.

The minutes of the last meeting of the Board of Directors, held on November 19, 1981, were on motion duly made and seconded, approved as recorded.

The Audit Committee's report covering audit of the Company's books and accounts for calendar year 1981 was submitted to the Board, whereupon it was regularly moved and voted that the report be accepted and ordered filed with the records of the Company.

The Company's Annual Report for the year 1981 was submitted to the Board, and in connection therewith the following resolution was, on motion duly made and seconded, adopted:

RESOLVED, That the Annual Report of the Board of Directors, herewith submitted, being for the year ended December 31, 1981, be accepted and ordered presented to the Stockholders of the Company at the Annual Meeting.

The meeting then, on motion, adjourned.


L. W. FISHER
Secretary

MEMORANDUM

Attached is copy of Audit Report covering audit of the Company's books and accounts for calendar year 1981.

This report is submitted for your acceptance.

Southern Railway System

*125 Spring Street, S.W.
Atlanta, Georgia 30303*

TELEPHONE (404) 529-1000

J. H. DEITS, DIRECTOR, EXPENDITURE ACCOUNTING

W. A. BOLTWOOD, MANAGER, PAYROLL ACCOUNTING
L. O. TODD, JR., MANAGER, DISBURSEMENT ACCOUNTING
J. R. SEAWELL, MANAGER, CONTRACT ADMIN. & MATERIAL ACCOUNTING

W. H. BRASINGTON, JR., MANAGER, CAPITAL ACCOUNTING
N. E. HEROD, VALUATION ENGINEER

March 22, 1982

Mr. B. G. Lawler
Assistant Vice President
and Comptroller
The Chesapeake & Ohio Railway Co.

Mr. Jean Jones
Vice President and Comptroller
Norfolk and Western Railway Co.

Mr. D. L. Morris
Vice President and Comptroller
The Family Lines Rail System

Mr. D. R. McArdle
Vice President and Comptroller
Southern Railway System

Gentlemen:

We have examined the balance sheet of the Norfolk and Portsmouth Belt Line Railroad Company (N&PBL) as of December 31, 1981, and the related statements of income, retained earnings and changes in financial position as they pertain to the balance sheet for the year then ended. Our examination included such tests of the accounting records and other auditing procedures as we considered necessary.

The report is comprised of the following:

- . Comments and Recommendations
- . Exhibit I - Comparative Balance Sheet as of December 31, 1981 and 1980.
- . Exhibit II - Comparative Income Statement - Years 1981 and 1980.
- . Exhibit III - Comparative Retained Income Statement - Years 1981 and 1980.
- . Exhibit IV - Statement of Changes in Financial Position - Year 1981.
- . Exhibit V - Station Auditors' Report.

In our opinion the accompanying statements present fairly the financial position of the Norfolk and Portsmouth Belt Line Railroad at December 31, 1981 and the results of its operations for the year then ended in conformity with the principles of accounting prescribed by the Interstate Commerce Commission.

The audit committee wishes to express their appreciation to the Norfolk and Portsmouth Belt Line Railroad personnel for their cooperation and assistance during the audit.

The Chesapeake and Ohio Railroad Company will be chairman of the next auditing committee.

J. C. Rackliffe, Chairman
Southern Railway System

D. F. Hamilton
Southern Railway System

W. P. Hucks
The Chesapeake & Ohio Railway Company

G. M. Bassett
Norfolk & Western Railway Company

P. T. Fowler
The Family Lines Rail System

COMMENTS AND RECOMMENDATIONS

Cash - \$109,284.70

Temporary Cash Investments - \$100,000.00

Cash balances as shown on the bank statements as of December 31, 1981 were confirmed by direct letter confirmation and reconciled to the general ledger.

Temporary cash investments were made for periods ranging from three days to seven weeks, resulting in 117 purchases during 1981. Interest earned on such investments totalled \$107,540.99.

At year end the balance in the temporary cash investment represented a Merrill Lynch Ready Assets Account established on August 28, 1981. The rate of return on this account averaged 15.39% through December 31, 1981.

The practice of investing cash in temporary investments should be continued.

Accounts Receivable: Interline and Other Balances - \$906,388.47

This account consists of amounts due from railroads and other companies. These receivables were not confirmed; however, 97.35% of the open items were traced to payments received subsequent to year end. The Company is actively tracing unpaid items. The decrease in the account of \$224,721.50 or 19.8% is primarily due to declining traffic in December 1981 as compared to December 1980.

Accounts Receivable; Customer - \$28,814.74

This account represents amounts due from agents. The decrease in the account of \$70,402.78 or 71% is primarily due to a decrease in demurrage revenue from four customers: Cargill, Smith Douglas, Texaco and Ford Motor Company. An audit of the agency account was performed by the Station auditors and a copy of their report is attached as Exhibit V.

Accounts Receivable; Other - \$42,541.46

This account represents amount due from governmental organizations. The increase in the account of \$30,486.39 or 252% is primarily due to an outstanding bill against the City of Portsmouth for work done at Port Norfolk Yard which has subsequently been paid.

Interest and Dividends Receivable - \$5,312.11

This account balance represents the interest earned in the Merrill Lynch Ready Asset Account as of December 31, 1981.

Receivables from Affiliated Companies - \$73,603.48

This account represents billing versus owner roads for miscellaneous services. Of the receivables outstanding as of December 31, 1981, only two bills remain outstanding as of the audit date; July bill 60117 versus the Norfolk and Western amount of \$26.45 and December bill 60382 versus the Seaboard Coast Line amount of \$20,130.98.

Accrued Accounts Receivable - \$13,639.52

This account consists of:

Demurrage accrued	\$20,580.00
Miscellaneous	1,177.80
Errors	(8,118.28)
	<u>\$13,639.52</u>

Demurrage represents revenue earned in 1981 and to be billed in January 1982.

The errors in this account represents the balance of the amount paid by C&S Rail Car to cover installation of a concrete drain pipe which should have been credited to account 784 - Other Deferred Credits, and balance due the Railroad Retirements Board in settlement of a personal injury which should have been charged to account 759 - Accrued Accounts Payable. Both of these errors were cleared from this account in the January 1982 audit month. Because of the insignificant effect of these errors, we do not feel the balance sheet needs to be restated.

The decrease in this account of \$176,707.85 is due to a decrease in demurrage as detailed previously and payment by the Chesapeake and Ohio Railroad Company for the installation of pilings at Sewells Point Transfer Bridge.

Working Funds - \$4,429.00

This account consists of three petty cash funds totalling \$375 and an advance of \$4,054 to the Southeastern Railroad Associated Bureaus. The cash funds were counted and the advance to SERRAB was confirmed.

Prepayments - \$138,819.93

This account represents insurance premium payments totalling \$104,083.74 for all categories of insurance coverage such as comprehensive liability; fire; all risk on vehicles, locomotives, main line bridge and data processing equipment, etc. The account also includes State Franchise Tax payments of \$34,736.19. Such amounts are amortized over the life of the policy, contract, etc.

The decrease in the account of \$56,139.69 or 28.8% is due primarily to favorable market conditions for purchase of the comprehensive liability policies, a change in the Virginia tax laws in regard to the State Franchise Tax, and payment of the maintenance service on EDP Equipment in January 1982 rather than December 1981.

Materials and Supplies - \$559,261.73

This account consists of:

	1981	1980	Decrease	Percent
Roadway & Bridge Material	\$281,986	\$354,099	\$ 72,113	20.37%
Material and Supplies	277,076	309,116	32,040	10.37%
Postage	200	200	-0-	-0-
	<u>\$559,262</u>	<u>\$663,415</u>	<u>\$104,153</u>	<u>15.70%</u>

An auditor of the Southern Railway System was present to observe the physical inventory in October 1981 of Roadway and Bridge Material and in November 1981 of Material and Supplies. The inventory disclosed the books were understated by a net \$13,054.22 and appropriate adjusting entries were made in 1981.

In review of the Roadway and Bridge Material inventory adjustment, six inventoried items were adjusted improperly resulting in an debit adjustment to the inventory account of \$1,039.15 which was made by the Belt Line in the January 1982 accounts.

In 1981 the Company implemented new procedures to provide better control over scrap records, its disposal and billing.

Other Funds - \$13,623.00

This account consists of deposits with the Barclays Bank International Limited to cover daily indemnity provision of Service Interruption Policy Nos. 5040, S-5040, 6035 and S-6035 with the Imperial Insurance Company (Cayman Islands) Limited. The deposit balances were confirmed.

Road and Equipment Property - \$6,352,633.42

This account consists of the following:

Road Property	\$4,361,034
Equipment Property	1,991,599
	<u>\$6,352,633</u>

Old Bridge No.1, South Branch was retired from the accounts in 1981 as recommended by last year's audit.

Prior year's audit committee recommended policies covering AFE's be established. Although there are no established written policies, the current practice is for all AFE's to be approved by the Board of Directors. None of the authorized expenditure can be applied to another AFE. At the first board meeting of the subsequent year, the Board of Directors is furnished a summary of amounts expended on capital projects during the previous year. This summary details the amounts authorized versus the amounts expended. We feel the current practice for handling Authorities for Expenditures is acceptable.

Accumulated Deferred Income Tax Debits - \$123,050.00

This account represents deferred income tax debits in connection with the Belt Lines long term accrued liability for personal injuries.

Accounts Payable; Interline and Other Balances - \$176,753.55

This account represents per diem payable to roads other than proprietary roads. The decrease of \$81,710.98 or 31% in this account is due primarily to declining traffic in November and December.

Audited Wages and Vouchers Payable - \$329,256.74

This account consists of:

Audited Wages Payable	\$118,406.15
Audited Vouchers Payable	210,850.59
	<u>\$329,256.74</u>

As of February 24, 1982 all unpaid vouchers which had been issued had cleared, with the exception of two paychecks of minor amounts.

Accounts Payable; Other - \$153,358.64

This account consists primarily of amounts withheld from employees' paychecks for State and Federal taxes, union dues, savings bonds, etc. The decrease of \$26,491.71 or 14% in this account is principally due to a change in the frequency of payments to the bank of Federal Income tax withholdings. In 1980 two payments were made per month while in 1981 four payments were made. This resulted in a payment made prior to year end rather than a payment subsequent to years end as done in prior years.

Payable to Affiliated Companies - \$8,750.00

This accounts represents interest on proprietary road advances for September through December 1981. Interest is at the rate of 3% on \$875,000 payable semi-annually on March 1 and September 1.

Accrued Accounts Payable - \$1,064,110.97

This account consists of:

Joint Facility Payables	\$ 73,265.84
Estimated Liabilities for Vacation Earned	378,820.83
Personal Injury Accruals	520,000.00
Estimated Wage Increases	92,024.30
	<u>\$1,064,110.97</u>

The increase in this account of \$53,001.28 or 5.24% is primarily due to the accrual for estimated wage increases for union employees, whose contract expired during 1981 and whose new contracts have not yet been finalized.

Other Taxes Accrued - \$177,162.56

This account consists of:

Railroad Retirement Tax	\$85,897.49
City Property Tax and Special State Tax	69,000.00
Unemployment Insurance Tax	22,265.07
	<u>\$177,162.56</u>

Equipment Obligations and Other Long Term Debt Due Within One Year -0-
Funded Debt Unmatured -0-

As directed by the Finance Committee at their September 10, 1981 meeting, the Company paid all their funded debt at year end as sufficient cash was available.

Accounts Payable; Affiliated Companies - \$875,000.00

The account consists of funds advanced to the Norfolk and Portsmouth Belt Line Railroad Company from the owner lines in the following amounts:

<u>S.C.L.</u>		
A.C.L.	\$125,000	
S.A.L.	<u>\$125,000</u>	\$250,000
 <u>Southern</u>		
Sou.	\$125,000	
N&S	<u>\$125,000</u>	\$250,000
 N&W		\$250,000
 C&O		<u>\$125,000</u>
		<u>\$875,000</u>

Accrued Liability; Casualty and Other Claims - \$267,500.00

This account represents the estimated liability for personal injuries which are not expected to be settled within one year.

Other Liabilities - \$15,300.00

This account represents the amount advanced by C&S Rail Car Corporation to cover construction of a turnout and 135 feet of track.

Capital Stock - \$50,400.00

The Norfolk and Portsmouth Belt Line Railroad Company has 504 shares outstanding of \$100 per value stock authorized, issued and outstanding as of December 31, 1981.

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

COMPARATIVE BALANCE SHEET

DECEMBER 31, 1981 AND DECEMBER 31, 1980

ASSETS

	<u>1981</u>	<u>1980</u>	<u>Increase (Decrease)</u>
<u>Current Assets</u>			
Cash	\$109,285	\$ 77,205	\$ 32,080
Temporary Cash Investments	100,000	-0-	100,000
Accounts Receivable; Interline & Other Balances	906,338	1,131,060	(224,722)
Accounts Receivable; Customers	28,815	99,218	(70,403)
Accounts Receivable; Other	42,541	12,055	30,486
Interest & Dividends Receivable	5,312	-0-	5,312
Receivables from Affiliated Cos.	73,603	52,850	20,753
Accrued Accounts Receivable	13,640	190,347	(176,707)
Working Funds	4,429	4,429	-0-
Prepayments	138,820	194,959	(56,139)
Materials and Supplies	559,262	663,415	(104,153)
Other Current Assets	69,000	60,300	8,700
Deferred Income Tax Debits	239,200	259,440	(20,240)
	<u>\$2,290,245</u>	<u>\$2,745,278</u>	<u>\$(455,033)</u>
Other Funds	<u>\$ 13,623</u>	<u>\$ 11,994</u>	<u>\$ 1,629</u>
<u>Properties</u>			
Road and Equipment Property	\$6,352,633	\$6,195,913	\$ 156,720
Accrued Depreciation - Road and Equipment	(2,519,760)	(2,494,861)	24,899
Amortization of Defense Project - Road	<u>(155,395)</u>	<u>(155,395)</u>	<u>-0-</u>
Total Properties Less Recorded Depreciation and Amortization	<u>\$3,677,478</u>	<u>\$3,545,657</u>	<u>\$ 131,821</u>
Other Assets and Deferred Debits	<u>\$ 123,205</u>	<u>-0-</u>	<u>\$ 123,205</u>
Total Assets	<u><u>\$6,104,551</u></u>	<u><u>\$6,302,929</u></u>	<u><u>\$ (198,378)</u></u>

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

COMPARATIVE BALANCE SHEET

DECEMBER 31, 1981 AND DECEMBER 31, 1980

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1981</u>	<u>1980</u>	<u>Increase (Decrease)</u>
<u>Current Assets</u>			
Accounts Payable - Interline & Other Balances \$	176,754	\$ 258,465	\$ (81,711)
Audited Accounts and Wages Payable	329,257	405,554	(76,297)
Accounts Payable; Other	153,359	179,850	(26,491)
Payable to Affiliated Companies	8,750	8,750	-0-
Accrued Accounts Payable	1,064,111	1,011,110	53,001
Other Taxes Accrued	177,162	150,580	26,582
Equipment Obligations and Other Long Term Debt Due Within One Year	-0-	37,500	(37,500)
Total Current Liabilities	<u>\$1,909,393</u>	<u>\$2,051,809</u>	<u>\$ (142,416)</u>
<u>Long Term Debt</u>			
Funded Debt	-0-	\$ 82,400	\$ (82,400)
Accounts Payable; Affiliated Companies	875,000	875,000	-0-
Total Long Term Debt	<u>\$ 875,000</u>	<u>\$ 957,400</u>	<u>\$ (82,400)</u>
<u>Other Long Term Liabilities</u>			
Accrued Liability; Casualty and Other Claims	\$ 267,500	-0-	\$ 267,500
Other Liabilities	15,300	-0-	15,300
Total Long Term Liabilities	<u>\$ 282,800</u>	<u>-0-</u>	<u>\$ 282,800</u>
<u>Deferred Credits</u>			
Accumulated Deferred Income Tax Credits \$	312,165	\$ 315,529	\$ (3,364)
<u>Shareholders' Equity</u>			
Capital Stock:			
Capital Stock Issued 504 Shares \$	50,400	\$ 50,400	-0-
Capital Surplus:			
Premium on Capital Stock	\$ 5,200	\$ 5,200	-0-
Other Capital	357	357	-0-
Total Capital Surplus	<u>\$ 5,557</u>	<u>\$ 5,557</u>	<u>-0-</u>
Retained Earnings:			
Retained Earnings-			
Unappropriated	\$2,669,236	\$2,922,234	\$(252,998)
Total Shareholders Equity	<u>\$2,725,193</u>	<u>\$2,978,191</u>	<u>\$(252,998)</u>
Total Liabilities and Shareholder's Equity	<u><u>\$6,104,551</u></u>	<u><u>\$6,302,929</u></u>	<u><u>\$(198,378)</u></u>

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

COMPARATIVE INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

	<u>1981</u>	<u>1980</u>	<u>Increase (Decrease)</u>
<u>Railway Operating Revenues</u>			
Switching	\$ 1,999,076	\$ 1,996,508	\$ 2,568
Reclaim	7,139,280	6,782,844	356,436
Demurrage	390,846	944,949	(554,103)
Miscellaneous	1,601	1,343	258
Railway Operating Revenues	<u>\$ 9,530,803</u>	<u>\$ (9,725,644)</u>	<u>\$ (194,841)</u>
<u>Railway Operating Expenses</u>			
Way and Structures	\$ 1,874,874	\$ 1,927,368	\$ (52,494)
Equipment	1,020,370	998,193	22,177
Transportation	6,076,188	5,575,106	501,082
General and Administrative	670,918	588,083	82,835
Railway Operating Expenses	<u>\$ 9,642,350</u>	<u>\$ 9,088,750</u>	<u>\$ 553,600</u>
Net Revenue from Railway Operations	\$ (115,547)	\$ 636,894	\$ (748,441)
<u>Other Income</u>			
Miscellaneous Rent Income	49,988	30,754	19,234
Interest Income	113,122	21,575	91,547
Income from Sinking and Other Funds	1,410	1,217	193
Miscellaneous Income	-0-	63,458	(63,458)
Total Other Income	<u>\$ 164,520</u>	<u>\$ 117,004</u>	<u>\$ 47,516</u>
Total Income	<u>\$ 52,973</u>	<u>\$ 753,898</u>	<u>\$ (700,925)</u>
<u>Miscellaneous Deductions from Income</u>			
Miscellaneous Taxes	\$ 4	\$ 4	-0-
Miscellaneous Income Charges	\$ 11,224	\$ 1,156	10,068
Total Miscellaneous Deductions	<u>\$ 11,228</u>	<u>\$ 1,160</u>	<u>\$ 10,068</u>
Income Available for Fixed Charges	<u>\$ 41,745</u>	<u>\$ 752,738</u>	<u>\$ 710,993</u>
<u>Fixed Charges</u>			
Interest on Funded Debt	\$41,925	\$ 41,314	\$ 611
Interest on Unfunded Debt	-0-	9,844	(9,844)
Total Fixed Charges	<u>\$ 41,925</u>	<u>\$ 51,158</u>	<u>\$ (9,233)</u>
Income Before Income Taxes	<u>\$ (180)</u>	<u>\$ 701,580</u>	<u>\$ (701,760)</u>
<u>Provision for Income Taxes</u>			
Income Taxes on Ordinary Income	\$ 55,001	\$ 14,537	\$ 40,464
Deferred Income Taxes	<u>\$(91,914)</u>	<u>(20,010)</u>	<u>(71,904)</u>
Total Income Taxes	<u>\$(36,913)</u>	<u>\$ (5,473)</u>	<u>\$ (31,440)</u>
Net Income	<u>\$ 36,733</u>	<u>\$ 707,053</u>	<u>\$ (670,320)</u>
Earnings Per Share	<u>\$ 73</u>	<u>\$ 1,403</u>	<u>\$ (1,330)</u>

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANYSTATEMENT OF RETAINED EARNINGSFOR THE YEARS ENDED DECEMBER 31, 1981 AND DECEMBER 31, 1980

	<u>1981</u>	<u>1980</u>
Balance Beginning of Year	\$2,922,234	\$2,880,592
Add:		
Net Income for Year	36,733	707,053
Accounting Adjustments	139,836	253,503
Deduct:		
Accruals for Personal Injuries		
Adjustment	(303,990)	(600,166)
Deferred Tax Accounting on		
Depreciation	-0-	(318,748)
Deferred Tax Accounting on		
Personal Injuries	<u>(125,576)</u>	<u>-0-</u>
Balance at End of Year	<u>\$2,669,237</u>	<u>\$2,922,234</u>

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY
STATEMENT OF CHANGES IN FINANCIAL POSITION - DECEMBER 31, 1981

Source of Funds:

Net income	\$ 36,734
Non-cash charges to income from depreciation and retirement of property	81,743
Disposition of capital assets	12,478
All other - net	10,152
Total funds provided	<u>\$141,107</u>

Application of Funds:

Capital expenditures	\$226,042
Long-term obligations paid	82,400
Casualty accruals	145,281
Total funds applied	<u>\$453,723</u>

Net reduction in working capital	\$312,616
Working capital at beginning of year	<u>693,469</u>
Working capital at end of year	<u>\$380,853</u>

Atlanta - March 3, 1982

Mr. J. C. Rackliffe:

Subject: Joint Audit Norfolk and Portsmouth Belt Line Railroad Co.

We have completed our audit of agency accounts of the Norfolk and Portsmouth Belt Line Railroad Company for the year ended December 31, 1981.

Overall, we found agency records to be in excellent condition.

Details of our findings and observations are as follows:

Cash

There was no cash on hand. Only four checks totaling \$6,262 were being held for deposit.

Bank Deposits

To determine if payments were being promptly deposited, we made an analysis of bank deposits for January 1982. Of 90 checks reviewed, 7 incurred delays of over three days, but the dollar volume involved was small.

Agent's Relief Remittances

We reviewed the agent's relief file for 1981 and found that no items were written off or cancelled due to being uncollectible. Various billing adjustments caused 43 items totaling \$11,724.84 to be handled for relief.

Switching

As of February 19, 1982, there were 166 outstanding switching bills totaling \$14,403.74, however, only 33 bills for \$2,060.74 were over 15 days old. Of 127 switching bills paid in January 1982, we noted that 81 or 64% were delinquent, with delays ranging from 1 to 98 days. The Belt Line received payment an average of 16.7 days after the bill due date.

Demurrage

As of February 19, 1982 there were 52 outstanding demurrage bills totaling \$29,968 with 18 bills for \$9,588 over 15 days old. Of 58 demurrage bills paid in January 1982, we noted that 36 or 62% were delinquent, with delays ranging from 1 to 32 days. The Belt Line received payment an average of 13.4 days after the bill due date.

Letter to Mr. J. C. Rackliffe

Subject: Joint Audit Norfolk and Portsmouth Belt Line Railroad Co.

We found tracing of past due switching and demurrage bills to be current. However, the delay in receiving payment from customers had increased 178% for switching bills and 49% for demurrage bills since last year. Agent R. E. Brinson prepared a letter to the Belt Line's major customers pointing out payment regulations and emphasizing the need for compliance with these rules. He will monitor payments for the next month or two to determine the effect of his letter. He told us as a last resort he will tighten up his tracing schedule on overdue bills. In addition, we recommended to Brinson that the "pro-date" be added to the computer generated "Statement of Switching Charges of Agent's Account." This will allow anyone reviewing the report to determine the number of days between the date the switch was performed, the date a bill was issued, the date the bill was due and the current date.

Protection of Charges

We examined a sample of cars handled during 1981 to determine if proper charges for switching, special reclaim, demurrage and weighing were being protected. We reviewed 80 inbound cars; 20 outbound cars; 7 Belt Line to Belt Line cars; and 20 weigh cars; and found no exceptions. An averaging system determines per diem reclaim and export reclaim. Inbound carriers keep demurrage on export cars.

Terminal Performance

We reviewed and summarized a computer generated analysis of terminal performance for the last six months of 1981 which covered 26,846 cars. The results are as follows:

<u>Type Move</u>	<u>Average Hours Held</u>
Intermediate Empty	12.69
Intermediate Load	8.63
Line Haul Received	54
Line Haul Delivered	86

We wish to thank the management and personnel of the Norfolk and Portsmouth Belt Line Railroad Company for their cooperation and hospitality during this audit.

M. L. Kent
Internal Auditor
Southern Railway System

M. E. Stotler
Traveling Auditor
The Chessie System

**VERIFIED STATEMENT
OF
DONNA N. COLEMAN**

EXHIBIT B

Minutes of October 19, 1983
NPBL Board of Directors Meeting
and 1982 Audit Report

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

Virginia National Bank Building
Norfolk, Virginia
October 19, 1983

A regular meeting of the Board of Directors was held this day at 11:30 A.M.

PRESENT: Mr. L. W. Fisher (non-voting member)
Mr. T. H. Kerwin
Mr. P. R. Rudder
Mr. R. D. Spence
Mr. F. S. Morrison (President, in the chair)

Mr. Philip G. Denman, representing the Company's General Counsel, was also present.

There being a quorum, the President called the meeting to order.

The minutes of the last meetings of the Board of Directors, held on April 20, 1983, were on motion duly made and seconded, approved as recorded.

The report covering review of audit for calendar year 1982 by members of the Finance Committee was submitted to the Board. After discussion, it was regularly moved and voted that the report be accepted and ordered filed with the records of the Company.

The Audit Committee's report covering audit of the Company's books and accounts for calendar year 1982 was submitted to the Board, whereupon it was regularly moved and voted that the report be accepted and ordered filed with the records of the Company.

The President submitted to the members of the Board a capital expenditure budget for year 1984 in the amount of \$116,500., accompanied by a memorandum explaining the need for the several items listed. These items included the addition of one industrial turnout; 1-½ track miles of rail relays; relay fifteen turnouts; replacement of a table top interlocking machine on main line bridge; replacement of a motor car; replacement of a rail grinder; replacement of a 1978 station wagon and an estimated expenditure of \$12,500., for miscellaneous items.

After consideration of the proposed expenditures, the following resolutions were on motion duly made and seconded, adopted:

RESOLVED, that the budget of capital expenditures for year 1984 in the amount of \$116,500. as submitted to the Board by the President, is hereby approved, and said expenditures are hereby authorized, and be it

RESOLVED FURTHER, that for the purpose of financing the 1984 capital expenditures, the Board hereby authorizes the President to borrow the sum of \$116,500. from the Virginia National Bank under the terms and conditions of loan agreement dated April 1, 1982.

By memorandum, the President informed the Board that representatives from the data processing departments of the Norfolk and Western Railway Company and Seaboard System Railroad (two from each road) met in the Belt Line's offices on October 4 and 5, 1983 to determine feasibility of replacing the Company's computer equipment and, if so, the practicality of expansion into other areas of operations. A copy of the study committee's report dated October 18, 1983 was distributed at the meeting advising that they have not completed their assignment, however, certain recommendations were made. After discussion, the Board deferred action on this proposal and requested that the study committee also look at the feasibility of Belt Line using Norfolk and Western Railway Company's computer before preparing a final report.

The President called to the attention of the Board that it has been the practice of the Belt Line for a number of years to make an annual contribution to the United Communities Fund. He recommended that a \$2,500. contribution be made to the Fund's forthcoming 1983-1984 campaign as evidence of this Company's cooperation and interest in this local community service.

After discussion, the following resolution was, on motion duly made and seconded, adopted:

RESOLVED, that the President be and he hereby is authorized to contribute Two Thousand Five Hundred Dollars (\$2,500.) to the Four Cities United Communities Fund as this Company's donation in connection with their 1983-1984 campaign.

The President furnished the Board a memorandum concerning compensation paid the Company's General Counsel, Mr. T. H. Willcox, Jr., for services rendered by him and his law firm on behalf of the Company. He advised that this firm handles all of the Company's legal matters, including personal injury claims. Due to an increased work-load, most pronounced in the area of personal injury claims requiring litigation, the President recommended that General Counsel be paid the existing monthly retainer fee of \$4,374. and that same be adjusted on a semi-annual excess time-charge basis at the hourly rates set forth in Mr. Willcox's letter of September 14, 1983, a copy of which was attached to the memorandum.

RESOLVED, that the General Counsel be paid the existing retainer fee of \$4,374. per month and that same be adjusted semi-annually on a time-charge basis at an hourly rate of \$80.00 for senior partners and specialists; \$70.00 for senior associates and junior partners; \$60.00 for associates; \$25.00 for paralegals, and that said adjustments are to be made effective October 1, 1983.

By memorandum, the President advised the Board that it has become necessary to amend the Company's Retirement Plan in order to comply with the mandatory requirements of Internal Revenue Ruling 79-90 and of the Tax Equity and Fiscal Responsibility Act of 1982. He further advised that it has been recommended that the Plan for Supplemental Pensions be merged into the Company's Retirement Plan effective January 1, 1984, which will serve to reduce in half the reporting required for the two separate plans.

After discussion, the following resolutions were, on motion duly made and seconded, adopted:

RESOLVED, that this Company's Retirement Plan be amended effective January 1, 1984, substantially in the manner proposed for the Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, such Plan being subject to any changes which may be necessary to comply with the mandatory requirements of Ruling 79-90 and of TEFRA and/or to obtain any necessary approval of the amended Plan by the Internal Revenue Service, and that the proper officers of this Company and the members of the Board of Managers of the Plan are authorized and directed to take such other action as in their judgment may be necessary or desirable to place the amended Plan into effect, to comply with the mandatory requirements of Ruling 79-90 and of TEFRA, to obtain any necessary approval of the amended Plan by the Internal Revenue Service and otherwise to carry out the intent of this resolution, and be it

RESOLVED FURTHER, that this Company's Plan for Supplemental Pensions (Pension Plan) be merged into this Company's Retirement Plan (Retirement Plan) effective January 1, 1984 (Effective Date), that the following 100% vested monthly supplemental pensions, computed under the provisions of the Pension Plan as amended to and including the applicable date of retirement, shall continue after the Effective Date to be payable for life under the Retirement Plan, as unreduced single-life supplemental pensions providing no benefits to a surviving spouse, to the three remaining retired members of the Pension Plan: S. C. Jonak - \$43.67/month, M. L. Morgan - \$527.63/month, and A. G. Cross - \$248.81/month, and that the proper officers of the Company and the members of the Board of Manager of the Pension Plan and of the Retirement Plan are authorized and directed in the name and on behalf of the Company and/or the Plans to execute and deliver such instruments and to take all other action as in their judgment may be necessary or desirable to establish or maintain the Retirement Plan (including the Fund under the Retirement Plan) as successor by merger on the Effective Date to the Pension Plan, to obtain any necessary approval of the merger of Plans by the Internal Revenue Service and otherwise to carry out the intent of this resolution.

Mr. Spence recommended that an outside consulting firm be hired for the purpose of (1) conducting an efficiency study of the Belt Line's operations and (2) making a cost study to develop the appropriate charges that the Belt Line should assess for its switching services. He stated that a number of changes have been effected in the Company's operating characteristics, traffic patterns and points of interchange since the last studies of this nature were performed and these changes are sufficient to warrant new studies. He further stated that the Seaboard System Railroad has used the firm of Booz and Allen to conduct similar studies at certain points on their road and were pleased with the findings and recommendations.

After discussion, the Board requested Mr. Spence to procure quotations from Booz and Allen, and other outside firms, on the cost of performing such studies and to furnish same to the President for his presentation to this Board for consideration and/or approval before further action is taken on this proposal.

The Board was informed that Mr. Alex J. Mandl has been named by the Seaboard System Railroad to replace Mr. Leonard G. Anderson as a member of the Company's Finance Committee.

The Board was advised by memorandum that at the request of Southern Railway System's Corporate Secretary, stock certificates totalling 72 shares which represented the Norfolk Southern Railway Company's ownership in the Belt Line have been cancelled. Issued in lieu thereof were two new certificates for 63 and 9 shares registered in the name of the Carolina and Northwestern Railway Company, (successor to Norfolk Southern Railway Company).

The President furnished the Board with the following:

Summary report on maintenance, operation, financial and other matters.

Copy of minutes of meeting of the Finance Committee held on September 13, 1983.

Copy of minutes of meeting of the Insurance Committee held on June 15, 1983.

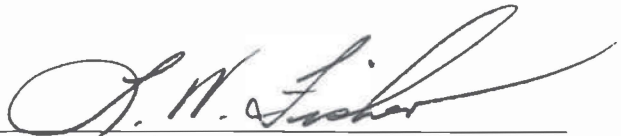
Forecast of revenue and expenses for the year 1983 with explanatory memorandum showing comparative figures on revenue cars handled during the first eight (8) months of year 1983 and 1982.

Cash flow statement (estimated) for the year 1983.

Comparative statement of operations for first eight (8) months of years 1983 and 1982.

The next regular meeting of the Board of Directors, also the Annual Stockholders' meeting, were scheduled to be held at 10:30 A.M., April 11, 1984, at the Atlanta Airport Hilton Inn, 1031 Virginia Avenue, Hapeville, Georgia.

There being no further business, the meeting, on motion, adjourned.



L. W. Fisher
Secretary

MEMORANDUM

Attached is copy of report covering the review of audit for year ended December 31, 1982 by members of the Finance Committee.

This report is submitted for your acceptance.



September 27, 1983

100 North Charles Street
Baltimore, Maryland 21201
301 237 9900

Mr. R. F. Dunlap, President
Norfolk and Western Railway Company
8 North Jefferson Street
Roanoke, Virginia 24042

Mr. R. D. Spence
Executive Vice President - Operations
Seaboard System Railroad
500 Water Street
Jacksonville, Florida 32202

Mr. T. H. Kerwin
Vice President and Treasurer
Norfolk and Western Railway
One Commercial Plaza
P.O. Box 3609
Norfolk, Virginia 23514

Mr. R. G. Rayburn
Executive Vice President - Operations
Chessie System Railroads
P. O. Box 6419
Cleveland, Ohio 44101

Mr. P. R. Rudder
Vice President - Transportation
Southern Railway Company
P. O. Box 1808
Washington, D.C. 20013

Mr. F. S. Morrison
President and General Manager
Norfolk and Portsmouth Belt Line
Railroad
P. O. Box 3667
Norfolk, Virginia 23514

Gentlemen:

The Finance Committee met on September 13, 1983 to review the Audit Report for the Norfolk and Portsmouth Belt Line Railroad for the year ended December 31, 1982. The Chessie System Railroads served as audit chairman for the year 1982; therefore, I am directing this report to the Board on behalf of the Finance Committee. A copy of the Audit Report is enclosed for your information.

Based on the audit tests performed, no significant exceptions were noted. The following points were discussed at the meeting of the Finance Committee.

Advances from Owners

Income from 1982 totaled \$356,577 with cash and cash equivalents totaling \$745,714. The audit committee noted that the advances owed to the owner roads at year end totaled \$875,000 and were borrowed at an interest rate of 3%. Reference Note 3 of the Audit Report in that \$105,000 of this debt has been paid back as of February 28, 1983.



Footnote 2 of the Audit Report

The owner roads must soon determine whether the NPBL is to alter their property accounting system in concert with the owners' change to depreciation accounting.

Very truly yours,

Assistant Vice President and Comptroller

cc: Mr. J. R. Turbyfill
Executive Vice President
Norfolk Southern Corporation

✓ Mr. L. W. Fisher
Vice President - Comptroller
Norfolk Belt Line Railroad



Mr. J. S. Schaefer
Director - Rail Audit
Chessie System Railroads

MEMORANDUM

Attached is copy of Audit Report covering audit of the Company's books and accounts for calendar year 1982.

This report is submitted for your acceptance.

James S. Schaefer
Director - Rail Audit



100 North Charles Street
Baltimore, Maryland 21201
August 19, 1983 301-237-3712

Mr. B. G. Lawler
Assistant Vice President and Comptroller
Chessie System Railroads
100 North Charles Street
Baltimore, Maryland 21201

Mr. D. R. McArdle
Vice President and Comptroller
Southern Railway System
P. O. Box 1808
Washington, D. C. 20013

Mr. T. C. Hostutler
Vice President and Comptroller
Norfolk and Western Railway Company
8 North Jefferson Street
Roanoke, Virginia 24042

Mr. D. L. Morris
Vice President and Comptroller
Seaboard System Railroad
500 Water Street
Jacksonville, Florida 32202

Gentlemen:

Attached is the audit report for the books of account of the Norfolk and Portsmouth Belt Line Railroad Company (NPBL) for the year ending December 31, 1982.

The report is comprised of the following:

- Exhibit I - Opinion of the Internal Auditors
- Exhibit II - Comparative Balance Sheet as of December 31, 1982 and 1981
- Exhibit III - Comparative Income Statement - Years 1982 and 1981
- Exhibit IV - Comparative Statement of Retained Earnings - Years 1982 and 1981
- Exhibit V - Statement of Changes in Financial Position - Years 1982 and 1981
- Exhibit VI - Notes to the Financial Statements
- Exhibit VII - Auditors Comments
- Exhibit VIII - Station Auditors Report



The Chessie System Railroads, a unit of CSX Corporation, are the Chesapeake and Ohio Railway, Baltimore and Ohio Railroad, Western Maryland Railway and affiliated lines.

The audit committee wishes to express their appreciation to the Norfolk and Portsmouth Belt Line Railroad Company personnel for their cooperation and assistance during the audit.

The Norfolk Southern Corporation will be chairman of the next audit committee.

Very truly yours,

James S. Schaefer TAG

March 18, 1983

TO THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS OF THE
NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

We have examined the balance sheets of the Norfolk and Portsmouth Belt Line Railroad Company (NPBL) as of December 31, 1982 and 1981, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the NPBL as of December 31, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended, in conformity with the principles of accounting prescribed by the Interstate Commerce Commission applied on a consistent basis.

Thomas A. Greene - Chairman
Traveling Accountant
Chessie System Railroads

Roy I. Brindle
Internal Auditor
Norfolk Southern Corporation

Gary M. Bassett
Internal Auditor
Norfolk Southern Corporation

THE NORFOLK & PORTSMOUTH BELT LINE RAILROAD
COMPARATIVE BALANCE SHEET
YEARS ENDED DECEMBER 31, 1982 AND 1981

<u>ASSETS</u>		<u>1982</u>	<u>1981</u>	<u>Increase (Decrease)</u>
<u>Current Assets</u>				
701	Cash	\$ 20,714	\$ 109,285	\$(88,571)
702	Temporary Cash Investments	725,000	100,000	625,000
705	Accounts Receivable - Interline & Other Balances	969,282	906,338	62,944
706	Accounts Receivable - Customers	124,186	28,815	95,371
707	Accounts Receivable - Others	25,571	42,541	(16,970)
708	Interest & Dividends Receivable	1,324	5,312	(3,988)
708.5	Receivables from Affiliated Companies	59,753	73,603	(13,850)
709	Accrued Accounts Receivable	188,102	13,640	174,462
710	Working Funds	4,429	4,429	-0-
711	Prepayments	116,596	138,820	(22,224)
712	Materials & Supplies (Note 2)	597,978	559,262	38,716
713	Other Current Assets	68,520	69,000	(480)
714	Deferred Income Tax Debits (Note 2)	345,000	239,200	105,800
	Total Current Assets	<u>3,246,455</u>	<u>2,290,245</u>	<u>956,210</u>
<u>Special Funds</u>				
717	Other Funds	<u>14,108</u>	<u>13,623</u>	<u>485</u>
<u>Road and Equipment Property</u>				
731	Road & Equipment Property	6,412,865	6,352,634	60,231
735	Accumulated Depreciation - R&E Property (Note 2)	(2,579,273)	(2,519,760)	(59,513)
736	Accumulated Amortization - R&E Property (Note 2)	(155,396)	(155,396)	-0-
	Total R&E Property - Less Recorded Depreciation & Amortization	<u>3,678,196</u>	<u>3,677,478</u>	<u>718</u>
<u>Deferred Debits</u>				
743	Other Deferred Debits	1,737	155	1,582
744	Accumulated Deferred Income Tax Debits	-0-	123,050	(123,050)
	Total Deferred Debits	<u>1,737</u>	<u>123,205</u>	<u>(121,468)</u>
	Total Assets	<u>\$6,940,496</u>	<u>\$6,104,551</u>	<u>\$835,945</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

THE NORFOLK & PORTSMOUTH BELT LINE RAILROAD
COMPARATIVE BALANCE SHEET
YEARS ENDED DECEMBER 31, 1982 AND 1981

<u>LIABILITIES & STOCKHOLDER EQUITY</u>		<u>1982</u>	<u>1981</u>	<u>Increase (Decrease)</u>
<u>Current Liabilities</u>				
752	Accounts Payable - Interline & Other Balances	\$ 95,884	\$ 176,754	\$(80,870)
753	Audited Wages and Vouchers Payable	122,446	329,257	(206,811)
754	Accounts Payable - Other	156,694	153,359	3,335
757	Payable to Affiliated Companies	8,750	8,750	-0-
759	Accrued Accounts Payable	1,998,389	1,064,111	934,278
761.5	Other Taxes Accrued	178,197	177,162	1,035
	Total Current Liabilities	<u>2,560,360</u>	<u>1,909,393</u>	<u>650,967</u>
<u>Long Term Debt Due After One Year</u>				
769	Accounts Payable; Affiliated Companies (Note 3)	<u>875,000</u>	<u>875,000</u>	<u>-0-</u>
<u>Other Long Term Liabilities</u>				
774	Accrued Liability; Casualty & Other Claims	-0-	267,500	(267,500)
782	Other Liabilities	19,115	15,300	3,815
	Total Long Term Liabilities	<u>19,115</u>	<u>282,800</u>	<u>(263,685)</u>
<u>Deferred Credits</u>				
786	Accumulated Deferred Income Tax Credits	<u>404,251</u>	<u>312,165</u>	<u>92,086</u>
<u>Stockholders Equity</u>				
791	Capital Stock	50,400	50,400	-0-
794	Premiums & Assessments on Capital Stock	5,200	5,200	-0-
795	Other Capital	357	357	-0-
798	Retained Earnings	3,025,813	2,669,236	356,577
	Total Shareholders Equity	<u>3,081,770</u>	<u>2,725,193</u>	<u>356,577</u>
	Total Liabilities & Stockholders Equity	<u>\$6,940,496</u>	<u>\$6,104,551</u>	<u>\$835,945</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

THE NORFOLK & PORTSMOUTH BELT LINE RAILROAD
COMPARATIVE INCOME STATEMENT
YEARS ENDED DECEMBER 31, 1982 AND 1981

	<u>1982</u>	<u>1981</u>	<u>Increase (Decrease)</u>
<u>RAILWAY OPERATING REVENUES</u>			
Switching	\$ 1,959,657	\$ 1,999,076	\$ (39,419)
Reclaim	8,457,481	7,139,280	1,318,201
Demurrage	419,909	390,846	29,063
Miscellaneous	990	1,601	(611)
Railway Operating Revenues	<u>10,838,037</u>	<u>9,530,803</u>	<u>1,307,234</u>
<u>RAILWAY OPERATING EXPENSES</u>			
Way and Structures	2,121,539	1,874,874	246,665
Equipment	1,214,297	1,020,370	193,927
Transportation	6,342,470	6,076,188	266,282
General and Administrative	801,324	670,918	130,406
Railway Operating Expenses	<u>10,479,630</u>	<u>9,642,350</u>	<u>837,280</u>
Net Revenue from Railway Operations	<u>\$ 358,407</u>	<u>\$ (111,547)</u>	<u>\$ 469,954</u>
<u>OTHER INCOME</u>			
Miscellaneous Rent Income	63,602	49,988	13,614
Interest Income from Investments	44,688	113,122	(49,631)
Other Interest Income (Note 6)	18,803	-0-	-0-
Income From Sinking and Other Funds	2,050	1,410	640
Miscellaneous Income	11,191	-0-	11,191
Total Other Income	<u>140,334</u>	<u>164,520</u>	<u>(24,186)</u>
Total Income	<u>\$ 498,741</u>	<u>\$ 52,973</u>	<u>\$ 445,768</u>
<u>MISCELLANEOUS DEDUCTIONS FROM INCOME</u>			
Miscellaneous Taxes	4	4	-0-
Miscellaneous Income Charges	22,365	11,224	11,141
Total Miscellaneous Deductions	<u>22,369</u>	<u>11,228</u>	<u>11,141</u>
Income Available for Fixed Charges	<u>\$ 476,372</u>	<u>\$ 41,745</u>	<u>\$ 434,627</u>
<u>FIXED CHARGES</u>			
Interest on Funded Debt	26,250	41,925	(15,675)
Income after Fixed Charges	<u>\$ 450,122</u>	<u>\$ (180)</u>	<u>\$ 450,302</u>
<u>PROVISION FOR INCOME TAXES</u>			
Income Taxes on Ordinary Income	(15,791)	55,001	(70,792)
Provision for Deferred Income Taxes	109,336	(91,914)	201,250
Total Income Taxes	<u>\$ 93,545</u>	<u>\$ (36,913)</u>	<u>\$ 130,458</u>
NET INCOME	<u>\$ 356,577</u>	<u>\$ 36,733</u>	<u>\$ 319,844</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

THE NORFOLK & PORTSMOUTH BELT LINE RAILROAD
COMPARATIVE STATEMENT OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1982 AND 1981

	<u>1982</u>	<u>1981</u>
Balance - Beginning of Year	\$2,669,236	\$2,922,234
Add: Credit Balance transferred from Income	356,577	36,733
Deduct: Casualty Accruals	-0-	(289,731)
Balance - End of Year	<u>\$3,025,813</u>	<u>\$2,669,236</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

THE NORFOLK & PORTSMOUTH BELT LINE RAILROAD
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1982 AND 1981

	<u>1982</u>	<u>1981</u>
<u>CAUSES INCREASING WORKING CAPITAL</u>		
NET INCOME	\$356,577	\$ 36,734
Add: Items Not Requiring Outlay of Working Capital		
Depreciation Expense - Retirement of Property	88,669	81,743
Deferred Taxes on Depreciation (Note 4)	92,086	-0-
Working Capital Provided From Operations	<u>537,332</u>	<u>118,477</u>
Other Sources		
Proceeds from Disposal of Capital Assets	34,829	12,478
Other - Net	1,749	10,152
Total Increases to Working Capital	<u>573,910</u>	<u>141,107</u>
<u>CAUSES DECREASING WORKING CAPITAL</u>		
Capital Expenditures	124,217	226,042
Casualty Accruals	144,450	145,281
Long-Term Obligations Paid	-0-	82,400
Total Decreases to Working Capital	<u>268,667</u>	<u>453,723</u>
NET INCREASE (Decrease) to Working Capital	\$305,243	\$(312,616)
Working Capital at Beginning of Year	380,853	693,469
TOTAL WORKING CAPITAL AT YEAR END	<u>\$686,096</u>	<u>\$ 380,853</u>
<u>CHANGES IN COMPONENTS OF WORKING CAPITAL</u>		
Increase (Decrease) in Current Assets		
Cash	\$(88,571)	\$ 32,080
Temporary Cash Investments	625,000	100,000
Accounts Receivable - Interline and Other Balances	62,944	(224,722)
Accounts Receivable - Customers	95,371	(70,403)
Accounts Receivable - Others	(16,970)	30,486
Interest and Dividends Receivable	(3,988)	5,312
Receivables from Affiliated Companies	(13,850)	20,753
Accrued Accounts Receivable	174,462	(176,706)
Prepayments	(22,224)	(56,139)
Materials and Supplies	38,716	(104,153)
Other Current Assets	(480)	8,700
Deferred Income Tax Debits	105,800	(20,240)
Increase (Decrease) to Current Assets	<u>956,210</u>	<u>(455,032)</u>
Increase (Decrease) in Current Liabilities		
Accounts Payable - Interline and Other Balances	(80,870)	(81,711)
Audited Accounts and Wages Payable	(206,811)	(76,297)
Accounts Payable; Other	3,335	(26,491)
Accrued Accounts Payable	934,278	53,001
Other Taxes Accrued	1,035	26,582
Equipment Obligations and Other Long-Term		
Debt Due Within One Year	-0-	(37,500)
Increase (Decrease) to Current Liabilities	<u>\$650,967</u>	<u>\$(142,416)</u>
TOTAL NET INCREASE (DECREASE) TO WORKING CAPITAL	<u>\$305,243</u>	<u>\$(312,616)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND OF THE NORFOLK AND PORTSMOUTH BELT LINE RAILROAD

The Norfolk and Portsmouth Belt Line Railroad (NPBL) was incorporated in the State of Virginia on March 4, 1896 as the Southeastern and Atlantic Railroad Company and the name changed to the present title in 1898.

There are 504 shares of common stock (\$100 par) outstanding of which 288 shares are owned by the Norfolk Southern Corporation and the remaining 216 shares are owned by the CSX Corporation.

The operation of the NPBL consists of the interchange of cars between owner lines and the handling of cars to and from local industries. These are paid for in accordance with published tariff rates and are adjusted from time to time so as to yield the NPBL a net revenue sufficient to pay total expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation of Financial Statements

The financial statements of the NPBL are now being consolidated with the financial statements of the Norfolk Southern Corporation who is the majority owner with 288 (57%) of the 504 shares of common stock outstanding.

Change in Accounting Closing Date

In order to consolidate the NPBL financial statements with those of the Norfolk Southern Corporation it has become necessary for NPBL to close their books five working days after year-end. In the past the NPBL has been able to keep the books of account open 30-40 days after year-end thereby making fewer accruals. However, with the new closing date now in effect significantly larger accruals have resulted in the respective balance sheet accounts.

Inventories

Inventories are priced using the weighted average method. The inventory cost is adjusted annually after the physical inventory count.

Depreciation

The track structure of railroads is not depreciated; rather, as prescribed by the ICC, an alternative generally accepted accounting practice is observed whereby replacement in kind of track structure are charged to expense, and only additions and betterments are capitalized. Gains and losses on retirements of these items are included in operating accounts. The remaining transportation properties and equipment are depreciated on the straight-line method at rates established by the ICC.

Amortization Policies

The Amortization of Defense Projects - Road and Equipment, presented on the Balance Sheet is for tracks at Sewells Point, constructed during WW II. This account has been completely amortized.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the consolidated statement of income. Deferred income taxes are provided as a result of differences in the recognition of revenue and expense for financial reporting and income tax purposes.

Investment tax credits are accounted for by the flow-through method as a reduction of the current federal income tax provision.

NOTE 3 - SIGNIFICANT EVENT SUBSEQUENT TO DECEMBER 31, 1982

For the year ending December 31, 1982, the result of operations for the NPBL provided a net income of \$356,577. As a result of the net income, the management of the NPBL has decided to repay a portion of the Long Term Debt Due to Affiliated Companies. On February 28, 1983, a payment of \$105,000 was made to the affiliated roads from which the loan was made, thereby reducing the debt to \$770,000.

The interest rate payable to affiliated companies on this debt is 3% per annum.

NOTE 4 - INCOME TAXES

	<u>1982</u>	<u>1981</u>
<u>Income Taxes</u>		
Current:		
Federal	\$ (17,127)	\$ 30,629
State	1,336	24,372
Total Current	<u>\$ (15,791)</u>	<u>\$ 55,001</u>
Deferred Federal Tax:		
Personal Injury Accruals	\$ 17,250	\$ (88,550)
Depreciation	92,086	(3,364)
Total Deferred	<u>\$ 109,336</u>	<u>\$ (91,914)</u>
Total Income Tax Provision	<u><u>\$ 93,545</u></u>	<u><u>\$ (36,913)</u></u>

A reconciliation between the reported provision for income taxes and the amount computed by application of the federal statutory rate to income before taxes is as follows:

Tax at Statutory Rates (46% x Income)	\$ 207,056	\$ -0-
Investment Tax Credits	(129,191)	-0-
Adjustments to prior years' income taxes	15,680	(36,913)
TOTAL	<u><u>\$ 93,545</u></u>	<u><u>\$ (36,913)</u></u>

Note 5 - Pension Plans

The officers, supervisors and excepted positions of the Norfolk and Portsmouth Belt Line Railroad are participants in the Norfolk and Western Railway pension plan. Expense is calculated and submitted to the NPBL by the N&W and paid in accordance with their advice.

Note 6 - Other Interest Income

The \$18,803 represents interest paid to the NPBL by the United States Internal Revenue Service as part of a settlement resulting from an audit of the 1980 tax returns.

AUDITORS COMMENTS

Cash - \$20,714

Cash balance of the Norfolk and Portsmouth Belt Line Railroad Company was reconciled to the bank balance of the Virginia National Bank, Norfolk, Virginia, at December 31, 1982, with no exceptions taken.

Temporary Cash Investments - \$725,000

The balance in this account consists of a \$100,000 Certificate of Deposit and \$625,000 of Virginia National Bank Commercial Paper. All transactions in this account were handled through Virginia National Bank. The interest earned from temporary cash investments during 1982 totalled \$44,688.

Accounts Receivable - Interline and Other Balances - \$969,282

This account consists of amounts due from railroads and other companies. The increase in the year-end balance is due primarily to the increase in traffic in December 1982 as compared to December 1981.

Accounts Receivable - Customers - \$124,186

The increase in the account balance of \$95,371 is primarily due to the fact that at the end of 1981 Cargill Incorporated had stopped storing cars of meal on NPBL tracks. In November, 1982, Cargill was holding a large number of loaded cars. Demurrage bills were issued in December 1982 and still open at December 31, 1982. The total increase in Cargill demurrage bills amounted to \$75,530 or 80% of the total increase.

Accounts Receivable - Others - \$25,571

This account represents amount due from governmental organizations and other miscellaneous bills. The decrease in the year-end balance of \$16,970 is due partially to the payment of an amount owned by the City of Portsmouth that was outstanding at December 31, 1981 in the amount of \$23,878. This, however, was offset by an amount due from Royster Corporation totalling \$8,138 that appears to be uncollectable and is being written off.

Interest and Dividends Receivables - \$1,324

This account balance represents the interest earned in 1982 from the Temporary Cash Investments that was not received until 1983.

Receivables from Affiliated Companies - \$59,753

This account represents billing versus owner roads for miscellaneous services. Of the receivables outstanding as of December 31, 1982 a total of four bills remain outstanding as of the March 7, 1983 audit date.

They are as follows:

Norfolk and Western Railway			
Bill No.	60434	Tamper Service	\$ 5,850
	60399	C.J.C.I.	2,727
	60462	C.J.C.I.	2,822
Seaboard Coast Line Railroad			
	60466	Auto. Main.	18,793
			<u>\$30,192</u>

Accrued Accounts Receivable - \$188,102

This account consists of estimates of all unaudited current items receivable. The increase in the balance of this account of \$174,462 is primarily due to the earlier closing date described in the "Summary of Significant Accounting Policies."

Prepayments - \$116,596

This account represents insurance premium payments totalling \$77,978 for all categories of insurance coverage such as comprehensive liability, fire, all risk on vehicles, locomotives, main line bridge and dates processing equipment. There is also the addition of Nuclear Liability Insurance, which represents a new insurance policy. These amounts are amortized over the life of the policy, contract, etc.

The account also includes State Franchise Tax payments of \$38,618.

Materials and Supplies - \$597,978

The account consists of:

	<u>1982</u>	<u>1981</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Roadway & Bridge Material	\$332,285	\$281,986	\$ 50,299	17.84%
Material & Supplies	265,493	277,076	(11,583)	4.18%
Postage	200	200	-0-	-0-
	<u>\$597,978</u>	<u>\$559,262</u>	<u>\$ 38,716</u>	<u>6.92%</u>

An auditor of the Chessie System Railroads was present in October 1982 to observe the physical inventory of Roadway and Bridge Material and Materials and Supplies. The inventory disclosed the books were understated by a net \$25,834 and appropriate adjusting entries were made in 1982.

Deferred Income Tax Debits - \$345,000

An increase in this account of \$105,800 or 44% is due to an update in accounting accruals for personal injury claims through December 31, 1982.

Other Funds - \$14,108

This account consists of deposits with the Barclays Bank International Limited to cover daily indemnity provision of Service Interruption Policy with the Imperial Insurance Company (Cayman Islands) Limited. The deposit balances were confirmed.

Road and Equipment Property - \$6,412,865

This account consists of the following:

Road Property	\$4,355,139
Equipment Property	2,057,726
	<u>\$6,412,865</u>

All AFE's were traced to the Board of Directors' meetings. Tests were made for correctness of accounting additions, betterments and retirements during the year.

The increase in the account of \$60,231 is the result of additions of \$124,216 and retirements of \$63,985.

Accumulated Deferred Income Tax Debits - \$0

This account represents deferred income tax debits in connection with the NPBL long-term accrued liability for personal injuries. There is no longer a long-term accrual for personal injury claims due to the fact that all the cases are handled on a current basis, therefore, there is no need to defer any income tax.

Accounts Payable - Interline and Other Balances - \$95,884

This account represents per diem payable to roads other than proprietary roads. The decrease of \$80,870 is due primarily to a decline in traffic.

Audited Wages and Vouchers Payable - \$122,446

This account included the amount of audited vouchers and audited payrolls unpaid on the date of the balance sheet.

The balance in this account consist of Audited Wages Payable only. The decrease of \$206,811 is due to the fact there are no Audited Vouchers Payable outstanding at year end.

Accrued Accounts Payable - \$1,998,389

This account includes estimates of unaudited items payable.

The increase in this account of \$934,278 or 88% is due to several factors. There was a transfer of \$230,000 from Account 774 - Accrued Liability; Casualty and Other Claims, because management believes they can settle all personal injury cases in 1983. The President and General Manager determines liability in connection with personal injury cases.

There was an accrual for a damage case involving N&W property that was settled in January 1983 for \$354,172. This amount was traced to the cancelled draft.

A large amount of the accruals are the result of the earlier closing date now in effect as described in "Summary of Significant Accounting Policies."

Accrued Liability; Casualty and Other Claims - \$0

This account represents the estimated liability for personal injuries which are not expected to be settled within one year. The management of NPBL has determined from past practice that it is possible to settle all personal injury cases within one year and, therefore, all amounts in this account were closed into Account 759 - Accrued Accounts Payable.

Accumulated Deferred Income Tax Credits - \$404,251

The increase in the account balance of \$92,086 is a timing difference due to deferred tax accounting for depreciation claimed on the tax return in excess of the amount claimed in the corporate accounts.

Capital Stock - \$50,400

The Norfolk and Portsmouth Belt Line Railroad Company has 504 shares outstanding of \$100 par value stock authorized, issued and outstanding as of December 31, 1982.

Norfolk Southern Corporation - 57% ownership			
Norfolk and Western Railway	72	shares	
Virginia Railway	72		
Southern Railway	72		
Norfolk Southern Railway	<u>72</u>	288	shares
CSX Corporation - 43% ownership			
Seaboard Coast Line Railroad - ACL	72		
- SCL	72		
Chesapeake and Ohio Railway	<u>72</u>	216	
		<u>504</u>	<u>shares</u>

AUDIT OF AGENCY ACCOUNTS
NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

An examination of the Agent's Accounts of the Norfolk and Portsmouth Belt Line Railroad Company was conducted March 7-18, 1983, by representatives of The Chessie System and the Norfolk Southern Corporation.

Generally, we found that records were being maintained in an excellent manner. Results of the examination follows:

AGENCY RECORDS

Demurrage, Car Hire, Weighing, Local and Interline Switching Records were examined for June, September and November, 1982. Minor errors noted in Demurrage computations were referred to management for handling. The only other notable exception concerned outbound switching of LCL auto parts from Ford Motor to The Chessie System and Norfolk Southern Corporation for road haul.

The investigation disclosed that Ford releases the cars as empty and furnishes empty switch bills to the NPBL. They issue a revenue LCL Bill of Lading to the road haul carrier. As a result, the NPBL, not realizing these as revenue moves, are not collecting switching charges or outbound demurrage on these cars. It is estimated that there are four (4) cars per week in this movement @ \$152.00 per car which represents approximately \$2,400.00 per month to the NPBL.

The committee recommended to NPBL management that they handle with Ford in an attempt to obtain proper switching bills to cover these cars to assure proper handling.

OTHER OBSERVATIONS

CASH:

There was no cash or checks on hand at the cut-off, March 7, 1983.

BANK DEPOSITS:

An analysis of bank deposits for October, 1982, was made to determine if payments were being promptly deposited. Of 63 checks received, 11 incurred a delay of over two (2) days. The dollar amount deposited within two (2) days was 86.7% of the total deposited for the month. This matter of delays was handled with the Treasurer who stated that each deposit requires batching, balancing, accounting to receivables and separate computer runs. As a result, many times, the amount ready for deposit is insufficient to justify the work involved.

While there was quite an improvement in this area since the last audit, we feel the delayed depositing should be evaluated.

AGENT'S RELIEF REMITTANCES

A review was made of the Agent's write-offs for the audit period. A total amount of \$12,546.38 was written off during 1982 out of total charges to the account of \$792,399.48. This represents 1.6% of the total. \$85.00 was uncollectable due to the bankruptcy of Richards Foundry.

No exceptions were taken as to authorization and/or reasonableness of agent's relief claims/write-offs.

SWITCHING

As of December 31, 1982, there were 333 outstanding switching bills totalling \$33,406. There were 26 items totalling \$2,197 which were over 15 days old. All items had cleared by end of audit.

DEMURRAGE

As of December 31, 1982, there were 43 outstanding demurrage bills totalling \$90,780 of which 18 bills totalling \$34,620 were over 15 days old. One item amounting to \$1,160 remains open against Chilean Nitrate and is being handled for collection by the Treasurer. \$11,240 has been written off primarily due to an \$11,000 bill cancelled against Cargill for demurrage. A corrected bill of \$1,790 was issued and collected in the January account.

CREDIT

An analysis of October 1982 switching and demurrage payments was made. This revealed that demurrage bills are paid an average of seven (7) days beyond the expiration of the credit period and switching bills are paid 2.6 days beyond the credit period.

Of 36 demurrage bills paid in October 1982, 23 (63.9%) were delinquent. This is a slight increase of 1.9% over the record at the time of the last audit. Of 183 switching bills paid during the same period 96 (52.5%) were delinquent. This is an improvement of 11.5% over the last audit.

Tracing procedures which are mechanical for switching bills and manual for demurrage bills appear adequate and have resulted in some improvement in payment performance as noted above.

BALANCE IN ACCOUNT 706

The total balance in the account December 31, 1982, of \$124,186 was 331% higher than the balance December 31, 1981, of \$28,814.74. This was primarily due to the fact that in 1981 Cargill, Inc. was shipping cars as loaded. In November 1982, Cargill was loading cars and storing them on NPBL tracks. This resulted in a number of substantial demurrage bills being issued in December 1982, which remained uncollected at year end. (See details next page).

Cargill demurrage bills unpaid December 31, 1982 -	\$86,080
Cargill demurrage bills unpaid December 31, 1981 -	<u>10,550</u>
Increase	<u>\$75,530</u>

— This accounted for 80% of the increase of \$95,371.26.

— The Station Audit Committee wishes to thank the management and personnel of the Norfolk and Portsmouth Belt Line Railroad Company for their cooperation and hospitality.

G. M. Bassett
Internal Auditor
Norfolk Southern Corporation

D. P. Gabbert
Traveling Auditor
Chessie System Railroads

P. F. Pauley
Traveling Auditor
Chessie System Railroads - Chairman Road

**VERIFIED STATEMENT
OF
DONNA N. COLEMAN**

EXHIBIT C

Minutes of June 15, 1983
NPBL Insurance Committee Meeting

Casualty Prevention
Department

June 21, 1983 EEG:maj

File: 433C



100 North Charles Street
Baltimore, Maryland 21201
301 237 3536

Mr. F. S. Morrison, President
Norfolk & Portsmouth Belt Line Railroad Company
P. O. Box 3667
Norfolk, Virginia 23514

Dear Mr. Morrison:

Re: Annual Insurance Committee Meeting N&PBLRR Co., Jacksonville, Florida,
June 15, 1983

The 1983 annual meeting of the Insurance Committee was hosted by Dale Bitter of Seaboard System Railroad in Jacksonville, Florida on Wednesday, June 15, 1983. In attendance were:

F. S. Morrison - N&PBL
L. W. Fisher - N&PBL
R. E. Foutz - NS
J. C. Vonderhaar - NS
D. H. Bitter - SSR
E. E. Gibson - CSR

A review of the existing coverages was held, along with a discussion of areas which may need further attention.

Roy Foutz has placed in the Norfolk Southern program \$49,000,000 excess of \$1,000,000 of excess liability insurance for \$26,000. It may be desirable for Belt Line to consider higher limits in the Norfolk Southern program at a later date.

It was agreed that a farm type tractor and case back-hoe should be included in the automobile liability schedule although neither is a licensed vehicle.

The deisel locomotive insurance values are satisfactory but we will pursue the cost of increasing the present loss limit per occurrence from \$1,500,000 to 2,000,000. This would provide coverage for a total loss of four units rather than three as present. While such a loss is highly unlikely, if the cost to increase the loss limit is nominal, such a move should be considered. The limit was increased from \$1,000,000 to \$1,500,000 as of December 18, 1981.

Mr. Morrison mentioned that a currently underway project involving an \$800,000 expenditure on the bridge over the Elizabeth River will involve only about a \$22,000 betterment to the bridge. It may be appropriate to adjust the values at the November 5 expiration date to accomodate the betterment.

We recommend that consideration be given to increasing the Fidelity Bond limits to \$100,000 with concurrent consideration of a \$5,000 deductible.

Mr. F. S. Morrison

June 21, 1983

Page 2

The nuclear energy liability insurance will be moved into Norfolk Southern's program effective January 1, 1984 with \$50,000,000 limits vs. the present \$25,000,000.

The remaining coverages were deemed to be satisfactory and the Committee believes the N&PBL is adequately insured.

The undersigned had served as Chairman of the Insurance Committee since the retirement of the previous Chairman, Al Royce of Penn Central, on January 19, 1976. By letter of May 3, 1983 I advised the members of the Committee of my intention to resign as Chairman at our 1983 meeting so that the N&PBL could take advantage of the economies of an insurance placement within the Norfolk Southern program, since NS owns 57% of the Belt Line.

At the meeting my resignation as Chairman was accepted, although I remain on the Committee, and Roy E. Foutz, Jr. of Norfolk Southern was appointed Chairman. Also, J. C. Vonderhaar, of Norfolk Southern, was appointed an additional member of the Committee.

If there are any errors or omissions in the above, will the members please advise?

Yours very truly,

E. Eugene Gibson

E. Eugene Gibson

Chairman of the Insurance Committee

cc: Messrs. L. W. Fisher
Vice President
Norfolk & Portsmouth Belt Line Railroad Co.
P. O. Box 3667
Norfolk, Virginia 23514

R. E. Foutz - Director - Insurance
Norfolk Southern Corporation
8 North Jefferson Street
Roanoke, Virginia 24042

J. C. Vonderhaar - Asst. Director - Insurance
Norfolk Southern Corporation
8 North Jefferson Street
Roanoke, Virginia 24042

D. H. Bitter, Asst. Vice President
Pensions and Insurance
Seaboard System Railroad
500 Water Street
Jacksonville, Florida 33202

**VERIFIED STATEMENT
OF
DONNA N. COLEMAN**

EXHIBIT D

Minutes of April 4, 1989
NPBL Board of Directors Meeting and
March 1, 1989 Supplemental Agreement
to 1897 Operating Agreement

NORFOLK AND PORTSMOUTH BELT LINE RAILROAD COMPANY

Norfolk International Airport
Conference Center
Norfolk, Virginia
April 14, 1989

A regular meeting of the Board of Directors was held this date at
11:00 A.M.

PRESENT: Mr. J. A. Drake
Mr. K. C. Dufford
Mr. C. M. Irvin
Mr. T. H. Kerwin
Mr. P. R. Rudder
Mr. L. W. Fisher, Chairman

Mr. T. H. Willcox, Jr., the Company's General Counsel, and Mr. J. M. Donnelly, the Company's Corporate Secretary, were also present.

There being a quorum, the President called the meeting to order.

The minutes of the last meeting of the Board of Directors, held on February 13, 1989, were, on motion duly made and seconded, approved as recorded.

The report covering review of audit for calendar year 1988 by members of the Finance Committee was submitted to the Board. After discussion, it was regularly moved and voted that the report be accepted and ordered filed with the records of the Company.

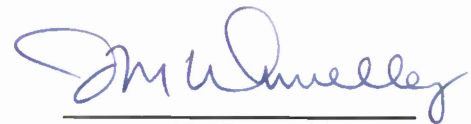
The Audit Committee's report covering audit of the Company's books and accounts for calendar year 1988 was submitted to the Board, whereupon it was regularly moved and voted that the report be accepted and ordered filed with the records of the Company.

The Company's Annual Report for the year 1988 was submitted to the Board for approval. There being no discussion, the following resolution was, on motion duly made and seconded, adopted:

RESOLVED, That the Annual Report of the Board of Directors, hereby submitted being for the year ended December 31, 1988, be accepted and ordered presented to the Stockholders of the Company at the annual meeting.

The President informed the Board that the Company had received a copy of an addendum to the July 7, 1897 Operating Agreement between the Belt Line's proprietary roads, stipulating that the CSX Transportation is to have two Directors on the Board, and that the Norfolk and Western and Southern Railways jointly are to have three Directors on the Board, irrespective of the number of Companies holding stock in the Belt Line. The Board was further advised, that with this issue resolved, the Belt Line Stock Certificates outstanding in the name of Chesapeake and Ohio Railway Company and the Seaboard System Railroad had been cancelled and new Stock Certificates issued in the name of CSX Transportation, Inc.; and the Stock Certificates outstanding in the name of Carolina and Northwestern Railway Company had been cancelled and a new certificate issued in the name of the Southern Railway Company.

The meeting then, on motion, adjourned.



J. M. Donnelly
Corporate Secretary



**NORFOLK
SOUTHERN**

Norfolk Southern Corporation
Law Department
Three Commercial Place
Norfolk, Virginia 23510-2191



Writer's Direct Dial Number

(804) 629-2818

Norfolk, VA - April 5, 1989

Mr. J. M. Donnelly
Vice President, Secretary and Comptroller
Norfolk and Portsmouth Belt Line Railroad Company
P. O. Box 3669
Norfolk, VA 23514

Dear Mr. Donnelly:

Enclosed for your information is a copy of the Supplemental Agreement dated March 1, 1989, among CSXT, Norfolk and Western, and Southern Railway, relating to the NPBL operating agreement dated July 7, 1897. The parties have agreed that, notwithstanding Article Fourth of the 1897 agreement, CSXT will continue to have the right to appoint two representatives to the NPBL Board of Directors, and NW and Southern will have the right to appoint a total of three representatives.

Very truly yours,

J. Gary Lane
General Attorney

Enclosure

CC L.W. FISHER

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, dated as of March 1, 1989, is between CSX TRANSPORTATION, INC., a Virginia corporation ("CSX"), NORFOLK AND WESTERN RAILWAY COMPANY, a Virginia corporation ("NW"), and SOUTHERN RAILWAY COMPANY, a Virginia corporation ("SR").

WITNESSETH:

WHEREAS, CSX owns 216 shares of the common stock of Norfolk and Portsmouth Belt Line Railroad Company, a Virginia corporation ("NPBL");

WHEREAS, NW and SR each owns 144 shares of the common stock of NPBL;

WHEREAS, CSX, on the one hand, and NW and SR, on the other hand (NW and SR together being hereinafter referred to as "NW/SR"), are successors in interest to railroad companies that were parties to an Agreement dated July 7, 1897 (the "NPBL Agreement"), relating to the ownership and operation of NPBL;

WHEREAS, Article Fourth of the NPBL Agreement provides that the number of directors of NPBL shall always be fixed to correspond to the number of companies owning stock in NPBL;

WHEREAS, as of the date hereof, two of the directors of NPBL are representatives of CSX and three of the directors are representatives of NW/SR, and the parties hereto desire to retain such representation on the board of directors of NPBL ("NPBL Board") notwithstanding the provisions of Article Fourth of the NPBL Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

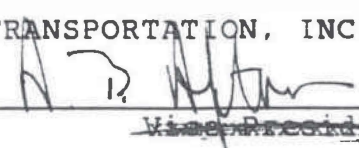
1. Notwithstanding the first sentence of Article Fourth of the NPBL Agreement, CSX shall have the right to appoint two representatives to the NPBL Board, and NW/SR shall have the right to appoint three representatives to the NPBL Board.

2. Nothing herein shall be deemed to amend, alter, or affect any other provision of the NPBL Agreement.

IN WITNESS WHEREOF, the parties have caused this Supplemental Agreement to be executed by their duly authorized officers.

CSX TRANSPORTATION, INC.

By:



~~Vice President~~

Treasurer

NORFOLK AND WESTERN RAILWAY COMPANY

By:



Vice President

SOUTHERN RAILWAY COMPANY

By:



Vice President

VERIFICATION

Commonwealth of Virginia)
)
City of Chesapeake) SS:

Donna N. Coleman, being duly sworn, deposes and says that she is the Vice President, Corporate Secretary and Comptroller of Norfolk and Portsmouth Belt Line Railroad Company, that she has read the foregoing statement and the facts asserted therein, and that the same are true as stated to the best of her knowledge.



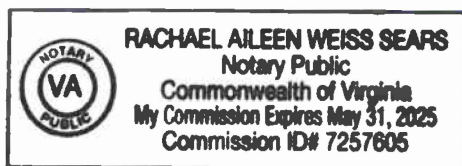
Donna N. Coleman

SUBSCRIBED AND SWORN TO
before me this 23 day
of September, 2021.



Notary Public

My Commission expires: May 31, 2025



CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of September, 2021, a copy of the foregoing
Opening Statement and Evidence of Norfolk and Portsmouth Belt Line Railroad Company
was served by electronic mail upon:

William A. Mullins, Esq.
Crystal M. Zorbaugh, Esq.
Baker & Miller PLLC
2401 Pennsylvania Avenue, N.W.
Suite 300
Washington, DC 20037
wmullins@bakerandmiller.com

Anthony J. LaRocca, Esq.
Peter W. Denton, Esq.
Steptoe & Johnson LLP
1330 Connecticut Avenue, N.W.
Washington, DC 20036
alarocca@steptoe.com

Louis E. Gitomer, Esq.
Law Offices of Louis E. Gitomer, LLC
600 Baltimore Avenue, Suite 3011
Towson, MD 21204
lou@lgraillaw.com

/s/ *Thomas J. Litwiler*

Thomas J. Litwiler