

NORTH CAROLINA RAILROAD COMPANY

3200 Atlantic Avenue
Suite 110
Raleigh, NC 27604
(919) 954-7601
Fax (919) 954-7099

Scott M. Saylor
General Counsel

March 12, 1998

Mr. Patrick Simmons
Beaufort & Morehead Railroad Company
North Carolina Department of Transportation
1 South Wilmington Street
Raleigh, NC 27611

Re: Merger of Beaufort & Morehead Railroad Company and North Carolina
Railroad Company Pursuant to S.L. 1997-443, Section 32.30

Dear Mr. Simmons:

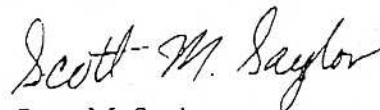
This is to confirm the amount of funds necessary for the exchange of shares for cash in connection with the pending acquisition of the non-State owned shares of the North Carolina Railroad Company. This transaction is contemplated pursuant to the Amended and Restated Agreement and Plan of Merger dated as of January 16, 1998.

According to our records, the State of North Carolina owns 3,208,573 shares which are not subject to exchange for cash. Therefore, 1,074,897 shares are to be exchanged in order to effectuate the acquisition by the State.

At the exchange price of \$66 per share, it will be necessary to have \$70,943,202 available to North Carolina Railroad Company, excluding related transaction costs and expenses. If there are any accrued liabilities outstanding for B&M, amounts to cover any such liabilities should be added to this amount.

Please make the necessary arrangements to have these funds on hand in the exchange account pursuant to the Merger Agreement. I would appreciate your confirming the availability of these funds as soon as possible.

Sincerely,


Scott M. Saylor

cc: Robert M. Donlon

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TOTAL P.02