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216137

Of Counsel to:

Vuono & Gray LLC

2310 Grant Building

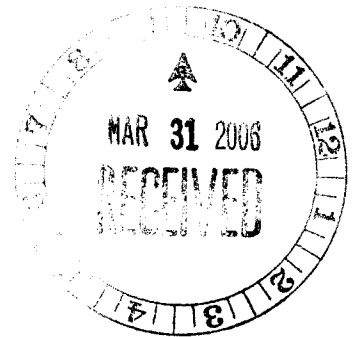
Pittsburgh, PA 15219

(412) 471-1800

(412) 471-4477 FAX

March 30, 2006

The Honorable Vernon A. Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-0001



Re: Nittany & Bald Eagle Railroad Company – Temporary Trackage Rights  
Exemption – Norfolk Southern Railway; STB Finance Docket No. 34851

Dear Secretary Williams:

Enclosed for filing in the above captioned proceeding are an original and ten copies of the Verified Notice of Exemption (the "Notice") of Nittany & Bald Eagle Railroad Company ("N&BE"), pursuant to 49 C.F.R. §1180.2(d)(8). A check in the amount of \$1,000 is enclosed to cover the cost of processing the Notice of Exemption.

Please acknowledge the receipt of this filing by date-stamping the enclosed acknowledgment copy and returning it in the self addressed, stamped envelope provided.

Very truly yours,

RICHARD R. WILSON, P.C.

Richard R. Wilson, Esq.

Office of  
Surface Transportation Board

RRW/bab

Enclosure

xc: Richard D. Robey  
John Edwards, Esq.

**FEE RECEIVED**

MAR 31 2006

SURFACE  
TRANSPORTATION BOARD

**FILED**

MAR 31 2006

TRANSPORTATION BOARD

BEFORE THE  
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34851



NITTANY AND BALD EAGLE RAILROAD COMPANY-  
TEMPORARY TRACKAGE RIGHTS EXEMPTION -  
NORFOLK SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION  
PURSUANT TO 49 C.F.R. §1180.2(d)(8)

**FEE RECEIVED**

MAR 31 2006

SURFACE  
TRANSPORTATION BOARD

Richard R. Wilson, Esq.  
127 Lexington Avenue, Ste. 100  
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Attorney for Nittany and Bald Eagle  
Railway Company

**FILED**

MAR 31 2006

TRANSPORTATION BOARD

March 30, 2006

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FINANCE DOCKET NO. 34851

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NITTANY AND BALD EAGLE RAILROAD COMPANY-  
TEMPORARY TRACKAGE RIGHTS EXEMPTION –  
NORFOLK SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
PURSUANT TO 49 C.F.R. §1180.2(d)(8)

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Nittany and Bald Eagle Railroad Company (hereinafter referred to as “User” or “N&BE”) hereby submits the Verified Notice of Exemption, pursuant to 49 C.F.R. §1180.2(d)(8), from the prior approval and authorization requirements of 49 U.S.C. §11323 to permit it to implement temporary operations over approximately 55 miles of rail line operated and controlled by Norfolk Southern Railway Company (“NSR”). In support of this Notice of Exemption and in compliance with 49 C.F.R. §1180.4(g), N&BE states the following:

*49 C.F.R. §1180.6(a)(1)(i)*  
*Description of the proposed transaction*

Pursuant to negotiations between N&BE and NSR, NSR has agreed to provide N&BE with non-exclusive, overhead, temporary trackage rights over a portion of NSR’s railroad between Lock Haven and Driftwood, PA from M.P. 194.2 to M.P. 139.2, a distance of 55 miles (hereinafter referred to as the “Subject Trackage”) (see Exhibit 1 – Map) for the sole purpose of allowing N&BE to operate bridge train service for

temporary, seasonal traffic. The rights are overhead rights only and will expire on December 30, 2006. N&BE will have no right to (1) set out, pickup or store cars, or switch upon the Subject Trackage, or any part thereof, except as necessary for handling equipment that is bad ordered en route; (2) serve any industry, team or house track now existing or constructed in the future along the Subject Trackage; (3) permit or admit any third party to the use of all or any portion of the Subject Trackage; or (4) use the subject trackage for any traffic other than that specified in the agreement or for periods of time other than those specified in the agreement .

The full name and address of the applicant carrier is:

Nittany & Bald Eagle Railway Company  
356 Priestly Avenue  
Northumberland, PA 15857

The representative of Nittany & Bald Eagle Railway Company to receive

Correspondence in this matter is:

Richard R. Wilson, Esq.  
127 Lexington Avenue, Ste. 100  
Altoona, PA 16601  
Tel: (814) 944-5302  
Fax: (814) 944-6978

*49 C.F.R. 1180(a)(1)(ii)*  
*Proposed Time Schedule for Consummation*

N&BE service under the trackage rights that are the subject of this notice will commence on a date (the "Commencement Date") mutually agree to in writing between NSR which shall not occur until after the effective date of the Board exemption of the trackage rights granted by NSR to N&BE hereunder and after the expiration of any required labor notices.

*49 C.F.R. 1180.6 (a)(1)(iii)*  
*Purpose Sought to be Accomplished*

The sole purpose for the trackage rights is to allow N&BE adequate bridge train service for temporary, seasonal traffic originating on the N&BE for delivery to an off-line destination.

*49 C.F.R. 1180.6(a)(5)*  
*States in Which Applicant's Property is Located*

N&BE operates rail property located in the Commonwealth of Pennsylvania.

*49 C.F.R. 1180.6(a)(6)*  
*Map – Exhibit 1*

A map of the rail line over which N&BE proposes to acquire trackage rights is attached hereto as Exhibit 1.

*49 C.F.R. 1180.6(a)(7)(ii)*  
*Agreement – Exhibit 2*

A copy of the fully executed trackage rights agreement, with certain commercially sensitive information redacted, is attached as Exhibit 2. An unredacted copy of the trackage rights agreement is submitted to the Board together with a Motion for a Protective Order.

*49 C.F.R. 1180.4(g)(i)*  
*Labor Protection*

N&BE anticipates that no employees will be adversely affected by this transaction but if there are adversely affected employees, Applicants are agreeable to the imposition of the standard labor protective conditions imposed by the Board pursuant to Norfolk and Western Ry. Co.--Trackage Rights--BN, 354 I.C.C. 605 (1978), as modified in Mendocino Coast Ry., Inc.--Lease and Operate, 360 I.C.C. 653 (1980), and with respect to the discontinuance of these temporary rights, imposition of conditions pursuant to Oregon Short Line RR Co. – Abandonment – Goshen, 360 I.C.C. 91 (1979).

*49 C.F.R. 1180.4(g)(2)(i)*  
*Caption Summary*

In accordance with §1180.4(g)(2)(i), a caption summary suitable for publication in the Federal Register is attached to this Notice of Exemption as Exhibit 3.

*49 C.F.R. 1180.4(g)(3)*  
*Environmental and historic reporting requirements*

The proposed trackage rights operations will not result in any significant changes in N&BE's operations and thus environmental documentation does not need to be prepared in accordance with 49 C.F.R. §1105 (6)(c)(4). In addition, because N&BE's exercise of the subject trackage rights will not have a substantial, adverse effect on the maintenance level of the Subject Trackage, a historic report is not required for this filing. 49 C.F.R. §1105.8(b)(3).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard R. Wilson", with a long horizontal flourish extending to the right.

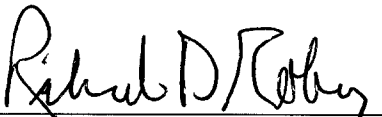
Richard R. Wilson, Esq.  
127 Lexington Avenue, Ste. 100  
Altoona, PA 16601

Attorney for Nittany & Bald Eagle Railway  
Company

VERIFICATION

I, Richard D. Robey, Chief Executive Officer of the Nittany & Bald Eagle  
Railway, verify under penalty of perjury that the foregoing is true and correct. Further, I  
certify that I am qualified and authorized to file the foregoing document.

Executed on March 30, 2006.

  
Richard D. Robey

VERIFIED NOTICE OF EXEMPTION  
PURSUANT TO 40 C.F.R. §1180.2(d)(8)

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FINANCE DOCKET NO. 34851

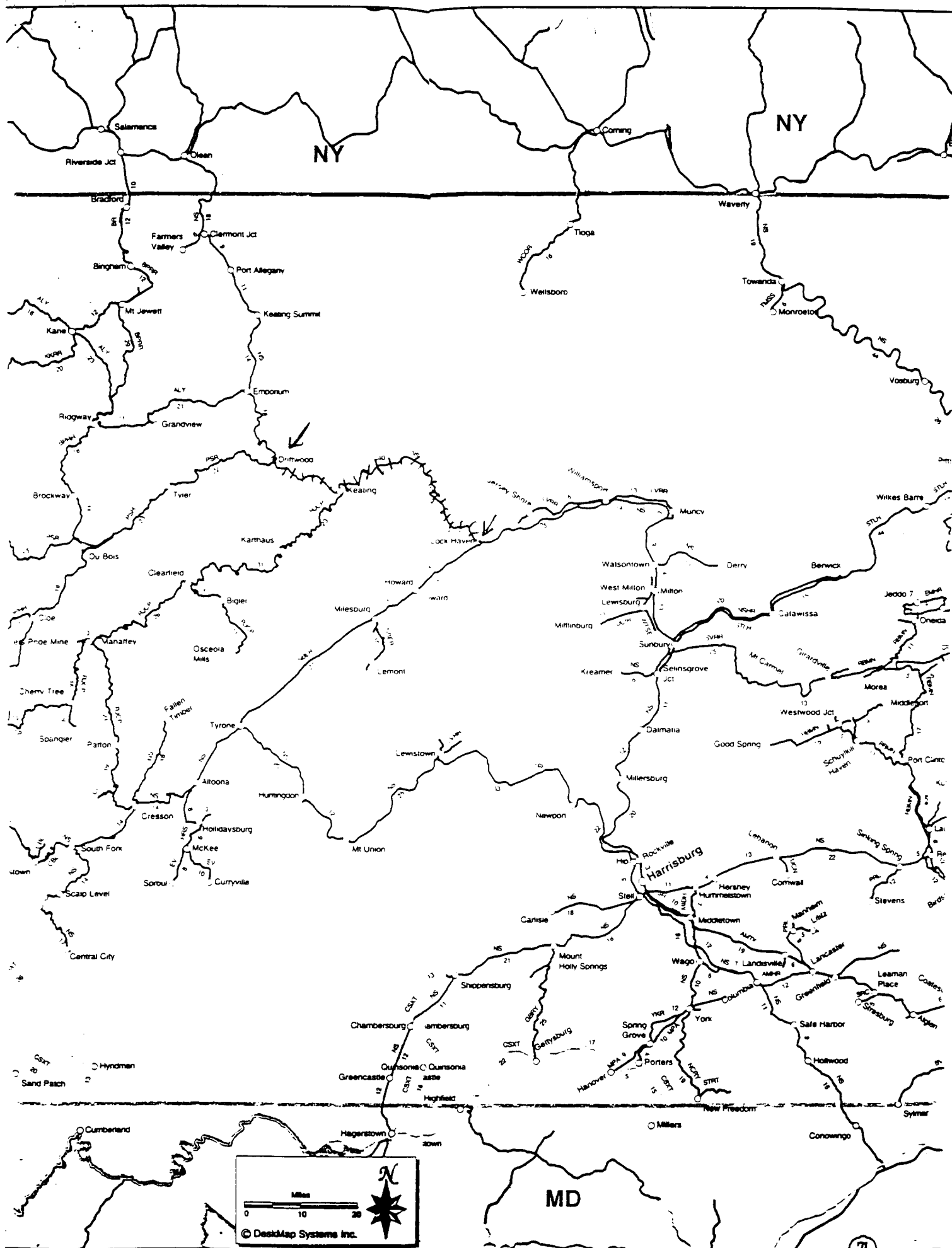
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NITTANY AND BALD EAGLE RAILROAD COMPANY  
-TEMPORARY TRACKAGE RIGHTS EXEMPTION-  
NORFOLK SOUTHERN RAILWAY COMPANY

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EXHIBIT I

MAP



VERIFIED NOTICE OF EXEMPTION  
PURSUANT TO 40 C.F.R. §1180.2(d)(8)

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FINANCE DOCKET NO. 34851

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NITTANY AND BALD EAGLE RAILROAD COMPANY  
-TEMPORARY TRACKAGE RIGHTS EXEMPTION-  
NORFOLK SOUTHERN RAILWAY COMPANY

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EXHIBIT 2

TRACKAGE RIGHTS AGREEMENT  
(Redacted Copy)

TEMPORARY TRACKAGE RIGHTS AGREEMENT  
Between  
NORFOLK SOUTHERN RAILWAY COMPANY  
And  
NITTANY & BALD EAGLE RAILROAD COMPANY

**THIS TRACKAGE RIGHTS AGREEMENT**, ("Agreement"), entered into as of this 1<sup>st</sup> day of March, 2006 (the "Effective Date"), by and between NITTANY & BALD EAGLE RAILROAD COMPANY, (hereinafter referred to as "NBER") and NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation (hereinafter referred to as "NSR");

**WITNESSETH:**

**WHEREAS**, NSR owns and operates a rail line from Driftwood, PA to Lock Haven, PA; and

**WHEREAS**, NBER desires to obtain temporary trackage rights over said rail line; and

**WHEREAS**, NSR is willing to grant such temporary trackage rights; and

**WHEREAS**, NBER and NSR desire to enter into a formal agreement governing the exercise and use of the Line by NBER during such temporary period (the "Agreement").

**NOW, THEREFORE**, NBER and NSR, intending to be legally bound, agree as follows:

**ARTICLE 1. DESCRIPTION OF TRACKAGE RIGHTS**

(a) NBER shall enjoy hereunder temporary trackage rights over the Line (the "NBER Trackage Rights") as described below:

i) The segment of the Buffalo line owned by NSR between Driftwood, PA, at or near Milepost BR 139.2 and Lock Haven, PA, at or near Milepost BR 194.2, a distance of approximately 55 miles (the "Line"); and

**ARTICLE 2. USE OF LINE**

2.1 The NBER Trackage Rights shall be utilized by NBER for overhead movements of unit trains of , STCC originating from nc., in Pleasant Gap, PA to Union City, PA only. NBER shall perform no other freight service of any kind at any point located on the Line.

2.2 NBER's use of the Line shall be in common with NSR and NSR's right to use the Line shall not be diminished by this Agreement. NBER shall not grant to other persons rights of any nature on the Line.

2.3 Except as may otherwise be provided by this Agreement, the NBER Trackage Rights shall be utilized as set forth in Article 2.1, and NBER shall not use any part of the Line for the purpose of switching, storing or servicing cars or the making or breaking up of trains, except that nothing contained

herein shall preclude the emergency use by NBER of such auxiliary tracks as may be designated and approved by NSR for such purposes.

2.4 NSR shall have exclusive control of the management and operation of the Line. NBER shall not have any claim against NSR for liability on account of loss or damage of any kind in the event the use of the Line by NBER is interrupted or delayed at any time from any cause.

### **ARTICLE 3. MISCELLANEOUS SPECIAL PROVISIONS**

3.1 NBER's locomotives and crews shall be equipped to communicate with NSR on radio frequencies normally used by NSR in directing train movements on the Line.

3.2 NSR and NBER agree to consult and collaborate with respect to any improvement or other modifications that may be necessary or desirable with respect to segments of the Line that are subject to train speed or other restrictions that negatively impact NBER's operations over such segments.

### **ARTICLE 4. COMPENSATION**

4.1 On or before the 15<sup>th</sup> day of each calendar month during the term of this Agreement, NBER shall prepare and deliver to NSR a statement setting forth the number of cars and locomotive units moved by NBER pursuant to this Agreement. For the exercise of the NBER Trackage Rights, NBER shall pay to NSR \_\_\_\_\_ per car mile (hereinafter referred to as the "Current Charge").

4.2 NBER shall pay NSR a sum computed by multiplying: (i) the Current Charge by (ii) the number of cars (loaded and empty) and locomotive units moved by NBER with its own crews and power over the Line by (iii) the miles of Line used (collectively, the "Trackage Rights Charge"). In computing the compensation payable by NBER pursuant to this Article 4, cars that exceed ninety-six (96) feet in length shall be counted as one (1) car for each four (4) axles.

### **ARTICLE 5. REVISION OF CURRENT CHARGE**

\_\_\_\_\_ THIS ARTICLE INTENTIONALLY OMITTED

### **ARTICLE 6. PAYMENT OF BILLS**

6.1 All payments called for under this Agreement shall be made by NBER within thirty (30) days after receipt of bills therefor. No payments shall be withheld because of any dispute as to the correctness of items in the bills rendered, and any discrepancies reconciled between the parties hereto shall be adjusted in the accounts of a subsequent month. The records of each party hereto, insofar as they pertain to matters covered by this Agreement, shall be open at all reasonable times to inspection by the other party for a period of three (3) years from the date of billing.

6.2 Bills rendered pursuant to the provisions of this Agreement, if any, other than those set forth in Article 4, shall include direct labor and material costs, together with the surcharges, overhead percentages and equipment rentals as specified by the performing party at the time any work is performed by one party for the other party.

### **ARTICLE 7. MAINTENANCE OF LINE**

7.1 Except as provided by this Article, NSR shall be responsible for all maintenance of the Line, including but not limited to track, bridges, signals, detectors and highway grade crossing equipment as applicable. The Line shall be maintained by NSR in reasonably good condition for the use herein contemplated, but NSR does not guarantee the condition of the Line, or that operation thereover will not be interrupted. Furthermore, except as may be otherwise provided in Article 13 hereof, NBER shall not by reason of failure or neglect on the part of NSR to maintain, repair, or renew the Line, have or make any claim or demand against NSR or its parent corporation, subsidiaries and affiliates and all of their respective directors, officers, agents or employees for any injury to or death of any person or persons whomsoever, or for any damage to or loss or destruction of any property whatsoever, or for any damages of any nature suffered by a party resulting from any such failure or neglect. If the use of the Line shall at any time be interrupted or traffic thereon is delayed for any cause, NSR shall with reasonable diligence restore the Line for the movement of cars.

#### **ARTICLE 8. CONSTRUCTION AND MAINTENANCE OF NEW CONNECTIONS**

**THIS ARTICLE INTENTIONALLY OMITTED**

#### **ARTICLE 9. ADDITIONS, RETIREMENTS AND ALTERATIONS**

**THIS ARTICLE INTENTIONALLY OMITTED**

#### **ARTICLE 10. MANAGEMENT AND OPERATIONS**

10.1 NBER shall comply with the provisions of the Federal Locomotive Inspection Act and the Federal Safety Appliance Act, as amended, and any other federal and state and local laws, regulations and rules respecting the operation, condition, inspection and safety of its trains (locomotives and cars) while such trains, locomotives, cars, and equipment are being operated over the Line. NBER shall indemnify, protect, defend, and save harmless NSR and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents and employees from and against all fines, penalties and liabilities imposed upon NSR or its parent corporation, subsidiaries or affiliates, or their respective directors, officers, agents and employees under such laws, rules, and regulations by any public authority or court having jurisdiction in the premises, when attributable solely to the failure of NBER to comply with its obligations in this regard.

10.2 NBER in its use of the Line shall comply in all respects with the safety rules, operating rules and other regulations of NSR, and the movement of NBER's trains (locomotives and cars) over the Line shall at all times be subject to the orders of the transportation officers of NSR. NBER's trains shall not include locomotives or cars which exceed the width, height, weight or other restrictions or capacities of the Line as published in Railway Line Clearances, and, without the prior consent of NSR, no train shall contain locomotives or cars which require speed restrictions or other movement restrictions below the maximum authorized freight speeds as provided by NSR's operating rules and regulations.

10.3 NBER shall make such arrangements with NSR as may be required to have all of its employees who shall operate its trains, locomotives and cars over the Line qualified for operation thereover, and NBER shall pay to NSR, upon receipt of bills therefor, any reasonable cost incurred by NSR in connection with the qualification of such employees of NBER, as well as the reasonable cost of pilots furnished by NSR, until such time as such employees are deemed by the appropriate examining officer of NSR to be properly qualified for operation as herein contemplated, such determination not to be unreasonably withheld, conditioned or delayed.

10.4 \_\_\_If any employee of NBER shall neglect, refuse or fail to abide by NSR's rules, instructions and restrictions governing the operation on or along NSR's property, such employee shall, upon written request of NSR, be prohibited by NSR from working on NSR's property. If any party shall deem it

necessary to hold a formal investigation to establish such neglect, refusal or failure on the part of any employee of NBER, then upon such notice presented in writing, NBER shall promptly hold an investigation in which all parties concerned shall participate and bear the expense for its officers, counsel, witnesses and employees. Notice of such investigations to NBER's employees shall be given by NBER's officers, and such investigation shall be conducted in accordance with the terms and conditions of scheduled agreements between NBER and its employees. If the result of such investigation warrants, such employee shall, upon written request by NSR, be withdrawn by NBER from service on NSR's property, and NBER shall release and indemnify NSR from and against any and all claims and expenses because of such withdrawal.

10.5 The trains, locomotives, cars and equipment of NBER, NSR, and any other present or future user of the Line or any portion thereof, shall be operated without prejudice or partiality to any party and in such manner as shall afford the most economical and efficient manner of movement of all traffic.

10.6 (a) In the event that (i) an NBER train shall be forced to stop on the Line and unable to proceed due to mechanical failure of NBER's equipment or any other cause not resulting from an accident or derailment, (ii) an NBER train fails to maintain the speed required by NSR on the Line; or (iii) in emergencies, crippled or otherwise defective cars are set out of NBER's trains on the Line, NSR shall have the option to furnish motive power or such other assistance as may be necessary to haul, help or push such trains, locomotives or cars, or to properly move the disabled equipment off the Line, and NBER shall reimburse NSR for the reasonable cost incurred by NSR in rendering any such assistance.

(b) If it become necessary to make repairs to or adjust or transfer the lading of such crippled or defective cars in order to move them off the Line, NSR shall have the option to perform such work, and NBER shall reimburse NSR for the reasonable cost incurred by NSR with respect thereto.

10.7 In the event NSR and NBER agree that NSR should retain employees or provide additional employees for the sole benefit of NBER, the parties hereto shall enter into a separate agreement under which NBER shall bear all cost and expense for any such retained or additional employees provided, including without limitation all cost and expense associated with labor protective payments which are made by NSR and which would not have been incurred had the retained or additional employees not been provided.

#### **ARTICLE 11. MILEAGE AND CAR HIRE**

11.1 All mileage and car hire charges accruing on cars in NBER's trains on the Line shall be assumed by NBER and reported and paid by it directly to the owner(s) of such cars.

#### **ARTICLE 12. CLEARING OF WRECKS**

12.1 Whenever NBER's use of the Line requires rerailling, wrecking service or wrecking train service, NSR shall be responsible for the provision of such service, including the repair and restoration of roadbed, track and structures so as to minimize the impact on NSR and NBER operations. The cost, liability and expense of the foregoing, including without limitation loss of, damage to, or destruction of any property whatsoever and injury to and death of any person or persons whomsoever or any damage to or destruction of the environment whatsoever, including without limitation land, air, water, wildlife, and vegetation, resulting therefrom, shall be apportioned in accordance with the provisions of Article 13 hereof. All locomotives, cars, and equipment and salvage from the same so picked up and removed which are owned by or under the management and control of or used by NBER at the time of such wreck,

shall be promptly delivered to NBER.

**ARTICLE 13. LIABILITY**

13.1 The responsibility and liability between the parties for: (i) any personal injury or death of any person (including employees of the parties and third persons), (ii) any real or personal property damage of any person (including property of the parties and third persons), (iii) any damage or destruction to the environment (including land, air, water, wildlife and vegetation), and (iv) all cleanup and remedial expenses, court costs, settlements, claims, judgments, litigation expenses and attorney's fees resulting from the use of the Line by either party as described herein, all of which are collectively referred to as a "Loss", shall be allocated as follows:

13.2 If a Loss occurs on the Line involving the trains, locomotives, engines and/or employees of only one party, then such party shall be solely responsible for the Loss, even if caused partially or completely by the other party.

13.3 If a Loss occurs on the Line involving the trains and locomotives of both NSR and NBER, then: (i) each party shall be solely responsible for any Loss to its own employees, locomotives and equipment in its own account including lading and (ii) responsibility for any Loss to the Line and Loss sustained by third parties shall be divided equally between the two parties, regardless of the proportionate responsibility between them as to the cause of the Loss.

13.4 If a Loss occurs on the Line involving only one of the parties to this Agreement and one or more third parties, then such party hereto shall be solely responsible for such Loss as between the parties hereto.

13.5 Whenever any Loss is assumed by or apportioned to a party hereto under the foregoing provisions, that party shall forever protect, defend, indemnify, and save harmless the other party to this Agreement and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents, and employees from and against such Loss assumed by that party or apportioned to it, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of the indemnitee or its directors, officers agents, or employees.

13.6 In every case of death or injury suffered by an employee of either NBER or NSR, when compensation to such employees or employee's dependents is required to be paid under any workmen's compensation, occupational disease, employers' liability or other law, and either of said parties, under the provisions of this Agreement, is required to pay said compensation, if such compensation is required to be paid in installments over a period of time, such party shall not be released from paying any such future installments by reason of the expiration or other termination of this Agreement prior to any of the respective dates upon which any such future installments are to be paid.

13.7 For purposes of determining liability, pilots furnished by NSR to NBER pursuant to this Agreement shall be considered as the employees of NBER while such employees are on duty as pilots for NBER.

13.8 If any suit or action shall be brought against either party for damages which under the provisions of this Agreement are in whole or in part the responsibility of the other party, said other party shall be notified in writing by the party sued, and the party so notified shall have the right and be obligated to take part in the defense of such suit and shall pay a proportionate part of the judgment and costs, expense and attorneys' fees incurred in such suit according to its liability assumed hereunder.

13.9 In the event of a Loss as set out herein, the parties to this Agreement shall be bound by the Freight Claim Rules, Principles, and Practices of the AAR as to the handling of any claims for the loss or damage to lading.

13.10 Notwithstanding any and all of the forgoing provisions of this Article 13, in the event a Loss occurs while the Line is being used by NSR and/or NBER, and such Loss is attributable solely to the willful or wanton negligence of only one of the parties to this Agreement, then the party hereto which was so willfully or wantonly negligent shall be solely responsible for such Loss.

#### **ARTICLE 14. CLAIMS**

14.1 (a) Except as provided in Article 14.1(b) below, all claims, injuries, death, property damages and losses arising out of or connected with this Agreement shall be investigated, adjusted and defended by the party bearing the liability, cost, and expense therefor under the provisions of this Agreement.

(b) Each party shall investigate, adjust and defend all freight loss and damage claims filed with it in accordance with 49 U.S.C. Section 11706.

(c) In the event a claim or suit is asserted against NSR or NBER which is the other's duty hereunder to investigate, adjust or defend, then, unless otherwise agreed, such other party shall, upon request, take over the investigation, adjustment and defense of such claim or suit.

(d) All costs and expenses in connection with the investigation, adjustment and defense of any claim or suit under this Agreement shall be included as costs and expenses in applying the liability provisions set forth in this Agreement, except that salaries or wages of full-time agents, full-time attorneys and other full-time employees of either party engaged directly or indirectly in such work shall be borne by such party.

(e) Excluding freight loss and damage claims filed in accordance with 49 U.S.C. Section 11706, neither party shall settle or compromise any claim, demand, suit or cause of action for which the other party has any liability under this Agreement without the concurrence of such other party if the consideration for such settlement or compromise exceeds THIRTY-FIVE THOUSAND DOLLARS (\$35,000).

14.2 Except as provided in Article 10.7, each party agrees to indemnify and hold harmless the other party and its parent corporation, subsidiaries and affiliates, and all their respective directors, officers, agents and employees from and against any and all costs and payments, including benefits, allowances and arbitration, administrative and litigation expenses, arising out of claims or grievances made by or on behalf of its own employees, either pursuant to a collective bargaining agreement or employee protective conditions imposed by a governmental agency upon the agency's approval or exemption of this Agreement. It is the intention of the parties that each party shall bear the full costs of protection of its own employees under employee protective conditions which may be imposed, and of grievances filed by its own employee arising under its collective bargaining agreements with its employees.

14.3 It is understood that nothing in this Article 14 shall modify or waive the conditions, obligations, assumptions or apportionments provided in Article 13.

#### **ARTICLE 15. DEFAULT AND TERMINATION**

15.1 In the event of any material failure on the part of NBER to perform its obligations under this Agreement and the continuation of such failure for a period of sixty (60) days after written notice thereof by certified mail from NSR, NSR shall have the right at its option and after first giving thirty (30) days written notice thereof by certified mail, and notwithstanding any waiver by NSR of any prior breach thereof, to terminate the NBER Trackage Rights and NBER's use of the Line, subject to any regulatory approval or exemption that may be required under governing law. The exercise of such right by NSR

shall not impair its rights under this Agreement or any cause or causes of action it may have against NBER for the recovery of damages.

**ARTICLE 16. INSURANCE**

16.1 NBER shall procure and maintain in effect during the life of this Agreement a policy or policies of insurance covering the liability to which it is or may be subject under Article 13 hereof. Such insurance shall provide minimum limits of Five Million Dollars (\$5,000,000) per occurrence but may be subject to an annual aggregate limit of Five Million Dollars (\$5,000,000) and a per occurrence deductible not in excess of Twenty-Five Thousand Dollars (\$25,000). Norfolk Southern Railway Company shall be named as an additional insured on said insurance policy.

16.2 If the insurance provided under this Article 16 takes the form of a Claims Made Policy, NBER agrees to purchase whatever supplemental coverage may be necessary to provide continuous coverage of its potential liability under this Agreement, with annual occurrence and annual aggregate limits no less than those required hereunder, for a period of time at least five (5) years following the termination of this Agreement. NBER further agrees to immediately give written notice to the Director Risk Management, Norfolk Southern Railway Company, Three Commercial Place, Norfolk, Virginia 23510-2191, of any claim or notice of incident or notice of potential claim that is required to be reported to its liability insurance company.

16.3 Every policy of insurance obtained by NBER pursuant to the requirements of this Article 16 shall contain provisions requiring that the insurance carriers give NSR at least thirty (30) days notice, in writing, of any proposed policy cancellation and of any material modification of the terms and conditions of the policy. The terms and conditions of each policy of insurance obtained by NBER to satisfy the requirements of this Article 16 will be subject to the approval of NSR.

16.4 Within thirty (30) days of execution of this Agreement, NBER will furnish to the above referenced Director Risk Management, an accurate copy of insurance obtained pursuant to the requirements of this Agreement. Compliance with this requirement will not relieve NBER of any other obligation under this Agreement and will in no way limit or modify NBER's obligation to provide the specific insurance coverage required by this Agreement. Evidence of subsequent renewal of such insurance or of any material change must be furnished to the above referenced Director Risk Management as stipulated in Article 16.2 above.

**ARTICLE 17. REGULATORY APPROVAL**

17.1 NBER, at its own cost and expense will initiate and thereafter diligently prosecute any actions necessary to obtain the approval, or exemption from such approval, of the U.S. Surface Transportation Board ("STB") of this temporary trackage rights agreement pursuant to 49 C.F.R. 1180.2(d)(8). Prior to making any submission to the STB, NBER will present said submission to NSR for its review and approval, which shall not be unreasonably withheld or delayed.

**ARTICLE 18. TERM**

18.1 This Agreement shall become effective (the "Effective Date") as of the first date executed by all of the Parties. However, NBER operations over the Subject Trackage shall not commence until a date (the "Commencement Date") mutually agreed in writing between NBER and NSR, which date shall not occur until the effective date of any required STB authorization or exemption of the trackage rights granted to NBER herein (including compliance with any condition(s) imposed by the STB in connection with such approval or exemption).

18.2 The term of this Agreement shall commence on the Effective Date and continue until December 31, 2006, at which time the underlying right of movement as granted by this Agreement shall terminate. Termination of this Agreement shall not relieve or release either party hereto from any obligation assumed or from any liability which may have arisen or been incurred by either party under the terms of this Agreement prior to the termination hereof.

#### **ARTICLE 19. FORCE MAJEURE**

19.1 Neither party shall be responsible to the other for delays or failure to perform under this Agreement if such delays or failure to perform are covered by circumstances beyond a party's control, including, but not limited to, Acts of God, floods, storms, earthquakes, hurricanes, tornadoes, or other severe weather or climatic conditions, acts of public enemy, war, blockade, insurrection, vandalism or sabotage, fire, accident, wreck, derailment, washout or explosion, strike, lockout or labor disputes experienced by the parties hereto, embargoes or AAR service orders; Federal Railroad Administration (FRA) orders, or governmental laws, orders or regulations.

#### **ARTICLE 20. ARBITRATION**

20.1 Any irreconcilable dispute arising between the parties with respect to this Agreement shall be settled through binding arbitration by three (3) independent arbitrators before the American Arbitration Association and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The decision of the arbitrators shall be final and conclusive upon the parties hereto. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, consultants and counsel. The compensation, costs and expenses of the arbitrators shall be borne equally by the parties hereto. The arbitrators shall not have the power to award consequential or punitive damages or to determine violations of criminal laws or antitrust laws. Pending the award of the arbitrators, there shall be no interruption in the transaction of business under the Agreement, and all payments in respect thereto shall be made in the same manner as prior to the dispute until the matter in dispute shall have been fully determined by arbitration, and thereupon such payment or restitution shall be made as required by the decision or award of the arbitrators.

#### **ARTICLE 21. SUCCESSORS AND ASSIGNS**

21.1 This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, provided, however, that either party shall not transfer nor assign this Agreement, or any of its rights, interests, or obligations hereunder, by merger or otherwise, to any person, firm or corporation without obtaining the prior written consent of the other party. In the event that NBER is replaced by another common carrier railroad ("Substitute Rail Carrier") as the operator for the SEDA-COG railroads, this Agreement may be assigned to such Substitute Rail Carrier upon the written consent of NSR, such consent not to be unreasonably withheld or delayed.

#### **ARTICLE 22. NOTICE**

22.1 Any notice required or permitted to be given by one party to another under this Agreement shall be deemed given on the date sent by certified mail, or by such other means as the parties may mutually agree, and shall be addressed as follows:

If to NBER: Chairman and CEO  
Nittany & Bald Eagle Railroad Co.

356 Priestley Avenue  
Northumberland, PA 17857

If to NSR:

Executive Vice President Operations  
Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510-2191

with a copy to:

Senior Director – Joint Facilities  
Norfolk Southern Corporation  
1200 Peachtree Street, NE  
Atlanta, Georgia 30309

Either party may provide changes in the above addresses to the other party by personal service or U.S. mail.

## **ARTICLE 23. GENERAL PROVISIONS**

23.1 This Agreement and each and every provision hereof is for the exclusive benefit of the parties hereto and not for the benefit of any third party. Nothing herein contained shall be taken as creating or increasing any right of any third party to recover by way of damages or otherwise against either of the parties hereto.

23.2 This Agreement contains the entire understanding of the parties hereto and supersedes any and all oral understandings between the parties. No term or provision of this Agreement may be changed, waived, discharged or terminated except by an instrument in writing and signed by both parties to this Agreement.

23.3 All words, terms and phrases used in this Agreement shall be construed in accordance with the generally applicable definition or meaning of such words, terms and phrases in the railroad industry. All Article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

23.4 As used in this Agreement, whenever reference is made to the trains, locomotives, cars or equipment of, or in the account of, one of the parties hereto, such expression means the trains, locomotives, cars and equipment in the possession of or operated by one of the parties and includes such trains, locomotives, cars and equipment which are owned by, leased to, or in the account of such party. Whenever such locomotives, cars or equipment are owned or leased by one party to this Agreement and are in the possession or account of the other party to this Agreement, such locomotives, cars and equipment shall be considered those of the other party under this Agreement.

23.5 This Agreement is the result of mutual negotiations of the parties hereto, neither of whom shall be considered the drafter for purposes of contract construction.

23.6 Neither party hereto may disclose the provisions of this Agreement to a third party, excluding a parent, subsidiary or affiliate company, without the written consent of the other party, except as otherwise required by law, regulation or ruling.

23.7 This Agreement shall be governed by and construed in accordance with the laws of the State of

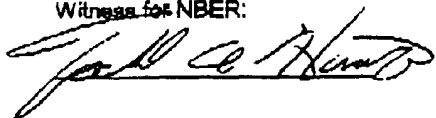
Pennsylvania without regard to its choice of law provisions.

**ARTICLE 24. CONFIDENTIALITY**

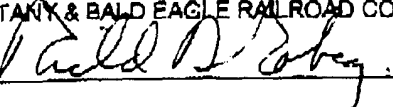
Except as provided by law or by rule, order, or regulation of any court or regulatory agency with jurisdiction over the subject matter of this Agreement or as may be necessary or appropriate for a party hereto to enforce its rights under this Agreement, during the term of this Agreement and during a period of three (3) years subsequent to termination of this Agreement, the terms and provisions of this Agreement and all information to which access is provided or obtained hereunder shall be kept confidential and shall not be disclosed by either NSR or NBER to any party other than each party's respective parent corporation, subsidiaries and affiliates, and their respective directors, officers, agents, employees and attorneys, without the prior written approval of the other party.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

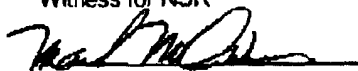
Witness for NBER:



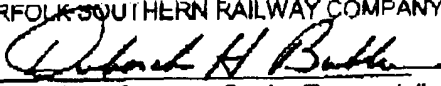
NITTANY & BALD EAGLE RAILROAD COMPANY

By:  C.E.O.

Witness for NSR:



NORFOLK SOUTHERN RAILWAY COMPANY

By:   
Vice President Customer Service-Transportation Network

VERIFIED NOTICE OF EXEMPTION  
PURSUANT TO 40 C.F.R. §1180.2(d)(8)

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FINANCE DOCKET NO. 34851

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NITTANY AND BALD EAGLE RAILROAD COMPANY  
-TEMPORARY TRACKAGE RIGHTS EXEMPTION-  
NORFOLK SOUTHERN RAILWAY COMPANY

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EXHIBIT 3

CAPTION SUMMARY

CAPTION SUMMARY

FINANCE DOCKET NO. 34851

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NITTANY AND BALD EAGLE RAILROAD COMPANY-  
TEMPORARY TRACKAGE RIGHTS EXEMPTION –  
NORFOLK SOUTHERN RAILWAY COMPANY

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Norfolk Southern Railway Company has agreed to grant temporary trackage rights to Nittany & Bald Eagle Railway Company ("N&BE") between Lock Haven, PA, NSR's Milepost 194.2 and Driftwood, PA, NSR's Milepost 139.2, a distance of 55 miles, for the sole purpose of allowing N&BE to operate bridge train service for temporary, seasonal traffic.

The temporary trackage rights will commence on or after the effective date of this exemption notice. The authorization will expire on December 30, 2006.

This notice is filed under 49 C.F.R. §1180.2(d)(8). Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at anytime. The filing of a petition to revoke will not stay the transaction.

Date:

By the Board.

Vernon A. Williams,  
Secretary