

**AMENDMENT NO. 2**

**TO**

**MEMORANDUM OF AGREEMENT DATED MAY 29, 1998**

This Amendment No. 2 ("Amendment") dated as of June 17, 2013 is entered into by and between Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority (the "Authority") and Norfolk Southern Railway Company ("NS") amending the Memorandum of Agreement dated May 29, 1998 by and among Southern Tier West Regional Planning and Development Board, the New York State Department of Transportation, Norfolk Southern Corporation and Consolidated Rail Corporation (the "Agreement"), as amended by Agreement Adopting, Renewing and Amending Memorandum of Agreement dated May 29, 1998 by and among the Authority, NS and Pennsylvania Lines, LLC dated February 27, 2001 (the "Adoption Agreement") and Amendment No. 1 dated February 27, 2007 by and between the Authority and NS ("Amendment No. 1", collectively with Agreement and Adoption Agreement, the "MOA").

**WITNESSETH**

**WHEREAS**, pursuant to the MOA, NS conveyed the Southern Tier Extension ("STE") railroad line and the Buffalo Line, as defined in the MOA, to the Authority and the Authority leased the STE and Buffalo Line back to NS pursuant to a Sale-Lease Agreement dated February 27, 2001, as modified by Amendment No. 1; and

**WHEREAS**, pursuant the Authority's ownership interest in the STE and the Buffalo Line, the STE and Buffalo Line are exempt from property taxes; and

**WHEREAS**, pursuant to the MOA, NS as the Lessee of the STE and Buffalo Line is responsible to pay only those amounts specified as payments in lieu of taxes (PILOT payments) and any administrative fee; and

**WHEREAS**, after due consideration of the facts and circumstances regarding the operations of the STE and Buffalo Line, the Authority adopted a resolution on March 18, 2013 extending the term of the PILOT Agreement with NS for an additional 15 years to expire in 2028; and

**WHEREAS**, pursuant to and in accordance with the Authority's Uniform Tax Exemption Policy, the Authority provided all affected taxing jurisdictions with notice of a deviation and a thirty-day opportunity to comment which expired on June 17, 2013,

**NOW, THEREFORE**, the parties hereto agree as follows:

1. Section 7 of the MOA entitled, Term of Agreement, is hereby amended to read as follows:

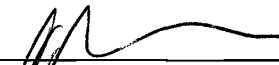
"The term of this agreement shall be from the date first shown above to December 31, 2028."

2. Paragraph (c) of Section 4 of the MOA entitled, Abandonment of Service, is hereby amended by replacing "December 31, 2016" with December 31, 2028".

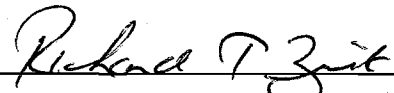
3. The first two unnumbered bullet points of Sections 3 and 3A of the MOA entitled, Sale/Leaseback; Property Tax Abatement, are hereby amended to read as follows:
- 100% property tax abatement for fifteen years through December 31, 2028.
  - The schedule of payments-in-lieu-of-taxes ("PILOT payments") shown in Exhibits A and B will apply.
4. Exhibit A and Exhibit B of the MOA are hereby substituted and replaced with the attached Exhibit A and Exhibit B.
5. All other terms and conditions of the MOA, as previously amended, will remain the same and in full force and effect.
6. Upon execution by the parties hereto, the provisions of this Amendment No. 2 shall take effect as of the date first written above.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed by their respective officers as of the date first written above.

**NORFOLK SOUTHERN RAILWAY COMPANY**

BY:   
NAME: John H. Friedmann  
TITLE: Vice President  
DATE: 8-7-13

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN SOUTHERN  
TIER EXTENSION RAILROAD AUTHORITY**

BY:   
NAME: Richard Zwik  
TITLE: CEO  
DATE: 6-17-13

**Exhibit A**

**Payment in Lieu of Taxes (PILOT) and Administrative Fee**

<b>Year (1)</b>	<b>Total PILOT Due (2)</b>		<b>Administrative Fee Due (3)</b>
1	0%	+	\$40,000
2	0%	+	\$40,000
3	0%	+	\$40,000
4	0%	+	\$40,000
5	0%	+	\$40,000
6	0%	+	\$40,000
7	0%	+	\$40,000
8	0%	+	\$40,000
9	0%	+	\$40,000
10	0%	+	\$40,000
11	0%	+	\$40,000
12	0%	+	\$40,000
13	0%	+	\$40,000
14	0%	+	\$40,000
15	0%	+	\$40,000

**Notes:**

1. "Year" refers to the year of the fifteen-year abatement period, running from 2013 through and including 2028.
2. The total Payment in Lieu of Taxes (PILOT) percentage figure indicates an amount which is a percentage of taxes for which NS would become liable as of the current year's tax status date, if NS owned the line.
3. The Administrative Fee Due represents the annual administrative fee due to the Authority for the provision of assistance to NS.

**Exhibit B**

<b>Year</b>	<b>PILOT Due</b>	<b>Based on Tax Status as of</b>	<b>Replaces School Taxes Due</b>	<b>Replaces Town/County Taxes Due</b>
1	12/31/13	Spring 2013	September 2013	January 2014
2	12/31/14	Spring 2014	September 2014	January 2015
3	12/31/15	Spring 2015	September 2015	January 2016
4	12/31/16	Spring 2016	September 2016	January 2017
5	12/31/17	Spring 2017	September 2017	January 2018
6	12/31/18	Spring 2018	September 2018	January 2019
7	12/31/19	Spring 2019	September 2019	January 2020
8	12/31/20	Spring 2020	September 2020	January 2021
9	12/31/21	Spring 2021	September 2021	January 2022
10	12/31/22	Spring 2022	September 2022	January 2023
11	12/31/23	Spring 2023	September 2023	January 2024
12	12/31/24	Spring 2024	September 2024	January 2025
13	12/31/25	Spring 2025	September 2025	January 2026
14	12/31/26	Spring 2026	September 2026	January 2027
15	12/31/27	Spring 2027	September 2027	January 2028

**Notes:**

1. Due dates for City and Villages taxes vary with municipality.
2. Agreement term ends December 31, 2028.
3. In each year, the total amount due to the Authority shall consist of percentage-based PILOT payments and an annual administrative fee of \$40,000.