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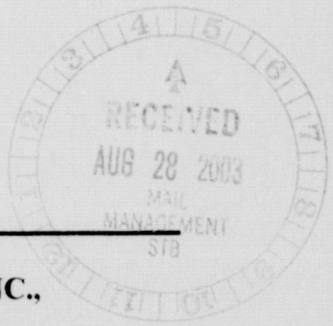

Before the
SURFACE TRANSPORTATION BOARD
Washington, D.C.

Finance Docket No. 33388 (Sub-No. 94)

CSX CORPORATION AND CSX TRANSPORTATION, INC., NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY - - CONTROL AND OPERATING LEASES/AGREEMENTS - - CONRAIL, INC. AND CONSOLIDATED RAIL CORPORATION (PETITION FOR SUPPLEMENTAL ORDER)

MOTION OF THE NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION, ACTING ON BEHALF OF THE CITY OF NEW YORK, NY FOR A MODIFICATION OF THE PROCEDURAL SCHEDULE

The New York City Economic Development Corporation ("EDC"), acting on behalf of the City of New York, NY ("the City"), hereby moves the Surface Transportation Board (the "Board") for a modification of the procedural schedule established in the decision served in this matter on July 9, 2003 ("*July 9 Decision*") and states the following in support thereof:

I. Background Facts

In the *July 9 Decision* the Board ordered, among other things, "any person (including but not limited to, persons served with copies of this decision) who wishes to file comments respecting the petition must file such comments by August 28, 2003." *See*

July 9 Decision at p. 2. Thereafter, the Board stated, "Petitioners[1] will have until September 25, 2003 to reply to any such comments." *Id.*

II. Argument

Pursuant to the *July 9 Decision* the EDC is filing its "comments respecting the petition in a timely fashion" ("EDC Comments") today. The EDC Comments includes a series of questions directed to Petitioners relating to issues raised by the petition that is the subject of this proceeding. EDC anticipates that the Petitioners will reply to these questions on or before September 25, 2003. Accordingly, EDC respectfully requests that the Board grant it an opportunity to file a document in the nature of a rebuttal, to the extent necessary, to any reply filed by any Petitioner to permit it to formulate and present to the Board an opinion as to whether to support, oppose or remain neutral with respect to the proposed transactions described in the Petition, as supplemented by the requested information, and to otherwise react to any responses the Petitioners will provide.

Specifically, EDC is requesting that the procedural schedule established in the *July 9 Decision* be modified to provide an opportunity to file a rebuttal based on the Petitioners' replies to EDC's questions, including any way that those responses relate to any other matters raised in this proceeding, within fifteen (15) days of the date the Petitioners file those responses. This rebuttal would be therefore due on or before October 10, 2003.[2]

Because the purpose of this motion is to enable the parties and this Board to be able to make a decision based on a complete record and a complete understanding of the

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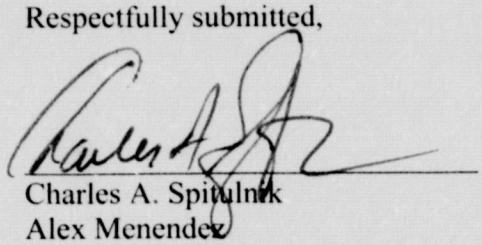
[1] The Petitioners in this case include CSX Corporation ("CSX"), CSX Transportation, Inc. ("CSXT"), Norfolk Southern Corporation ("NS"), Norfolk Southern Railway Company ("NS"), Conrail, Inc. ("Conrail") and Consolidated Rail Corporation ("CRC") (hereinafter "Petitioners").

issues raised by the proposed transactions, no parties to the proceeding will be prejudiced or disadvantaged by the modification they are requesting.

WHEREFORE, and in view of all of the foregoing, EDC respectfully requests the Board to modify the procedural schedule to permit the submission of rebuttal testimony on or before October 10, 2003 to address the information the Petitioners will provide in response to the questions posed in EDC's Comments submitted today.

Respectfully submitted,



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Counsel for the New York City Economic Development Corporation

Dated: August 28, 2003

[2] This date falls fifteen days after September 25, 2003, the date established by this Board as a deadline for the Petitioners to reply to any comments filed in this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused to be served a copy of the foregoing Motion for Modification of the Procedural Schedule of the New York City Economic Development Corporation, Acting on Behalf of the City of New York, NY, to be served by first class mail (or by hand delivery for those counsel in Washington, D.C.) upon the following counsel for Petitioners:

G. Paul Moates, Esquire
Sidley Austin Brown & Wood LLP
1501 K Street, N.W.
Washington, D.C. 20005

Peter J. Shudtz, Esquire
CSX Corporation
Suite 560
1331 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Henry D. Light, Esquire
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510-9241

Jonathan M. Broder, Esquire
Consolidated Rail corporation
Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Date: August 28, 2003

Charles A. Spitulnik

"SEC" means the Securities and Exchange Commission.

"Secured Holders Consent Solicitation" shall have the meaning ascribed thereto in Section 2.5(a).

"Secured Holders Required Consent" means the consent of the holders of a majority of the aggregate principal amount of each issue of equipment trust certificates and each issue of pass-through certificates set forth in Part I, Sections I and II in Exhibit A hereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Service" shall have the meaning ascribed hereto in the recitals to this Agreement.

"STB" means the Surface Transportation Board or, if there shall be no Surface Transportation Board, any federal agency which is charged with the function of approving combinations by rail carriers or persons controlling them, or of other arrangements between such rail carriers, and granting exemptions from other laws with respect thereto or regulating other specific functions with respect to the context in which such term is employed or any successor entity thereof.

"Subsidiary" means, when used with reference to a specified Person, any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its subsidiaries or by such Person and one or more of its subsidiaries; provided that CRR Parent and any Person in which CRR Parent owns, directly or indirectly, an interest (it being assumed for the purposes of this Agreement that CRR Parent does not own, directly or indirectly, an interest in either CSX or NSC) shall not be considered a subsidiary of either CSX or NSC for purposes of this Agreement; provided further that, for purposes of Article IV hereof (a) NYC shall be deemed a subsidiary of CSX and not a subsidiary of CRR, CRR Parent or NSC, and (b) PRR shall be deemed a subsidiary of NSC and not a subsidiary of CRR, CRR Parent or CSX.

"Supplemental Indenture" means the supplemental indenture to be dated as of the Distribution Date, between CRC and the Trustee which is expected to set forth the changes delineated in the Debenture Consent Solicitation, with such further amendments as may be agreed by CRC, NSC, CSXT, NSR and CSX as necessary or appropriate to permit the consummation of the Distribution and the other transactions provided herein.

"Tax Allocation Agreement" means the Tax Allocation Agreement to be entered into by and among the parties hereto, substantially in the form attached hereto as Exhibit D.

"Third Party Claim" shall have the meaning ascribed thereto in Section 4.4(b).

"Transfer" means to assign, convey, transfer and deliver.

"True Up" shall have the meaning ascribed thereto in Section 2.4.

"Trustee" means The First National Bank of Chicago or any successor thereto, as trustee pursuant to the Indenture.

"Valuation Letter" means the valuation letter setting forth JP Morgan Chase's determination as to the applicable range of FMVs.

ARTICLE II

DISTRIBUTION AND RELATED TRANSACTIONS

Section 2.1 Transfer of Securities. Prior to the Distribution Date, CSXT shall incorporate NYC Newco as a Delaware corporation and a wholly-owned Subsidiary of CSXT ("NYC Newco") and NSR shall incorporate PRR Newco as a Delaware corporation and a wholly-owned Subsidiary of NSR ("PRR Newco"). Until the Closing, NYC Newco and PRR Newco shall conduct no business and shall have no assets or liabilities, except as expressly provided for in this Agreement. Upon the terms and subject to the conditions set forth herein, on the Distribution Date, the following shall occur at substantially the same point in time:

(a) CRC shall Transfer the NYC Membership Interest and the PRR Membership Interest to NYC Newco and PRR Newco, respectively, in exchange for (i) the issuance by NYC Newco and PRR Newco of shares of common stock, par value $.01 per share, of each of NYC Newco (the "NYC Shares") and PRR Newco (the "PRR Shares", collectively with the NYC Shares, the "Newco Shares"), respectively, which, after giving effect to such issuances, will represent 99.9% of each of the NYC Shares and the PRR Shares then issued and outstanding, (ii) the New Debentures issued to CRC by each of NYC Newco and PRR Newco, respectively and (iii) the assumption of certain liabilities, including equipment obligations by each of NYC Newco and PRR Newco,

(b) CRC shall then Transfer the Newco Shares to CRR,

(c) CRR shall then Transfer the Newco Shares to Green Acquisition,

(d) CRC shall exchange the New Debentures for the Debentures pursuant to the Exchange Offer (as provided below),

(e) Green Acquisition shall then Transfer the Newco Shares to CRR Parent,

(f) CRR Parent shall then Transfer the NYC Shares to CSX Rail and CSX Northeast, and the PRR Shares to NSC,

(g) CSX Rail and CSX Northeast shall then Transfer the NYC Shares to CSX, which shall in turn Transfer the NYC Shares to CSXT,

(h) NSC shall then Transfer the PRR Shares to NSR,

(i) PRR shall be merged into PRR Newco and NYC shall be merged into NYC Newco, and

(j) PRR Newco shall be merged into NSR and NYC Newco shall be merged into CSXT.

Section 2.2 Method of Transfer. The parties hereto agree that the Transfers of the securities contemplated pursuant to Section 2.1 hereof shall be effected by delivery by the transferor to the transferee of such good and sufficient instruments of assignment, conveyance, transfer and delivery, in form and substance reasonably satisfactory to CRC, CSX and NSC, as the case may be, as shall be necessary to vest in the transferee good title thereto, free and clear of any lien, encumbrance, security interest, claim or other restriction on title or transfer whatsoever and without any liability attaching thereto.

Section 2.3 The Mergers.

(a) On the Distribution Date, immediately following the consummation of the Distribution and the transfers described in Sections 2.1(e), (f), (g) and (h), the parties shall file or cause to be filed Certificates of Mergers with the Secretary of State of the State of Delaware or Articles of Merger with the State Corporation Commission of the Commonwealth of Virginia, as applicable, providing for (a)(i) PRR to be merged with and into PRR Newco and (ii) PRR Newco to be then merged with and into NSR and (b)(i) NYC to be merged with and into NYC Newco and (ii) NYC Newco to be then merged with and into CSXT, in accordance with the provisions of the Delaware General Corporation Law, the Delaware Limited Liability Company Act or the Code of Virginia, as applicable. The separate corporate existence of each of (i) PRR and PRR Newco and (ii) NYC and NYC Newco shall thereupon cease and each of NSR and CSXT, respectively, shall be the surviving entity. The transactions contemplated by this Section 2.3 are sometimes herein referred to as the "Mergers" and separately as the "NSR Merger" and the "CSXT Merger," respectively.

(b) By virtue of the Mergers and without any action on the part of the holders thereof, the equity interests of NSR and CSXT outstanding immediately prior to the Mergers shall automatically become an equal number of equity interests of NSR and CSXT, respectively, as the respective surviving corporation in the Mergers, and the equity interests of PRR, PRR Newco, NYC and NYC Newco outstanding immediately prior to the Mergers shall be cancelled. Accordingly, the parties hereto acknowledge and agree that there will be no change in the respective capitalization of NSR and CSXT as a result of the Mergers.

Section 2.4 True Up. The parties hereto agree that, prior to the Distribution Date, the parties shall request that JP Morgan Chase deliver the Valuation Letter. If the range of the FMVs established in such Valuation Letter of each of NYC and PRR does not at any point include 42% and 58%, respectively, of the aggregate FMVs of NYC and PRR taken together, then NSC and CSX shall discuss in good faith the means and nature of the consideration to be paid or furnished to eliminate such FMV disparity, after reviewing and analyzing the various applicable tax, financial and other business concerns, and shall seek to mutually agree upon such consideration that will permit an economically balanced solution reasonably acceptable to the parties, taking into account NSC's and CSX's ongoing ownership interest in CRC and CRR ("True Up"). The parties hereto agree that such True Up, if required and agreed to, shall be consummated on the Distribution Date prior to the Distribution.

Section 2.5 Equipment Obligation Agreements. The parties intend to seek the Secured Holders Required Consent in connection with the Distribution and certain of the other transactions contemplated hereby. It is the intent of the parties that, in connection with obtaining such consent, following the Closing, CRC shall remain directly obligated with respect to all obligations evidenced by the Equipment Obligation Agreements and on the Distribution Date, the respective parties shall enter into the Equipment Obligation Agreements Amendments and the Related Agreements. In order to obtain the Secured Holders Required Consent, the parties shall undertake the following transactions:

(a) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CRC, in consultation with NSC and CSX, shall (i) prepare a consent solicitation to seek the Secured Holders Required Consent, pursuant to which CRC will solicit consents (the "Secured Holders Consent Solicitation") to the amendments to the Equipment Obligation Agreements identified in Part I, Sections I and II of Exhibit B and/or such other amendments as may be agreed by CRC, NSC and CSX as necessary or appropriate to permit the consummation of the Distribution and the other transactions contemplated hereby and (ii) privately negotiate with the lessor and other counterparties to CRC's equipment leases identified in Part II of Exhibit B for their respective consents to the amendments to the Equipment Obligation Agreements identified in Part II of Exhibit B and/or such other amendments as may be agreed by CRC, NSC and CSX as necessary or appropriate to effectuate the Distribution and the transactions related thereto (the amendments contemplated by clause (i) and (ii) being collectively referred to herein as the "Equipment Obligation Agreements Amendments"). CRC shall comply with all applicable laws or regulations in connection with the Secured Holders Consent Solicitation.

(b) Subject to the satisfaction of the conditions of Section 5.2 hereof, on the Distribution Date, (i) CRC, in consultation with CSX and NSC, shall execute and deliver the Equipment Obligation Agreements Amendments and may request any other applicable parties to execute the same and (ii) NSR and CSXT shall execute their respective Related Agreements and any ancillary agreements thereto. The parties agree to execute and deliver all reasonable and necessary opinions, officer's certificates and other documents in connection with the execution of the Equipment Obligation Agreements Amendments, the Related Agreements and any other ancillary agreements thereto.

Section 2.6 Debentures. The parties intend to seek the Debenture Holders Required Consent in connection with the Distribution and certain of the other transactions contemplated hereby. It is the intent of the parties that, in connection with obtaining such consent, prior to the Closing, CRC will conduct a consent solicitation to seek the Debenture Holders Required Consent (the "Debenture Consent Solicitation") and, in connection therewith, prior to the Closing, CSXT, NYC Newco, NSR, PRR Newco and CRC will conduct an offer to exchange New Debentures issued by each of NYC Newco and PRR Newco for the Debentures on the terms and subject to the conditions set forth herein and/or on such other terms as may be agreed by CRC, NSC and CSX as necessary or appropriate in order to facilitate obtaining the Debenture Holders Required Consent (the "Exchange Offer"). The Exchange Offer shall be on the basis that each holder of Debentures accepting the New Debentures in exchange for their Debentures must grant a consent in respect of the Debenture Holders Required Consent. In connection with the foregoing, the parties shall undertake the following transactions:

(a) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CRC, in consultation with NSC and CSX, shall prepare a consent solicitation, which consent solicitation shall form part of the Registration Statement, to seek the Debenture Holders Required Consent in connection with the Distribution and certain other transactions contemplated hereby and to the entry of the Supplemental Indenture. CRC shall comply with all applicable laws or regulations in connection with the Debenture Consent Solicitation.

(b) Subject to the satisfaction of the conditions set forth in Section 5.2 hereof, on the Distribution Date, CRC shall execute and deliver the Supplemental Indenture and such other necessary documents and request the Trustee to execute the same. The parties agree to execute and deliver all reasonable and necessary opinions, officer's certificates and other documents in connection with the execution of the Supplemental Indenture.

(c) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CSXT, NYC Newco, NSR, PRR Newco and CRC will promptly prepare and cause to be filed with the SEC, Registration Statements offering to exchange for each $1,000.00 principal amount of each series of the Debentures $580.00 principal amount of the corresponding series of New Debentures to be issued by PRR Newco (the "PRR Newco Debentures") and $420.00 principal amount of the corresponding series of New Debentures to be issued by NYC Newco (the "NYC Newco Debentures"). The PRR Newco Debentures shall be fully and unconditionally guaranteed by NSR and the NYC Newco Debentures shall be fully and unconditionally guaranteed by CSXT. NSR and CSXT agree to execute the PRR Newco Debentures and the NYC Newco Debentures, respectively, setting forth their respective guarantee obligations on the Distribution Date. CSXT and NSR shall execute and deliver the NYC Newco Indenture and the PRR Newco Indenture, respectively, on the Distribution Date and such other necessary documents and request the respective trustees to execute the same. The Exchange Offer will be registered under the Securities Act on the appropriate form of Registration Statement and shall comply with all applicable rules and regulations under the Exchange Act and with all other applicable laws. As a result of such Exchange Offer and Debenture Consent Solicitation, the parties hereto agree to make such additional filings pursuant to the Securities Act or the Exchange Act as are necessary or appropriate. The parties shall also take all such action as may be necessary or appropriate under state securities or "Blue Sky" laws in connection with the transactions contemplated by this Agreement.

Section 2.7 Tax Allocation Agreement. On or prior to the Distribution Date, the respective parties hereto shall execute and deliver the Tax Allocation Agreement.

Section 2.8 Timing. All transactions to be consummated on the Distribution Date under this Agreement shall be consummated at substantially the same point in time at a single Closing.

Section 2.9 New Amendment to 1997 Transaction Agreement. On the Distribution Date, the respective parties hereto shall execute and deliver the New Amendment to the 1997 Transaction Agreement in the form attached hereto as Exhibit E.

ARTICLE III

ADDITIONAL COVENANTS

Section 3.1 Cooperation Prior to the Closing. As promptly as practicable after the date hereof and through the Distribution Date, the parties hereto shall use their reasonable best efforts to take all actions necessary or advisable to make effective as expeditiously as possible the transactions to be consummated on the Distribution Date, including cooperating in good faith and using reasonable best efforts to take, or cause to be taken, the actions set forth in Article II and this Article III.

Section 3.2 Request for Private Letter Rulings from the IRS. Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CRR Parent, Green Acquisition, NSC and CSX shall seek private letter rulings from the Service (collectively, the "Rulings") concerning those federal income tax consequences of the transactions contemplated by this Agreement that CRR Parent, Green Acquisition, NSC and CSX determine to be advisable. The parties shall seek rulings to the effect that: (a)(i) the transfer by CRC of the PRR Membership Interest and the NYC Membership Interest to PRR Newco and NYC Newco, respectively, (ii) the distributions of the Newco Shares by CRC to CRR, (iii) the distributions of the Newco Shares by CRR to Green Acquisition and (iv) the distributions of the Newco Shares by Green Acquisition to CRR Parent, will qualify as tax-free reorganizations under Sections 368(a)(1)(D) and 355 of the Code; (b) the distributions of the PRR Shares and the NYC Shares by CRR Parent to NSC and CSX Rail and CSX Northeast, respectively, will qualify as tax-free partnership distributions under Section 731 of the Code; (c) the receipt of the New Debentures by CRC and the immediate exchange of the New Debentures for the Debentures will not cause CRC to recognize any income or gain; (d) the holders of the Debentures will recognize gain on the exchange of their Debentures for the New Debentures and cash in an amount not in excess of the cash received; (e) the Mergers and the transactions related to the Mergers will not adversely affect any of the foregoing rulings; and (f) the Mergers will qualify as reorganizations within the meaning of Section 368(a)(1) of the Code. Each of the parties hereto shall take all such further reasonable actions which, in such party's judgment, may facilitate preparing the request for the Rulings and obtaining the Rulings. All submissions by any party hereto relating to such matters shall only be made after prior consultation with and approval by CSX, NSC and Green Acquisition (not to be unreasonably withheld or delayed) as to the form and substance of such submissions.

Section 3.3 Request for STB Approval. Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, the parties shall seek STB approval necessary for the consummation of the transactions contemplated by this Agreement. The parties shall prepare and present to the STB all applications, petitions, notices, filings and other presentations in connection with seeking all STB approvals, exemptions or other authorizations necessary to consummate the transactions contemplated by this Agreement. Each of the parties hereto shall take all such further reasonable action which, in such party's judgment, may facilitate obtaining a final supplemental order or supplemental orders of the STB approving the transactions contemplated by this Agreement. All submissions by any party hereto relating to such matters shall only be made after prior consultation with the other parties hereto and the

approval by such other parties (not to be unreasonably withheld or delayed) to the form and substance of such submissions.

Section 3.4 Cooperation Between the Parties Hereto. In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties shall: (i) coordinate and cooperate with one another to prepare and distribute, if necessary, all documents set forth herein; (ii) provide each of the other parties with a reasonable opportunity to review and comment on any material related to the transactions contemplated by this Agreement prior to the filing or submission of such material to any Governmental Entity or other public use thereof, and no such material shall be filed with or submitted to any Governmental Entity or otherwise publicly utilized unless all parties hereto have approved (not to be unreasonably withheld or delayed) the contents of such material prior to such filing or submission; (iii) provide each of the other parties with copies of any such material as filed with or submitted to any Governmental Entity or third party (provided, however, that for purposes of this Section 3.4, "third party" shall not include a party's attorneys, accountants or other retained advisors) and provide all of the other parties with copies of any correspondence with any Governmental Entity or third party; (iv) conduct no communications relating to the transactions contemplated by this Agreement with any Governmental Entity or third party, including meetings or conferences with personnel from such Governmental Entity or third party, whether in person, telephonically or otherwise, without notifying all other parties and giving such parties the opportunity to participate; and (v) use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement. Notwithstanding anything contained in this Agreement, the parties agree that no party shall be required to take any action or agree to any term or condition which in such party's reasonable judgment would materially adversely affect such party or materially decrease the proposed benefits to such party associated with the Distribution.

ARTICLE IV

INDEMNIFICATION

Section 4.1 CSX and CSXT Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date, CSX and CSXT shall jointly and severally indemnify, defend and hold harmless CRR Parent, NSC and their respective Affiliates and Subsidiaries and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

(a) the untruth or inaccuracy of any representation or warranty of CSX, CSXT or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of CSX, CSXT or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(c) the NYC Allocated Liabilities; and

(d) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case as amended or supplemented if CSX, CSXT or their Affiliates or Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that CSX and CSXT shall not be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in any such document in reliance upon and in conformity with information furnished in writing on behalf of CRR or any of its Subsidiaries or NSC or any of its Affiliates (other than CRR and its Subsidiaries) or Subsidiaries expressly for use therein.

Section 4.2 NSC and NSR Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date, NSC and NSR shall jointly and severally indemnify, defend and hold harmless CRR Parent, CSX and their respective Affiliates and Subsidiaries and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

(a) the untruth or inaccuracy of any representation or warranty of NSC, NSR or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of NSC, NSR or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(c) the PRR Allocated Liabilities; and

(d) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case as amended or supplemented if NSC, NSR or their Affiliates or Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that NSC and NSR shall not be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in any such document in reliance upon and in conformity with information furnished in writing on behalf of CRR or any of its Affiliates or Subsidiaries or CSX or any of its Affiliates (other than CRR and its Subsidiaries) or Subsidiaries expressly for use therein.

Section 4.3 CRR Parent, Green Acquisition, CRR and CRC Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date,

CRR Parent, Green Acquisition, CRR and CRC shall jointly and severally indemnify, defend and hold harmless CSX, NSC and their respective Affiliates and Subsidiaries (other than CRR Parent, Green Acquisition, CRR and CRC) and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

(a) the untruth or inaccuracy of any representation or warranty of CRR Parent, Green Acquisition, CRR or CRC or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of CRR Parent, Green Acquisition, CRR or CRC or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements; and

(c) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case, as amended or supplemented if CRR Parent, Green Acquisition, CRR, CRC or their Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that CRR Parent, Green Acquisition, CRR and CRC and any of their respective Subsidiaries shall not be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in the Secured Holders Consent Solicitation in reliance upon and in conformity with information furnished in writing on behalf of CSX or any of its Affiliates (other than CRR and its Subsidiaries) and Subsidiaries or NSC or any of its Affiliates (other than CRR and its Subsidiaries) and Subsidiaries expressly for use therein.

Section 4.4 Procedure for Indemnification.

(a) If any Action shall be threatened or instituted or any demand shall be asserted against any Indemnified Party in respect of which indemnification may be sought under the provisions of this Agreement, the Indemnified Party shall promptly cause written notice of the assertion of any such demand or Action of which it has knowledge to be forwarded to the Indemnifying Party. Such notice shall contain a reference to the provisions hereof or of such other agreement, instrument or certificate delivered pursuant hereto, in respect of which such Action or demand is being made. The Indemnified Party's failure to give the Indemnifying Party prompt notice shall not preclude the Indemnified Party from obtaining indemnification from the Indemnifying Party under this Article IV unless the Indemnified Party's failure has materially prejudiced the Indemnifying Party's ability to defend the demand or Action. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle, or compromise any Action or demand that is soleiy for money damages, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder and shall provide to the Indemnifying Party a written release from all liability in respect of such Action or demand.

(b) If the Indemnified Party seeks indemnification from the Indemnifying Party as a result of an Action or demand being made by a third party (a "Third Party Claim"), the Indemnifying Party shall have the right to promptly assume the control of the defense of any Action with respect to such Third Party Claim, including, at its own expense, employment by it of counsel reasonably satisfactory to the Indemnified Party. If the Indemnifying Party elects not to assume the control of the defense of any such Third Party Claim (which shall be without prejudice to its right at any time to assume subsequently the control of such defense), the Indemnifying Party will nonetheless be entitled, at its own expense, to participate in such defense. The Indemnified Party may, in its sole discretion and, if the Indemnifying Party shall have assumed the control of the defense of the Action, at its own expense, employ counsel to represent it in the defense of the Third Party Claim, and in such event counsel for the Indemnifying Party shall cooperate with counsel for the Indemnified Party in such defense, provided that, if the Indemnifying Party shall have assumed the control of the defense of the Action, the Indemnifying Party shall direct and control the defense of such Third Party Claim or proceeding. Without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), the Indemnifying Party shall not admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim or consent to the entry of any judgment with respect thereto, except in the case of any settlement that includes as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Party of a written release from all liability in respect of such Third Party Claim. In addition, whether or not the Indemnifying Party shall have assumed the defense of the Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim or consent to the entry of any judgment with respect thereto, without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed), and the Indemnifying Party will not be subject to any liability for any such admission, settlement, compromise, discharge or consent to judgment made by an Indemnified Party without such prior written consent of the Indemnifying Party.

Section 4.5 Contribution. If the indemnification provided for in Sections 4.1(d), 4.2(d) or 4.3(c) is unavailable to an Indemnified Party or insufficient to hold it harmless in respect of any Indemnifiable Losses (or Actions in respect thereof) referred to therein (other than through the failure of an Indemnified Party to follow the indemnification procedures set forth in Section 4.4), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Indemnifiable Losses (or Actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by each of the parties hereto from the transactions contemplated by this Agreement. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits of the transactions contemplated by this Agreement but also the relative fault of each of the parties hereto in connection with the untrue statements or omissions which resulted in such Indemnifiable Losses (or Actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by a party hereto and such party's relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. Each of the

parties agrees that it would not be just and equitable if contributions pursuant to this Section 4.5 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.5. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 4.5, each director of the parties hereto and each officer of the parties hereto who signed the Registration Statement, and each Person, if any, who controls any of the parties hereto within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the applicable party to this Agreement.

Section 4.6 Scope. Notwithstanding any other provisions of this Article IV, the provisions of this Article IV shall not apply to any indemnification matters relating to taxes, all of which shall be governed exclusively by the Tax Allocation Agreement.

Section 4.7 Construction of Agreements. Notwithstanding any other provision in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Article IV and the provisions of any other part of this Agreement or any exhibit or schedule hereto (other than the Tax Allocation Agreement), the provisions of this Article IV shall control, and in the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of the Tax Allocation Agreement, the provisions of the Tax Allocation Agreement shall control.

Section 4.8 Remedies.

(a) In no event shall any party be liable to the other parties for any consequential, indirect, incidental, punitive or other similar damages including but not limited to lost profits for any breach or default, or any act or omission arising out of or in any way relating to this Agreement or the Related Agreements or the transactions contemplated herein or therein or any matter or theory concerning or relating to any of the foregoing under any form or theory of Action whatsoever whether in contract, tort or otherwise.

(b) The remedies provided in this Article IV shall be cumulative and shall not preclude assertion by any Indemnified Person of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

ARTICLE V

CLOSING

Section 5.1 Closing. Upon the terms and subject to the conditions of this Agreement, the Distribution and the other transactions to occur at or prior to the closing (the "Closing") shall, if not previously consummated, be consummated at a time and location mutually agreed by the parties on the third Business Day following the first date on which all of the conditions set forth in Section 5.2 shall have been satisfied or waived, or at such other time, date and place as the parties shall agree (the "Distribution Date").

Section 5.2 Conditions Precedent to the Closing. The respective obligations of the parties to effect the Distribution and the other transactions to occur on the Distribution Date shall be subject to the fulfillment or mutual waiver on or prior to the Distribution Date of the following conditions:

(a) no preliminary or permanent injunction or other order or decree issued by a court of competent jurisdiction or any other legal restraint or prohibition which prevents the consummation of the Distribution shall be in effect and no statute, rule or regulation shall have been enacted by any Governmental Entity prohibiting the consummation of the transactions to occur on the Distribution Date;

(b) the Valuation Letter shall have been received in the form and substance and upon the terms and subject to the conditions acceptable to CSX and NSC, each in its respective sole discretion;

(c) if the Valuation Letter requires a True Up, such True Up, in form and substance, shall be acceptable to CSX and NSC, each in its respective sole discretion, and shall have been satisfied in accordance with Section 2.4;

(d) CRR Parent, Green Acquisition, CSX and NSC shall have obtained the Rulings from the Service in the form and substance and upon the terms and subject to the conditions acceptable to CRC, CSX and NSC, each in its respective sole discretion;

(e) the parties shall have obtained STB approval in the form and substance and upon the terms and subject to the conditions acceptable to CRC, CSX and NSC, each in its respective sole discretion;

(f) CRC shall have obtained the Secured Holders Required Consent and the consent of the lessor and other counterparties to CRC's equipment leases identified in Part II of Exhibit B hereto in the form and substance and upon the terms and subject to the conditions acceptable to CRC, CSX and NSC, each in its respective sole discretion, or shall have received a decision of the STB, acceptable to CRC, CSX and NSR, each in its respective sole discretion, establishing that such consents are not necessary to the effectuation of the transactions contemplated hereby;

(g) CSXT, NYC Newco, NSR, PRR Newco and CRC shall have obtained the Debenture Holders Required Consent in the form and substance and upon the terms and subject to the conditions acceptable to CRC, CSX and NSC, each in its respective sole discretion, or shall have received a decision of the STB, acceptable to CRC, CSX and NSR, each in its respective sole discretion, establishing that such consents are not necessary to the effectuation of the transactions contemplated hereby;

(h) the parties shall have entered into the instruments of transfer and distribution and the other agreements contemplated herein in the form and substance and upon terms and subject to the conditions acceptable to CRC, CSX and NSC, each in its respective sole discretion;

(i) since the date of execution of this Agreement or of the filings made to the Service or the STB, whichever may be earlier, there shall not have been any condition, circumstance, event or occurrence occurring or existing that, individually or in the aggregate, has resulted or would reasonably be expected to result in a material adverse effect on any of the parties hereto, each in its respective sole discretion, involving or relating to the Distribution and the other transactions to occur on the Distribution Date; and

(j) each of the parties shall have delivered an officer's certificate to the other parties to the effect that (1) the representations and warranties of such party contained herein are true and correct in all material respects on the date hereof and as of the Distribution Date as if made on and as of the date hereof and as of the Distribution Date, (2) the conditions set forth in subparts (h) and (i) above are satisfied with respect to such party and (3) such party has satisfied in all material respects all covenants to be performed by such party hereunder at or prior to the Distribution Date.

Section 5.3 Further Assurances; Subsequent Transfers. Each of the parties hereto will execute and deliver such further instruments of transfer and distribution and will take such other actions as CRR, CSX or NSC or any of their respective Affiliates may reasonably request, at CRR's, CSX's or NSC's respective expense, in order to fully effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from time to time after the Distribution Date, as CSX, CRR or NSC or any of their respective Affiliates may reasonably request, at CSX's, CRR's or NSC's respective expense, CRR Parent, Green Acquisition, CRR, NSR and CSX will execute and deliver such other instruments of transfer and distribution, and take such action as CSX, CRR or NSC or any of their respective Affiliates may reasonably deem necessary or desirable and in form and substance and upon terms and subject to the conditions acceptable to CSX, CRR or NSC, in order to more effectively transfer, convey and assign to: (i) NYC Newco and PRR Newco and to confirm NYC Newco's or PRR Newco's right, title to or interest in, the NYC Membership Interest and PRR Membership Interest, respectively, (ii) NSC and CSX Rail and CSX Northeast and to confirm NSC's and CSX Rail's and CSX Northeast's right, title to or interest in the PRR Shares and the NYC Shares, respectively, transferred pursuant to this Agreement, (iii) CRC that number of shares of common stock, par value $.01 per share, which represents 99.9% of the then issued and outstanding NYC Shares and PRR Shares and (iv) CRC that number of NYC Newco Debentures and PRR Newco Debentures in a combined aggregate principal amount equal to the aggregate principal amount of Debentures tendered in the Exchange Offer (subject to Section 2.4, with NYC Newco Debentures equal to 42% and PRR Newco Debentures equal to 58% of such combined aggregate principal amount).

ARTICLE VI

TERMINATION; AMENDMENTS; WAIVERS

Section 6.1 Termination. This Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution Date:

(a) by mutual written consent of the parties;

(b) by CRC, NSC or CSX at any time after March 31, 2004 if the Closing shall not have occurred by such date;

(c) by any of the parties if another party shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (1) would give rise to the failure of a condition set forth in Section 5.2 and (2) cannot be or has not been cured within 30 days after such defaulting party has received written notice from the other parties;

(d) by any of the parties if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable;

(e) by any of the parties upon any condition for such party's benefit becoming incapable of satisfaction on or before the date specified in (b) above; and

(f) by either CSX or NSC, for any reason or no reason, each in its respective sole discretion.

Any termination under this Section shall be effective upon delivery of a writing to such effect by the terminating party to all other parties. In the event of any such termination pursuant to this Section 6.1, no party shall have any liability of any kind to any other party; provided, however, that Article IV and Section 8.13 shall survive such termination and remain in full force and effect.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties. Each party hereto represents for itself as of the date hereof and as of the Distribution Date as follows:

(a) Organization and Good Standing. Such party is duly organized, validly existing and in good standing under its organizational documents and under the laws of the state in which such party is organized.

(b) Authority. Such party has full corporate power and authority to execute and deliver this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments, as applicable, and to consummate the transactions contemplated hereby and thereby. All corporate acts and other corporate proceedings required to be taken by or on the part of such party to authorize such party to execute, deliver and authorize the performance of this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments, as applicable, and the transactions contemplated hereby and thereby have been properly taken.

(c) Enforceability. This Agreement has been and each of the Related Agreements and the Equipment Obligation Agreements Amendments will be duly executed and delivered by such party, as applicable, and when duly executed and delivered by such party thereto (to the extent such agreement is not being entered into as of the date hereof), will constitute the legal, valid and binding obligation of such party enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws of general application relating to or affecting enforcement of creditors' rights and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

(d) No Violation. Except for (i) the required approvals by the STB, (ii) the filings, required under the Securities Act with respect to the New Debentures and (iii) with respect to CRC, the Debenture Holders Required Consent, the Secured Holders Required Consent and the Equipment Obligation Agreements Amendments, the execution and delivery by such party of this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments and the consummation of the transactions contemplated hereby and thereby, as applicable, will not violate any applicable law, or conflict with, result in any breach of, constitute a default (or any event which with notice or lapse of time or both would become a default) under, or give rise to any penalty, detriment or right of termination under the articles of incorporation or articles of association or bylaws, or such similar organizational documents, as applicable, or any material contracts to which such party is a party or by which it or its property or assets is bound, including with respect to CRC, any material commercial agreement or arrangement of CRC or its Subsidiaries.

(e) No Approvals. Except for (i) the required approvals by the STB, (ii) the Rulings, (iii) the filings required under the Securities Act with respect to the New Debentures, and (iv) with respect to CRC, the Debenture Holders Required Consent, the Secured Holders Required Consent and the Equipment Obligation Agreements Amendments, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Governmental Entity or third party is necessary for the consummation by such party of the transactions contemplated hereby, other than such filings, registrations, authorizations, consents or approvals which, if not obtained or made, will not, in the aggregate, materially adversely affect the ability of such party to consummate the transactions contemplated hereby.

(f) Information Supplied. None of the information supplied or to be supplied by such party specifically for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Exchange Offer or Secured Holders Consent Solicitation materials will, at the date such materials are first mailed to the applicable recipients and at the time the Exchange Offer and Secured Holders Consent Solicitation are consummated, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Amendment. This Agreement may be amended by the parties at any time by an instrument in writing signed on behalf of each party.

Section 8.2 Extension; Waiver. At any time prior to the Distribution Date the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

Section 8.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the date delivered if delivered personally (including by reputable overnight courier), on the date transmitted if sent by telecopy (which is confirmed) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to CSX, CSXT, CSX Rail, CSX Northeast, NYC Newco, NYC or CRR Parent, to:

CSX Corporation
1331 Pennsylvania Avenue, NW
Suite 560
Washington, District of Columbia 20004-1703
Attention: Peter J. Shudtz
Telecopy number: 202-783-5929

CSX Transportation, Inc.
15th Floor, Speed Code J120
500 Water Street
Jacksonville, Florida 32202
Attention: Ellen M. Fitzsimmons
Telecopy number: 904-359-3597

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Steven A. Cohen, Esq.
Telecopy number: 212-403-2000

(b) if to NSC, NSR, PRR Newco, PRR or CRR Parent, to:

Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510
Attention: General Counsel - Corporate
Telecopy number: 757-629-2816

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036-6522
Attention: Eric J. Friedman, Esq.
Telecopy number: 212-735-2000

(c) If to CRR or CRC, to:

Conrail Inc.
2001 Market Street
Philadelphia, Pennsylvania 19103
Attention: General Counsel
Telecopy number: 215-209-4068

All notices regarding matters requiring handling within thirty days will be given by overnight mail or confirmed telecopy.

Section 8.4 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "including" as used herein shall mean "including, without limitation," unless the context otherwise specifically requires.

Section 8.5 Entire Agreement. This Agreement (including the exhibits hereto, the Tax Allocation Agreement, the Related Agreements and other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 8.6 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party and their respective successors and assigns and is not intended to confer upon any other Person any rights or remedies, except for the rights of an Indemnified Party as contemplated by Article IV.

Section 8.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof; provided,

however, that the laws of the respective jurisdictions of incorporation of each of the parties shall govern the relative rights, obligations, powers, duties and other internal affairs of such party and its board of directors.

Section 8.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

Section 8.9 Assignment.

(a) Except as provided in Section 8.9(b), neither this Agreement (including the documents and instruments referred to herein) nor any of the rights, interests or obligations hereunder, shall be assigned by any party, except by operation of law, without the prior written consent of the other parties, which consent may be withheld at the sole discretion of the relevant party; provided, however, that the Mergers pursuant to Section 2.3 shall not require any consent and that, upon consummation of the Mergers, CSXT and NSR shall each succeed to and become bound by the terms and provisions of this Agreement that were applicable to (i) NYC Newco and NYC and (ii) PRR Newco and PRR, respectively.

(b) Any party, without the consent of the other parties, may assign all or any part of its rights and obligations under this Agreement to (i) any of its Subsidiaries or (ii) any successor in the event of a sale of all or substantially all its assets, liquidation or dissolution; if such assignee executes and delivers to the other parties hereto an agreement reasonably satisfactory in form and substance to such other party under which such assignee assumes and agrees to perform and discharge all the obligations and liabilities of the assigning party; provided that any such assignment shall not relieve the assigning party from the performance and discharge of such obligations and liabilities (it being understood by the parties that a consolidation or merger shall not be considered an assignment for purposes of this Section 8.9).

(c) Subject to the terms of this Section 8.9, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted assignees.

Section 8.10 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, such provision is to be intended to be ineffective only to the most limited extent possible in such context and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 8.11 Survival. The representations, warranties, covenants and agreements made in this Agreement or in any officer's certificate delivered at the Closing shall survive the Distribution Date.

Section 8.12 Confidentiality. Except as otherwise contemplated by this Agreement, including Sections 3.2 and 3.3 hereof, the parties shall hold, and shall cause their respective officers, employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its

independent legal counsel, by other requirements of law, all information furnished it by another party or their respective representatives pursuant to this Agreement (except to the extent such information can be shown to have been (i) available to such Person on a non-confidential basis prior to its disclosure by the other Person, (ii) in the public domain through no fault of such Person or (iii) later lawfully acquired from other sources by the Person to which it was furnished), and no Person shall release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be bound by the provisions of this Section 8.12. In the event that a subpoena, discovery or other request is received that arguably calls for production or disclosure of such confidential information, the Person receiving such request must promptly notify in writing the Person whose information has been requested. The Person receiving such request shall provide the Person whose confidential information has been requested a reasonable opportunity to review such information and to assert any rights it may have with respect to the potential disclosure of such confidential information. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other parties if it exercises the same care as it takes to preserve confidentiality for its own similar information. Until the Distribution Date, no party hereto shall make any oral or written public statement, comment or press release with respect to the transactions contemplated by this Agreement except after prior consultation with and approval by the other parties hereto; provided, however, that in the case of disclosures required by law or applicable stock exchange requirements, the party making the required disclosure shall provide each of the parties a reasonable opportunity to review and comment on any material related to the transactions contemplated by this Agreement prior to the filing or submission of such material. Notwithstanding anything in this Agreement to the contrary, the parties hereto (and each employee, representative, or other agent of the parties) may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analysis) relating to such tax treatment and tax structure (but no other details regarding matters covered by this Agreement, including without limitation, the identities of the parties), provided, however, that with respect to any contemplated mergers and acquisitions, as defined in paragraph (b)(3)(ii)(B) of treasury regulations Section 1.6011-4, this Agreement shall only permit the disclosure of the tax treatment and tax structure, each as defined in treasury regulations Section 1.6011-4, of the Transaction (but no other details regarding matters covered by this Agreement, including, without limitation, the identities of the parties), from and after the earliest to occur of the circumstances described in paragraph (b)(3)(ii)(B) of treasury regulations Section 1.6011-4. This Agreement shall not be construed to limit in any way any parties' ability to consult any tax advisor regarding the tax treatment or tax structure of any aspect of the transactions contemplated by this Agreement. These provisions are meant to be interpreted so as to prevent any proposed transaction from being treated as offered under "conditions of confidentiality" within the meaning of the Code and the treasury regulations thereunder.

Section 8.13 Fees and Expenses. Except as otherwise provided in this Agreement or the Tax Allocation Agreement, all costs and expenses incurred by each party hereto in connection with entering into this Agreement and the Tax Allocation Agreement and consummating such party's obligations hereunder and thereunder including, without limitation, investment banking, legal, accounting, audit and printing costs and expenses, shall be paid by the party incurring such costs and expenses. Notwithstanding the foregoing, unless otherwise agreed by NSC and CSX, CRC shall pay all of the costs and expenses, including the fees and expenses

of counsel, accountants, investment bankers and other consultants and experts related to: (i) the petition for STB approval contemplated by Section 3.3 hereof; (ii) the Debenture Consent Solicitation and obtaining the consents contemplated hereby; and (iii) the Secured Holders Consent Solicitation and the solicitation of consent of the lessor and other counterparties to CRC's equipment leases identified in Part II of Exhibit B hereto and obtaining the consents contemplated thereby; and (iv) the Rulings; provided, however, that with respect to any joint counsel engaged in respect of subpart (i) herein and mutually acceptable to NSC and CSX, each in their respective sole discretion, the fees and expenses of such joint counsel shall be shared equally by NSC and CSX; provided further that, each of NSC and CSX shall be solely responsible for the fees and expenses of their respective legal counsel.

Section 8.14 Jurisdiction and Forum. The parties agree that the appropriate and exclusive forum for any disputes between the parties arising out of this Agreement or the transactions contemplated hereby will be any state or federal court in the State of New York. Each party unconditionally and irrevocably waives any objections which it may have now or in the future to such jurisdiction including objections by reason of lack of personal jurisdiction, improper venue, or inconvenient forum.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

CSX CORPORATION

By:_____
Name:
Title:

CSX TRANSPORTATION, INC.

By:_____
Name:
Title:

CSX RAIL HOLDING CORPORATION

By:_____
Name:
Title:

CSX NORTHEAST HOLDING CORPORATION

By:_____
Name:
Title:

NORFOLK SOUTHERN CORPORATION

By:_____
Name:
Title:

NORFOLK SOUTHERN RAILWAY COMPANY

By:_____
Name:
Title:

CONRAIL INC.

By:_____
Name:
Title:

CONSOLIDATED RAIL CORPORATION

By:_____
Name:
Title:

GREEN ACQUISITION CORP.

By:_____
Name:
Title:

CRR HOLDINGS LLC

By:_____
Name:
Title:

PENNSYLVANIA LINES LLC

By:_____
Name:
Title:

NEW YORK CENTRAL LINES LLC

By:_____
Name:
Title:

EXHIBIT A

Equipment Obligation Agreements

[To Come]

EXHIBIT B

Amendments to Equipment Obligation Agreements

[To Come]

Related Agreements

[To Come]

EXHIBIT D

Form of Tax Allocation Agreement

[To Come]

EXHIBIT E

NEW AMENDMENT TO 1997
TRANSACTION AGREEMENT

THIS NEW AMENDMENT TO 1997 TRANSACTION AGREEMENT (this "Amendment") is made as of _____ __, 200_ by and among CSX CORPORATION, a Virginia corporation ("CSX"), CSX TRANSPORTATION, INC., a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CSXT"), NORFOLK SOUTHERN CORPORATION, a Virginia corporation ("NSC"), NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "NSR"), CONRAIL, INC., a Pennsylvania corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CRR"), CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation ("CRC"), and CRR HOLDINGS LLC, a Delaware limited liability company ("CRR Parent"). CSX, CSXT, NSC, NSR, CRR, CRC and CRR Parent are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, the Parties have previously entered into that certain Transaction Agreement, dated as of June 10, 1997 (the "Transaction Agreement");

WHEREAS, the Parties, CSX RAIL HOLDING CORPORATION, a Delaware corporation ("CSX Rail"), CSX NORTHEAST HOLDING CORPORATION, a Delaware corporation ("CSX Northeast"), NEW YORK CENTRAL LINES LLC, a Delaware limited liability company and a wholly-owned Subsidiary of CRC ("NYC"), PENNSYLVANIA LINES LLC, a Delaware limited liability company and wholly-owned subsidiary of CRC ("PRR") and GREEN ACQUISITION CORP., a Pennsylvania corporation and a wholly-owned Subsidiary of CRR Parent ("Green Acquisition") are the parties to that certain Distribution Agreement, dated as of _____ __, 2003 (the "Distribution Agreement");

WHEREAS, the parties to the Distribution Agreement are on the date hereof consummating the Closing (as defined in the Distribution Agreement) and entering into various documents and instruments to effectuate the same;

WHEREAS, in connection with the Parties' preparations for the Closing and as required under the terms of the Distribution Agreement, the Parties have identified certain provisions of the Transaction Agreement for which the Parties desire to clarify their understandings and agreements with respect to certain Transaction Agreement matters in order to effectuate the Distribution Agreement;

WHEREAS, the Parties have determined that it is in the best interests of their respective companies to amend the Transaction Agreement as set forth in this Amendment; and

WHEREAS, it is the intent of the Parties that, except as expressly amended hereby, the Transaction Agreement as in effect immediately prior to the execution and delivery of this Amendment shall remain in full force and effect;

NOW, THEREFORE, the Parties hereby amend the Transaction Agreement as follows:

Section 1. References; Interpretation.

(a) Unless otherwise specifically defined herein, each term used herein which is defined in the Transaction Agreement has the meaning assigned to such term in the Transaction Agreement. Each reference in the Transaction Agreement, as now in effect, to "hereof," "hereunder," "herein," "hereby" or words of similar import and each reference to "this Agreement" and each other similar reference contained in the Transaction Agreement, or in Ancillary Agreements, as now in effect, shall from and after the date of this Amendment refer to the Transaction Agreement as amended hereby.

(b) Nothing contained in the reaffirmations in this Amendment shall prejudice or otherwise affect the position of any Party hereto in any dispute as to interpretation of the Transaction Agreement or any Ancillary Agreement.

Section 2. Integration. The Parties to the Transaction Agreement which execute this Amendment hereby reaffirm the Transaction Agreement and the Ancillary Agreements referred to therein so that the Transaction Agreement and the Ancillary Agreements, each as presently in effect, and the conforming changes set forth in Schedule A to this Amendment and contemplated by Section 5 of this Agreement shall be read as integrated documents from and after the Distribution Date (as defined in the Distribution Agreement).

Section 3. No Changes to Shared Assets. Notwithstanding any provision of this Amendment, or of Schedule A hereto, or any action taken in connection with the transactions contemplated by the Distribution Agreement or by this Amendment, no changes, modifications or amendments to the North Jersey, South Jersey/Philadelphia, or Detroit Shared Assets Operating Agreements, or to those Shared Assets Areas, are being made by this Amendment, any Schedule thereto or those transactions, and none shall be implied.

Section 4. Reaffirmation. Except as specifically amended as set forth in this Amendment or the instruments or documents provided for herein including Schedule A hereto, all other terms and provisions of the Transaction Agreement, as now in effect, subject to the conforming changes provided for herein or set forth in Schedule A hereto, shall continue in full force and effect and unchanged as now in effect and are hereby confirmed in all respects,

including, without limitation, all of the Allocations of CRC lines, equipment and other property made in Article II, all of the trackage and other operating agreements referred to in Section 2.5 and listed in Schedule 4, all of the allocation and retentions of liabilities provided for in Section 2.8, the provisions of Section 4.3(a) with respect to the "keepwell" therein provided, and the Percentage allocation provided for in Section 4.3(b), in each case of the Transaction Agreement as now in effect.

Section 5. Required Modifications. In order to consummate the transactions contemplated in the Distribution Agreement, the Parties shall cooperate to modify the Transaction Agreement so as to permit the transfer of properties and other actions contemplated by the Distribution Agreement in order to reflect changes to rentals and funds flows (*e.g.*, Section 4.5) resulting from the restructuring of debt obligations in accordance with the terms and subject to the conditions of the Distribution Agreement, all in accordance with the Percentage principles contained in the Transaction Agreement.

Section 6. Miscellaneous. The provisions of Article XI of the Transaction Agreement are hereby expressly incorporated by reference into this Amendment, and each provision thereof shall have the same force and effect as if fully set forth herein (except to the extent such provision is amended, modified, supplemented, altered, rescinded or superseded by this Amendment).

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

CSX CORPORATION

By: _____
Name:
Title:

CSX TRANSPORTATION, INC., for itself and on behalf of its controlled Subsidiaries

By: _____
Name:
Title:

NORFOLK SOUTHERN CORPORATION

By: _____
Name:
Title:

NORFOLK SOUTHERN RAILWAY COMPANY, for itself and on behalf of its controlled Subsidiaries

By: _____
Name:
Title:

CONRAIL, INC., for itself and on behalf of its controlled Subsidiaries

By: _____
Name:
Title:

CONSOLIDATED RAIL CORPORATION

By: _____
Name:
Title:

CRR HOLDINGS LLC

By: _____
Name:
Title:

SCHEDULE A

Conforming Changes to Become Effective on Distribution Date
In Transaction Agreement and Ancillary Agreements

I. TRANSACTION AGREEMENT

A. Revisions to the Text:

1. Insert into Section 1.1 the following new definition:
""Distribution Agreement" means the Agreement of that name dated as of _____ __, 200_, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holding Corporation, New York Central Lines LLC, Norfolk Southern Corporation, Norfolk Southern Railway Company, Pennsylvania Lines LLC, Conrail Inc., Consolidated Rail Corporation, CRR Holdings LLC, and Green Acquisition Corp."

2. Revise Section 4.5 to read in full as follows:

"a. Historically, Section 4.5 read as follows:

'Section 4.5. Operating Fees, Interest Rentals and Base Rent. The parties anticipate that as of the Closing Date, the sum of the following amounts will total seven hundred and fifty million dollars: (i) Interest Rentals payable under the Shared Assets Agreements, (ii) Operating Fees payable under the CSXT Operating Agreement and the NSR Operating Agreement and (iii) Base Rent payable under the CSXT Equipment Agreement and the NSR Equipment Agreement. The parties acknowledge that as of a Valuation Date, (i) the Interest Rentals, Operating Fees and Base Rent shall be determined as set forth in the CSXT Operating Agreement, the NSR Operating Agreement, the CSXT Equipment Agreement, the NSR Equipment Agreement and the Shared Assets Agreements and (ii) the allocation between CSXT and NSR of the Operating Fees and Base Rent payable under the CSXT Operating Agreement, the NSR Operating Agreement, the CSXT Equipment Agreement and the NSR Equipment Agreement shall reflect the then relative Fair Market Rental Values of the NYC Allocated Assets, the PRR Allocated Assets, the CSXT Equipment and the NSR Equipment as of the most recent Valuation Date (which allocation, in the case of a Valuation Date that is also the Closing Date, shall be a 58% allocation to NSR and a 42% allocation to CSXT).'

"b. As a consequence of the transactions contemplated by the Distribution Agreement, the rentals provided for under paragraph (b) above will change as follows: (i) NSR and CSXT will no longer pay rents under the NSR and CSXT Operating Agreements and the NSR and CSXT Equipment Agreements and those agreements shall terminate[A], (ii) NSR and CSXT will be obligated to the holders of CRC's unsecured debt pursuant to the New Debentures (as defined in the Distribution Agreement), (iii) PRR Newco and NYC Newco (each as defined in the Distribution Agreement) or their successors will pay rents to CRC pursuant to new equipment agreements relating to the Equipment Obligation Agreements as defined in the Distribution Agreement, and (iv) NSR and CSXT will continue to pay Interest Rentals to CRC under the Shared Assets Agreements in accordance with Section 9(a)(i) thereof. Notwithstanding anything to the contrary in the Distribution Agreement or any other document or instrument contemplated thereby, the costs and expenses set forth in subparts (ii) through (iv) above shall be borne by CSXT and NSR in accordance with the Percentage. The parties further acknowledge and agree that, notwithstanding anything to the contrary set forth in the Distribution Agreement or any other document or instrument contemplated thereby, any category of cost or expense which was borne by CSXT and NSR in accordance with the Percentage prior to the Closing of the Transactions contemplated thereby will continue to be borne in accordance with the Percentage after the Closing of the Distribution Agreement.'"

c. Revisions to Article V: The paragraphs under Article V are deleted in their entirety and replaced with "Intentionally Omitted."

d. *et al.* [Here take in other conforming changes as determined.]

3. Revisions to Schedule 2:

a. i. The introductory paragraph of Part 1 and existing paragraphs (b) and (n) are amended by removing "(other than NYC and PRR)";

ii. Paragraphs (a) and (u) of Part 1 are deleted;

iii. Paragraphs (b) through (v) of Part 1 are re-designated as paragraphs (a) through (t).

[A] Review of Equipment Agreements may be required to determine whether provisions other than the rental provisions need to be retained for operational or other purposes.

b. i. Part 2 is amended to read in full as follows:

"Except as approved by the CRC Board of Directors, neither CSX, CSXT, NSC, nor NSR shall make, agree to make, or permit to be made any transfer, easement, lease, license, sale of improvements, trackage rights or operating rights or other grant of the right to use any railroad line for railroad service (other than to an entity controlling, controlled by, or under common control with the grantor, such entity to be thereafter bound by this provision) (regardless of whether the grantor's rights depend on ownership or trackage rights or a combination thereof) which is part of any Main Line until May 31, 2024, or thereafter for the duration of any renewal term of the Shared Assets Operating Agreements for North Jersey and South Jersey. Notwithstanding the foregoing or any contrary provision herein, CSX, CSXT, NSC or NSR may make, agree to make, or permit to be made, in their sole discretion, any transfer, easement, lease, license, trackage rights, operating rights, sale of improvements or other arrangement for rail passenger service on any railroad line which is part of a Main Line, so long as (A) such arrangement does not include transferring fee ownership of such Main Line, and (B) CSX, CSXT, NSC or NSR, as the case may be, retains the exclusive right and obligation to provide freight service on the railroad line for a term not less than the term stated in the preceding sentence (including any renewals) which is part of such Main Line. As used herein, "Main Line" means a line of railroad held by NYC or PRR as of the Distribution Date within the State of New Jersey or New York, or the area within twenty-five miles of the City of Philadelphia, PA, that has daily rail service, but does not include any branch line connecting to a Main Line and does not include the Main Line that lies east of the Hudson River and south of Selkirk, NY.

II. ANCILLARY AGREEMENTS

[Here take in conforming changes, to be determined, with respect to Ancillary Agreements]

Moody's Investors Service

99 Church Street
New York, New York 10007

May 28, 2003

Mr. Gregory R. Weber
President and Chief Executive Officer
Conrail, Inc.
2001 Market Street
Philadelphia, PA 19103

Dear Greg:

At your request, Moody's Rating Committee has reviewed the proposed spin-off of Consolidated Rail Corporation's ("CRC") wholly-owned subsidiaries, Pennsylvania Lines LLC ("PRR") and New York Central Lines LLC ("NYC"), to wholly-owned subsidiaries of Norfolk Southern Railway Company ("NSR") and CSX Transportation, Inc. ("CSXT") respectively. NSR's and CSXT's subsidiaries, as yet unformed, are referred to herein as PRR Newco and NYC Newco, respectively. You have asked Moody's to assess the rating impact on CRC's debt securities should this transaction (the 'Proposed Transaction') be consummated. You have also advised that as the final step in the transaction, PRR Newco would be merged into NSR and NYC Newco would be merged into CSXT.

The Proposed Transaction contemplates that,

- CRC's senior unsecured debt[1] ('Unsecured Debt') would be exchanged for new securities issued by each of PRR Newco and NYC Newco. For each CRC debenture, PRR Newco would offer a senior unsecured debenture for approximately 58% of the face value of the CRC debenture, and NYC Newco would offer a senior unsecured debenture for approximately 42% of the face value of the CRC debenture.

  NSR would unconditionally guaranty PRR Newco's debentures, and CSXT would unconditionally guaranty NYC Newco's debentures. Subsequent to PRR Newco's merger into NSR and NYC Newco's merger into CSXT, the PRR Newco obligations would be assumed by NSR, and the NYC Newco obligations would be assumed by CSXT. The final maturity and interest rate for these new debentures would be identical to that of the Unsecured Debt. The terms and conditions in the PRR Newco debentures would be substantially similar to those in Norfolk Southern Corporation's ("NSC") senior unsecured debentures, and the NYC Newco debentures would contain terms and conditions substantially similar to those in CSX Corporation's ("CSX") senior unsecured debentures. A keepwell agreement among NSC, CSX and CRC contained in

[1] Approximately $800 million of face value in two securities: a) $550 million of 9 ¾% Debentures due 2020 and, b) $250 million of 7 7/8% Debentures due 2043.

the June 10, 1997 Transaction Agreement will be terminated with respect to these unsecured obligations. And,

- CRC secured debt, the Equipment Trust Certificates[2] ('ETCs'), would remain direct obligations of CRC. CRC would lease or sublease equipment to PRR Newco and NYC Newco or to bankruptcy-remote Delaware trusts acting for each Newco. The lease or sublease obligations of PRR Newco and NYC Newco to CRC for these leases separately would be assumed by and become the obligations of NSR and CSXT, respectively; the lease or sublease obligations of the trusts to CRC would be supported by matching subleases to NSR and CSXT, assigned to CRC. The lease/sublease rentals would at least match the principal and interest due on CRC's ETCs and the leases/subleases would be junior and subordinate in all respects to CRC's ETC agreements. Substantially all of the terms and conditions of the Transaction Agreement would remain in place, including the terms of Section 4.3 of the Transaction Agreement whereby CSX and NSC agree to ensure that CRC has sufficient cash to meet its obligations with respect to the ETC's.

To conduct its analysis, Moody's: reviewed a detailed description of the Proposed Transaction, pro-forma financial statements, financial projections including a management base case, and certain agreements that were negotiated in connection with the 1997 acquisition of Conrail by CSX and NSC; conducted various meetings and telephone conversations with senior management of Conrail, CSX and NSC to discuss the market position, strategy and business objectives of Conrail after the proposed transaction; and used Moody's own background, information and databases from its broad rating coverage of the railroad industry.

Moody's Currently Published Long-Term Ratings[3] for CRC's Debt Securities

Senior Unsecured Debentures	Baa2[4]
Equipment Trust Certificates	A1[5]

The ratings take into account: The obligation of NSR to make lease payments to PRR and for CSXT to make lease payments to NYC; the separate obligations of NSC and CSX to provide sufficient cash to Conrail, Inc. ("Conrail") to satisfy Conrail's Retained Liabilities (as defined in the Transaction Agreement) up to their respective economic interests; the priority of claim for the CRC debt holders giving them a senior unsecured claim on all of CRC's assets, including the Allocated Assets distributed to PRR and NYC after trade claims; the expectation that the railroad that remains current on its lease to CRC would take up the obligation of the defaulting railroad, given the strong business incentive to preserve the non-defaulting railroad's interest in

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[2] Approximately $406 million of face value in 13 separate series of ETCs with various annual maturities and a final maturity as a group in 2015.

[3] Moody's ratings are the product of: i.) the probability of default and , ii.) the recovery value. Taken together, this analysis produces an 'Expected Loss' which is reflected by the ratings of the individual security.

[4] The ratings of CRC debt are based on the credit support provided by NSC and CSX.
The senior unsecured debt of NSC is rated Baa1(outlook: stable) and for CSX is rated Baa2 (outlook: stable).

[5] Moody's rating practice is to assign a four rating notch uplift over the senior implied rating of the railroad for equipment trust certificates provided the transaction is structured within normal rating parameters. These factors include: analysis of the equipment, the expected value of the collateral pool relative to the debt over time, the quality of the Section 1168 protection, and the transaction documentation.

its share of the CRC assets; and that the holders of the ETCs, through the Trustees, would have the special protection afforded by Section 1168 of the U.S. Bankruptcy Code.

Ratings Outcome for the Proposed Transaction[6]

Moody's would assign ratings to the new securities as follows:

Senior unsecured debt of:	
PRR Newco guaranteed by NSR	Baa1
NYC Newco guaranteed by CSXT	Baa2
Equipment Trust Certificates	
CRC, supported by new leases	A1[7]

The Committee felt that because the newly issued senior unsecured debt would be unconditionally guaranteed by either NSR or CSXT, the probability of default for the new securities would be identical to that of the Guarantor. Consequently, the debt ratings of the new securities would be no lower than the ratings on CRC's existing securities. In the case of the PRR Newco debentures supported by an NSR guaranty, that debt would be rated one notch higher than CRC's Unsecured Debt.

For the Unsecured Debt, the limited indirect credit support from two parties would be switched to direct support from only one of the parties. While both CSX and NSC have contractually limited their respective level of support, each has a strong business incentive to independently ensure that CRC meets its debt obligations. There are benefits to having two financially sound supporting entities in this case, even if their obligations are limited. Moody's also believes that the scope of asset protection would be somewhat less under the proposed transaction, relative to the level that the CRC debtholders now enjoy. Mitigating this would be the increased security provided by the NSR and CSXT unconditional guarantees and ultimately, NSR's and CSXT's assumption of the unsecured debt obligations of their respective Newco. Also, the asset protection would be no worse than the existing debtholders of either NSR or CSXT, which have considerable assets themselves.

Moody's was also asked to consider the rating impact of new maintenance agreements (or "keepwells") as partial support for the unsecured debt of NYC Newco and PRR Newco in lieu of CSXT and NSR guarantees. With a properly structured maintenance agreement, when considered within the framework of the strategic importance of the supported entity to the group as a whole, as well as the business interrelationship between the supported entity and the group as a whole, the ratings of the NYC Newco and PRR Newco senior unsecured debt would be the same as with the guarantees at this time. The determination of the adequacy of the overall support and structure of any maintenance agreements would be solely the judgement of Moody's. A published credit rating for which Moody's relies on the existence of any

---

[6] Moody's would issue its press release to indicates these changes once the Proposed Transaction is announced in the public market, and make the final rating actions upon closing. Any differences from the terms described above could have rating implications.

[7] For the CRC ETCs, the ratings assume that the protection afforded by Section 1168 of the U.S. Bankruptcy Code will continue to be available to the existing ETC holders. Moody's anticipates a review of the legal analysis on this issue and will look for an opinion from counsel that the ETC holders will continue to benefit from the Section 1168 protection.

maintenance agreements would likely acknowledge the influence of the agreements on the rating conclusion.

In considering maintenance agreements, Moody's rating committees are likely to rate the supported debt at the same level as the debt of the supporting entity if: a) there is strong financial and operating incentive to provide support on a timely basis, b) the maintenance agreements are structured in such a way that makes payment interruption unlikely, and c) there is a stated willingness to provide support and that willingness can be reaffirmed on an ongoing basis. With reservations about the incentive of the supporting entity and/or some doubt about the strength of the maintenance agreement documentation, rating committees may notch the debt down from the rating level of the supporting entity. The degree of notching reflects the committee's judgement of the risk that support may not be forthcoming when needed. Moody's notes that the ratings on CRC's existing debt are based on the support arrangements of NSC and CSX, and the value of CRC's assets to those supporting entities.

As discussed, Moody's would be happy to review any aspect of this analysis with Conrail, CSX or NSC via the phone or in a meeting at your convenience.

Moody's appreciates the opportunity to provide this service to Conrail. We especially appreciate the considerable effort of Conrail, NSC and CSX management to provide the information in a useful form to conduct our analysis, and the prompt and clear turnaround to our many questions and requests given your own time constraints.

Sincerely,

Robert P. Jankowitz
Vice President – Senior Credit Officer

cc: William J. Romig, Vice President and Treasurer, Norfolk Southern Corporation
David Boor, Vice President and Treasurer, CSX Corporation

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Philip A. Baggaley, CFA
Managing Director
Corporate Ratings

Standard & Poor's
A Division of The McGraw-Hill Companies

June 3, 2003

Mr. Gregory R. Weber
President
Conrail, Inc.
2001 Market Street
Philadelphia, PA 19101

Re: **Ratings Evaluation Service for proposed transactions affecting Consolidated Rail Corporation's debt securities**

Dear Mr. Weber:

Thank you for requesting Standard & Poor's Rating Evaluation Service (RES) to provide you with feedback on the ratings impact for Consolidated Rail Corporation given the scenario pertaining to a potential spin-off of certain subsidiaries. Standard & Poor's has reviewed the scenario you have provided and following is a summary analysis reflecting our Rating Evaluation committee response.

Our evaluation focused on the proposed spin-off of Consolidated Rail Corporation's ("CRC") wholly owned subsidiaries, Pennsylvania Lines LLC ("PRR") and New York Central Lines LLC ("NYC"), to wholly owned subsidiaries of Norfolk Southern Railway Company ("NSR") and CSX Transportation, Inc ("CSXT"), respectively, and the contemporaneous merger of the surviving companies into NSR and CSXT, respectively. NSR's and CSXT's subsidiaries, as yet unformed, are referred to herein as PRR Newco and NYC Newco, respectively. Our analysis focused on the ratings impact of the proposed spin-off on CRC's secured equipment debt obligations and unsecured debt obligations. As proposed, CRC's existing secured equipment debt will remain CRC obligations, but will be supported by rental streams from subleases to NSR and CSXT. CRC's unsecured debt obligations will be exchanged on a $.58 / $.42 pro-rata basis for new unsecured debentures of PRR Newco and NYC Newco respectively, which will be assumed by NSR and CSXT respectively.

This evaluation incorporated the information that Conrail provided to us, including the description of the proposed structure, the nature of the guarantees, the fact that CRC will continue to be an operating railroad, and the type of documentation and legal opinions that will be incorporated into the transaction. Additionally, this rating evaluation assumes that Standard & Poor's will receive legal opinions that are satisfactory to Standard & Poor's.

This rating evaluation focuses on a proposed transaction structure that provides credit support through NSR and CSXT guarantees and subleases.

Secured Debt Structure

CRC will continue to remain obligated for all existing CRC equipment trust certificates. As proposed, CRC will lease or sublease equipment to PRR Newco and NYC Newco, or to bankruptcy-remote Delaware trusts acting for each Newco. The lease obligations of PRR Newco and NYC Newco to CRC for these leases will be assumed by NSR and CSXT upon the merger of PRR Newco and NYC Newco into NSR and CSXT, respectively. The lease or sublease obligations of the trusts to CRC will be supported by matching subleases to NSR and CSXT, assigned to CRC. The lease/sublease rentals will at least match the debt service in the CRC controlling debt agreements, and the leases/subleases will be junior and subordinate in all respects to the CRC controlling debt agreements. The 1997 Keepwell Agreement, as it relates to CRC's secured debt obligations, will remain in place.

Unsecured Debt Structure

CRC's unsecured debentures will be exchanged for new PRR Newco and NYC Newco debentures on a $.58 / $.42 pro rata basis. The new PRR Newco and NYC Newco debentures will be fully and unconditionally guaranteed by NSR and CSXT respectively, and will have maturity dates and interest rates that are identical to the existing CRC debentures. The new PRR Newco debentures will contain covenants that are substantially similar to the covenants contained in Norfolk Southern Corporation's ("NSC") unsecured debentures, and the new NYC Newco debentures will contain covenants that are substantially similar to covenants contained in CSX Corporation's ("CSX") unsecured debentures. The obligations under the unsecured debentures will be assumed by NSR and CSXT in conjunction with the merger of PRR Newco and NYC Newco into NSR and CSXT, respectively. The 1997 Keepwell will be terminated with respect to these unsecured obligations.

Rating Analysis

Upon assumption of the debt obligations and leases by NSR and CSXT, we have concluded that ratings of the unsecured debentures would be equivalent to the default rating of the respective parent railroad, and the rating of CRC's equipment trust certificates would be based on the Section 1168 ratings of NSR and CSXT. Our conclusions incorporate, *inter alia*, the assumption that the proposed guarantees of unsecured obligations will comply with Standard & Poor's published criteria, and that legal opinions with respect to Section 1168 bankruptcy protection and other aspects of the proposed CRC equipment obligation structure will be acceptable to Standard & Poor's.

Rating Evaluation Service Conclusions

The current rating for CRC's railroad equipment debt is "A". Standard & Poor's has determined that it would rate CRC's Equipment Trust Certificates the lower of NSR's or CSXT's Equipment Trust Certificate rating. Currently, NSR's Equipment Trust Certificates are rated "A" and CSXT's Equipment Trust Certificates are rated "A". Therefore, CRC's Equipment Trust Certificates would continue to be rated the lower of NSR or CSXT's railroad equipment debt rating, with the current rating on the CRC railroad equipment debt "A" by Standard and Poor's.

The current rating of CRC's unsecured debt is "BBB". Standard & Poor's has concluded that the ratings for the newly issued PRR Newco and NYC Newco unsecured debentures, which will be assumed by NSR and CSXT respectively, would be equivalent to the unsecured debt rating of NSC and CSX, respectively. Therefore, the unsecured debentures assumed by NSR and by CSXT would be rated "BBB".

These ratings are based on our evaluation of business and financial factors as of the date of this letter, and any future ratings that are assigned could be different if those factors change materially. These conclusions assume receipt of satisfactory legal documentation and acceptable resolution of any legal or business issues that may arise. This Ratings Evaluation Service does not include ongoing surveillance of any corporate credit ratings that may be assigned.

You have informed us that you would like to share this letter with third parties. We agree that you may do so, provided that you and any third parties to whom you directly provide this letter agree and acknowledge that (i) the Ratings Evaluation Service is based solely on information supplied to Standard & Poor's by you and does not represent an audit or full review by Standard & Poor's; (ii) Standard & Poor's relies on you and your accountants, counsel and other experts for the accuracy and completeness of the information presented in connection with the Rating Evaluation Service and undertakes no duty of due diligence or independent verification of any such information; (iii) Standard & Poor's does not and cannot guarantee the accuracy, timeliness or completeness of information relied on by Standard & Poor's in providing the Ratings Evaluation Service or the results obtained from the use of this letter; (iv) Standard & Poor's is not acting as an investment or financial advisor to you in connection with providing the Ratings Evaluation Service and you may not rely on the information provided by Standard & Poor's as investment or financial advice, and (v) nothing in this letter creates a fiduciary relationship between Standard & Poor's and you or any recipients of this letter. Please note the conclusions provided herein are based on assumptions you and your team have provided to us. To the extent that these assumptions change the rating implications could also change. We have not consented to and will not consent to being named an "expert" under applicable securities laws. Standard & Poor's rating is not a "market" rating, nor is it a recommendation to buy, hold or sell any financial obligation of an issuer.

Sincerely,

Philip Baggaley

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207970

June 4, 2003

BY HAND
The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Re: CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company – Control and Operating Leases/Agreements – Conrail, Inc. and Consolidated Rail Corporation, STB Finance Docket No. 33388 (Sub-No. 94)

Dear Secretary Williams:

Enclosed, for filing in the above-captioned proceeding and subdocket, please find the original and ten copies of a Petition for Supplemental Order and supporting exhibits. Also enclosed are computer diskettes containing electronic copies of those documents. Please note that one of the exhibits to the enclosed Petition contains color images.

If you have questions concerning this filing, please contact one of the undersigned counsel.

Very truly yours,

G. Paul Moates
Paul A. Hemmersbaugh
Donald H. Smith

DC1 643028v1

CSX/NS-1

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388 (SUB-NO. 94)

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

PETITION FOR SUPPLEMENTAL ORDER

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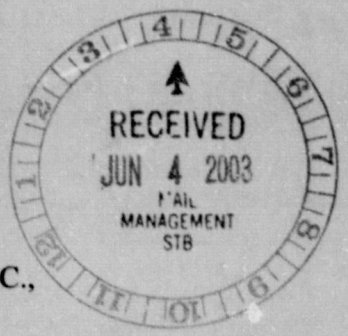
Of Counsel

Dated: June 4, 2003

CSX/NS-1

BEFORE THE
SURFACE TRANSPORTATION BOARD



STB FINANCE DOCKET NO. 33388 (SUB-NO. 94)

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

PETITION FOR SUPPLEMENTAL ORDER

Pursuant to 49 U.S.C. §§ 11323, 11324 and 11327, and Ordering Paragraph 6 of Decision No. 89, 3 S.T.B. 196, served July 23, 1998, in STB Finance Docket No. 33388 ("Decision No. 89"),[1] CSX Corporation ("CSXC"), CSX Transportation, Inc. ("CSXT"), Norfolk Southern Corporation ("NSC"), Norfolk Southern Railway Company ("NSR"), Conrail Inc. ("CRR"), and Consolidated Rail Corporation ("CRC") (collectively, "Petitioners"),[2] respectfully petition the Board for issuance of a supplemental order authorizing the consolidation of New York Central Lines LLC ("NYC") with CSX and of Pennsylvania Lines LLC ("PRR") with NS, including certain intermediate and related transactions, in order to effectuate the acquisition of

[1] Decision No. 89 was affirmed in *Erie-Niagara Rail Steering Committee v. STB*, 247 F.3d 437 (2d Cir. 2001). The transactions authorized in Decision No. 89 are collectively referred to herein as the "Conrail Transaction."

[2] CSXC, CSXT and other wholly owned affiliates of CSXC are collectively referred to herein as "CSX." NSC, NSR and other wholly owned affiliates of NSC are collectively referred to herein as "NS." CRR, CRC and other wholly owned affiliates of CRR are collectively referred to herein as "Conrail."

full ownership and control of the assets and business of NYC by CSX and of PRR by NS. CSX and NS are already authorized to control and manage NYC and PRR, respectively, and to operate their respective assets, pursuant to Decision No. 89. The transaction proposed here will extend the existing right of CSX and NS to control and operate NYC and PRR, respectively, to include full legal ownership of the properties and businesses of NYC and PRR.

The proposed transaction will not affect rail operations, service or competition generally, and will have no adverse impact on shippers, other rail carriers, or Petitioners' employees. None of Petitioners' employees will be dismissed or displaced as a result of the proposed transaction, and no changes are required to be made to existing labor agreements or to the compensation, benefits or working conditions of Petitioners' employees. Petitioners' employees now working on the railroad assets owned by NYC and PRR will continue to work for the same employers, and the labor agreements that now apply to these employees, and that will continue to apply, are the CSXT and NSR labor agreements.[3]

Petitioners anticipate that *New York Dock* employee protective conditions will be imposed in the requested supplemental order. The transaction, however, will not produce any employee impacts triggering the requirement for an implementing agreement under the provisions of *New York Dock*.

The proposed transaction simply will permit CSX and NS to acquire direct ownership and exclusive control of Conrail properties that they already own indirectly (through their joint ownership of Conrail), and that they are already authorized (pursuant to Decision No. 89) to operate and manage separately as part of their respective rail systems. If approved by the Board,

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[3] Eight non-contract employees of NYC now work on the NYC rail assets. After the transaction described in this Petition, these employees will become non-contract employees of a non-railroad affiliate of CSX.

the proposed transaction will, in practical effect, extend and make more effective the division of the Conrail "Allocated Assets" between CSX and NS previously approved in Decision No. 89. As a result of becoming the direct owners of NYC and PRR, CSX and NS will enjoy greater management control and independence over the assets of NYC and PRR, respectively.

The proposed transaction will preserve the existing rail operating structure in the Conrail "Shared Assets Areas" in North Jersey, South Jersey/Philadelphia and Detroit,[4] and will preserve the balanced competitive rail service in the eastern United States that resulted from the creation of the Shared Assets Areas and otherwise from the Conrail Transaction. It will, however, permit CSX and NS to achieve greater management control over the assets of NYC and PRR, respectively; eliminate the present situation in which CSX and NS pay operating fees on the former Conrail properties they each operate to an entity partially owned by the other; do away with the present procedure by which the fees payable by CSX and NS for the former Conrail properties they each operate are periodically adjusted based on current values; eliminate the time limits on CSX's and NS' contractual agreement to operate their respective "allocated" former Conrail routes and assets; improve the visibility of the financial reporting of CSX and NS by consolidating the financial results of NYC and PRR into CSX and NS, respectively; and remove other entangling provisions in order to enhance the ability of CSX and NS to manage their re-

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[4] The proposed transaction does not involve the "Shared Assets Areas" in North Jersey, South Jersey/Philadelphia and Detroit, and will have no effect on the competitive rail service provided by Conrail, CSXT and NSR in those areas. The proposed transfer of PRR to NS and of NYC to CSX will not entail any changes in the operations, ownership or management of the Shared Assets Areas previously approved by the Board. *See generally,* Decision No. 89, STB Fin. Doc. No. 33388. As CSX and NS continue their efforts to provide competitive rail service more efficiently and effectively in the Shared Assets Areas, however, opportunities to improve operational and managerial efficiency are likely to arise in a variety of contexts. The dynamic nature of the rail marketplace and the varying needs and demands of rail customers may require adjustments in rail operations and service in the future, but no such adjustments are being proposed now.

spective rail properties, thereby minimizing potential conflicts associated with indirect joint ownership.

BACKGROUND

A. The Conrail Transaction

The Conrail Transaction had the effect of bringing competitive rail service to many shippers in areas previously served by Conrail alone, and permitted CSXT and NSR to offer expanded efficient single-line service throughout the eastern and midwestern United States. As part of the Conrail Transaction, CRC's rail operating properties were divided, generally speaking, into three groups: (1) the "NYC Allocated Assets," consisting of properties reserved for exclusive operation and use by CSX (consisting principally of former New York Central rail lines, including lines running from New York/New Jersey through Albany and Buffalo to St. Louis, and from Albany to Boston, and certain owned and unencumbered rolling stock of Conrail); (2) the "PRR Allocated Assets," consisting of properties reserved for exclusive operation and use by NS (consisting principally of former Pennsylvania Railroad lines, including lines running from New York/New Jersey and Philadelphia through Pittsburgh and Cleveland to Chicago, and certain owned and unencumbered rolling stock of Conrail); and (3) the "Retained Assets," consisting primarily of the Shared Assets Areas, retained by Conrail and operated for the benefit of both CSX and NS, providing competitive rail service in North Jersey, South Jersey/Philadelphia and Detroit.[5]

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[5] CRC retained certain equipment encumbered by financing arrangements. The operation and control of this equipment were allocated to CSXT or NSR pursuant to equipment subleases and other operating agreements. *See* Decision No. 89, 3 S.T.B. at 224-25; Railroad Control Application ("Application"), CSX/NS-25, Vol. 8B at 38-41 (Transaction Agreement, § 2.6).

To effectuate this allocation of assets, CRC formed two separate, wholly owned limited-liability companies, NYC and PRR (collectively, the "LLCs"). CRC transferred to NYC ownership of the CRC railroad assets designated for CSX's exclusive use and operation (the NYC Allocated Assets), and transferred to PRR ownership of the CRC railroad assets designated for NS' exclusive use and operation (the PRR Allocated Assets). NYC entered into an Allocated Assets Operating Agreement with CSXT, granting CSXT the exclusive right to operate and use the assets of NYC, and PRR entered into a similar agreement with NSR, granting NSR the exclusive right to operate and use the PRR assets. Application, CSX/NS-25, Vol. 8B at 122 (form of NYC Operating Agreement), 160 (form of PRR Operating Agreement).

Under the terms of the Transaction Agreement and the LLC agreements establishing NYC and PRR, CSX has the right to manage NYC and to designate its officers and directors, and NS has the right to manage PRR and to designate its officers and directors. *See* Decision No. 89, 3 S.T.B. at 221; Application, CSX/NS-25, Vol. 8B at 50-51(Transaction Agreement, §§ 5.1-5.2); *id.* at 208-10 (Form of Limited Liability Company Agreement, § 5.1). Certain major decisions of NYC and PRR, however, were reserved to CRC, which can act in that respect only with the indirect approval of both CSX and NSC pursuant to their respective 50 percent voting interests in CRC's ultimate parent (CRR Holdings LLC). *Id.*[6]

The NYC and PRR Allocated Assets Operating Agreements have fixed terms of 25 years (with options for two subsequent renewal periods), and require return of the subject rail assets by CSXT to NYC and by NSR to PRR upon termination or expiration of the agreements. *See* Decision No. 89, 3 S.T.B. at 227. The agreements also provide that an Operating Fee

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[6] A diagram of the corporate structure of Conrail, CSX and NS resulting from the transactions approved in Decision No. 89, originally included in the Application, is reproduced as Exhibit 1 hereto. *See* Application, CSX/NS-18 at 9.

(analogous to rent) is to be paid by each operating railroad (CSXT and NSR) to its respective counterparty (NYC and PRR) quarterly. Every six years after June 1, 1999 (the "Split Date"), the Operating Fee is to be revalued and reset to the then-current "Fair Market Rental Value," defined as the rent that would be negotiated at arm's length between parties under no compulsion to lease. *See id.* at 31.

As a result of the original Conrail Transaction, ownership of the NYC and PRR Allocated Assets remains within the corporate structure of Conrail, while their operation and general day-to-day management is now conducted separately by CSXT and NSR.

B. STB Approval of the Conrail Transaction

In Decision No. 89, the Board authorized CSX and NS to acquire joint and common control of Conrail, and to allocate Conrail's rail assets between CSX and NS for their respective use and operation. The Board authorized the transfer of the Allocated Assets from CRC to NYC and PRR, and authorized CSX's and NS' joint *indirect* ownership and continued control of NYC and PRR (through their joint ownership of Conrail).[7] At that time, however, CSX and NS did not seek and the Board did not grant authorization for the *direct* ownership and exclusive control of NYC by CSX and of PRR by NS.

The Board also authorized CSXT and NSR to enter into the NYC and PRR Operating Agreements permitting their use and operation of the NYC and PRR Allocated Assets. Decision No. 89, 3 S.T.B. at 385-86 (Ordering Paragraphs 1, 7). The Board considered the fairness of the transaction to those stockholders who were forced to surrender their shares in the transac-

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[7] Authorization for the joint ownership and control of NYC and PRR by CSX and NS was necessary because NYC and PRR are themselves rail carriers, each of which owns rail operating assets (even though these assets are now operated by CSXT and NSR pursuant to the operating agreements approved by the Board). *See* Application, CSX/NS-18 at 90-93; Decision No. 89, 3 S.T.B. at 233-34.

tion, and considered the fixed charges resulting from the transaction, as well as any assumption of payment of fixed charges and any increase in fixed charges. *Id.* at 139. In the computation of fixed charges, the Board relied on the Applicants' *pro forma* presentations under which 42 percent of Conrail's fixed charges was ascribed to CSX and 58 percent was ascribed to NS. Application, CSX-NS-18, Vol. 1 at 128-203. The Board made affirmative findings with respect to the financial terms of the transaction, including the fixed charges assumed by or ascribed to CSX and NS. Decision No. 89, 3 S.T.B. at 371.

C. The Proposed Transaction

Petitioners now propose, and seek STB authorization, to transfer ownership of NYC and PRR, through a series of intermediate transactions, from Conrail to CSX and NS. The specific steps necessary to implement the proposed spin-off of NYC and PRR to CSX and NS, respectively, are described in detail in Exhibit 2 hereto, and are illustrated in the diagrams attached as Exhibit 3.

In brief, CRC currently owns 100 percent of the membership interests (analogous to corporate stock ownership) in the two LLCs (NYC and PRR). *See* Exhibit 1 (corporate chart depicting present ownership structure of Conrail as a result of the approved Conrail Transaction). As part of the proposed spin-off, CRC will transfer its membership interest in NYC to a newly created subsidiary corporation of CSXT ("NYC Newco"), and transfer its member interest in PRR to a newly created subsidiary corporation of NSR ("PRR Newco"). After a series of intermediate steps, NYC and PRR will be merged into NYC Newco and PRR Newco, respectively. Finally, NYC Newco will be merged into CSXT, and PRR Newco will be merged into NSR. As a result, the assets and business of NYC and PRR ultimately will be owned directly by CSXT and NSR, respectively. The proposed transaction is subject to a number of conditions, including

receipt of a ruling from the Internal Revenue Service that the transaction will qualify as a non-taxable disposition.

The proposed transfer of NYC to CSX and of PRR to NS will also require modifications of other agreements that the Board approved in connection with the Conrail Transaction. Because the assets of NYC and PRR will be separated from direct Conrail ownership and placed under the direct ownership and control of the railroads that now operate those assets, the NYC and PRR Allocated Assets Operating Agreements will be terminated. The proposed transaction will also require conforming changes in the Transaction Agreement. A form of the Distribution Agreement implementing the proposed transaction (including proposed revisions to the Transaction Agreement and termination of the NYC and PRR Allocated Assets Operating Agreements) is attached hereto as Exhibit 4.[8]

D. Effects of the Proposed Transaction on CSX, NS and Conrail

The effect of the proposed transfer will be to effectuate a permanent legal division of the Conrail Allocated Assets between CSX and NS, and to simplify the corporate structure of Conrail. Under the current corporate structure, CSX and NS directly operate and manage on a day-to-day basis their respective Allocated Assets pursuant to the NYC and PRR Operating Agreements, but their ownership of these properties is joint and indirect (through their joint ownership of Conrail). As a result of the proposed transaction, the NYC Allocated Assets currently operated by CSX will be brought under CSX's direct ownership and control, and the PRR

[8] Certain of the exhibits and schedules to the Distribution Agreement, including those identifying Conrail's existing debt obligations, will not be completed until shortly before the consummation of the proposed transaction, and therefore have been omitted from the form Distribution Agreement included as Exhibit 4 hereto.

Allocated Assets currently operated by NS will be brought under NS' direct ownership and control.

The proposed transaction will end Conrail's status as "landlord" to CSX and NS as to the rail lines and other Conrail properties allocated to them as "Allocated Assets." It will end the time limitations on their respective contractual agreements to operate those routes and assets. It also will end certain now unnecessary and undesirable features of the current corporate structure. As noted above, the present structure of the Conrail Transaction requires quarterly payments of an Operating Fee, analogous to rent, by CSXT to NYC and by NSR to PRR. NYC and PRR, of course, are owned entirely by CRC, which in turn is owned by CSX and NS on a fixed 42%/58% basis. Thus, in effect, CSX and NS share the rental payments received by NYC and PRR on a fixed percentage basis. The respective amounts of these rental payments for the operation of the NYC Allocated Assets and the PRR Allocated Assets were fixed prior to the Split Date through appraisal of the Fair Market Rental Value of the respective properties involved at that time. However, the rental values and rents then determined remain, under the existing governing agreements, in effect only for a period of six years from the Split Date. The rents payable are to be redetermined every six years, the first redetermination to be made in respect of the six-year period commencing June 1, 2005, on the basis of the then respective Fair Market Rental Values involved. Those values are to be determined as if the lessor and the lessee were under no compulsion to rent to or from the other. Successful management of the NYC and/or PRR Allocated Assets is likely to increase their value, resulting in increased rental payments by CSXT and/or NSR, in differing amounts, to the extent one carrier system is more successful than the other in enhancing the value of its respective Allocated Assets. The benefit of the increased rental payments, however, would not go entirely to the party responsible for the

successful management, but would be divided on a fixed percentage basis between CSX and NS. Although CSX and NS currently are endeavoring to manage and operate the NYC and PRR Allocated Assets efficiently, it would be preferable to alter the current corporate structure in order to establish more appropriate incentives for efficient management, as well as to avoid the costly and time-consuming process itself of establishing, every six years, the Fair Market Rental Values. The end of Conrail's "landlord" relationship with respect to the NYC and PRR Allocated Assets will help to alleviate these concerns.

The current corporate structure also causes financial inefficiency and presents a now unnecessary degree of entanglement between CSX and NS following the Split Date, a situation that has been exacerbated by changing conditions since 1999. Such entanglement and inefficiencies include the need for involvement by both CSX and NS in certain management activities such as the disposition of property. All of the day-to-day activities of the two railroads in the operations of the two sets of Allocated Assets, and a number of other activities, including most disposals of property, can be performed by the operating railroad itself (CSXT or NSR). But even with respect to those dispositions which currently may be authorized by the operating railroad itself, the Fair Market Value of the property disposed of is to be placed in an account that ultimately is for the respective benefit of CSX and NS in accordance with their 42%/58% ownership interests. It would be preferable to avoid this unnecessary entanglement if possible, and the proposed transaction would do so.[9]

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[9] Again, none of these concerns affects the Shared Assets Areas. The involvement of both CSX and NS in the management of the Shared Assets Areas, through the parties' joint ownership and governance of Conrail and through the Shared Assets Areas Operating Agreements and other governing agreements, is an intrinsic and necessary element of the Shared Assets Areas. The transaction proposed here will not affect the ownership structure of or rail operations within the Shared Assets Areas. *See* note 4 above.

The proposed transaction will eliminate the foregoing concerns. Not only will there be no adverse effect on the public interest, but the removal of the concerns, and the additional management freedom provided to the two railroads, will have a positive effect on operations and on the public interest. Thus, the proposed transaction will provide disentanglement of CSX and NS from unnecessary involvement in each other's Allocated Assets operations and management, and promote the procompetitive outcome of the original transaction.

E. Effect of Proposed Transaction on Employees

The proposed transaction will have no adverse impact on Petitioners' employees. None of Petitioners' employees will be dismissed or displaced as a result of the proposed transaction, and no changes are required to be made to existing labor agreements or to the compensation, benefits or working conditions of Petitioners' employees. Petitioners' employees now working on the railroad assets owned by NYC and PRR will continue to work for the same employers, and the labor agreements that now apply to these employees, and that will continue to apply, are the CSXT and NSR labor agreements.

Although Petitioners anticipate that the *New York Dock* conditions will be imposed on all aspects of the proposed transaction, the transaction will not produce any employee impacts triggering the Article I, Section 4 implementing agreement requirements or other provisions of *New York Dock*.

Consummation of the proposed transaction merely will bring the Petitioners' corporate structures more directly in line with the operational integration achieved under the authority conferred in Decision No. 89. Pursuant to the *New York Dock* conditions imposed in Decision No. 89, CSX and NS already are subject to implementing agreements governing their operational integration of the NYC Allocated Assets and PRR Allocated Assets, respectively.

No changes will be required in those agreements or in any other agreements between Petitioners and their employees.

F. Effects of Proposed Transaction on Other Parties

The proposed transfer of ownership and merger of NYC to and with CSXT and of PRR to and with NSR will not affect rail operations or service, either in the Allocated Assets areas or elsewhere. Thus, the proposed transaction will have no adverse effect on shippers. The proposed transaction will preserve the current competitive balance between CSX and NS, and enhance the efficiency and competitive independence of their rail operations. It will have no effect on any other rail carrier, and will enhance rail competition generally.

G. The Proposed Restructuring of Conrail Debt

Although CSX and NS are individually responsible for payment of new liabilities attributable to their operation of the NYC and PRR Allocated Assets accruing from the Closing Date forward, most of Conrail's preexisting debt and equipment lease obligations (*i.e.*, those that were in existence as of June 1, 1999, the "Split" Date) remained with Conrail. *See* Decision No. 89, 3 S.T.B. at 230. These preexisting obligations include certain unsecured debentures issued by Conrail, a number of obligations that are secured, in various forms, by a first-priority lien on certain items of equipment owned by or leased to Conrail, and certain long-term finance leases of equipment.[10] Some of the agreements underlying these preexisting unsecured debentures and secured debt obligations contain provisions requiring the consents of various parties (or of a

[10] For simplicity, all of Conrail's preexisting equipment obligations, including secured debt and long-term finance leases, are hereinafter referred to as "secured debt" or "secured debt obligations," and such secured debt and Conrail's preexisting unsecured debentures are hereinafter referred to as its "debt obligations." Participants in long-term equipment leases, whether as equity or debt, are likewise included in the terms "holders" and "debtholders."

majority of certain classes of debtholders) for certain corporate transactions. Most of these agreements require such consents in connection with the proposed transfer of NYC to CSX and of PRR to NS. Because the proposed transaction will transfer the major portion of Conrail's assets -- its membership interests in NYC and PRR -- out of Conrail's ownership, Petitioners considered a number of alternative approaches, including the use of keepwell agreements, to assure that holders of Conrail's existing debt obligations (and the credit ratings of Conrail's debt obligations) will not be adversely affected by the proposed transaction and, to the extent required, to secure the consents of existing Conrail debtholders to the proposed transaction. Petitioners concluded that guarantees and/or assumptions by CSXT and NSR would be the most desirable alternative for the holders of Conrail's existing debt obligations, and accordingly, have included such guarantees and/or assumptions in their proposal. A more detailed description of the Petitioners' proposal, including the exchange of Conrail's existing unsecured debentures for new NYC Newco and PRR Newco debentures (unconditionally guaranteed by CSXT and NSR, respectively), is set forth in Exhibit 2. This proposal, referred to as the "debt restructuring," will be accomplished either with the consent of the holders of the relevant debt obligations, or pursuant to the Board's authority under 49 U.S.C. § 11321(a).

Petitioners believe that the debt ratings of the new NYC Newco and PRR Newco unsecured debentures, and the Conrail secured debt obligations, will be at least equal to that of the present corresponding CRC debt obligations. The leading corporate debt rating services, Moody's Investors Service and Standard & Poor's, have reviewed the form and structure of the proposed transaction and debt restructuring. *See* Exhibits 5 & 6. These rating services have determined that the debt ratings assigned to the debt obligations to be offered by NYC Newco and PRR Newco (in exchange for Conrail's current unsecured debt obligations) will be at least equal

to Conrail's current debt ratings for those unsecured obligations, and that the debt ratings of Conrail's current public secured debt obligations will not be reduced as a consequence of the proposed transaction. *Id.*

Petitioners intend to approach the holders of Conrail's outstanding debt obligations to secure their consents to the proposed transaction. Because any issues involving the Conrail debtholders' consents may be resolved consensually (consistent with the Board's established policy favoring private resolution of disputes where possible), Petitioners are *not* requesting that the Board undertake detailed review of issues related to the consents at this time. Petitioners would prefer that these issues be resolved through negotiation, as contemplated by the various indentures and other governing instruments for the debt obligations. Accordingly, Petitioners respectfully request that the Board defer consideration of these issues while reviewing and approving the underlying aspects of the proposed spin-off. If the parties are unable to resolve any potential issues regarding the debtholders' consents through negotiations, Petitioners will propose further proceedings to resolve any such issues before the Board on the basis that, as Petitioners will show, the treatment of the Conrail debtholders under the terms of the proposed transaction is fair, just and reasonable. *See Schwabacher v. United States*, 334 U.S. 182 (1947).

REASONS FOR GRANTING THE PETITION

The original Conrail Transaction, as approved by the Board in Decision No. 89, was clearly pro-competitive and affirmatively advanced the public interest. The transaction proposed here will further advance the pro-competitive outcomes discussed in Decision No. 89. Issuance of the requested supplemental order is necessary in order to permit Petitioners to carry out the previously authorized Conrail Transaction more effectively and efficiently and to comply

with Ordering Paragraph 6. The proposed transaction is clearly in the public interest, and should be approved.

I. STATUTORY AUTHORITY FOR ISSUANCE OF THE REQUESTED SUPPLEMENTAL ORDER

The Board has statutory authority to issue supplemental orders in rail merger and consolidation cases pursuant to 49 U.S.C. § 11327. The statute provides: "When cause exists, the Board may make appropriate orders supplemental to an order made in a proceeding under sections 11322 through 11326 of this title."

The Board has exercised its authority under Section 11327 in several recent proceedings. *See* STB Finance Docket No. 34000, *Canadian National Ry., et al. – Control – Wisconsin Central Transp. Corp., et al.* (served Sept. 7, 2001), *citing* STB Finance Docket No. 33431, *Coach USA, Inc., et al. – Control and Merger Exemption – Gray Line Tours of Southern Nevada* (served Aug. 29, 2001) (addressing issue that arose two years after approval of common control); STB Finance Docket No. 32980, *Mexrail, Inc. v. Union Pacific Railroad Co.* (served July 13, 2000) (invoking Section 11327 in establishing compensation terms for use of joint facility originally approved in 1951).[11]

The Board has broad authority to issue supplemental orders clarifying or modifying prior orders when requested by the carriers involved in a previously approved transaction. *See Norfolk & W. Ry. Co. & New York, C. & St. L.R. Co. Merger*, 347 I.C.C. 506, 514 (1974)

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[11] *See also* STB Service Order No. 1518 (Sub-No. 1), *Joint Petition for a Further Service Order* (served July 31, 1998) (invoking Section 11327 in imposing additional 45-day "winding-down" period for emergency service order); STB Finance Docket No. 32760 (Sub-No. 21), *Union Pacific Corp. -- Control & Merger -- Southern Pacific Rail Corp.*, 2 S.T.B. 251, slip op. at 3 n.3 (served May 7, 1997) (invoking Section 11327, as well as merger oversight condition, in instituting merger oversight proceeding); STB Docket No. AB-446 (Sub-No. 2), *Denver Terminal R. Co. -- Adverse Discontinuance -- In Denver, CO* (served January 9, 1997) (noting authority under Section 11327 to set terms and conditions for continued trackage rights operations).

("*Nickel Plate I*") (upon request of railroad trustees, considering modification of employee protective conditions imposed in prior order). In the *Nickel Plate I* case, the ICC stated that its authority to issue supplemental orders and to suspend or modify prior orders under a predecessor statute (former 49 U.S.C. § 5(9)) "necessarily grants the continuing jurisdiction to reopen proceedings due to changed circumstances, matters related to the overall public interest, or any other reason we deem appropriate." *Id.*; *see Penn-Central Merger Cases*, 389 U.S. 486, 522 n.11 (1968) (noting ICC's authority to issue supplemental orders under former 49 U.S.C. § 5(9)). [12]

Petitioners believe the proposed transaction is the type of transaction contemplated by the Board in Decision No. 89, Ordering Paragraph 6, which provides that "[n]o change or modification shall be made in the terms and conditions approved in the authorized application without the prior approval of the Board." 3 S.T.B. at 385. Although the eventual transfer of ownership of NYC and PRR from Conrail to CSX and NS was expressly contemplated as part of

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[12] When the carriers involved do not request or consent to a proposed change in the terms of a previously approved transaction, the Board's authority is more limited. *See Norfolk & W. Ry. Co. and New York, C. & St. L.R. Co. Merger*, 363 I.C.C. 270, 280 (1980) ("*Nickel Plate II*"). In *Nickel Plate II*, the ICC stated, "we do not have the power to order substantive alteration, as opposed to a clarification, of the terms of a prior decision, in the absence of good cause...." *Id.*; *Illinois v. ICC*, 713 F.2d 305 (7th Cir. 1983) (same). *See also Chesapeake & O. Ry. Co. v. United States*, 571 F. 2d 1190 (D.C. Cir. 1977) (ICC had authority to issue supplemental order under former 49 U.S.C. § 5(9) clarifying ambiguity in prior order issued 11 years before); *Wisconsin Central Transp. Corp. -- Continuance In Control -- Fox Valley & Western Ltd.*, 9 I.C.C.2d 233 (1992) (noting continuing jurisdiction under former 49 U.S.C. § 11351 to enter supplemental orders); *Atchison, Topeka & Santa Fe Ry. Co. -- Operating Agreement -- Southern Pacific Transp. Co.*, 8 I.C.C.2d 297 (1992) (relying in part on former Section 11351 to reopen proceeding and reconsider terms of trackage rights agreement, based on both good cause and changed circumstances); ICC Finance Docket No. 31505, *Rio Grande Industries, Inc. -- Purchase & Related Trackage Rights -- Soo Line R. Co. Line Between Kansas City, MO And Chicago, IL* (decision dated November 13, 1989) (declining to rely on former Section 11351 to alter terms of trackage rights agreements without consent of all carriers involved); ICC Finance Docket No. 30000 (Sub-No. 1), *Union Pacific Corp. -- Control -- Western Pacific* (served Feb. 12, 1987), *aff'd sub nom. Western Pacific Stockholders' Protective Committee v. ICC*, 848 F.2d

(continued...)

the larger transaction previously approved in Decision No. 89, it was not formally proposed by the Applicants or approved in the Board's prior decision. *See* Application, CSX/NS-25, Vol. 8B at 61-62 (Transaction Agreement § 8.9(a)). Therefore, issuance of a supplemental order under 49 U.S.C. § 11327 authorizing the proposed transfer of ownership of NYC and PRR from Conrail to CSX and NS, respectively, and merger of NYC and PRR with and into CSXT and NSR, respectively, is appropriate in order to ensure compliance with Ordering Paragraph 6, and to confirm that CSX and NS are fully authorized to carry out the proposed transaction under 49 U.S.C. §§ 11323-11324.

II. JUSTIFICATION FOR THE REQUESTED SUPPLEMENTAL ORDER

The proposed transfer of ownership of NYC and PRR to, and their merger with and into CSXT and NSR, respectively, are necessary in order to permit CSX and NS to carry out the transaction approved in Decision No. 89 more effectively and completely. The proposed transaction is consistent with, and will affirmatively advance, the public interest. These circumstances constitute good cause for the issuance of a supplemental order.

A. The Proposed Transaction is Necessary to Carry Out the Conrail Transaction More Effectively and Completely.

The proposed transaction is consistent with the goals, purposes and public interest justifications of the original Conrail Transaction as approved by the Board. The proposed transaction will authorize CSX's and NS' direct and undivided ownership and independent operation of the Conrail properties that they are now respectively authorized to control and operate. Direct ownership of these properties will enable CSX and NS to eliminate inefficiencies in the current

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1301 (DC Cir. 1988) (denying request of dissenting shareholders for supplemental order under former Section 11351).

corporate structure, and to operate the Allocated Assets with the same freedom and efficiency as the rest of their respective systems, maintaining balanced competition throughout the eastern United States. The previously described concerns as to time limitations on operations, alterations in rental fees, and upstream payments upon dispositions of inefficient or otherwise unwanted properties, will be removed.

Issuance of the requested supplemental order is particularly appropriate because the proposed transfer is analogous to a transaction within a corporate family. The Board has already adopted a class exemption for intra-corporate family transactions, finding that regulation of such transactions is not necessary to protect shippers from the abuse of market power, or to carry out the national rail transportation policy. *See* 49 C.F.R. 1180.2(d)(3). A similar conclusion could be reached in this case. CSX is already specifically authorized to exercise day-to-day control over NYC, and NS is authorized to exercise similar control over PRR. Decision No. 89, 3 S.T.B. at 221. Therefore, the proposed transaction will not significantly alter the control relationships between CSX and NYC, and between NS and PRR, as approved and authorized by the Board in Decision No. 89.[13] Indeed, because CSX and NS already have authority to exercise full control of NYC and PRR, the only practical effect of the proposed transaction would be to eliminate CSX's indirect involvement in major corporate actions affecting the PRR Allocated Assets and NS' equivalent role in major corporate actions affecting the NYC Allocated Assets.

The policy underlying the intra-corporate family class exemption certainly applies to the proposed transfer because it will not adversely affect shippers or other rail carriers. Thus,

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[13] The Board recognized that CRC, NYC, and PRR will not be part of a "single system" of rail carriers, but noted that Conrail's continuing ownership of NYC and PRR, and its continuing control over certain major actions concerning them, will result in an "ongoing common control

(continued...)

detailed regulatory scrutiny of the proposed transfer is not necessary, and would serve no purpose. Nonetheless, the literal terms of the intra-corporate family class exemption cannot be applied to the proposed transfer, because CSX and NS are not members of a conventional corporate family (even though they are authorized to exercise joint and common control over Conrail, and to exercise day-to-day control over NYC and PRR, respectively).[14] The proposed transaction will break some "family ties" that should be broken, while preserving the Shared Assets Areas. Therefore, in light of the unique factual circumstances of this case, Petitioners respectfully request issuance of a supplemental order authorizing the proposed transfer under 49 U.S.C. §§ 11323-11327.

In the original Conrail Transaction, as noted above, authorization for the joint ownership and control of NYC and PRR by CSX and NS was necessary because NYC and PRR are themselves rail carriers, each of which owns rail operating assets. In the proposed transaction, CSX and NS seek similar authorization for their acquisition of sole control of NYC and PRR, respectively, and for the contemplated mergers involving NYC, NYC Newco and CSXT, and PRR, PRR Newco and NSR. Petitioners respectfully request that the Board find that CRC will continue to be a rail common carrier under 49 U.S.C. § 10102(5) after the completion of the proposed transaction. *See* Decision No. 89, 3 S.T.B. at 374 (making similar finding regarding CRC).

(...continued)
relationship" involving CSXC, NSC, and CRR, and the subsidiaries of each. Decision No. 89, 3 S.T.B. at 235.

[14] As the Board is well aware, CSX and NS are vigorous competitors even though, given the unique nature of the Conrail Transaction, they necessarily cooperate in numerous areas.

B. No Environmental or Historic Review Is Required.

As noted above, the proposed transfer does not involve any changes in rail operations or service to shippers. Therefore, no environmental documentation is required in the Board's consideration of the proposed transfer. 49 C.F.R. § 1105.6(c)(2)(ii) (environmental documentation not required for transactions that do not result in significant changes in carrier operations, including those involving corporate changes such as change in ownership). Similarly, no Historic Report is required. 49 C.F.R. § 1105.8(b)(2) (Historic Report not required for "sale, lease, or transfer of property between corporate affiliates" without significant change in operations).

C. The Proposed Transaction Will Have No Adverse Impact on Any Interested Party, Including the Holders of Conrail's Debt Obligations.

As described above, the proposed transaction will not affect rail operations or service, whether involving the NYC and PRR Allocated Assets or otherwise, and will have no adverse effect on shippers. The proposed transaction will have no adverse effect on Petitioners' employees, and will not affect the current competitive balance between or among CSX, NS or any other rail carrier.

The proposed transaction will require a restructuring of Conrail's current debt. As indicated previously, the ratings provided by Moody's Investors Service and Standard & Poor's for the Conrail secured debt obligations will not be reduced as a result of the proposed transaction (*see* Exhibits 5 & 6), and post-exchange, unsecured debtholders will own a package of securities, 42 percent of which will continue to be rated at CSX's rating (which was Conrail's rating prior to the Split Date) and 58 percent of which will be rated at the NS rating.

The debt restructuring follows the pattern described in the original Conrail control Application, and in Decision No. 89. In that proceeding, CSX and NS were authorized by the

Board to bear the economic burden of the CRC debt in the ratio of 42 percent to 58 percent, respectively. In practice, Conrail's debt obligations remained in place, but in the case of any failure of Conrail's income to service them, the provisions of Section 4.3 of the Transaction Agreement, approved by the Board, stood behind them. Application, CSX/NS-25, Vol. 8B at 49. The intent and operation of that provision was "that the economic burden of the Corporate Level Liabilities [of Conrail] will be borne, directly or indirectly, by CSX or NSC in accordance with their respective Percentage [*i.e.*, 42%/58%]." *Id.*[15] The debt restructuring will follow that model by exchanging, in that ratio, NYC Newco debentures guaranteed by CSXT and PRR Newco debentures guaranteed by NSR, for the Conrail unsecured debt securities, and by providing, in addition to their existing security, assumptions by CSXT and NSR, in that same ratio with respect to the subleases supporting the Conrail secured debt. The Conrail debtholders will either keep their existing securities (in the case of the secured debt obligations) or have an option to acquire new securities guaranteed by CSXT and NSR respectively, with the same maturity dates, principal and interest payment dates and interest rates which they previously had. In addition, NYC Newco's and PRR Newco's unsecured debentures will have covenant packages substantially similar to those of the publicly traded unsecured debentures of CSX and NS respectively. Thus, the proposed debt restructuring follows the existing pattern approved by the Board, and is consistent with the public interest.[16]

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[15] In this regard it should be noted that the proposed transaction will not amend Section 4.3 of the Transaction Agreement which provides for support by CSX and NS *pro rata* to their ownership interests in Conrail with respect to Conrail's Retained Liabilities and ongoing expenses and obligations. It will remain in effect as to all of those remaining Retained Liabilities and obligations of Conrail.

[16] In the original Conrail Transaction, the Applicants submitted *pro forma* financial presentations under which 42 percent of Conrail's fixed charges were ascribed to CSX and 58 percent were ascribed to NS. Application, Vol. 1, CSX/NS-18 at 128-203. The Board relied on these *pro*

(continued...)

As noted above, Petitioners intend to approach the holders of Conrail's outstanding debt obligations in order to secure their consents to the proposed transaction and the proposed debt restructuring. Petitioners believe that any issues related to the debtholders' consents may be resolved through privately negotiated, consensual agreements, and that it may be unnecessary for the Board to review and address any such issues. In the event that the parties are unable to reach a privately negotiated resolution of these issues, however, Petitioners will propose further proceedings to resolve these issues before the Board, on the basis that Petitioners will show that the treatment of the Conrail debtholders under the terms of the proposed transaction is fair, just and reasonable. Based on this showing, Petitioners will seek a ruling from the Board confirming that the exemption "from all other law" (including contractual restrictions) under 49 U.S.C. § 11321(a) will permit consummation of the proposed transaction without the consent of the holders of Conrail's outstanding debt obligations, and that immunity under Section 11321(a) from contractual consent requirements related to Conrail's outstanding debt obligations is necessary in order to permit Petitioners to carry out the transaction. *See, e.g.*, Decision No. 89, 3 S.T.B. at 386-87 (Ordering Paragraphs 9-10) (*inter alia*, authorizing CSXT and NSR to operate the Allocated Assets notwithstanding any provision in any agreement purporting to limit or prohibit CRC's assignment of its rights to use, operate, perform, and enjoy such assets).[17]

(...continued)
forma presentations in reviewing and approving the financial terms of the Conrail Transaction, including fixed charges. *See* Decision No. 89, 3 S.T.B. at 338-42, 563-66. In the proposed transaction, as described above, the economic burden of Conrail's existing debt will be distributed to CSX and NS in the same proportion (42%/58%). Thus, the *pro forma* presentations previously submitted by the Applicants and relied on by the Board in Decision No. 89 will continue to represent accurately the fixed charges that will be attributable to CSX and NS after completion of the proposed transaction.

[17] Petitioners submit that the information submitted herewith concerning the securities to be issued, the guarantees to be provided, and the corporate structure of Conrail, NYC Newco, PRR
(continued...)

In accordance with a procedural schedule to be established by the Board (as described below), Petitioners respectfully request that the Board issue a decision finding the proposed transaction to be consistent with the public interest, and authorizing it, subject to a condition requiring Petitioners to resolve any issues pertaining to the debtholders' consents through negotiations, or in the alternative, to propose further proceedings to resolve any such issues before the Board.

III. PROPOSED PROCEDURAL SCHEDULE

In order to provide for the orderly and expeditious processing of this matter, Petitioners respectfully request that the Board adopt a procedural schedule providing for the publication of notice and an opportunity for comments by interested parties, and for reply by the Petitioners. Specifically, Petitioners request that the Board promptly publish notice of this petition in the *Federal Register* and prescribe the following schedule for public comment:

Day 0	Notice of petition for supplemental order published in *Federal Register*.
Day 30	Comments of interested parties due.
Day 60	Petitioners' Reply due.

Petitioners respectfully request that the Board issue its decision within 45 days after completion of the procedural schedule, if possible, or as expeditiously as circumstances may permit. *Cf.* 49 C.F.R. § 1180.4(e)(3)(iii) (decisions regarding minor transactions to be issued within 45 days after completion of evidentiary proceeding).

(...continued)
Newco, CSX, and NS, giving effect to the transaction, is sufficient to allow the Board to make a determination of the transaction's consistency with the public interest and to authorize the transaction, subject to a condition requiring Petitioners to resolve any issues pertaining to the debtholders' consents consensually or through further proceedings before the Board.

CONCLUSION

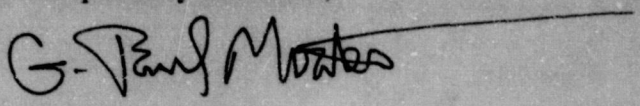
For the foregoing reasons, Petitioners respectfully request:

1. That the Board adopt a procedural schedule providing for the publication of notice and an opportunity for comment on the proposed transaction as described herein;

2. That, following the receipt of written comments submitted pursuant to the procedural schedule, the Board issue a supplemental order finding the proposed transaction to be consistent with the public interest, and authorizing it pursuant to 49 U.S.C. §§ 11321-11327, subject to a condition requiring Petitioners to resolve through negotiations any issues pertaining to the Conrail debtholders' required consents, or in the alternative, to propose further proceedings before the Board to determine whether the treatment of the Conrail debtholders under the terms of the proposed transaction is fair, just and reasonable; and

3. That the Board find that CRC will remain a rail common carrier following the consummation of the proposed transaction described herein.

Respectfully submitted,



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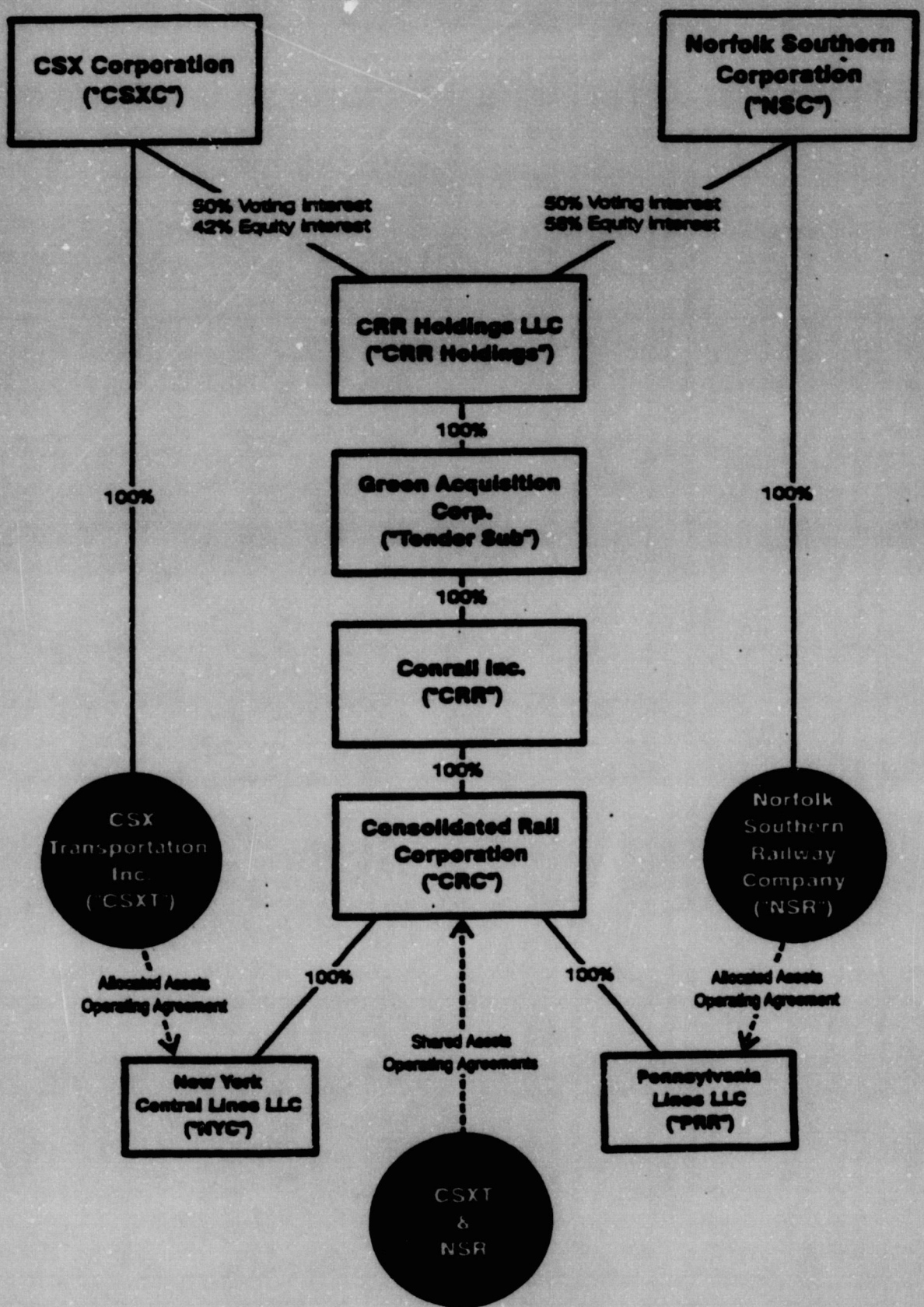
(202) 736-8000

Of Counsel

Dated: June 4, 2003

Exhibit 1*

**Original was exhibit to initial Control Application (CSX/NS 18 at 9) in Finance Docket No. 33388*



DETAILED DESCRIPTIONS OF PROPOSED TRANSACTION AND DEBT RESTRUCTURING

This Exhibit describes the proposed transaction and debt restructuring referenced in the accompanying Petition for Supplemental Order ("Petition"). Petitioners and their affiliates are referred to using the abbreviations set forth in the Petition.

I. proposed consolidation of NYC WITH CSX and prr with ns

Petitioners will carry out the proposed transaction pursuant to a Distribution Agreement (the form of which is attached as Exhibit 4). Subject to the parties' receipt of an appropriate ruling from the IRS that the transaction will qualify for tax-free treatment, Petitioners anticipate completing the transaction in the following series of consecutive steps, occurring at approximately the same point in time (also depicted in the diagrams attached as Exhibit 3 to the Petition):

1. CSXT will create a new wholly owned subsidiary corporation (NYC Newco), and NSR will create a similar subsidiary corporation (PRR Newco) to effectuate the spin-off.[1]

2. CRC will transfer its membership interest in NYC to NYC Newco in exchange for NYC Newco's issuance to CRC of common stock sufficient to provide CRC 99.9 percent of the then-outstanding common stock of NYC Newco, and CRC will transfer its membership interest in PRR to

[1] CSXT and NSR will create these new subsidiary corporations before the consummation of the proposed transaction. The names "NYC Newco" and "PRR Newco" are illustrative, and are used herein only for purposes of describing the anticipated structure of the proposed transaction; the newly created corporations may have different names, but will have the same assets, attributes, and functions.

PRR Newco in exchange for PRR Newco's issuance to CRC of common stock sufficient to provide CRC 99.9 percent of the then-outstanding common stock of PRR Newco. As a result of this step in the proposed transaction, CRC will own 99.9 percent of the common stock of and will control NYC Newco (which will wholly own and control NYC), and will own 99.9 percent of the common stock of and will control PRR Newco (which will wholly own and control PRR).

3. The stock of NYC Newco will be transferred successively up the Conrail corporate family ladder from CRC to CRR, from CRR to Green Acquisition Corp., and from Green Acquisition Corp. to CRR Holdings LLC. CRR Holdings LLC will then transfer the NYC Newco stock to CSX Rail Holding Corporation ("CSX Rail") and CSX Northeast Holding Corporation ("CSX Northeast"), both of which are wholly owned subsidiaries of CSXC. CSX Rail and CSX Northeast will transfer the NYC Newco stock to CSXC, which will then transfer it to CSXT. Similarly, the stock of PRR Newco will be transferred successively from CRC to CRR to Green Acquisition Corp. to CRR Holdings LLC and then, successively, to NSC and NSR. As a result of this step in the transaction, CSXT will wholly own and control NYC Newco (which will wholly own and control NYC) and NSR will wholly own and control PRR Newco (which will wholly own and control PRR).[2]

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[2] Shortly before closing, the parties will obtain an independent valuation of NYC and PRR by an investment banking firm. If the respective fair market values of NYC and PRR are not equal to 42%/58% of their combined value at the time of closing, the parties will seek to agree on steps to

4. NYC will be merged with and into NYC Newco, with NYC Newco as the surviving company, and PRR will be merged with and into PRR Newco, with PRR Newco as the surviving company. As a result of this step in the transaction, the business, assets and operations of NYC will reside in a wholly owned subsidiary of CSXT (NYC Newco) and the business, assets and operations of PRR will reside in a wholly owned subsidiary of NSR (PRR Newco).

5. NYC Newco will be merged with and into CSXT and PRR Newco will be merged with and into NSR, thereby completing the consolidation of NYC's business, assets and operations within CSXT and of PRR's business, assets and operations within NSR.

I. proposed debt restructuring

The proposed debt restructuring will be accomplished as follows:

1. With respect to Conrail's preexisting unsecured debt, CSX and NS will cause NYC Newco and PRR Newco, respectively, to issue their own debt securities that will be offered in a tax-free exchange, through a series of consecutive steps occurring at approximately the same point in time, for the existing unsecured debt of CRC. The new debt securities offered by NYC Newco and PRR Newco will have the same maturity dates, principal and interest payment dates and interest rates as those of the respective issues of CRC unsecured debentures. The new debt securities offered by

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resolve this disparity. Unlike the periodic revaluation required under the current corporate structure, this valuation will be conducted only once, and any resulting adjustment (referred to as the "True Up") will be consummated on the closing date of the proposed transaction.

NYC Newco will be fully and unconditionally guaranteed by CSXT, and the new debt securities offered by PRR Newco will be fully and unconditionally guaranteed by NSR. NYC Newco and PRR Newco will issue debt securities in a combined aggregate principal amount equal to the aggregate principal amount of CRC's unsecured debentures to be tendered (by the holders of CRC's debentures) in the proposed exchange offer. These NYC Newco and PRR Newco debt securities will be issued (in a series of consecutive steps occurring at approximately the same time) to the holders of CRC's unsecured debentures who elect to exchange their existing CRC debentures for the newly issued NYC Newco and PRR Newco debt securities (with NYC Newco becoming the new obligor for securities equal to 42 percent and PRR Newco becoming the new obligor for securities equal to 58 percent of each CRC unsecured debenture tendered in the exchange offer). A condition of acceptance of the exchange will be the grant by the exchanging bondholder of a consent that allows the proposed transaction to go forward, including the issuance of the securities contemplated by the proposed transaction, and the termination of most of the restrictive covenants contained in the indenture under which Conrail issued its unsecured debentures (the "Unsecured Indenture"). The exchanged Conrail debentures will be cancelled. The exchange offer will include a customary "exit" consent solicitation which will permit the transfer of ownership of NYC and PRR and the other elements of the proposed transaction as described above. Given the

voluntary nature of the exchange offer, some debtholders may choose not to exchange their existing unsecured CRC debentures for the new NYC Newco and PRR Newco debentures. In that event, these debtholders would continue to hold their existing unsecured CRC debentures, without most of the original covenants.

2. With respect to Conrail's secured equipment financing agreements, all of these secured debt obligations will remain obligations of Conrail. CRC will sublease approximately 42 percent of its encumbered equipment to NYC Newco and approximately 58 percent of its encumbered equipment to PRR Newco, respectively.[3] The sublease obligations of NYC Newco and PRR Newco will be assumed by CSXT and NSR respectively in connection with the proposed transaction upon merger of the Newcos into CSXT and NSR.

In all of Conrail's secured equipment financings, holders of Conrail's secured debt instruments are entitled to the benefit of Section 1168 of the Bankruptcy Code (11 U.S.C. § 1168), which provides certain protections to creditors under railroad equipment leasing and financing arrangements. In order to preserve the existing protections that Conrail's secured

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[3] NYC Newco and PRR Newco will utilize a grantor trust structure for certain equipment secured by financing agreements entered into prior to October 1994 (in order to preserve for the secured parties to such financing agreements the benefits of Section 1168, as in effect prior to its amendment on that date). Under this structure, Conrail will sublease the relevant equipment to PRR Newco and NYC Newco under capital leases for tax purposes. PRR Newco and NYC Newco will create bankruptcy-remote grantor trusts and transfer their rights and obligations under the capital leases to their respective grantor trusts. The trusts then will sublease the relevant equipment to NSR and CSXT under true leases for tax purposes, and assign payments under those subleases to Conrail. After NYC Newco and PRR Newco are distributed to CSXT and NSR, but before being merged into CSXT and NSR, NYC Newco and PRR Newco each

debtholders enjoy under Section 1168, all of the subleases described above will provide, among other things, that: (1) any such sublease will be junior and subordinate to the controlling agreement and the holders of CRC's secured debt; (2) the sublessee, upon default by CRC under the controlling agreement, will surrender possession of the equipment in accordance with the terms of the controlling agreement; and (3) each sublessee in possession of equipment will be a railroad against which Section 1168 protection would be available.

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would transfer the beneficial interest in its grantor trust to a corporation that is a subsidiary of CSX and NS, respectively, other than CSXT and NSR.

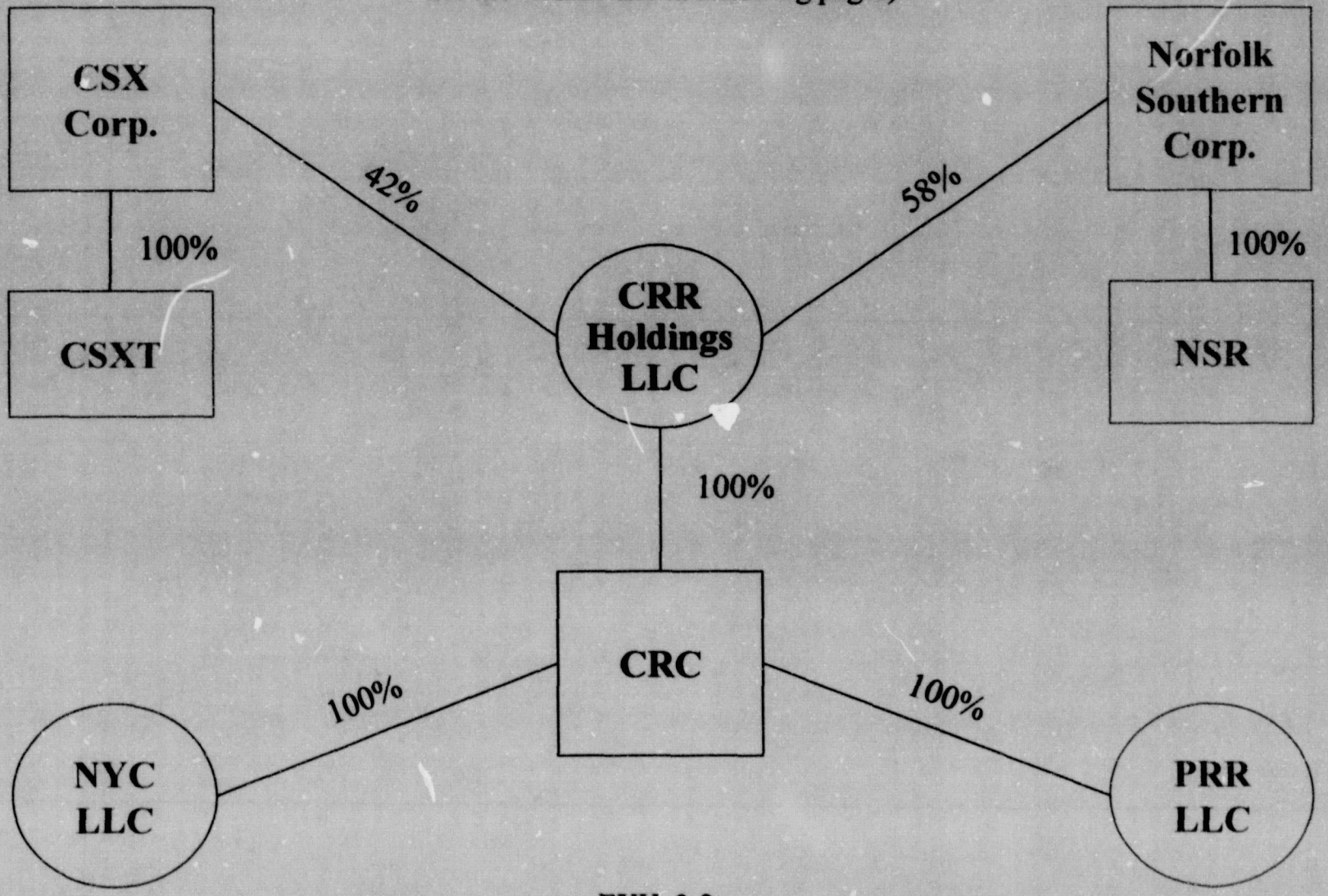
STB Finance Docket No. 33388
(Sub-No. 94)

Exhibit 3
Transaction Overview

June 4, 2003

Current Structure

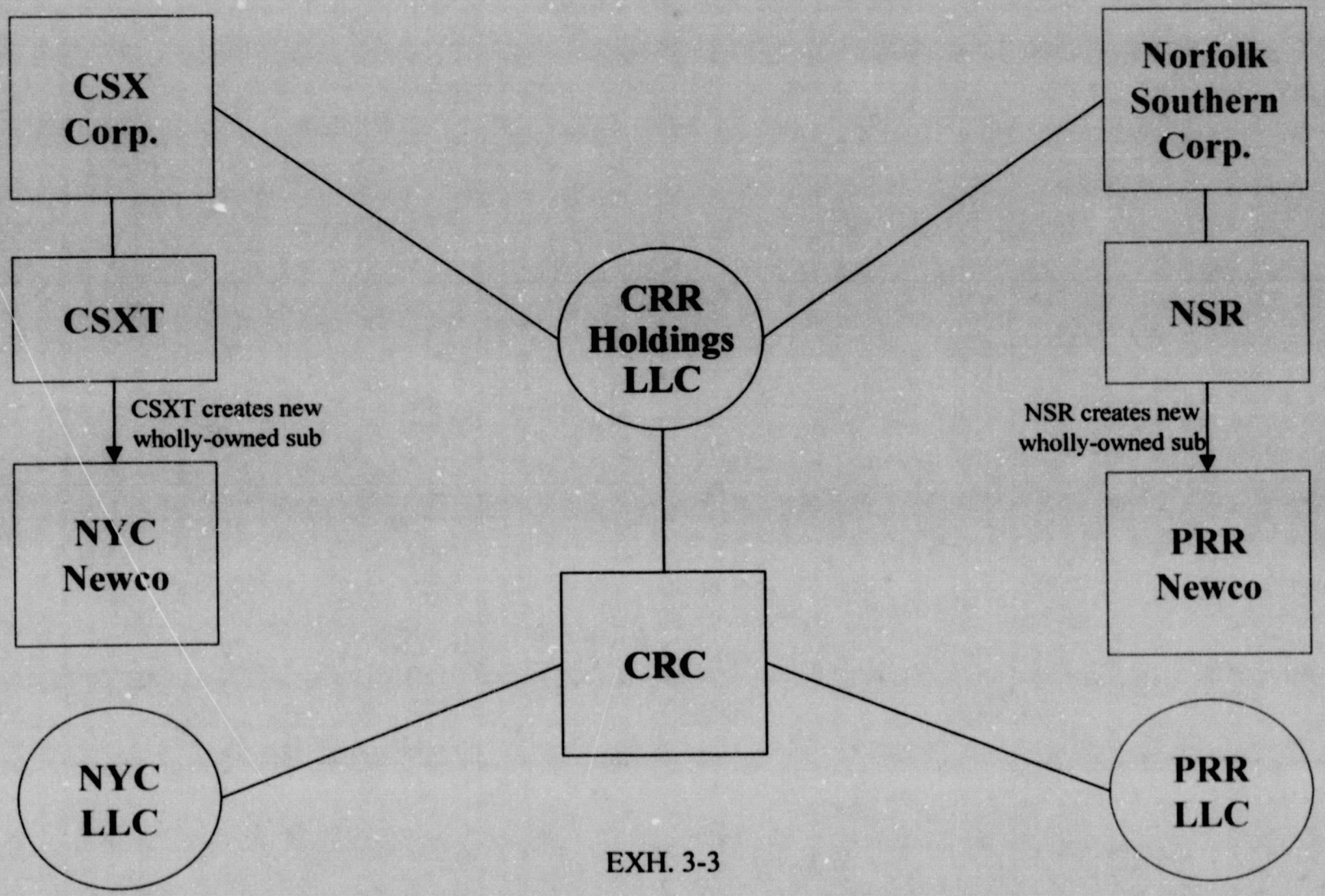
(simplified - some intermediate subs not shown here and in following pages)



EXH. 3-2

<u>Step 1</u>

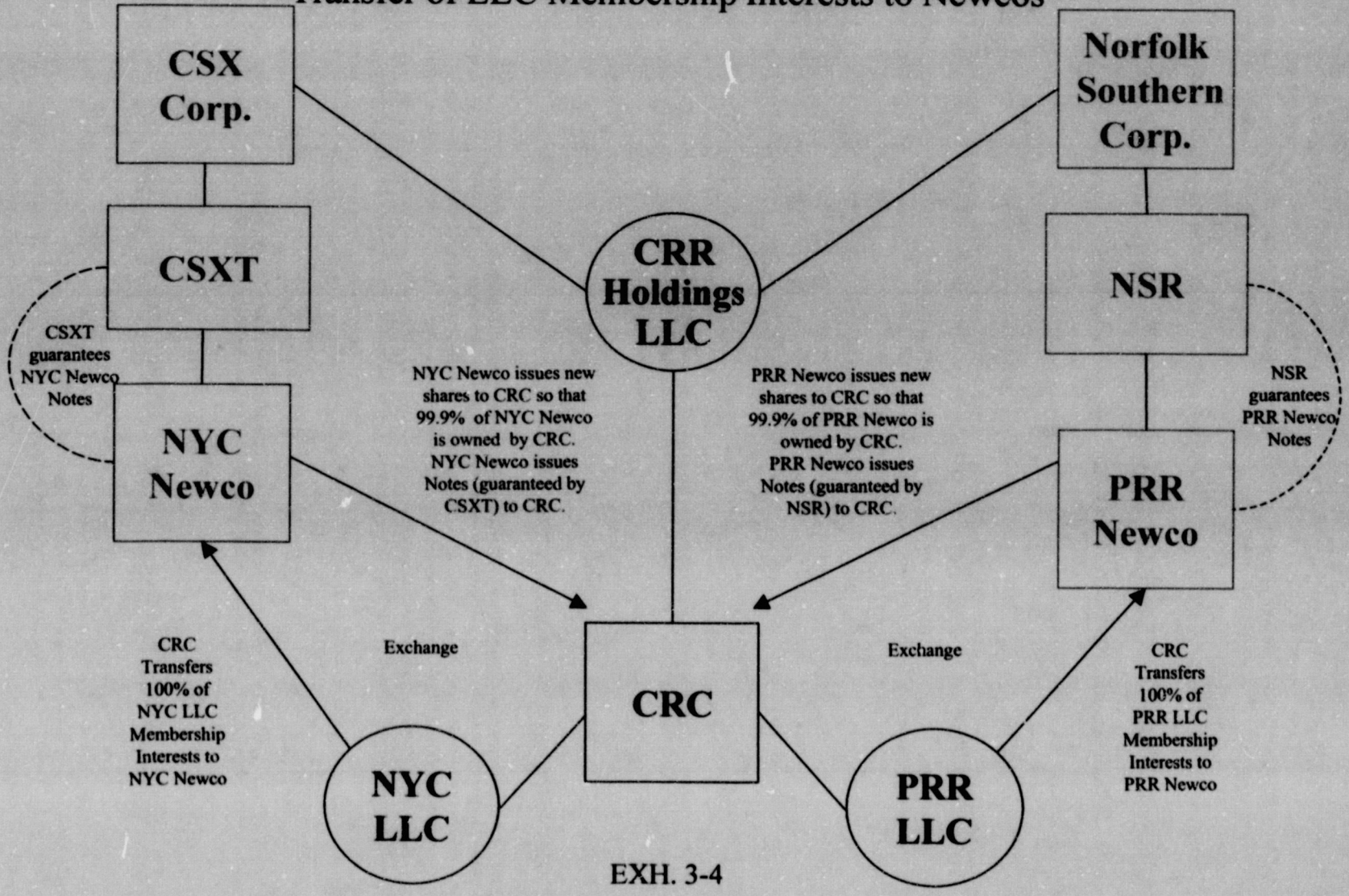
Formation of Newcos



EXH. 3-3

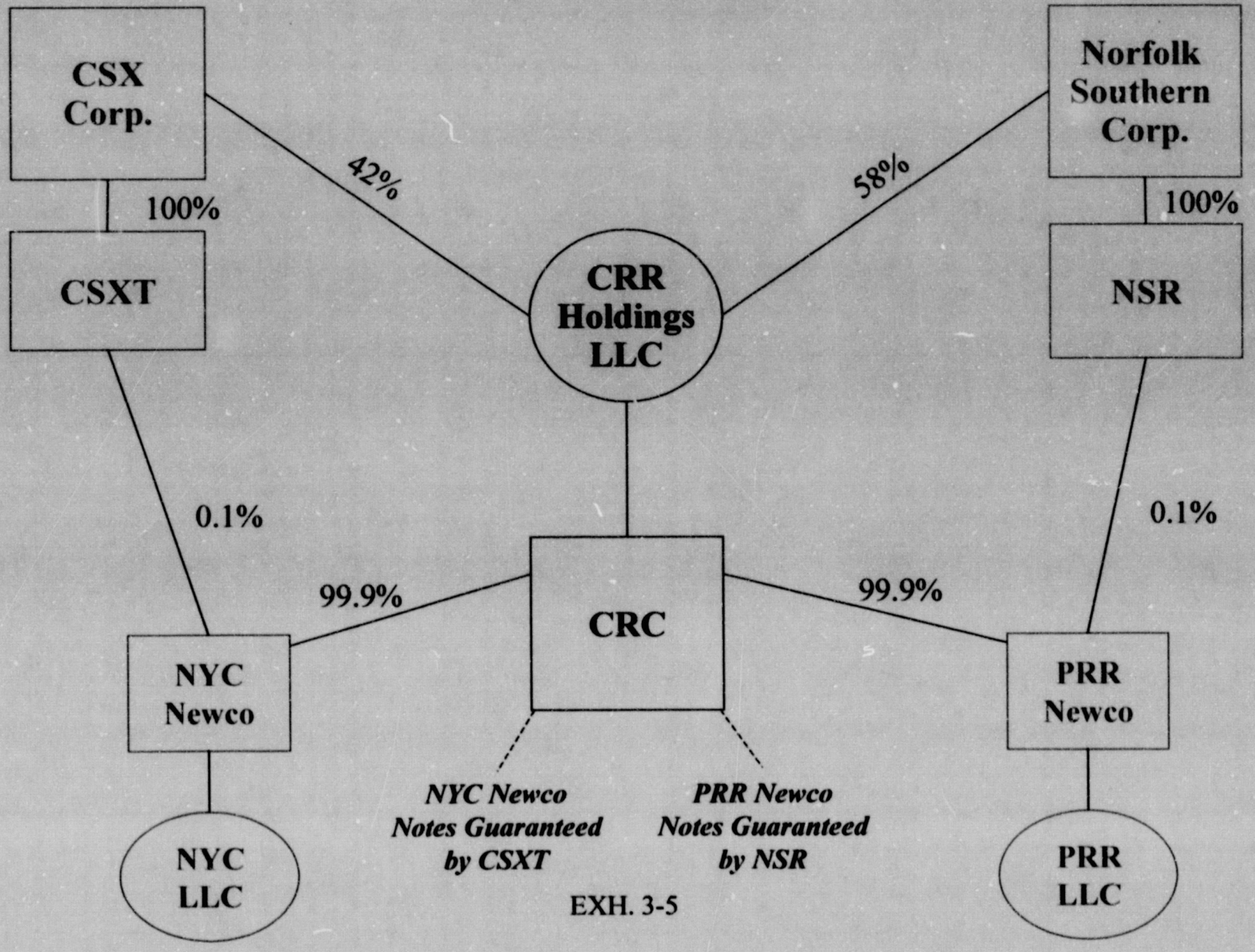
Step 2

Distribution of Newco Shares and Newco Notes to CRC
Transfer of LLC Membership Interests to Newcos

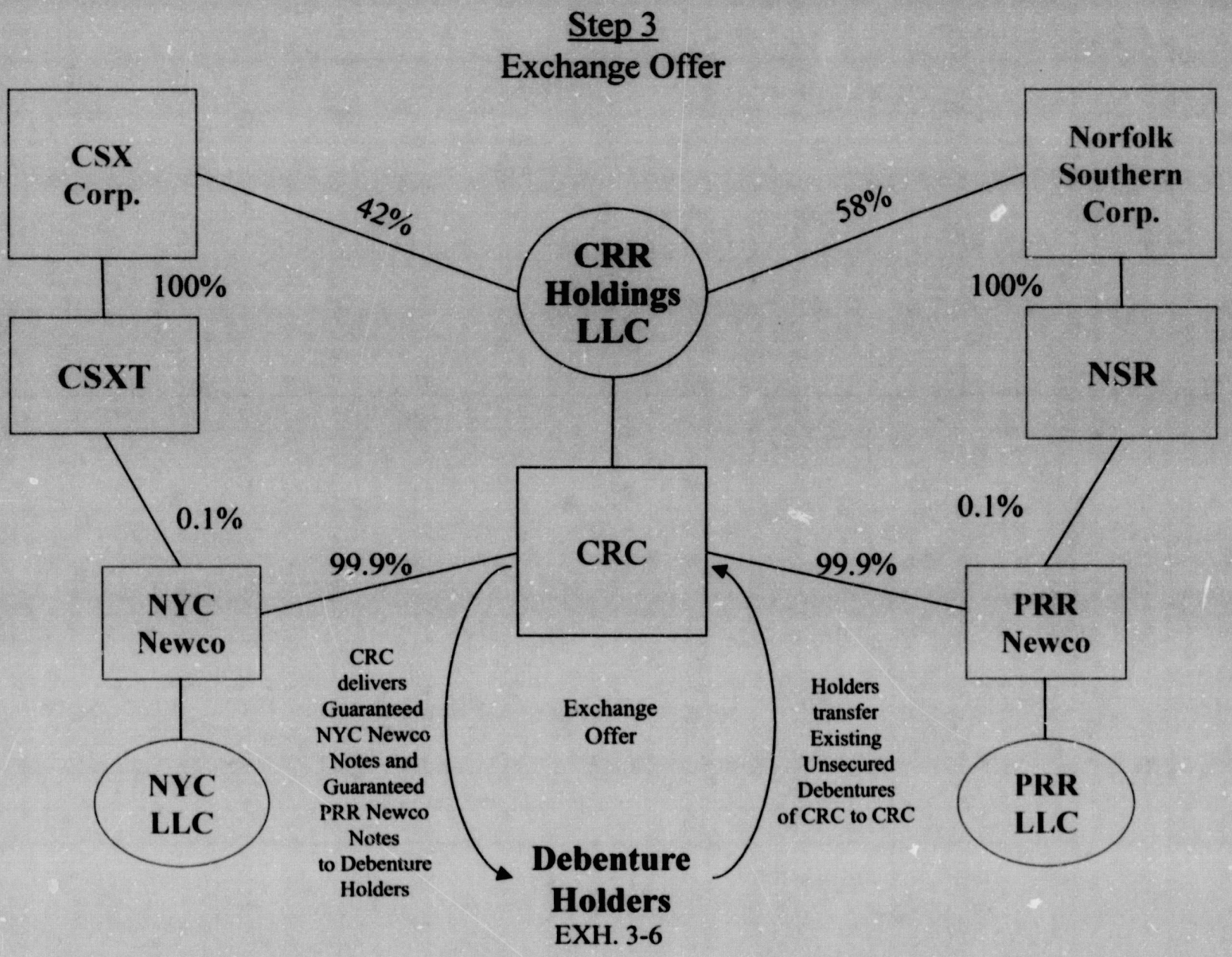


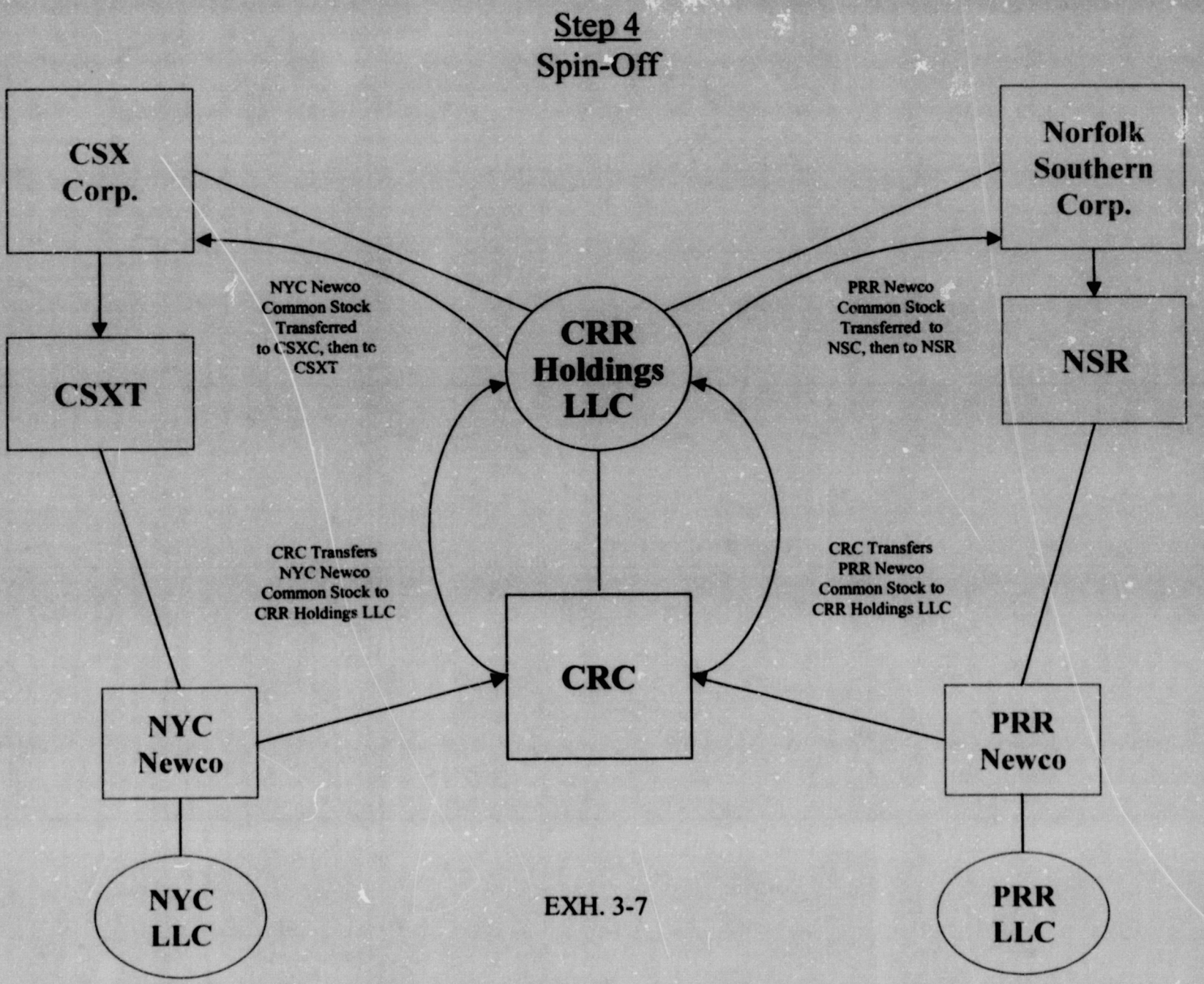
EXH. 3-4

Structure After Step 2



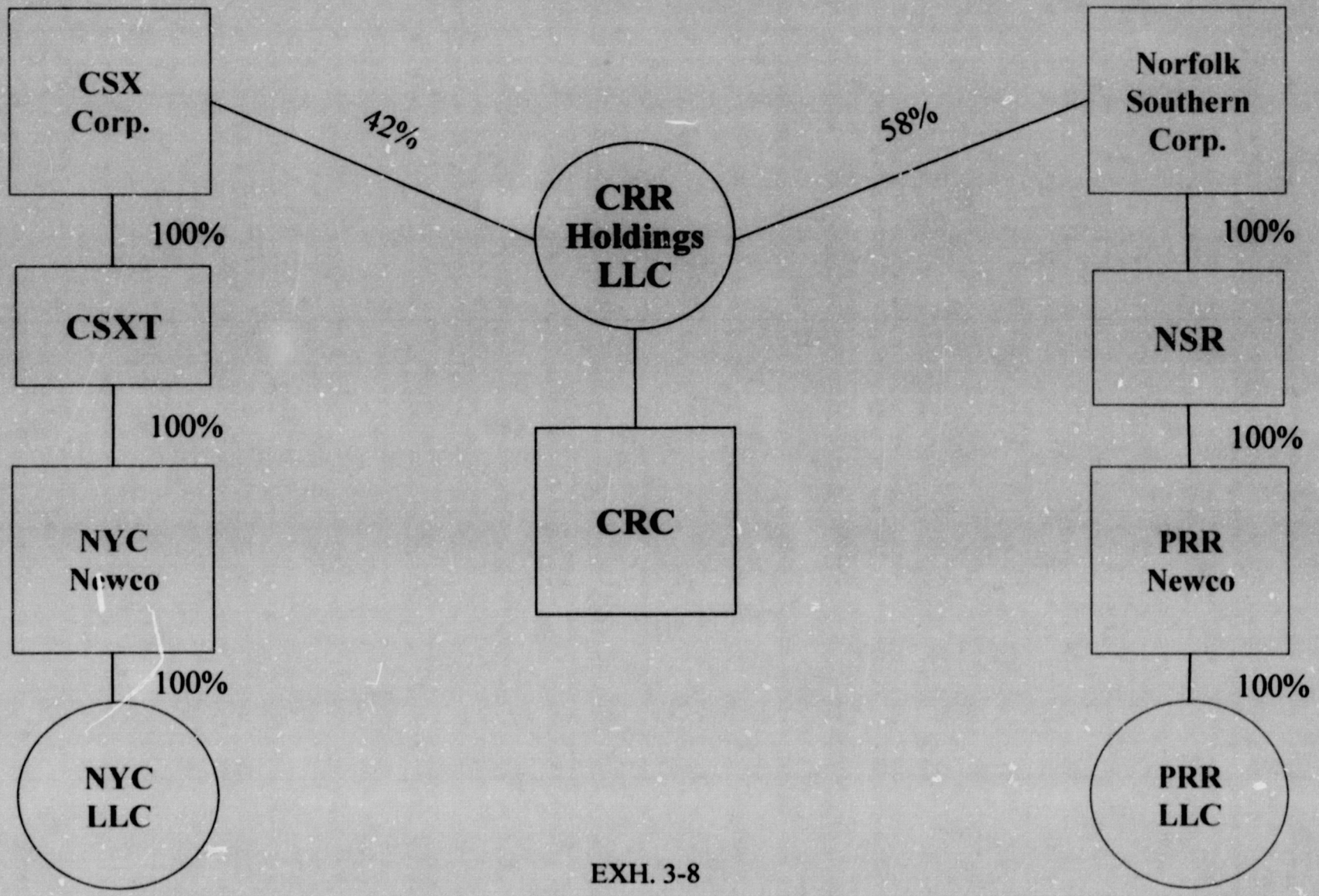
EXH. 3-5


Step 3
Exchange Offer
CSX Corp.
Norfolk Southern Corp.
42%
58%
CRR Holdings LLC
100%
100%
CSXT
NSR
0.1%
0.1%
CRC
99.9%
99.9%
NYC Newco
PRR Newco
CRC delivers Guaranteed NYC Newco Notes and Guaranteed PRR Newco Notes to Debenture Holders
Exchange Offer
Holders transfer Existing Unsecured Debentures of CRC to CRC
NYC LLC
PRR LLC
Debenture Holders
EXH. 3-6


Step 4
Spin-Off
CSX Corp.
Norfolk Southern Corp.
NYC Newco Common Stock Transferred to CSXC, then to CSXT
PRR Newco Common Stock Transferred to NSC, then to NSR
CSXT
CRR Holdings LLC
NSR
CRC Transfers NYC Newco Common Stock to CRR Holdings LLC
CRC Transfers PRR Newco Common Stock to CRR Holdings LLC
CRC
NYC Newco
PRR Newco
NYC LLC
PRR LLC

EXH. 3-7

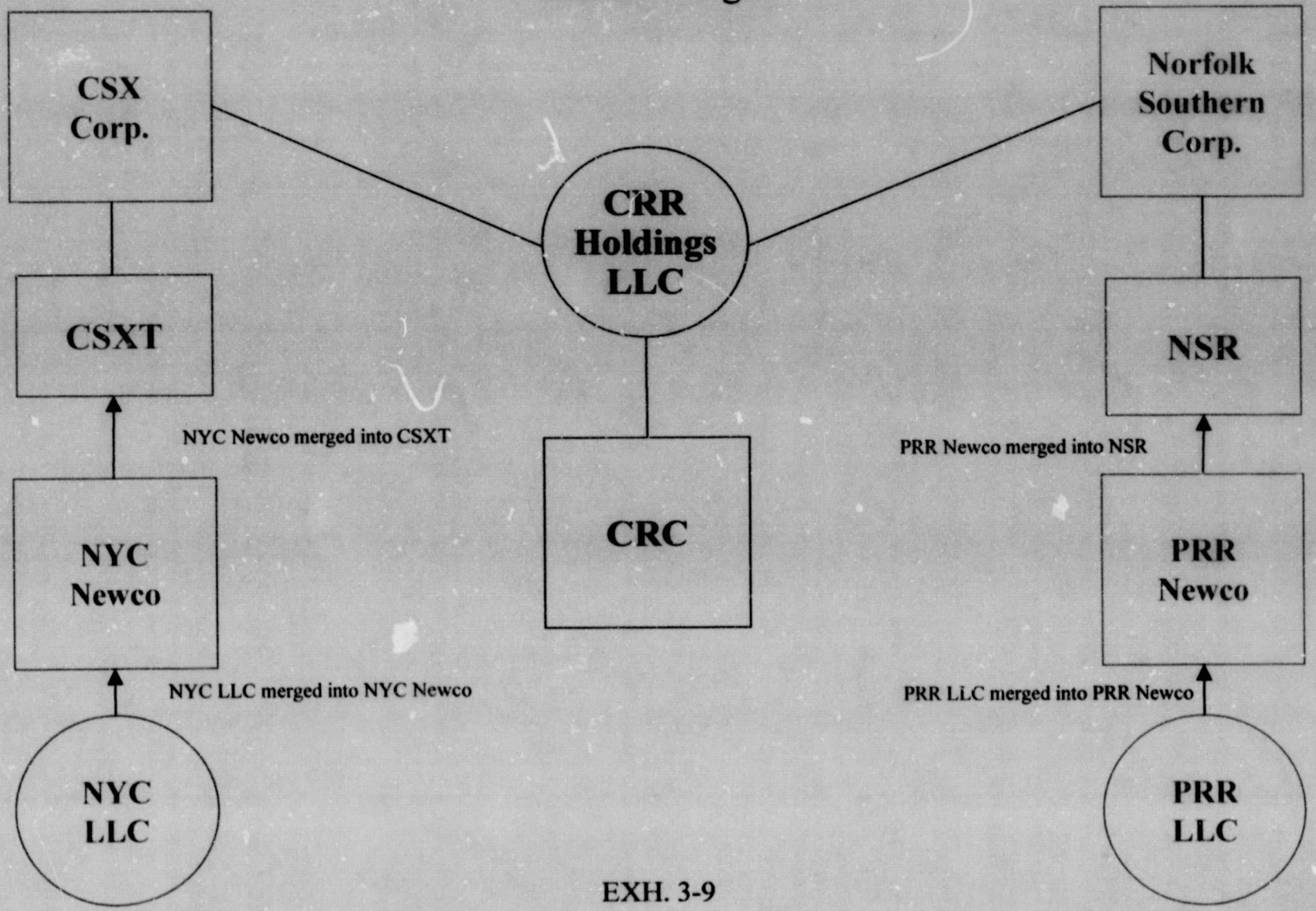
Structure After Step 4



EXH. 3-8

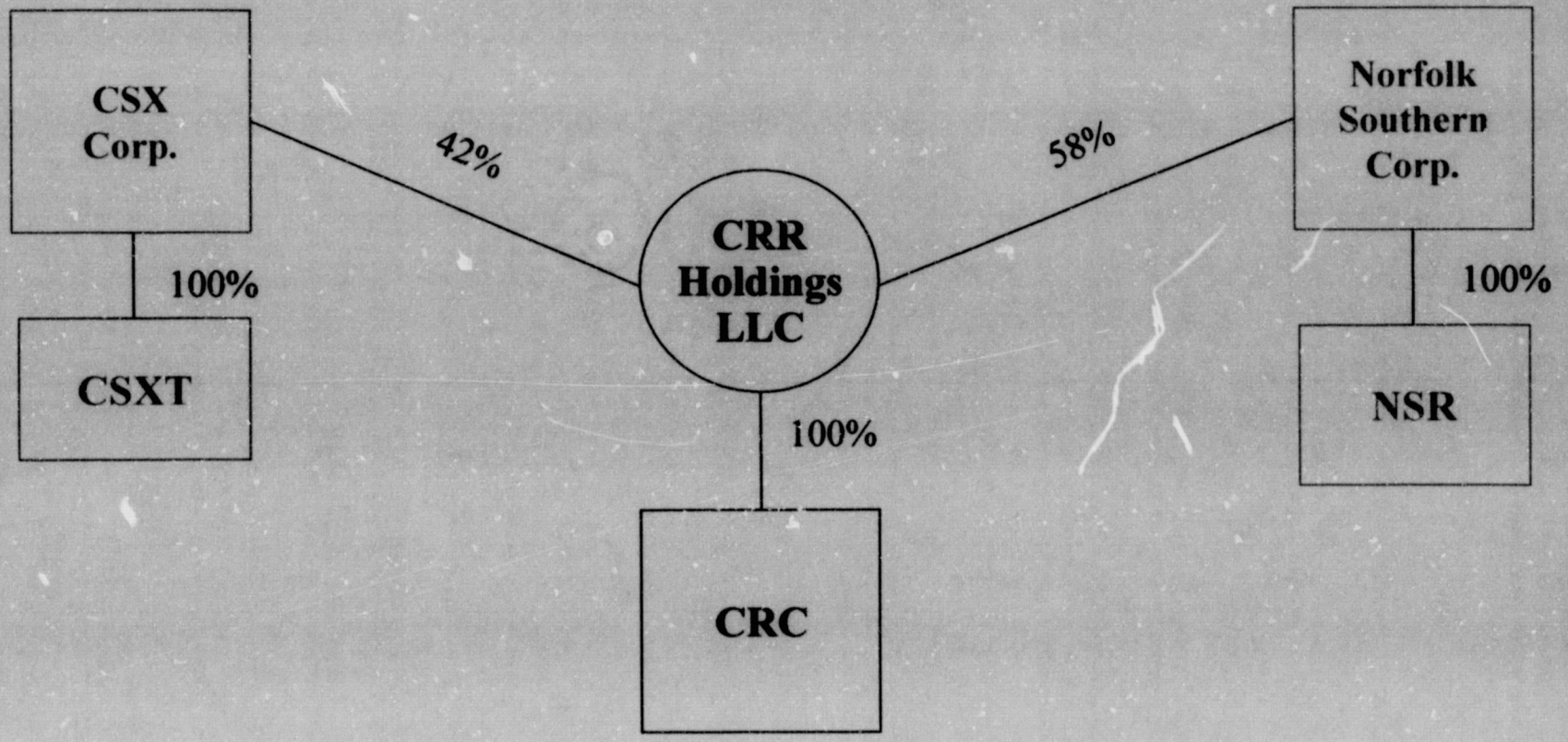
<u>Step 5</u>

Internal Mergers



EXH. 3-9

Structure After Step 5



EXH. 3-10

DISTRIBUTION AGREEMENT

by and among

CSX CORPORATION,

CSX TRANSPORTATION, INC.,

CSX RAIL HOLDING CORPORATION,

CSX NORTHEAST HOLDING CORPORATION,

NEW YORK CENTRAL LINES LLC,

NORFOLK SOUTHERN CORPORATION,

NORFOLK SOUTHERN RAILWAY COMPANY,

PENNSYLVANIA LINES LLC,

CONRAIL INC.,

GREEN ACQUISITION CORP.,

CONSOLIDATED RAIL CORPORATION,

and

CRR HOLDINGS LLC

Dated as of [__]

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ARTICLE V

CLOSING

ARTICLE VI

TERMINATION; AMENDMENTS; WAIVERS

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

ARTICLE VIII

MISCELLANEOUS

EXHIBITS

Exhibit B	Equipment Obligation Agreements Amendments
Exhibit C	Related Agreements
Exhibit D	Form of Tax Allocation Agreement
Exhibit E	New Amendment to the 1997 Transaction Agreement

DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (this "Agreement"), dated as of [_____], by and among CSX CORPORATION, a Virginia corporation ("CSX"), CSX TRANSPORTATION, INC., a Virginia corporation and wholly-owned subsidiary of CSX, for itself and on behalf of its controlled Subsidiaries (collectively, "CSXT"), CSX RAIL HOLDING CORPORATION, a Delaware corporation and wholly-owned subsidiary of CSX ("CSX Rail"), CSX NORTHEAST HOLDING CORPORATION, a Delaware corporation and wholly-owned subsidiary of CSX ("CSX Northeast"), NORFOLK SOUTHERN CORPORATION, a Virginia corporation ("NSC"), NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation and a subsidiary of NSC, for itself and on behalf of its controlled Subsidiaries (collectively, "NSR"), CRR HOLDINGS LLC, a Delaware limited liability company ("CRR Parent"), GREEN ACQUISITION CORP., a Pennsylvania corporation and a wholly-owned Subsidiary of CRR Parent ("Green Acquisition"), CONRAIL INC., a Pennsylvania corporation and wholly-owned subsidiary of Green Acquisition, for itself and on behalf of its controlled Subsidiaries (collectively, "CRR"), CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation and wholly-owned subsidiary of CRR ("CRC"), NEW YORK CENTRAL LINES LLC, a Delaware limited liability company and a wholly-owned Subsidiary of CRC ("NYC"), and PENNSYLVANIA LINES LLC, a Delaware limited liability company and wholly-owned subsidiary of CRC ("PRR").

WHEREAS, the Board of Directors of CRR Parent has determined to transfer or cause to be transferred to CSX Rail and CSX Northeast all of CRR Parent's NYC Shares (as defined herein) and CSX Rail and CSX Northeast are willing to accept such transfer of all of CRR Parent's NYC Shares;

WHEREAS, the Board of Directors of CRR Parent has determined to transfer or cause to be transferred to NSC all of CRR Parent's PRR Shares (as defined herein) and NSC is willing to accept such transfer of all of CRR Parent's PRR Shares;

WHEREAS, the parties hereto are seeking private letter rulings from the Internal Revenue Service (the "Service") substantially to the effect that, among other matters, the transfers of all of CRR Parent's NYC Shares and PRR Shares to CSX Rail and CSX Northeast and NSC, respectively, as contemplated by this Agreement (such transfers, the "Distribution"), qualify as tax-free transactions under the Code (as defined herein);

WHEREAS, in order to undertake the transactions contemplated by this Agreement, the parties hereto are seeking the approval of the STB (as defined herein);

WHEREAS, in order to undertake the transactions contemplated by this Agreement, the Board of Directors of CRC has further determined that it is appropriate and desirable, on the terms and subject to the conditions contemplated hereby, for CRC to seek the Secured Holders Required Consent (as defined herein), the consent of the lessor and other counterparties to CRC's equipment leases identified in Part II of Exhibit A hereto and the Debenture Holders Required Consent (as defined herein) to the transactions contemplated by this Agreement and to make the Exchange Offer (as defined herein);

WHEREAS, in connection with the transactions contemplated hereby, the respective parties hereto shall enter into the Tax Allocation Agreement (as defined herein); and

WHEREAS, the parties hereto have determined that it is desirable to set forth the principal transactions required to effectuate the Distribution and to set forth other matters relating to the relationship and the respective rights and obligations of the parties hereto prior to or following such transactions.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Action" shall mean any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity or forum or authority having jurisdiction over the matter involving or related to the transactions contemplated by the Agreement.

"Affiliate" means, with respect to a specified Person, any Person that directly or indirectly controls, is controlled by or is under common control with, the specified Person or any trust for the benefit of such Person or any entities controlled by such Person; provided that, for the purposes of Article IV hereof (a) NYC shall be an affiliate of CSX and its Subsidiaries and not an affiliate of CRR, CRR Parent or NSC and their respective Subsidiaries, (b) PRR shall be an affiliate of NSC and its Subsidiaries and not an affiliate of CRR, CRR Parent or CSX and their respective Subsidiaries, and (c) CSX and NSC and their respective Subsidiaries shall not be affiliates of CRR or CRR Parent and their respective Subsidiaries and vice versa.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Closing" shall have the meaning ascribed thereto in Section 5.1.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor United States federal tax statute. References to a specific section of the Code shall include a reference to the corresponding provisions of any such successor United States federal tax statute.

"CSXT Merger" shall have the meaning ascribed thereto in Section 2.3(a).

"Damages" means all assessments, losses, claims, damages, Liabilities, judgments, costs and expenses, including interest, penalties, attorneys' and consultants' fees and any legal or other expenses incurred in connection with investigating or defending any matter.

"Debenture Consent Solicitation" shall have the meaning ascribed thereto in Section 2.6.

"Debenture Holders Required Consent" means the consent of the holders of a majority of the aggregate principal amount of the Debentures voting together as a single class.

"Debentures" means the $550,000,000 principal amount of 9¾% debentures of CRC due June 15, 2020 and the $250,000,000 principal amount of 7⅞% debentures of CRC due May 15, 2043 outstanding under the Indenture.

"Distribution" shall have the meaning ascribed hereto in the recitals to this Agreement.

"Distribution Date" shall have the meaning ascribed thereto in Section 5.1.

"Equipment Obligation Agreements" means the pass-through trust agreements, equipment trust agreements, lease agreements, trust indenture and security agreements and participation agreements and other related agreements pursuant to which the equipment trust certificates and pass-through certificates of CRC have been issued, and pursuant to which CRC has acquired rights in equipment and undertaken obligations in respect thereof, all as identified on Exhibit A hereto.

"Equipment Obligation Agreements Amendments" shall have the meaning ascribed thereto in Section 2.5(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" shall have the meaning ascribed thereto in Section 2.6.

"FMVs" means the fair market values of each of PRR and NYC.

"Governmental Entity" means any federal, state, local or foreign court, administrative agency or commission or other governmental or regulatory authority or commission or any arbitration tribunal, including, without limitation, the Service and the STB.

"Indemnifiable Losses" means, with respect to any claim by an Indemnified Party for indemnification pursuant to Article IV hereof, any and all Damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and expenses in connection therewith) suffered by such Indemnified Party with respect to such claim.

"Indemnified Party" means a Person who is entitled to indemnification under Article IV.

"Indemnifying Party" means a Person who is required to indemnify another Person under Article IV.

"Indenture" means the indenture, dated as of May 1, 1990, between CRC and the Trustee, pursuant to which the Debentures were issued, as such Indenture has been amended, modified or supplemented from time to time in accordance with its terms.

"JP Morgan Chase" means J.P. Morgan Chase & Co.

"Liabilities" means any and all debts, liabilities and obligations of any kind whatsoever, whether or not accrued, contingent or reflected on a balance sheet, known or unknown, absolute, determined, determinable or otherwise, including, without limitation, those arising under any law, rule, regulation, action, order or consent decree of any Governmental Entity or any judgment in any Action of any kind or award of any arbitrator of any kind and those arising under any contract.

"Mergers" shall have the meaning ascribed thereto in Section 2.3(a)

"New Amendment to the 1997 Transaction Agreement" means the amendment to the 1997 Transaction Agreement, to be entered into by and among CSX, CSXT, NSC, NSR, CRR and CRR Parent, in the form attached hereto as Exhibit E.

"New Debentures" means collectively the NYC Newco Debentures and the PRR Newco Debentures proposed to be issued pursuant to the Exchange Offer, to be fully and unconditionally guaranteed by CSXT and NSR, respectively, and whose maturity dates, interest payment dates and interest rates are intended to be identical in all respects to the corresponding Debentures, except for the identity of the issuer and the aforementioned guarantees and the other terms, conditions and covenants provided in the NYC Newco Indenture and the PRR Newco Indenture, respectively, with such other changes as may be agreed to by CRC, CSXT, NSR, NSC and CSX.

"Newco Shares" shall have the meaning ascribed thereto in Section 2.1(a).

"1997 Transaction Agreement" means the Transaction Agreement, dated as of June 10, 1997, and as now in effect, by and among CSX, CSXT, NSC, NSR, CRR, CRC and CRR Parent.

"NSR Merger" shall have the meaning ascribed thereto in Section 2.3(a).

"NYC Allocated Liabilities" shall have the meaning ascribed thereto under the 1997 Transaction Agreement.

"NYC Membership Interest" means all limited liability company interests of NYC.

"NYC Newco" shall have the meaning ascribed thereto in Section 2.1.

"NYC Newco Debentures" shall have the meaning ascribed thereto in Section 2.6(c).

"NYC Newco Indenture" means the indenture, to be dated as of the Distribution Date, by and among NYC Newco, CSXT (as guarantor), and [_____], as trustee, pursuant to which the NYC Newco Debentures are expected to be issued.

"NYC Shares" shall have the meaning ascribed thereto in Section 2.1(a).

"Person" includes any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

"Prospectus" means any prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the prospectus included in any Registration Statement, including post-effective amendments and all material incorporated therein by reference.

"PRR Allocated Liabilities" shall have the meaning ascribed thereto under the 1997 Transaction Agreement.

"PRR Membership Interest" means all limited liability company interests of PRR.

"PRR Newco" shall have the meaning ascribed thereto in Section 2.1.

"PRR Newco Debentures" shall have the meaning ascribed thereto in Section 2.6(c).

"PRR Newco Indenture" means the indenture, to be dated as of the Distribution Date, by and among PRR Newco, NSR (as guarantor) and [_____], as trustee, pursuant to which the PRR Newco Debentures are expected to be issued.

"PRR Shares" shall have the meaning ascribed thereto in Section 2.1(a).

"Registration Statement" means the registration statement(s) filed by certain of the parties hereto, including NYC Newco and PRR Newco, to register under the Securities Act the New Debentures and the corresponding guarantees pursuant to the Exchange Offer, including the Prospectus which is part of such Registration Statement, amendments (including post-effective amendments) and supplements to such Registration Statement and all exhibits and appendices to any of the foregoing.

"Related Agreements" means those new agreements and amended agreements, as set forth in Exhibit C, as shall be necessary and appropriate under the Equipment Obligation Agreements or the Equipment Obligation Agreement Amendments to provide payment flows to CRC after the Distribution to enable CRC to satisfy its ongoing obligations under the Equipment Obligation Agreements.

"Rulings" shall have the meaning ascribed thereto in Section 3.2.