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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

MAIL MANAGEMENT STB
JUN 2 3 1997

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

RAILROAD CONTROL APPLICATION

VOLUME 1 OF 8

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June 1997

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TABLE OF ABBREVIATIONS*

AAC	Atlantic Acquisition Corporation
APRC	Albany Port Railroad Corporation
Amtrak	National Railroad Passenger Corporation
A&S	The Alton & Southern Railway Company
ALK	ALK Associates, Inc.
APL	American President Lines, Ltd.
ATSF	The Atchison, Topeka and Santa Fe Railway Company
B&M	Boston & Maine Corporation
B&O	The Baltimore and Ohio Railroad Company
BIDS	Bulk Intermodal Distribution Services, Inc.
BNSF	The Burlington Northern and Santa Fe Railway Company
Board	Surface Transportation Board
BOCT	The Baltimore and Ohio Chicago Terminal Railroad Company
BPRR	Buffalo & Pittsburgh Railroad, Inc.
BRC	The Belt Railway Company of Chicago
C&EI	Chicago & Eastern Illinois Railroad Company
C&O	The Chesapeake and Ohio Railway Company
CN	Canadian National Railway Company
CNJ	Central Railroad Company of New Jersey
CNW	Chicago and North Western Railway Company
Conrail	Conrail Inc. and Consolidated Rail Corporation
CRR	Conrail Inc.
CRC	Consolidated Rail Corporation
CSAO	Conrail Shared Assets Operation
CSS	Chicago South Shore and South Bend Railroad
CSX	CSX Corporation and CSX Transportation, Inc.
CSXC	CSX Corporation
CSXT	CSX Transportation, Inc.
D&H	Delaware and Hudson Railway Company, Inc.
FEC	Florida East Coast Railway Company
FRA	Federal Railroad Administration
GTW	Grand Trunk Western Railroad Incorporated
GWWR	Gateway Western Railway Company
I&O	The Indiana and Ohio Railway Company
IC	Illinois Central Railroad Company
IHB	Indiana Harbor Belt Railroad Company
L&N	Louisville and Nashville Railroad Company
MARC	Maryland Rail Commuter
MBTA	Massachusetts Bay Transportation Authority

* Unless otherwise specified, abbreviations in this Table are used throughout the Application.

MGA	The Monongahela Railway Company
MNCR	Metro North Commuter Railroad Company
NEC	Northeast Corridor
NJT	New Jersey Transit Corporation
NS	Norfolk Southern Corporation and Norfolk Southern Railway Company
NSC	Norfolk Southern Corporation
NSR	Norfolk Southern Railway Company
NW	Norfolk and Western Railway Company
NYC	New York Central Lines LLC
PRR	Pennsylvania Lines LLC
SEC	Securities and Exchange Commission
SEPTA	Southeastern Pennsylvania Transportation Authority
STB	Surface Transportation Board
TRRA	Terminal Railroad Association of St. Louis
Tri-Rail	Tri-County Commuter Rail Authority
TTX	TTX Company
UP	Union Pacific Railroad Company
VRE	Virginia Railway Express
W&LE	Wheeling & Lake Erie Railway Company
WM	Western Maryland Railway Company

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

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

RAILROAD CONTROL APPLICATION

SECTION 1180.6

INTRODUCTION

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 "Applicants," hereby file this joint Railroad Control Application (the "Application") pursuant to 49 U.S.C. §§ 11321-25 and the Surface Transportation Board's (the "Board's") Railroad Consolidation Procedures, 49 C.F.R. Part 1180, for authorization of the acquisition of control by CSX and NSC of Conrail, and for the division of the use and operation of Conrail's assets between them.[1]

[1] CSXC and CSXT are referred to collectively as "CSX," NSC and NSR as "NS" and CRR and CRC as "Conrail." A table of abbreviations used in this Application follows the Master Table of Contents at the beginning of this volume. Unless otherwise indicated, references to a company include its wholly-owned subsidiaries. All section references are to Title 49 of the Code of Federal Regulations, unless otherwise indicated.

Applicants are also seeking authorization for operating agreements, the construction of new connections, limited abandonments, trackage rights and other related matters.

This Application presents a unique, pro-competitive proposal to reconfigure the railroad industry in the eastern United States. If approved, the integration of Conrail's rail lines into the existing CSX and NS networks and the operation of those lines by CSX and NS will yield enormous public benefits, the greatest of these being increased competition, single-line efficiency, and fresh opportunities for improved transportation options and resulting economic growth. The quantifiable public benefits alone will total nearly $1 billion per year.

CSX and NS currently operate strong rail networks that serve important commercial areas throughout the Southeast and Midwest. To a large extent, both CSX and NS must depend on Conrail to reach commercially important mid-Atlantic and northeastern communities. In recent years, while Conrail has achieved financial stability, it has not experienced the competitive discipline of another major railroad throughout its service territory. This transaction will erase the commercial boundary line separating Conrail's service territory from the rest of the rail system. It will create two strong rail networks of broad geographic scope that will reach virtually all major ports, gateways and commercial areas in the eastern United States.

The long-term trend toward the creation of rail networks with broad geographic coverage and substantial traffic densities is no accident. Well-managed rail networks configured in response to market forces yield substantial efficiencies and corresponding benefits to the shipping public. The public will benefit when railroads spread their fixed costs over a broader traffic base because the per unit costs of shipping freight decline. The public will benefit when the elimination of a rail interchange allows goods to reach their destination hours or days faster, because the shipper can then reduce its inventory carrying costs. The public will benefit when rail cars and locomotives are used more efficiently, because scarce capital can then be made available for other investment opportunities.

These are precisely the sorts of efficiency gains that CSX and NS will achieve if this transaction is approved. As part of the Application, both carriers are submitting detailed operating plans that demonstrate how their respective rail service will be improved through the operation of specified Conrail lines and the ability to serve the Shared Assets Areas of South Jersey/Philadelphia, North Jersey and Detroit. Numerous new single-line routes will be created between the Northeast and the Southeast and the Northeast and the Midwest. As a result, transit times will be reduced, and the reliability of on-time delivery will be improved. Both carriers will improve their route structures to permit the more direct movement of freight throughout their own systems and through the mid-continent gateways. The combination of single-line routes and improved transit times will bring intermodal as well as enhanced intramodal competition to the Northeast. This will be particularly evident for traffic currently moving by truck on the I-85 and I-95 corridors.

The benefits of extended single-line routes are not limited to improved service. New single-line routes mean new commercial opportunities for the customers of CSX and NS. Over 1,850 shippers have submitted letters or statements supporting the Application, and many of them emphasize the new business opportunities that will be afforded by the expanded CSX and NS rail networks.

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While more efficient networks will mean better service and new business opportunities for customers of CSX and NS, they will also mean lower costs for the carriers. More direct routes mean fewer train miles. The elimination of interchanges reduces switching costs. More efficient equipment utilization means lower car ownership costs. Substantially more rail service will be produced with fewer management personnel, which translates into savings in general and administrative costs. All of these cost savings are unambiguous public benefits because fewer resources will be consumed in providing freight transportation service.

Reduced costs will allow CSX and NS to continue the vigorous competition between them and extend it from the Southeast and Midwest into Conrail's service territory. The transaction is unique in its competitive dimensions -- not only does it entail virtually no reduction in rail competition, it will create new rail competition, most notably, in the large New York/New Jersey area.

CSX and NS have agreed to allocate the operation of Conrail's lines and facilities so as to avoid, wherever possible, situations where shippers will see their rail options decline from two carriers to one. This was readily accomplished because the existing CSX and NS systems are largely end-to-end with Conrail, with very little overlap. In virtually all of the few remaining circumstances where the transaction would otherwise result in a reduction to one carrier, CSX and NS have agreed to provide one another with trackage and/or haulage rights that will permit the continuation of two rail carrier service. Adverse competitive effects from the transaction are essentially non-existent.

CSX and NS have agreed that certain areas will be served by both of them, including the three "Shared Assets Areas" of South Jersey/Philadelphia, North Jersey and

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Detroit, as well as the coal fields served by the former Monongahela Railroad and the Ashtabula, Ohio dock facility. Numerous shippers in these areas will have access to dual rail service for the first time since the creation of Conrail. CSX and NS will compete aggressively for automotive traffic moving from Detroit to Baltimore, Philadelphia and New York, for coal moving off the former Monongahela Railroad and for coal moving to the Ashtabula Dock facility for subsequent lake movement.

Intensified competition between railroads is only one dimension of this procompetitive transaction. More important, CSX and NS will emerge from this transaction as truly formidable alternatives to trucks. Trucks are the dominant mode of freight transportation in the East. Their flexibility, relatively low capital costs and access to government-subsidized highways give them certain competitive advantages over rail. But rail has advantages of its own that will be unleashed by this transaction and the creation of new single-line routes on the CSX and NS Systems.

The potency of CSX and NS as competitive forces in eastern freight movements is evidenced by their traffic diversion estimates. The combined estimates of CSX's and NS's diversions from trucks to rail carload and intermodal service is approximately one million truckloads per year. This represents projected revenue growth for CSX of approximately $200 million annually by the third year after the transaction and approximately $269 million in annual revenue growth for NS. The diversion of traffic from truck to rail also represents public benefits in the form of safer highways, reduced fuel consumption and reduced highway damage.

The long-term potential for the growth of the eastern rail sector far exceeds CSX's and NS's conservative estimates of traffic growth. Competition and growth will spur industrial

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development and job creation in the East. The new CSX and NS rail networks will be strong engines of continued American prosperity.

* * * * * * *

While this is a joint Application, the descriptions and other materials in it concerning the operation by CSX and NS of their respective systems, including the present Conrail routes and other assets to be operated by them in this transaction, have been independently developed, unless otherwise noted. While Conrail is a signatory to and joins in the Application, by doing so it does not necessarily represent that it subscribes to, or agrees with, all of the language or the other materials prepared by or for the other Applicants.

SECTION 1180.6(a)(1)(i)

SUMMARY OF TRANSACTION

The proposed transaction involves the joint acquisition by CSX and NS of control of Conrail, the division between them of the use and operation of Conrail's assets, and the creation of two efficient rail networks that will compete with one another throughout the eastern United States.

Initially, CSX and Conrail entered into an agreement on October 14, 1996 that provided for the acquisition of control of Conrail by CSX alone through a tender offer and subsequent merger. Following a competing tender offer by NS and discussions among the three companies, CSX and NS entered into an agreement on April 8, 1997 that provided for the joint acquisition by CSX and NS of all of CRR's remaining outstanding stock.

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On June 2, 1997, CSX and NS completed that acquisition. As indicated in the following chart, CRR is now an indirect wholly-owned subsidiary of CSX and NS. Through a series of agreements, CSX and NS each holds a 50% voting interest in CRR. CSX holds a 42% equity interest, and NS holds a 58% equity interest. All of the CRR common stock is held indirectly for the benefit of CSX and NS and has been placed in a voting trust (the "CSX/NS Voting Trust") to avoid unauthorized control pending Board review of this Application.

CSX, NS and Conrail entered into a further agreement dated as of June 10, 1997 (the "Transaction Agreement"), which governs the division of the operation and use of Conrail's assets. To effect that division, CRC will form two new wholly-owned subsidiaries, New York Central Lines LLC ("NYC") and Pennsylvania Lines LLC ("PRR"). Following Board authorization of the proposed transaction, CRC will contribute and transfer to its NYC and PRR subsidiaries certain CRC assets, including lines currently operated by CRC. The contribution of assets to NYC and PRR will result in the division of Conrail's principal routes -- which form an "X" that crosses in Ohio -- enabling both CSX and NS to offer single-line service to the Northeast. Among the assets that will be transferred to NYC is part of Conrail's "Water Level Route" (part of the former New York Central), which runs from St. Louis through Buffalo and Albany to New Jersey/New York, and Conrail's Albany to Boston line. The assets to be transferred to PRR will include Conrail's route that runs from Chicago through Cleveland and Pittsburgh to Philadelphia and into the New York/New Jersey area.

CSXT and NYC will enter into an operating agreement pursuant to which CSXT will operate the assets allocated to NYC. Similarly, NSR and PRR will enter into an operating agreement under which NSR will operate the assets allocated to PRR.

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CRC will retain certain assets that CRR, CRC or their subsidiaries (other than NYC and PRR) will operate for the benefit of their owners. Those assets will be available to both CSXT and NSR in "Shared Assets Areas" in Detroit, North Jersey and South Jersey/Philadelphia. Certain other areas will also be subject to special treatments allowing use by both carriers, including the former Monongahela Railroad and Ashtabula Harbor.

The chart on the following page (the "Post-Transaction Chart") provides an overview of the new corporate structure. Details regarding the corporate structure and terms of the proposed transaction are provided in § 1180.6(a)(7)(i), "Nature and Terms of Proposed Transaction."[2]

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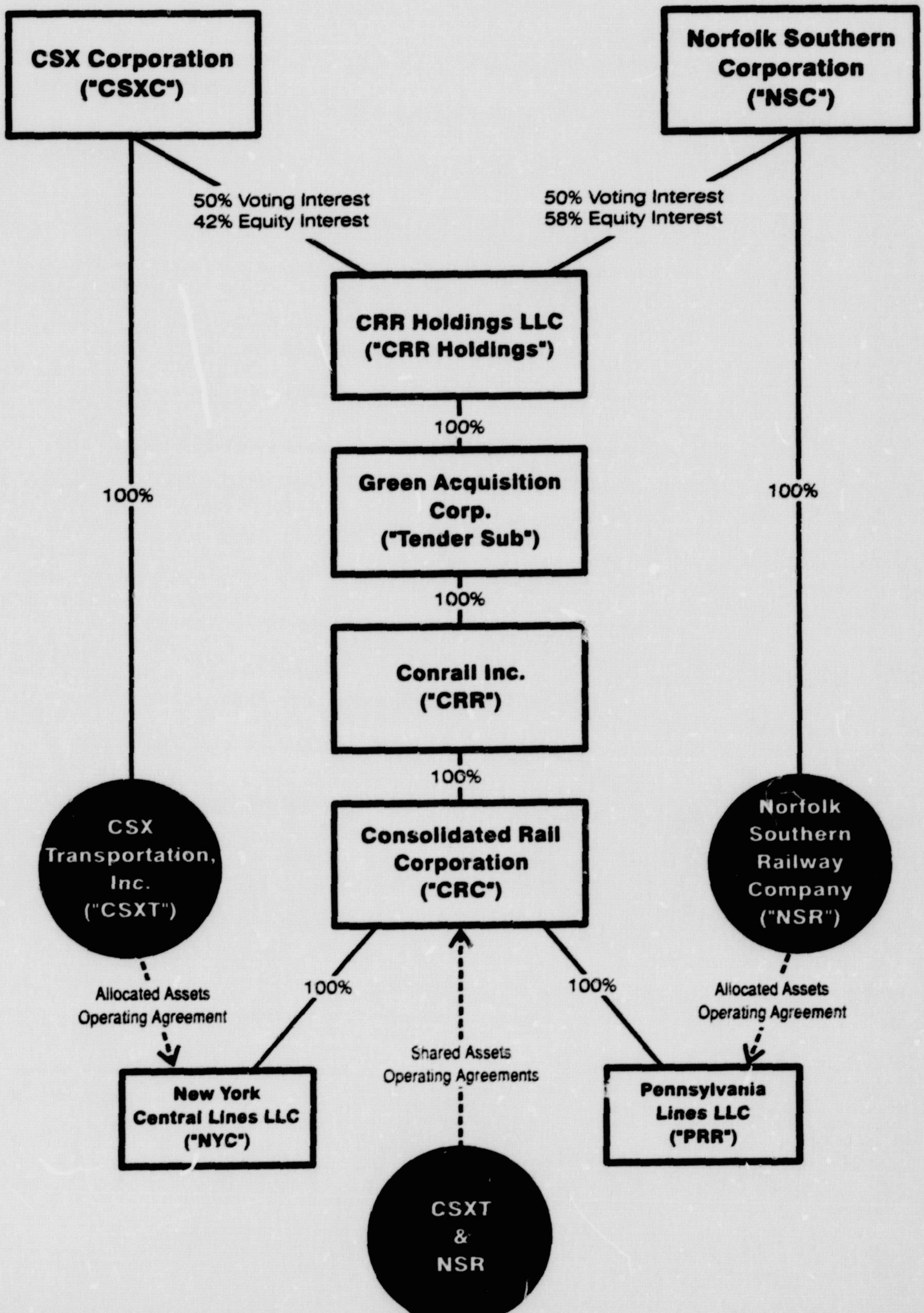
[2] Throughout this Application, Applicants have endeavored to describe the various components clearly, succinctly, and, above all, readably. However, the underlying agreements that are included in Volume 8 of this Application contain the definitive description of the legal arrangement, and are the ultimate, governing reference source.

Post-Transaction Chart



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Norfolk Southern Railway Company
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Conrail Inc.
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Consolidated Rail Corporation
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The names and addresses of counsel to whom questions regarding this Application may be addressed are shown on the cover of the Application.

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SECTION 1180.6(a)(1)(ii)

PROPOSED TIME SCHEDULE

As described above, CSX and NS now hold indirectly 100% of CRR's common stock after a series of tender offers, followed by a second-step merger consummated on June 2, 1997, in which CRR was the surviving corporation. All of the CRR common stock acquired by CSX and NS in the tender offers and the merger has been placed in the CSX/NS Voting Trust to avoid any unauthorized control pending Board action.

CSX and NS will exercise joint control over Conrail from the effective date of a Board order approving this Application and authorizing control (the "Control Date"). The Transaction Agreement provides that the transfer of assets to NYC and to PRR by CRC to effect the division of the operation and use of Conrail's assets will occur on the "Closing Date"-- the third business day following satisfaction of certain conditions precedent, including the effectiveness of a final Board order and, where necessary, sufficient labor implementing agreements.

The Transaction Agreement contemplates that certain CRC facilities currently used for the benefit of the entire Conrail system will, during a transition period following the Closing Date, be operated for the joint benefit of CSX and NS. Conrail's Philadelphia headquarters (operated by CSX), information technology center in Philadelphia (operated by CSX), car shop at Hollidaysburg, PA (operated by NS) and Juniata locomotive shop at Altoona, PA (operated

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by NS) will initially be operated for the joint benefit of CSX and NS for a specified period.[3] Certain system support operations, such as Conrail's customer service center in Pittsburgh, PA, crew management facility in Dearborn, MI, and system maintenance-of-way equipment center in Canton, OH, among others, will be retained by Conrail and will be operated for the joint benefit of CSX and NS for a short period.

SECTION 1180.6(a)(1)(iii)

PURPOSE

The purpose of the proposed transaction is to create two strong rail networks of broad and comparable scope that will compete vigorously to provide efficient service throughout the eastern United States.

Better Service: By integrating certain Conrail routes and facilities into their existing rail networks, CSX and NS will be able to provide better service to their existing customers. They will also use their improved service to attract new customers. The creation of new single-line routes and the coordination of Conrail assets with existing CSX and NS assets will allow both rail systems to provide faster and more responsive service. Equipment utilization will improve. Loss and damage claims will decline. Customers will incur reduced costs.

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[3] This transition period is not to exceed 24 months following the Closing Date in all cases except with regard to the information technology center, for which the period is not to exceed six months (or, at the option of NS, 12 months) following the Closing Date, and the Hollidaysburg and Juniata shops, which CSX will use for locomotive repair and other work for at least three years. After the transition period, these facilities will serve the party to whom they have been allocated.

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Operating Savings and Other Cost Reductions: CSX and NS expect to realize operating cost savings by providing more efficient rail transportation. Operating costs will decline as a result of shorter transit times, more direct routes, improved equipment utilization and increased traffic densities. In addition, CSX and NS will realize cost savings by eliminating substantial portions of the general and administrative costs currently incurred by Conrail. Both categories of cost savings will benefit CSX and NS. These savings will also benefit the public because CSX and NS will consume fewer resources on a per unit basis to produce transportation services than they currently do.

Near-Term and Long-Term Growth: CSX and NS both project that the creation of new single-line routes will enhance their competitive positions, enabling them to divert traffic from other rail carriers, including one another. Moreover, by creating more efficient rail networks, CSX and NS will position themselves to win new traffic from trucks, both in the near term and on a long-term basis. The transaction will allow CSX and NS to become truly effective competitors for trucks, which handle the vast majority of freight in the East, thereby reducing the number of trucks on crowded eastern highways. The bright prospects for long-term traffic growth by these efficient eastern railroads portend significant benefits not only for CSX and NS but for the consuming public as well.

SECTION 1180.6(a)(1)(iv)

NATURE AND AMOUNT OF ANY NEW SECURITIES OR OTHER FINANCIAL ARRANGEMENTS

The acquisition by CSX and NS of 100% of the CRR common stock is detailed below in Section 1180.6(a)(7)(i), "Nature and Terms of Proposed Transaction." CSX and NS acquired the CRR common stock for cash and did not issue any securities in exchange for any CRR common stock.

In CSX's tender offer commenced October 16, 1996 (the "CSX Offer"), CSX acquired approximately 19.9% of the outstanding CRR voting stock, for $110 per share. The aggregate consideration paid by CSX in the CSX Offer was approximately $2 billion (including related fees and expenses). At the time of the CSX Offer, CSX arranged a five-year $4.8 billion bank credit facility to finance the acquisition of Conrail and to meet general working capital needs. CSX issued approximately $2 billion in commercial paper supported by the Credit Agreement to finance the CSX Offer.

In NS's tender offer consummated on February 4, 1997 (the "NS Offer"), NS acquired approximately 9.9% of the outstanding CRR common stock on a fully diluted basis, for $115 per share. The aggregate consideration paid by NS in the NS Offer was approximately $1 billion (including related fees and expenses). At the time of the NS Offer, NS arranged a credit facility with certain lenders providing an aggregate principal amount not to exceed $13 billion. To finance the purchase of shares pursuant to the NS Offer, NS issued and sold on February 10, 1997 $1.0 billion in commercial paper notes involving the private placement of unsecured notes with varying maturities that did not exceed 270 days.

On May 23, 1997 and June 2, 1997, respectively, CSX and NS acquired the remaining outstanding shares of CRR common stock in a joint tender offer (the "Joint Offer") and in the subsequent Merger for $115 per share, for an aggregate of approximately $6.9 billion (excluding related fees and expenses), approximately $2.2 billion of which was contributed by CSX and approximately $4.7 billion of which was contributed by NS.

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On May 1, 1997, CSXC issued $2.5 billion of bonds in a private placement to finance its share of Conrail acquisition costs. The bonds have registration rights and CSXC expects to complete an exchange offer this year. On May 14, 1997, NSC issued $4.3 billion of notes, the proceeds of which were used to finance NS's share of the acquisition. On May 22, 1997, NSC also issued and sold $700 million of commercial paper notes with varying maturities that did not exceed 270 days.

As discussed in the Joint Verified Statement of William H. Sparrow and William J. Romig in this Volume 1, CSX and NS will, in connection with the arrangements for their use of Conrail's assets, provide sufficient funds to CRR and CRC to satisfy obligations associated with any debt securities or similar securities or similar obligations of Conrail. The Conrail obligations are listed in Exhibit 19 in Appendix K to this Volume 1.

Fairness Determination. The terms under which CSX and NS have acquired all of CRR's common stock are fair to the stockholders of CSXC, NSC, and CRR, and Applicants ask the Board to so find. See Schwabacher v. United States, 334 U.S. 192 (1948). The fairness of those terms to shareholders is demonstrated in the Verified Statement of Bruce P. Nolop of Wasserstein Perella & Co., Inc. (as to CSXC shareholders), in the separate Verified Statements of James L. Hamilton and Jack Levy (as to NSC shareholders), and in the Joint Verified Statement of Paul R. Goodwin and Henry C. Wolf (as to CRR shareholders) in this Volume 1.

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SECTION 1180.6(a)(2)

PUBLIC INTEREST JUSTIFICATIONS

The proposed transaction is endorsed by over 2,100 parties, including over 1,850 shippers, over 60 other railroads and over 230 public officials, one of the strongest showings of support ever presented in a rail control application reviewed by the Board or its predecessor. As described in the Verified Statements of William E. Ingram (Volume 1) and Joseph P. Kalt (Volume 2A), quantified public benefits are expected to be nearly $1 billion per year. Unquantified benefits will also be substantial. This transaction is clearly in the public interest.

The creation of new single-line service, the efficiencies of expanded networks, and the development of more direct routes will generate additional benefits for the general public. New single-line service will enable CSX and NS to compete more effectively with trucks in lanes now dominated by motor carriers, such as the I-95 corridor. The efficiencies of the expanded networks and the increased traffic volumes they will handle will allow the new networks to reduce per unit costs. More direct routes made possible by combining the existing CSX and NS systems with those portions of Conrail that they will operate will result in reduced car miles, better equipment utilization, reduced fuel consumption, and faster service for their customers.

But the public interest benefits of the transaction do not stop there. As CSX and NS rail transportation improves, the two carriers will capture substantial business from trucks. Growing rail volumes will allow more frequent, more specialized train service, further improving the competitive position of rail relative to trucks. Other public benefits that flow from increased rail

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services are greater public safety, reduced highway congestion and damage, and less fuel consumption.

Finally, one of the principal public benefits of the transaction is the substantial increase in intramodal and intermodal competition it will bring to shippers in the eastern United States, as described more fully in the following section.

SECTION 1180.6(a)(2)(i)

EFFECTS ON COMPETITION

The proposed transaction will result in intensified competition, both between rail carriers and trucks and other modes as well as among rail carriers. The pro-competitive dimensions of this transaction -- and the corresponding benefits to the public -- far exceed those of any other rail control proceeding in recent memory.

Rail to Rail Competition: Currently, CSX and NS compete vigorously throughout the Southeast and Midwest. Conrail, on the other hand, faces only limited rail competition in some parts of its service territory. The transaction will eliminate this anomaly, allowing CSX and NS to expand the scope of their competitive efforts into important new commercial areas. These include the Shared Assets Areas of South Jersey/Philadelphia, North Jersey and Detroit, as well as the coal fields served by the former Monongahela Railroad, and Conrail's Ashtabula, Ohio dock facility. Numerous shippers in these areas will have access to dual rail service for the first time since Conrail's creation. Rail competition for general merchandise and intermodal traffic moving between New York and Chicago and New York and St. Louis will be intense, as will rail competition for finished automobiles moving out of Detroit and auto parts coming

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into Detroit. According to one estimate, over $700 million in rail business will gain two-carrier competition. See Verified Statement of Barry C. Harris, Volume 2B.

While promising intensified rail competition for many rail customers, the transaction will result in virtually no reduction in rail competition. CSX and NS have agreed to allocate the operation of Conrail's lines and facilities so as to avoid wherever possible situations where shippers will see their rail options decline from two carriers to one. In essentially all of the circumstances where the transaction would otherwise result in such a reduction to one carrier, CSX and NS have agreed to provide one another with trackage and/or haulage rights that will permit the continuation of two-carrier service.

Competition with Trucks: The transaction will result in intensified rail competition with trucks because the expanded rail networks will offer improved service and extended single-line hauls that will present attractive commercial options to many current truck customers. Trucks are presently the dominant mode of freight transportation in the eastern United States. Interline rail service is much less effective than single-line service in competing with truck movements because of the delays and higher costs resulting from the need to interchange traffic between rail carriers. The transaction will create efficient new single-line CSX and NS routes in major North-South and East-West lanes that will allow them to capture significant volumes of both carload and intermodal traffic.

The long-term prospects for effective competition between railroads and trucks is one of the clearest benefits of the proposed transaction. Eastern interstate highways that have been built with taxpayer dollars are congested with truck traffic. The proposed CSX and NS rail networks, funded with private capital, will have the capacity to handle substantial additional

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volumes of traffic. By enabling CSX and NS to compete more effectively with trucks, the transaction will promote a more efficient use of the nation's transportation infrastructure.

SECTION 1180.6(a)(2)(ii)

FINANCIAL CONSIDERATION; OPERATING ECONOMIES; INCREASE IN TRAFFIC, REVENUES, AND EARNINGS

Financial Consideration. See Section 1180.6(a)(1)(iv), "Nature and Amount of Any New Securities or Other Financial Arrangements," above.

Increase in Traffic, Revenues, and Earnings Available for Fixed Charges. As shown in the CSX Summary of Benefits Exhibit in Appendix A to this Volume 1, CSX expects to realize annual benefits in a normal year of $435.8 million. Of that total, $145.9 million is expected to result from net revenue gains and $289.9 million is expected to result from recurring operating expense and capital savings. NS expects annual net operating benefits in a normal year of $553 million, $299 million of which is expected to result from net revenue gains, and $254 million of which is expected to result from net operating expense reductions.

CSX estimates gross revenues resulting from increased traffic in a normal year of $347.3 million. On CSX's Summary of Benefits Exhibit, this amount is adjusted upward by $66.4 million to reflect the fact that the base case traffic split performed for CSX and NS by ALK Associates allocated 43.8% of Conrail's 1995 revenues to CSX, whereas the agreed-upon CSX share of 1995 Conrail revenue for purposes of base year pro forma financial statements is 42%, which comports with the terms of the agreement between CSX and NS. NS estimates gross revenues resulting from increased traffic in a normal year of $494 million.

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CSX and NS both project that additional traffic will be attracted as a result of improved reliability, faster and more direct routes, new train services, expanded single-line service, and lower costs. Howard A. Rosen of ALK Associates ("ALK") conducted a traffic study on behalf of CSX that estimated traffic gains for the CSX system from rail general merchandise traffic and certain rail movements of coal, coke, and iron ore. Joseph G.B. Bryan of Reebie Associates analyzed the traffic gains from truck to rail intermodal service for CSX. Their Verified Statements appear in Volume 2A. In addition, CSX conducted its own traffic studies to determine the changes in finished vehicle traffic and coal traffic resulting from this transaction. The results of those studies are set forth in the Verified Statements of Dale R. Hawk and Raymond L. Sharp. CSX also studied general merchandise traffic that is expected to be diverted from highways and barges to rail carload. The results of this study are found in the Verified Statement of Christopher P. Jenkins. These Verified Statements are also provided in Volume 2A. For NS, John H. Williams analyzed the expected traffic gains to NS diverted from rail; Patrick J. Krick conducted a study of the truck traffic expected to be diverted to NS; and John William Fox, Jr. analyzed the expected traffic gains relating to coal movements. Their Verified Statements are found in Volume 2B.

Economies to be Effected in Operations. As indicated above, the proposed transaction will result in substantial annual operating income gains from efficiencies and cost reductions. These savings will be achieved over the three-year period presented in the pro forma financial statements filed as part of this Application. The steps that will be taken to consolidate and coordinate the operations of Applicant carriers and produce these cost savings are set forth in detail in the CSX and the NS Operating Plans (Exhibit 13 in Volumes 3A and 3B, respectively),

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and discussed in the Verified Statements of John W. Orrison (for CSX) and D. Michael Mohan (for NS) in those Volumes.

SECTION 1180.6(a)(2)(iii)

EFFECT OF INCREASE IN TOTAL FIXED CHARGES

Debt financings effected in connection with the acquisition by CSX and NS of CRR's common stock will add to their fixed charges. However, as reflected in the consolidated pro forma financial statements of CSX and of NS (Exhibits 16, 17, and 18 in Appendices C, D, and E, with respect to CSX, and Appendices G, H and I, with respect to NS), CSXC and NSC will have no difficulty absorbing these additional fixed charges.

In addition, within three years of the integration, CSX and NS expect to make substantial capital investments to implement the integration over and above the capital investment they and Conrail would otherwise expect to make. The increase in revenues and the efficiencies that will be realized by the expanded CSX and NS systems will offset the costs of these investments. Neither CSX nor NS will have difficulty in financing these capital expenditures, as demonstrated in the pro forma financial statements provided in Exhibits 16, 17, and 18 (Appendices C, D and E, with respect to CSX, and Appendices G, H and I, with respect to NS) in this Volume 1.

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SECTION 1180.6(a)(2)(iv)

EFFECT ON ADEQUACY OF TRANSPORTATION

The proposed transaction will improve the quality of rail transportation service to the public. It will unite the entire Southeast and Midwest with the Northeast to create two rail systems that each provide seamless, efficient, single-line rail service where interchanges currently add delays and additional costs. The transaction will provide more frequent and reliable service, extend customers' market reach, and enhance their competitive positions at home and abroad. It makes the most efficient use of the existing transportation infrastructure, thereby lowering the total cost of transporting American products.

A prime objective of the CSX and the NS Operating Plans (Exhibit 13 in Volumes 3A and 3B, respectively) is to rationalize routes, facilities, equipment, and work forces, thereby permitting the expanded railroads to provide better, more efficient, and more reliable services to their customers. The two Operating Plans call for:

More Single-Line Service. The Conrail routes to be operated by CSX and NS are largely end-to-end to the existing CSX and NS systems. Both the CSX and NS systems will be able to offer extensive new single-line service -- the most timely, reliable, and cost-effective form of rail service. Today, CSX and NS each interchange hundreds of thousands of cars with Conrail annually. This creates costs, delays, the risk of damage to freight, and scheduling and coordination difficulties. The expanded CSX and NS systems will create many new single-line routes between major Northeastern and Southeastern and Midwestern points. Such single-line service will provide a major competitive alternative for traffic now moving by truck on highways such as I-95, I-85, and I-81.

New and Improved Routes. CSX and NS will create new, more direct routes by combining their existing networks with the Conrail lines they will operate and will replace interchanges with Conrail with new single-line movements, resulting in faster, more reliable service. Both will upgrade lines to increase service quality. Traffic will be rerouted to the preferred route -- generally the shortest and most direct -- reducing car miles, costs, and transit times.

More Reliable Service. The expanded CSX and NS will offer more reliable service than either system is able to provide today. With the elimination of many joint-line movements, CSX and NS will be better able to design new scheduled service to meet customer needs. Moreover, shippers will have only one point of accountability for billing, tracking and freight claims.

Improved Equipment Utilization and Availability. Improved equipment utilization will reduce operating costs. The transaction will eliminate hundreds of millions of car-miles from the expanded CSX and NS transportation activities. The expanded CSX and NS systems will be able to extend the useful lives of their equipment, thereby permitting capital to be allocated to other needs.

Reduced Terminal Delay. The increased traffic to CSX and NS resulting from the transaction will improve operations and reduce delays at terminals. With the increased traffic volumes, each will be able to build larger blocks, enabling them to bypass congested terminals. This will reduce intermediate handling in classification yards, relieving congestion and speeding deliveries. The Verified Statements of John W. Orrison and D. Michael Mohan in Volumes 3A and 3B describe how new blocking strategies will accomplish this.

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Savings from Facility Consolidations and Lower Overheads. The integration of Conrail operations into the CSX and NS systems will result in significant savings from the consolidation of yards, terminals and other facilities and from the consolidation of general and administrative functions and other overhead costs. The Operating Plans of CSX and NS (Exhibit 13, Volumes 3A and 3B) describe the efficiencies and cost savings that each anticipates. See also Verified Statement of John C. Klick, Volume 2A.

Increased Capital Investments. With expanded railroad systems, both CSX and NS will increase capital investments. Both of the expanded carriers will have greater incentives to maximize service and competitive benefits. CSX and NS will invest $488 million and $729 million, respectively, in new rail property and equipment. These amounts do not reflect any offsets from capital savings.

SECTION 1180.6(a)(2)(v)

EFFECT ON EMPLOYEES

In the short term, the proposed transaction will result in the creation of 1,152 positions, the transfer of 2,306 positions, and the abolition of 3,807 positions on both the CSX and NS expanded systems. The Labor Impact Exhibit, which projects the specific labor impacts of the joint acquisition, is provided in Volumes 3A (CSX) and 3B (NS) of this Application. As noted above, in the long term the Applicants believe this transaction will provide opportunities for rail transportation growth, and therefore, new jobs. By expanding their market reach and by becoming more competitive with trucks, CSX and NS will increase their earnings, which will create the capital needed for future growth and increased jobs.

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For purposes of evaluating the financial effects of the proposed transaction, Applicants anticipate that the Board will impose its standard labor protective conditions: the New York Dock conditions[4] on all aspects of the Primary Application, except that the Norfolk and Western conditions, as modified by Mendocino Coast,[5] will be imposed on related authorizations of trackage rights, the Oregon Short Line conditions[6] on related abandonment authorizations, the Mendocino Coast conditions[7] on the operation by CSXT and NSR of track leases with other rail carriers to which Conrail is party, and no protective conditions will be imposed on the related construction of certain new connections and other rail lines by CSXT or NSR.

Applicants also anticipate that, because the implementation of the transaction requires the allocation of the CRC workforce to comparable positions on CSX, NS and CRC (for the Shared Assets Areas), they will serve a joint notice under the applicable protective conditions where necessary to reach a joint implementing agreement with each craft or class of employees on all three rail systems, which will satisfy all applicable labor protective conditions.

As of the date of this Application, no employee protection agreements have been reached with any applicable labor organization.

4/ New York Dock Railway - Control - Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

5/ Norfolk And Western Railway Company - Trackage Rights - Burlington Northern, Inc., 354 I.C.C. 605 (1978), as modified by, Mendocino Coast Railway, Inc. - Lease and Operate - California Western Railway, 360 I.C.C. 653 (1980).

6/ Oregon Short Line Railroad - Abandonment - Goshen, 360 I.C.C. 91 (1979).

7/ Mendocino Coast Railway, Inc. - Lease and Operate - California Western Railway, 360 I.C.C. 653 (1980).

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SECTION 1180.6(a)(2)(vi)

EFFECT OF INCLUSION OF OTHER RAILROADS

The inclusion of other railroads in the joint control and operational division of Conrail by CSX and NS is not contemplated and would not be in the public interest. Applicants do not currently anticipate that the effect of this transaction on any other carrier would result in a loss of essential rail services. See Section 1180.7 (Exhibit 12).

SECTION 1180.6(a)(3)

OTHER SUPPORTING STATEMENTS

Other supporting statements include the statements of (a) shippers, (b) public officials, (c) other railroads, (d) various officers of Applicants and (e) expert witnesses. Over 2,100 parties have submitted statements supporting the proposed transaction. Statements by over 1,850 supporting shippers, over 230 public officials and over 60 other railroads appear in Volume 4 of this Application. Statements of Applicants' officers and expert witnesses appear in this Volume and in Volumes 2 and 3.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL

In accordance with Decision No. 7, the opinions of Applicants' counsel that the transactions described in this Application satisfy the requirements of law and will be legally authorized and valid if approved by the Board appear at the end of the narrative in this Volume of the Application, after the Prayer for Relief.

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SECTION 1180.6(a)(5)

LISTS OF STATES

Listed below are the states in which the real property of each Applicant carrier is situated and in which it conducts railroad operations:

CSX	NS	Conrail
Alabama	Alabama	Connecticut
Delaware	Florida	Delaware
District of Columbia	Georgia	District of Columbia
Florida	Illinois	Illinois
Georgia	Indiana	Indiana
Illinois	Iowa	Maryland
Indiana	Kentucky	Massachusetts
Kentucky	Louisiana	Michigan
Louisiana	Maryland	New Jersey
Maryland	Michigan	New York
Michigan	Mississippi	Ohio
Mississippi	New York	Pennsylvania
New York	North Carolina	Virginia
North Carolina	Ohio	West Virginia
Ohio	Pennsylvania	
Pennsylvania	South Carolina	
South Carolina	Tennessee	
Tennessee	Virginia	
Virginia	West Virginia	
West Virginia		

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SECTION 1180.6(a)(6)

MAP -- EXHIBIT 1

Exhibit 1 includes two maps. The first, Map A, is a "Pre-Transaction" map that shows railroads in the continental United States, with the existing CSX, NS, and Conrail systems indicated in separate colors. The second, Map B, is a "Post-Transaction" map showing continental U.S. railroads and indicating the CSX and NS segments following the transactions for which approval is sought in this Application; on Map B, the portions of Conrail's system to be operated by CSX and NS are separately indicated, as are the Conrail assets that will be used by both CSX and NS.

SECTION 1180.6(a)(7)(i)

NATURE AND TERMS OF PROPOSED TRANSACTION

The proposed transaction involves the joint acquisition of control by CSX and NS of CRR and its subsidiaries (the "Control Transaction"), and the division between CSX and NS of the operation and use of Conrail's assets (the "Division"). The Control Transaction and the Division are governed principally by the Transaction Agreement dated as of June 10, 1997, by and among CSXC, CSXT, NSC, NSR, CRR, CRC, and CRR Holdings LLC (the "Transaction Agreement"), and, to the extent it is not superseded by the Transaction Agreement or the CRR Holdings Agreement (as defined below), by a letter agreement dated as of April 8, 1997 between CSXC and NSC (the "CSX/NS Letter Agreement"). The Transaction Agreement, the CRR Holdings Agreement, the CSX/NS Letter Agreement and the other agreements governing the Control Transaction and the Division are included in Volume 8 of this Application.

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A. Acquisition of Control of Conrail

1. Joint Acquisition of Control of CRR and Merger

CSX and NS have acquired indirectly 100% of the common stock of CRR (the "CRR Common Stock") in a series of transactions that included two separate tender offers that were consummated by CSX on November 20, 1996 and by NS on February 4, 1997, a joint CSX/NS tender offer that was consummated on May 23, 1997, and a subsequent merger (the "Merger") that was consummated on June 2, 1997.

The joint acquisition of control of Conrail by CSX and NS was effected as follows: In accordance with the CSX/NS Letter Agreement, a joint tender offer was commenced on April 10, 1997. On May 21, 1997, CSX, CSX Rail Holding Corporation and NS formed a new Delaware limited liability company, CRR Holdings LLC ("CRR Holdings"). Concurrently with the formation of CRR Holdings, CSX contributed to CRR Holdings all of the capital stock of Green Acquisition Corp. ("Tender Sub"), which was a wholly-owned subsidiary of CSXC that held voting trust certificates in respect of the 17,775,124 shares of CRR Common Stock acquired by CSX in the CSX Offer and held in a voting trust (the "CSX Voting Trust") pending Board approval of the proposed transaction. On the same day, NS caused its wholly-owned subsidiary, Atlantic Acquisition Corp. ("AAC"), to contribute to CRR Holdings its voting trust certificate in respect of the 8,200,000 shares of CRR common stock that AAC had acquired pursuant to the February 4, 1997 NS Offer and which were being held in a separate voting trust (the "NS Voting Trust").

CSXC, Tender Sub, CRR Holdings, NSC and Deposit Guaranty National Bank (the "Voting Trustee") entered into an Amended and Restated Voting Trust Agreement, dated as of

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April 8, 1997 (the "CSX/NS Voting Trust Agreement"), which essentially provided for the conversion of the CSX Voting Trust to a consolidated CSX/NS Voting Trust.[8] A copy of the CSX/NS Voting Trust Agreement is provided in Volume 8 of this Application.[9]

In exchange for their respective contributions to CRR Holdings, CSX received a 42% equity interest in CRR Holdings and NS received a 58% equity interest. Those percentages (the "Percentages") of the equity interests in CRR Holdings (and hence in CRC) and of sharing of certain other matters, which is provided for in the Transaction Agreement, were determined as a result of arm's length bargaining between the parties.

As indicated in the Post-Transaction Chart appearing in Section 1180.6(a)(1)(i), as a result of these transactions, Tender Sub became a wholly-owned subsidiary of CRR Holdings, and CRR Holdings became jointly held by CSXC and NSC.

Pursuant to the Agreement and Plan of Merger dated as of October 14, 1996, by and among CSXC, Tender Sub, and CRR, as amended, and the Agreement and Plan of Merger dated as of June 2, 1997, by and among CRR, Tender Sub, and Green Merger Corp. ("Merger Sub"), (collectively, the "Merger Agreement"), in the Merger, Merger Sub, a wholly-owned subsidiary of Tender Sub, was merged with and into CRR. Copies of the documents comprising the

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8/ The CSX Voting Trust was governed by the Voting Trust Agreement dated as of October 15, 1996 by and among CSXC, Tender Sub and the Voting Trustee. The NS Voting Trust was governed by the Voting Trust Agreement dated as of February 10, 1997, as amended and restated February 18, 1997, by and among NSC, AAC and First American National Bank, as the voting trustee.

9/ CSX and NS received informal advice from the STB Staff on May 8, 1997 that the use of the CSX/NS Voting Trust Agreement would effectively insulate CSX, NS and their respective affiliates from a violation of the governing statute and STB policy that would result from an unauthorized acquisition by CSX or NS of a sufficient interest to result in control of Conrail.

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Merger Agreement are provided in Volume 8 of this Application. In the Merger, each remaining outstanding share of CRR common stock not held by CSX, NS or their affiliates was converted into the right to receive $115 in cash, without interest. Shares of CRR Common Stock owned by CSX, NS or their affiliates were canceled and retired with no payment being made. Shares of Merger Sub, all of which were then owned by Tender Sub, were converted into 100 newly issued shares of CRR pursuant to the Merger. All of these shares are held in the CSX/NS Voting Trust. CRR is the surviving corporation in the Merger and, as indicated in the Post-Transaction Chart, is a wholly-owned indirect subsidiary of CRR Holdings. The surviving corporation currently remains named "Conrail Inc."

2. Governance of CRR Holdings

CRR Holdings is governed by the Limited Liability Company Agreement of CRR Holdings LLC (the "CRR Holdings Agreement"), a copy of which is provided in Volume 8 of this Application. CSX and NS each has a 50% voting interest in CRR Holdings, while NS has a 58% equity interest and CSX a 42% equity interest in CRR Holdings.

Interests in CRR Holdings are represented by one Class A Interest, one Class B Interest and nonvoting Class C Interests. CSX holds the one Class A Interest and NSC holds the one Class B Interest. The Class A and Class B Interests each have identical rights and collectively have all management and voting rights in CRR Holdings.

The Class C Interests collectively have all rights to any allocation of profits or losses and to any distributions as provided in the CRR Holdings Agreement. CRR Holdings issued the Class C Interests to CSXC and NSC in proportion to the relative aggregate capital contribution made by each of them. CSXC owns 42% and NSC 58% of the Class C Interests. Pursuant to

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the CRR Holdings Agreement, CSXC must make 42% and NSC must make 58% of any additional contributions required to fund the operating and other expenses of CRR Holdings on an ongoing basis.

The business and affairs of CRR Holdings are managed under the direction of the CRR Holdings board, which consists of six directors, divided into two classes, each with three directors. CSXC has the right to designate three directors (the "CSX Directors"), each of whom must be a director, officer or employee of CSXC or its subsidiaries. Likewise, NSC has the right to designate three directors (the "NS Directors"), each of whom must be a director, officer or employee of NSC or its subsidiaries. Only CSXC may remove a CSX Director, and only NSC may remove a NS Director. The CRR Holdings Board may not act without the approval of a majority of the CSX Directors and a majority of the NS Directors.

Pursuant to the CRR Holdings Agreement, all matters to be decided by the members, other than the election of directors, must be decided by the unanimous vote of CSXC, as the holder of the Class A Interest, and NSC, as the holder of the Class B interest. CSXC and NSC must vote together on all matters upon which a vote is held.

The Officers of CRR Holdings include two Co-Chairmen of the Board and two Co-Chief Executive Officers. The CSX Co-Chairman and CSX Co-Chief Executive Officer are elected by the CSX Directors, and the NS Co-Chairman and NS Co-Chief Executive Officer are elected by the NS Directors. The CSX directors of CRR Holdings are John W. Snow, Paul R. Goodwin, and Mark G. Aron; the NS directors of CRR Holdings are David R. Goode, Henry C. Wolf, and Stephen C. Tobias. Mr. Snow and Mr. Goode are Co-Chairmen and Co-Chief Executive Officers.

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CRR Holdings may not admit any new members and may not issue any additional Class A or Class B Interests. No member may directly or indirectly sell, assign, transfer or encumber its Interests to any entity not a wholly-owned subsidiary of CSXC, in the case of the Class A Interest, or a wholly-owned subsidiary of NSC, in the case of the Class B Interest.

3. Governance of CRR and CRC

At the present time, the business and affairs of CRR and CRC are under the control of their independent boards of directors. Following the effective date of the Board's approval of the proposed transaction (the "Control Date"), the Transaction Agreement provides that CRC will be managed by a separate board of directors consisting of six directors, divided into two classes, each with three directors. CSXC will have the right to designate three directors (the "CRC-CSX Directors"), and NSC will have the right to designate three directors (the "CRC-NS Directors"). Only CSXC will be able to remove a CRC-CSX Director, and only NS will be able to remove a CRC-NS Director. Approval of the CRC Board is required for certain designated decisions. Actions of the CRC Board will require approval by a majority of CRC-CSX Directors and a majority of CRC-NS Directors. The CRC-CSX Directors will be entitled to appoint by majority vote one Co-Chairman and the CRC-NS Directors will similarly be entitled to appoint by majority vote one Co-Chairman. In addition to the two Co-Chairmen of the Board, the officers of CRC may include a chief executive officer, one or more vice presidents, a treasurer and a secretary, all of whom will be elected by the CRC Boards. The board of directors and management of CRR will have the same structure.

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B. Division of Conrail

The Division will be effected as soon as practical after the Control Date following a Board order approving the transaction. Applicants will carry out several steps to effect the division between CSX and NS of operation of the assets of Conrail as described below:

1. Formation of NYC and PRR

Pursuant to the Transaction Agreement, CRC will form two wholly-owned subsidiaries, New York Central Lines LLC ("NYC") and Pennsylvania Lines LLC ("PRR"), (collectively, the "Subsidiaries").[10] CRC will be the sole member of each of NYC and PRR.

From and after the Control Date, CSXC will have exclusive authority to appoint the officers and directors of NYC, who will in turn manage and direct the operations of NYC. Similarly, NSC will have exclusive authority to appoint the officers and directors of PRR, who will in turn manage and direct the operations of PRR. In addition, the Transaction Agreement provides that CRC, as the sole member of NYC and PRR, will (with certain exceptions) follow CSXC's and NSC's respective directions with respect to the management and operation of NYC and PRR, respectively.

2. Allocation of Conrail Assets and Liabilities

Under the Transaction Agreement, following authorization from the Board, on the date of Division, CRC will assign to each of NYC and PRR certain of CRC's assets. NYC will be assigned certain CRC assets designated to be operated as part of CSX's rail system (the "NYC-Allocated Assets"), and PRR will be assigned CRC assets designated to be operated as part of

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10/ These two entities were referred to, respectively, as "Sub A" and "Sub B" in the Applicants' Petition for Waiver or Clarification (CSX/NS-10), and are referred to as NYC and PRR in the Transaction Agreement.

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NS's rail system (the "PRR-Allocated Assets"). Among other things, these assets will include the lines and facilities currently operated by CRC, whether owned by CRC or operated under trackage rights. Certain assets will continue to be held by CRR and CRC (or their subsidiaries) and will be operated by them for the benefit of CSX and NS (the "Retained Assets"). As part of the Division of the Conrail assets, NYC and PRR will acquire, and CSX and NS will operate, Conrail's trackage rights on lines of other carriers and will jointly use certain Conrail lines and facilities.

In addition, on the date of Division the former Conrail line now owned by NS that runs from Fort Wayne, IN, to Chicago, IL, will be transferred to CRC in a like-kind exchange for CRC's Chicago South/Illinois Lines (the "Streator Line"). CRC will in turn on the date of Division assign the former NS Fort Wayne to Chicago line to NYC, to be operated together with the other Conrail lines to be assigned to NYC and used by CSX as part of CSX's rail system. Because the current NS line between Fort Wayne, IN, and the Chicago area that is to be exchanged for the Streator Line, and allocated in the Division of CRC to CSX, will not be transferred to CRC until the time of the Division of Conrail, it will never be operated as a component of the operations of an undivided CRC.

a. Allocated Assets

As described in the General Introduction to the CSX Operating Plan, the NYC-Allocated Assets will include the following primary routes and extensions or trackage rights ("TR") currently held by Conrail among other assets:

-- NY/NJ Area to Cleveland - New York Central Railroad route and extensions, including line segments from North NJ Terminal to Albany (Selkirk); Albany to Poughkeepsie, NY; Poughkeepsie to NYC (TR); NYC to White Plains (TR); Albany to Cleveland via Syracuse, Buffalo and Ashtabula, OH; Boston to Albany; Syracuse

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to Adirondack Jct., PQ; Adirondack to Montreal (TR); Woodard, NY to Oswego, NY; Syracuse to Hawk, NY; Hawk to Port of Oswego (TR); Buffalo Terminal to Niagara Falls/Lockport; Lockport to West Somerset (TR); Syracuse to NYSW/FL connections, NY; Albany/Boston Line to MA branch lines; Albany/Boston Line to MA branch lines (TR); NYC to CT branch lines (TR); CT branch lines (TR); CT Branch lines; Churchville, NY to Wayneport, NY; Mortimer, NY to Avon, NY; Rochester Branch, NY.

-- Crestline, OH to Chicago - Pennsylvania Railroad route and extensions, including Crestline to Dunkirk, OH; Dunkirk to Ft. Wayne, IN; Ft. Wayne to Warsaw, IN; Warsaw to Chicago Terminal (Clarke Jct.), IN; Adams, IN to Decatur, IN.

-- Berea to E. St. Louis route and extensions, including Cleveland Terminal to Crestline; Crestline to E. St. Louis via Galion, OH, Ridgeway, OH, Indianapolis, IN, Terre Haute, Effingham, IL, and St. Elmo; Anderson, IN to Emporia, IN; Columbus to Galion; Terre Haute to Danville, IL; Danville to Olin, IN; Indianapolis to Rock Island, IN; Indianapolis to Crawfordsville; Indianapolis to Shelbyville, IN; HN Cabin, IL to Valley Jct., IL; St. Elmo to Salem, IL (TR); Muncie (Walnut Street), IN to New Castle RT, IN (TR); New Castle RT, IN.

-- Columbus to Toledo route and extensions, including, Columbus to Toledo via Ridgeway; Toledo Terminal to Woodville; Toledo Terminal to Stonyridge, OH.

-- Bowie to Woodzell, MD, including Bowie to Morgantown; Brandywine to Chalk Point.

-- NY/NJ to Philadelphia (West Trenton Line), including Philadelphia to North NJ Terminal.

-- Washington, D.C. to Landover, MD.

-- Quakertown Branch, line segment from Philadelphia Terminal to Quakertown, PA (TR).

-- Chicago Area, line segment from Porter, IN to the westernmost point of Conrail ownership in IN.

Along with these lines, CSXT will operate certain yards and shops, as well as the Conrail Philadelphia Headquarters and Philadelphia area information technology facilities. The lines comprising the NYC-Allocated Assets are reflected in Exhibit 1, Map B.

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As described in the General Introduction to the NS Operating Plan, the PRR-Allocated Assets will include the following primary routes and extensions or trackage rights ("TR") currently held by Conrail:

-- NJ Terminal to Crestline - Pennsylvania Railroad route and extensions, including North NJ Terminal to Allentown, PA via Somerville, NJ; Little Falls, NJ to Dover, NJ (TR); Orange, NJ to Denville, NJ (TR); Dover to Rockport (TR); Rockport to E. Stroudsburg via Phillipsburg, NJ; Allentown Terminal; Orange to NJ Terminal (TR); NJ Terminal to Little Falls (TR); Bound Brook to Ludlow, NJ (TR); Allentown, PA to Harrisburg via Reading; Harrisburg Terminal; Harrisburg to Pittsburgh; Conemaugh Line via Saltsburg, PA; Pittsburgh to W. Brownsville, PA; Central City, PA to South Fork, PA; Pittsburgh Terminal; Monongahela, PA to Marianna, PA; Pittsburgh Terminal; Pittsburgh to Alliance, OH via Salem; Beaver Falls, PA to Wampum, PA; Alliance to Cleveland Terminal; Mantua,OH to Cleveland Terminal; Alliance to Crestline; Alliance to Omal, OH; Rochester, PA to Yellow Creek, OH; E. Steubenville, WV to Weirton, WV; Steubenville Branches Bridge, OH; Pittsburgh Branches; Ashtabula to Youngstown, OH; Ashtabula Harbor to Ashtabula; Niles, OH to Latimer, OH; Alliance, OH to Youngstown; Youngstown to Rochester; Allentown to Hazelton, PA; CP Harris, PA to Cloe, PA (TR); Cloe to Shelocta, PA; Tyrone, PA to Lock Haven, PA (TR); Creekside, PA to Homer City, PA; Monongahela Railroad; Portion of Kinsman Connection in Cleveland; Portion of 44 Ind. Track including Dock 20 Lead; Gem Ind. Track - Lordstown, OH.

-- Cleveland to Chicago - New York Central Railroad route, including Cleveland Terminal to Toledo Terminal; Elyria, OH to Lorain, OH; Toledo Terminal to Sylvania, OH; Toledo Terminal to Goshen, IN; Elkhart, IN to Goshen; Elkhart to Porter, IN.

-- Philadelphia to Washington (NEC) route and extensions, including Philadelphia Terminal to Perryville, MD (TR); Wilmington Terminal, DE; Perryville to Baltimore (TR); Baltimore Terminal; Baltimore Bay View to Landover, MD (TR); Baltimore to Cockeysville, MD; Pocomoke, MD to New Castle Jct., DE; Harrington, DE to Frankford/Indian River, DE; Newark, DE to Porter, DE; Claremont R.T.; Loneys Lane Lead; Grays Yard (TR).

-- Michigan Operations (excluding the Detroit Shared Assets Area), including Toledo Terminal to Detroit Terminal; Detroit Terminal to Jackson, MI; Jackson to Kalamazoo, MI; Kalamazoo to Elkhart, IN; Jackson to Lansing, MI; Kalamazoo to Grand Rapids; Kalamazoo to Porter, IN (TR); Kalamazoo Ind. Track; Comstock Ind. Track.

-- Eastern PA lines and extensions, including Philadelphia Terminal to Reading; Reading Terminal; Thorndale, PA to Woodbourne, PA; Leola/Chesterbrook PA lines; Philadelphia Terminal to Lancaster, PA (TR); Lancaster to Royalton, PA (TR); Lancaster to Lititz/Columbia, PA; Portion of Stoney Creek Branch; West Falls Yard; Venice Ind. Track.

-- Indiana lines and extensions, including Anderson to Goshen via Warsaw; Marion to Red Key, IN; Lafayette Ind. Track.

-- Buffalo to NY/NJ Terminal route and extensions, including NJ/NY Jct. to Suffern, NY (TR); Suffern to Port Jervis, NY; Port Jervis to Binghamton; Binghamton to Waverly; NJ/NY Jct. to Spring Valley, NY (TR); Paterson Jct., NJ to Ridgewood, NJ (TR); Waverly to Buffalo; Waverly to Mehoopany, PA; Sayre, PA to Ludlowville, NY; Lyons, NY to Himrods Jct., NY; Corning, NY to Himrods Jct., NY; North Jersey Terminal to Paterson Jct., NJ (TR); Paterson Jct. to North Newark, NJ; NJ/NY Jct. to North Jersey Terminal (TR).

-- Buffalo to Harrisburg and South, including Perryville, MD to Harrisburg, PA; Carlisle, PA to Harrisburg; Wago, PA to York (area), PA; Harrisburg to Shocks, PA; Williamsport, MD to Buffalo via Harrisburg, PA; Watsontown, PA to Strawberry Ridge, PA; Ebenezer Jct., NY to Lackawanna, NY; Hornell, NY to Corry, PA; Corry to Erie, PA (TR); Youngstown to Oil City, PA.

-- Cincinnati to Columbus to Charleston, WV, including Columbus to Cincinnati; Cincinnati Terminal; Columbus Terminal to Truro, OH; Truro to Charleston, WV; Charleston to Cornelia, WV; Charleston to Morris Fork, WV.

-- Chicago South/Illinois Operations, including Osborne IN to Chicago Heights, IL via Hartsdale; Hartsdale to Schneider, IN; Schneider to Hennepin, IL; Keensburg, IL to Carol, IL; Schneider to Wheatfield, IN.

-- Chicago Market, including Western Ave. Operations/Loop to Cicero/Elsdon, IL; Chicago to Porter, IN; Clarke Jct., IN to CP 501, IN; CP 509 to Calumet Park, IL; Western Ave. Ind. Track; Old Western Ave. Ind. Track; North Joint Tracks; Elevator Lead & Tri-River Dock; CR&I Branch; 49th Street Ind. Track; 75th Street to 51st Street (TR); Port of Indiana, IN; CP 502, IN to Osborne, IN.

These lines comprising the PRR-Allocated Assets are reflected in Exhibit 1, Map B. In addition, the abandoned Conrail line segment from Danville to Schneider, IL will be a PRR-Allocated Asset.

Certain equipment will be included in the NYC-Allocated Assets and the PRR-Allocated Assets and will be made available to CSXT and NSR pursuant to the CSXT Equipment Agreement and the NSR Equipment Agreement, respectively. Much of the locomotive equipment and rolling stock equipment will be included in the Retained Assets, and will be leased by CRC or its affiliates to NYC or PRR pursuant to equipment agreements to be negotiated by the parties.

CRC currently holds certain trackage rights over CSXT and NSR. Under Exhibit PP to the Transaction Agreement, CRC will assign the trackage rights over CSXT which it holds to PRR, to be operated by NSR, and will assign the trackage rights it has over NSR to NYC to be operated by CSXT, in each case under the terms of the pertinent Allocated Assets Operating Agreement; except that the CRC trackage rights on CSXT between Carleton, MI, and Alexis, OH, and on NSR between Carol, IL, and Keensburg, IL, and between Mill, OH, and Crescentville, OH, are excluded from the Agreement just mentioned; other arrangements as to these three lines are provided elsewhere in the Transaction Agreement and the Ancillary Agreements.

The shares currently owned by Conrail in TTX Company ("TTX") will be allocated to NYC and PRR. Applicants' current ownership interest in TTX is CRC: 21.807%, CSX: 9.345% and NS: 7.788%. After STB approval, the ownership of TTX by Applicants and their subsidiaries will be as follows: CSX: 9.345%, NS: 7.788%, NYC: 10.125% and PRR: 11.682%. TTX provides equipment to the nation's railroads on a per diem basis pursuant to car

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contracts and pooling agreements which have been the subject of prior STB proceedings.[11] In accordance with the terms of the Transaction Agreement, Conrail's 50% interest in Triple Crown Services Company will be allocated to PRR.

Certain additional special treatments are provided in particular areas within the allocated assets. A description of the areas in which special arrangements are made is set forth below under the caption "Other Areas with Special Treatments."

Applicants have taken steps to ensure that all of the existing contractual commitments of Conrail to its shippers will be fulfilled. The Transaction Agreement provides that all transportation contracts of CRC in effect as of the Closing Date ("Existing Transportation Contracts"), will remain in effect through their respective stated terms, and will be allocated as NYC-Allocated Assets and PRR-Allocated Assets, and that the obligations under them shall be carried out after the Closing Date by CSXT, utilizing NYC-Allocated Assets, and by NSR, using PRR-Allocated Assets, or pursuant to the Shared Assets Areas Agreements, as the case may be.

The Transaction Agreement provides that CSXT and NSR will allocate the responsibilities to serve customers under these Existing Transportation Contracts pursuant to detailed provisions set forth in the Transaction Agreement. Generally speaking, revenues and costs will follow the allocation of responsibility for performance, but in certain circumstances, to be agreed upon between CSXT and NSR, in order to promote the use of efficient routes, and provide a high quality of service and consistency of service to customers, the responsibility for performance may be allocated to one of the carriers but the revenues and costs shared under the provisions

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11/ TTX Company, et al. -- Application for Approval of the Pooling of Car Service With Respect to Flat Cars, Service Date: August 31, 1994, Finance Docket No. 27590 (Sub-No.2), 1994 WL 467250 (ICC).

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set forth in the Transaction Agreement. The Transaction Agreement reflects a presumption against dividing between the two carriers a contract between a single destination and a single origin. The agreement also provides that the two carriers shall cooperate as necessary to assure shippers under the Existing Transportation Contracts all benefits, such as volume pricing, volume refunds and the like, to which they are contractually entitled, notwithstanding any division of responsibility in performing the service between the two carriers.

b. Retained Assets

The Retained Assets will include assets contained within three Shared Assets Areas: (1) the Detroit Shared Assets Area; (2) the North Jersey Shared Assets Area; and (3) the South Jersey/Philadelphia Shared Assets Area. For a further description of the Shared Assets Areas, see "Shared Assets Areas and Operating Agreements" below.

Retained Assets also include Conrail's System Support Operations facilities (including equipment and other assets associated with such facilities) currently used by Conrail to provide support functions benefitting its system as a whole, including Conrail's: (1) customer service center in Pittsburgh, PA; (2) crew management facility in Dearborn, MI; (3) system maintenance-of-way equipment center in Canton, OH; (4) signal repair center in Columbus, OH; (5) system freight claims facility in Buffalo, NY; (6) system non-revenue billing facility at Bethlehem, PA; (7) system rail welding plant at Lucknow (Harrisburg), PA; (8) system road foreman/engineer training center at Philadelphia and Conway, PA; (9) police operations center at Mt. Laurel, NJ; (10) the Philadelphia Division headquarters building and offices located at Mount Laurel, NJ; and (11) such other facilities providing system-wide support functions identified by CSX and NS prior to the Closing Date (each, an "SSO Facility"). Each SSO

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Facility, as defined in the Transaction Agreement, will be operated by Conrail for the benefit of CSXT and NYC and of NSR and PRR, and the costs of operating each SSO Facility will be retained by Conrail as "Corporate Level Liabilities," and will be shared between CSX and NS.[12]

c. Liabilities

In general, NYC will assume all liabilities that arise on or after the Closing Date that relate predominantly to the NYC-Allocated Assets, and PRR will assume all such liabilities that relate predominantly to the PRR-Allocated Assets. The Transaction Agreement provides that CRC will be responsible for certain other liabilities, including, among others, certain liabilities related to any suit, action or claim arising prior to the Closing Date, and liabilities related to any suit, action or claim arising on or after the Closing Date that do not relate predominantly to the NYC- or PRR-Allocated Assets.

All Separation Costs (as defined in the Transaction Agreement) incurred following the Control Date in connection with Conrail agreement employees now working jobs at or in respect of NYC-Allocated Assets will be the sole responsibility of CSX, while Separation Costs incurred in connection with Conrail agreement employees now working jobs at or in respect of PRR-Allocated Assets will be the sole responsibility of NS. Separation Costs incurred in connection with agreement employees working jobs at or in respect of Retained Assets will be shared by CSX and NS. Separation Costs incurred following the Control Date for Conrail agreement employees at Conrail's Altoona and Hollidaysburg shops will be the responsibility of NS, and

12/ In the event that either CSX or NS provides written notice to the other that it no longer requires the services of any SSO Facility, the costs of such SSO Facility will be allocated entirely to that party who continues to use the services of that SSO Facility.

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all Separation Costs incurred following the Control Date in connection with agreement employees at Conrail's Philadelphia headquarters and technology center and Conrail's Pittsburgh customer service center (notwithstanding the customer service center's joint use by CSX and NS as an SSO Facility) will be the responsibility of CSX. Separation Costs for eligible Conrail non-agreement employees will be shared by CSX and NS.

After the Closing Date, compensation and other expenses (excluding Separation Costs) for agreement employees (other than certain Conrail employees performing general and administrative functions) working jobs at or in respect of NYC-Allocated Assets will be the sole responsibility of CSX, while such expenses for such agreement employees working jobs at or in respect of PRR-Allocated Assets will be the sole responsibility of NS.

3. Operation of Assets

Pursuant to the Transaction Agreement, CSXT and NYC will enter into the CSXT Operating Agreement (Exhibit A-1 to the Transaction Agreement, provided in Volume 8 of this Application), which provides for CSXT's use and operation of the NYC-Allocated Assets. Similarly, NSR and PRR will enter into the NSR Operating Agreement (Exhibit A-2 to the Transaction Agreement, provided in Volume 8 of this Application), which provides for the NSR's use and operation of certain of the PRR-Allocated Assets. Finally, CRC, NYC, PRR, CSXT and/or NSR will enter into Shared Assets Areas Agreements (Exhibits G through I to the Transaction Agreement, provided in Volume 8 of this Application), which provide for the operation of certain Shared Assets Areas for the benefit of both CSXT and NSR.

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a. CSXT and NSR Operating Agreements

The CSXT Operating Agreement and the NSR Operating Agreement (collectively, the "Allocated Assets Operating Agreements") provide that CSXT and NSR will each have the license, right, and obligation for an initial term of 25 years, to use and operate, as part of their respective rail systems, the NYC-Allocated Assets and the PRR-Allocated Assets. Those agreements will require CSXT and NSR each to bear the responsibility for and cost of operating and maintaining their respective Allocated Assets. CSXT and NSR will each receive for its own benefit and in its own name all revenues and profits arising from or associated with the operation of its Allocated Assets.

CSXT will pay NYC an operating fee based on the fair market rental value of the NYC-Allocated Assets. NSR will similarly pay PRR an operating fee based on the fair market rental value of the PRR-Allocated Assets.

CSXT and NSR will each have the right to receive the benefits of NYC or PRR, respectively, under any contract or agreement included in the NYC assets or the PRR assets, and, with the consent of NYC and PRR, respectively, to modify or amend any such contract or agreement on behalf of NYC or PRR. CSXT and NSR will also each have the right to assign, transfer or sublease the right to use any Allocated Assets or its interest therein, with the prior written consent of NYC or PRR. Neither NYC nor PRR may transfer or assign any part of the Allocated Assets without the prior written consent of CSXT or NSR, respectively.

CSXT and NSR will each have the right to renew its Allocated Assets Operating Agreement for two additional terms of ten years each. The Allocated Assets Operating Agreements contemplate that, upon termination of the agreements CSXT and NSR will be

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deemed to have returned their Allocated Assets to NYC or PRR, subject to any regulatory requirements.

CSXT and NSR may make modifications to their respective Allocated Assets at their own expense. Title to such modifications will vest in NYC and PRR, respectively, in the event the modification is required by law or the terms of the Allocated Assets Operating Agreement or is not readily severable from the modified Allocated Assets. Title to all other modifications will vest in CSXT and NSR.

b. Shared Assets Areas and Operating Agreements

As noted above, there will be three Shared Assets Areas: North Jersey, South Jersey/Philadelphia, and Detroit. Both CSXT and NSR will be permitted to serve shipper facilities located within the Shared Assets Areas, and they thus are a pro-competitive measure. They provide a method whereby the two railroads may serve the same areas, and compete one against the other. Other carriers that previously had access to points within the Shared Assets Areas will continue to have the same access as before.

CSXT and NSR will enter into a Shared Assets Area Operating Agreement with CRC in connection with each of the Shared Assets Areas. Those agreements will provide that the Board of Directors of CRC will be responsible for the oversight of each of the Shared Assets Areas, which will be owned, operated and maintained by CRC for the exclusive benefit of NS and CSX. CRC will no longer provide rail service to the public and will only provide service to CSX and NS.

CRC will grant to CSXT and NSR the right to operate their respective trains, with their own crews and equipment and at their own expense, over any tracks included in the Shared

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Assets Areas. CSXT and NSR will each have exclusive and independent authority to establish all rates, charges, service terms, routes and divisions, and to collect all freight revenues, relating to freight traffic transported for its account within the Shared Assets Areas and CRC will not establish, participate or appear in any such rates, routes, or divisions. CRC will perform most routine track and facility maintenance in connection with, and will control the dispatching and movement of most trains over, the Shared Assets Areas. No one other than CRC, CSXT and NSR, except to the extent that other carriers presently have switching or trackage rights, may be permitted to use or operate in any of the Shared Assets Areas without the prior approval of all three parties. All services performed by CRC for either CSXT or NSR shall be for the account of CSXT or NSR, and all traffic and cars shall remain in the waybill, car hire and revenue accounts of either CSXT or NSR.

The Shared Assets Area Operating Agreements contain other provisions, including those for the sharing of costs, the making of capital improvements, the charges to be made by CRC to CSXT and NSR, the parties' responsibility for liabilities and losses, and other matters. For these matters and a fuller and governing treatment of the matters summarized above, refer to the text of the Shared Assets Area Operating Agreements, provided in Volume 8 of this Application.

North Jersey Shared Assets Area. -- The North Jersey Shared Assets Area is defined with greater particularity in Section 1(ss) of the Shared Assets Area Operating Agreement for North Jersey included as Exhibit G to the Transaction Agreement. Subject to that definition, the North Jersey Shared Assets Area may be described as encompassing all northern New Jersey trackage east of, and including the NEC, plus the line segments described on the map as shared north of the NEC as it turns East to enter the tunnel under the Hudson River, plus the CRC

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Lehigh line West to Port Reading Junction; the rights of CRC on the New Jersey Transit Raritan line; the CRC Port Reading Secondary line west to Bound Brook; and the CRC Perth Amboy Secondary line west to South Plainfield. This Shared Assets Area includes the NEC local service south to the Trenton area. There are 20 yards within the North Jersey Shared Assets Area. Trackage includes approximately 189 route miles of track.

The facilities in the Port Newark/Elizabeth Marine Terminal area will be accessible to both carriers, including Port Newark, Dockside (Express Rail) and Portside (Triple Crown facility). Also accessible to both carriers will be the Oak Island Yard and the auto terminals at Doremus Avenue, Greenville, and Ridgefield Heights.

CSX will operate CRC's Kearney Yard (including the APL leased portion, which will also be served by NSR) and its North Bergen intermodal terminal and, as well as the property encompassing the present CRC Elizabethport Yard (Trumball Street Yard), within which NSR will be afforded use of two tracks to support its E-Rail intermodal facility. NSR will operate CRC's Croxton and E-Rail intermodal facilities and the CRC developable properties adjacent to the E-Rail intermodal facility (east of CRC's Chemical Coast Secondary). Train movements within the North Jersey Shared Assets Area will be controlled by a Shared Assets Area dispatcher. Yard functions and operations within the North Jersey Shared Assets Area are described in Section 4.5.1.1 of the CSX Operating Plan (Exhibit 13, Part A) and in Section 4.1 of the NS Operating Plan (Exhibit 13, Part B).

South Jersey/Philadelphia Shared Assets Area. -- The South Jersey/Philadelphia Shared Assets Area is defined with more particularity in Section 1(ss) of the Shared Assets Area Operating Agreements for South Jersey/Philadelphia included as Exhibit H to the Transaction

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Agreement. Subject to that definition, the South Jersey/Philadelphia Shared Assets Area may be described as encompassing all CRC "Philadelphia" stations and stations within the Philadelphia City limits, industries located on the CRC Chester Industrial and Chester Secondary tracks, all CRC trackage in Southern New Jersey, and CRC's rights on the NEC north from Zoo Tower in Philadelphia to Trenton, NJ. The South Jersey/Philadelphia Shared Assets Area includes approximately 240 route miles. Conrail currently operates 16 yards within this area.

The Morrisville intermodal facility will be operated by NSR. To obtain a continuous route through Philadelphia on the NEC, NSR will have the option to reconstruct, own and control an additional track where practical between Belmont and CP Field. NS also will operate the West Falls Yard.

CSX will operate a route through Philadelphia from a connection at Eastwick to be constructed by CSXT, via CP Field and portions of CRC's Harrisburg and Trenton lines to CP River and points North, and will operate trackage from CP Field to Pier 122 (Greenwich Yard area). CSX also will operate the Greenwich Yard property, with the exception of tracks used to support local freight services and the ore pier, which will be shared assets. NS will have the use of sufficient tracks in Greenwich Yard to handle merchandise and port-related traffic (other than intermodal). NS road trains will be permitted to operate to and from Greenwich Yard. CSXT will also operate the Woodbourne yard.

The Ameriport intermodal terminal and any replacement built substantially through public funding will be a part of this Shared Assets Area.

Both carriers will have the right to operate their own trains over any part of this Shared Assets Area, subject to local movement guidelines. Except for those yards specifically operated

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by CSX or NS. Shared Assets Area facilities will include all Conrail yards in the South Jersey/Philadelphia Shared Assets Area, and will be accessible to both CSXT and NSR. Train movement within the Shared Assets Area will be controlled by a Shared Assets Area dispatcher.

Detroit Shared Assets Area. -- The Detroit Shared Assets Area is depicted in Map B, Exhibit 1 to this Volume, and is defined with greater particularity in Section 1(ss) of the Shared Assets Area Operating Agreement for Detroit included as Exhibit I to the Transaction Agreement. Subject to that definition, the Detroit Shared Assets Area encompasses all CRC trackage and access rights east of the CP-Townline (Michigan Line milepost 7.4) and South to and including Trenton (Detroit Line milepost 20). NSR will have operating control (dispatching) of the CRC routes from the South (from Toledo, via Ecorse Junction), and West (from Kalamazoo via CRC's Junction Yard Branch) into NSR's Oakwood Yard; this dispatching allocation is not intended to change the boundaries of the Shared Assets Areas. The undeveloped property in the vicinity of Lincoln Yard will be operated by NSR. The Detroit Shared Assets Area is comprised of 85 route miles of track. Train movements within the Detroit Shared Assets Area will be controlled by a Shared Assets Area dispatcher. Both CSXT and NSR will be entitled to run their own trains over the trackage in the Shared Assets Area.

c. Other Areas with Special Treatments

A number of areas are not "Shared Assets Areas," but are subject to special arrangements which provide for a sharing of routes or facilities to a specific extent. These and other arrangements between CSX and NS are implemented by trackage rights agreements, haulage agreements, or other agreements between CSX and NS, which are summarized in Schedule 4 to the Transaction Agreement. Each of the agreements is included as an exhibit to the

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Transaction Agreement and the descriptions of those agreements that follow are qualified by reference thereto.

Trackage rights agreements generally will be consistent with one of the Forms of Trackage Rights Agreements included as Exhibit C to the Transaction Agreement. The operator under these agreements will pay the owner 29 cents per car mile and will bear its own train, fuel and crew costs.

Haulage rights agreements generally will be consistent with one of the Forms of Haulage Agreements included as Exhibit D to the Transaction Agreement. The holder of rights under these haulage agreements will pay the owner/operator 29 cents per car mile plus the actual cost of the crew inclusive of customary crew overhead charges.

Set forth below are descriptions of certain areas with special treatments.

Monongahela. -- The Monongahela Area is depicted on Exhibit A to the Monongahela Usage Agreement (the "MUA"), Exhibit G to the Transaction Agreement in Volume 8, and is defined with greater particularity in Section 2 of the MUA. The CRC lines formerly a part of the Monongahela Railway will be operated by NSR, but CSXT will have equal access for 25 years, subject to renewal, to all current and future facilities located on or accessed from the former Monongahela Railway, including the Waynesburg Southern. CSXT will bear all costs directly associated with operation of its trains and crews operating in the area. All other operating and maintenance expenses of the Area will be shared on a usage basis. Maintenance, repair and renewal of the infrastructure of the Area will be the responsibility of NS.

Chicago. -- The CRC routes in the Chicago area that will be operated by CSXT and NSR are depicted in Attachment II to Schedule I of the Transaction Agreement. Both CSXT and NSR

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will have access to CRC's rights concerning access to and use of BNSF's Willow Springs Yard. The Applicants will enter into an agreement concerning their respective rights as successors to Conrail and as parties controlling the controlling shareholder in the Indiana Harbor Belt Railway ("IHB"), providing for the terms of their voting of the IHB stock owned by CRC and, as among themselves, their respective rights with respect to the use of the IHB and its facilities, dispatching, and other matters. The IHB is a 51% owned subsidiary of CRC. The stock of IHB will be a CRC-retained asset. See Agreement Relating to the Contractual Rights and Ownership Interest of Consolidated Rail Corporation with Respect to the Indiana Harbor Belt Railroad Company ("IHB Agreement"), Exhibit FF to the Transaction Agreement, in Volume 8.

Certain trackage rights of CRC over the IHB will be assets assigned or made available to PRR to be operated by NSR, or assigned or made available to NYC to be operated by CSXT. For additional details, see the Verified Statement of John W. Orrison, presented in Volume 2A of this Application and the IHB Agreement, presented in Volume 8 of the Application. Mr. Orrison's statement describes the investments to be made by CSXT in the IHB and the benefits that will accrue to all owners and users of the IHB as a result of the investment and plans of CSXT with respect to it.

CSXT will operate CRC's 59th Street (Panhandle) Yard site. During the period of CSXT's use of interim haulage between Chicago and Berea, CSXT will operate CRC's Park Manor (63rd Street) intermodal facility.

NSR and CSXT have agreed that should CSXT at some future date enter into a transaction under which it and BNSF are under common control, CSX may, at its option, purchase the Streator Line from Osborne, IN to Streator, IL, including dispatching control, for

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its fair market value as agreed to by the parties or determined in arbitration. See Schedule 3 to the Transaction Agreement, Volume 8 (the "Chicago Area Agreement") and the Verified Statement of William M. Hart in Volume 2A.

CSXT and NSR have further agreed to enter into an agreement to permit each of them to maintain current access and trackage rights enjoyed by them over terminal railroads in the Chicago Area, primarily by providing an option to the other if one of them acquires additional stock in any of these terminal railroads. See id.

Ashtabula Harbor. -- In the Ashtabula Harbor area, NSR will have the right to operate and control CRC's Ashtabula Harbor facilities, with CSXT receiving use and access, up to a proportion of the total ground storage, throughput and tonnage capacity of 42%. CSXT will operate the interlocking at the crossing of the CRC Youngstown Line and Chicago Line.

Buffalo. -- Attachment II to Schedule 1 of the Transaction Agreement depicts the allocation of the routes in the Buffalo area. CSXT will operate Seneca Yard, and NSR will receive access to yard tracks in that yard sufficient for the origination and termination of trains, for the purpose of improved interchange with the South Buffalo Railroad.

Cleveland. -- Attachment II to Schedule 1 of the Transaction Agreement depicts the allocation of routes in the Cleveland Area. CRC's switching yard at Collinwood will be operated by CSX and its Rockport Yard will be operated by NSR. NSR will have rights to construct a connection in Eastern Cleveland to make direct moves between its present line to Buffalo and the CRC Chicago line operated by it, using rights over CRC's Cleveland Short Line which is to be operated by CSX.

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Columbus, OH. -- Attachment II to Schedule 1 of the Transaction Agreement depicts the allocation of routes in the Columbus Area. NSR will operate CRC's Buckeye Hump Yard and CSXT will operate the former "Local Yard" and intermodal terminal at Buckeye.

Erie, PA. -- Norfolk and Western Railway Company ("NW") will have a permanent easement and the right to build a track on the easement along the CRC right of way through Erie, PA to be operated by CSXT. NW will have trackage rights in Erie to connect its route from Corry to its existing Buffalo-Cleveland line if such connection can be achieved without using the CRC Buffalo-Cleveland line to be operated by CSXT.

Fort Wayne, IN. -- CSX will operate the line between Fort Wayne and Chicago, currently owned by NSR. CSXT and NSR will divide CRC's space in its Piqua Yard, part of which is already owned by NS and used by Triple Crown Terminal Operation; Triple Crown will retain its current space.

Indianapolis, IN. -- Attachment II to Schedule 1 of the Transaction Agreement depicts the allocation of routes in the Indianapolis area. NSR will operate sufficient tracks in Hawthorne Yard for the arrival, departure and makeup of trains. NSR will have overhead trackage rights from Lafayette and Muncie to Hawthorne Yard at Indianapolis to serve, via CSXT switch, shippers that presently receive service from two railroads.

Toledo, OH. -- CRC's Stanley Yard will be operated by CSXT and its Airline Junction Yard will be operated by NSR.

Washington, D.C. -- CRC's Landover Line in the Washington, D.C. area from Washington, D.C. to Landover, MD will be allocated to NYC and NSC will be given overhead trackage rights. In addition, as set forth below, NYC and PRR will be assigned, and CSXT and

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NSR will operate, CRC's rights with respect to freight operations over Amtrak's Northeast Corridor ("NEC").

Allocation of Rights with Respect to Freight Operations Over Amtrak's NEC. -- CRC's NEC overhead trackage rights north of New York (Penn Station) will be assigned to NYC. Both NYC and PRR will have overhead rights to operate trains between Washington, D.C. and New York (Penn Station) limited, in certain cases, as set forth in the agreement found at Exhibit RR to the Transaction Agreement, Volume 8. From Zoo Tower, Philadelphia, to Penn Station, NY, CRC's NEC rights to serve local customers will be part of the Retained Assets and CRC will assign those rights to NYC and PRR, with NYC and PRR having equal access to all local customers and facilities. Between Washington, D.C. and Zoo Tower, Philadelphia, CRC's NEC rights to serve local customers will be assigned to PRR. The right to serve local customers on the NEC north of New York (Penn Station) will be assigned to NYC.

For further information regarding the operation of Conrail assets by CSX and NS, see the CSX and NS Operating Plans in Volumes 3A and 3B, respectively, of this Application, as well as the Transaction Agreement and related agreements, copies of which are provided in Volume 8 of this Application.

d. Succession to Conrail Assets

It is the intent of the proposed transaction that the Allocated Assets conveyed to NYC and PRR will be operated for them by CSXT and NSR, respectively, and that they and Returned Assets made available by CRC to CSXT or NSR or both will be enjoyed and used by CSXT and NSR (subject to the terms of the governing agreements) as if the carrier in question were itself CRC; it likewise is intended that the Shared Assets Areas will be used, enjoyed and operated

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as fully by CSXT and NSR as if each of them was CRC. The Board is being asked to so rule. See "Discussion of Relief Requested" and "Prayers for Relief," below. In this connection, the freight operating rights of CRC on the NEC will be operated by CSXT and NSR as described in the Transaction Agreement and Ancillary Agreements referred to therein.

See (B)(2) of Section 1180.6(a)(7)(i), "Nature and Terms of Proposed Transaction" for a discussion of Existing Transportation Contracts, which are to be Allocated Assets.

4. <u>The Continuing Conrail Activities</u>

As stated above in this Section 1180.6(a)(7)(i), CSXT and NSR will, from the Closing Date forward, be responsible for all of the operating expenses and new liabilities attributable to the assets which they are operating. However, it is expected that most of the pre-Closing liabilities of CRC, its parent CRR and their subsidiaries will remain in place.

As set forth in the Joint Verified Statement of William H. Sparrow and William J. Romig in this Volume 1, CRC will pay its pre-Closing Date liabilities, including its debt obligations, out of payments received, either directly or through NYC and PRR, from CSXT and NSR in connection with the Allocated Assets and the Shared Assets Areas, which payments are described below. Applicants intend and expect that such payments will be more than sufficient to permit CRC and its Subsidiaries to (1) cover their operating, maintenance and other expenses, (2) discharge and pay all of their obligations as they mature, (3) provide dividends to CRR sufficient to permit it to discharge its debts and obligations as they mature, and (4) receive a fair return for the operation, use and enjoyment of CSXT and NSR of the Allocated Assets and Shared Assets Areas. However, if for any reason (and none is presently foreseeable) these sources of funds to CRC, its Subsidiaries and CRR prove insufficient to permit them to pay and discharge

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their obligations, NS and CSX have agreed in the Transaction Agreement (Section 4.3) that CRR Holdings shall provide to CRC the necessary funds. Any such additional capital contributions will be made by NS and CSX in the proportion 58% and 42% respectively. NS and CSX have paid in excess of $10 billion for Conrail, and there is no realistic likelihood that they would permit this valuable asset to fall into bankruptcy as long as NS and CSX themselves have the resources to prevent it.

Under the various agreements, CSXT and NSR will make payments to NYC and PRR with respect to the Allocated Assets and will make payments to CRC with respect to the Shared Assets Areas. With regard to the Allocated Assets, CSXT and NSR will be responsible for all the operating expenses, maintenance costs, taxes other than income taxes, and new liabilities attributable to the assets each will be operating. In addition, the Allocated Assets Operating Agreements provide that CSXT and NSR will each pay to NYC and PRR respectively an Operating Fee for the privilege of operating, and retaining all revenues and profits from, the Allocated Assets. The Operating Fee in each case will be based on the fair market rental value for such assets, to be determined by an independent appraiser selected by CSXT and NSR. CSXT and NSR will also lease equipment from NYC and PRR and make fair market lease payments for such leases. The Transaction Agreement further provides that the total operating fees and equipment lease payments to PRR and NYC shall be allocated initially as of the Closing Date between NSR and CSXT in the ratio 58:42.

The Shared Assets Areas Operating Agreements also require CSXT and NSR to make payments to CRC to cover CRC's operating and maintenance expenses and taxes other than income taxes; CSXT's and NSR's respective shares of such payments will be determined on a

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usage basis. CSXT and NSR will be required to make equal payments to cover CRC's capital expenditures and to pay an interest rental (the "Interest Rental") based on a fair return on the fair market value of the Shared Assets Areas, to be determined by an independent appraiser selected by CSXT and NSR. The Interest Rental will be paid by NSR and CSXT in the ratio 58:42.

The Transaction Agreement contains an estimate by CSX and NS that the total of the operating fees for the NYC Allocated Assets and the PRR Allocated Assets, the Interest Rental for the Shared Assets Areas, and the base rent under equipment leases from CRC to CSXT and NSR, will be $750 million per annum. While that estimate is not binding, the parties believe that it constitutes a reasonable estimate. The actual amounts will be determined following the valuation process through the appraisal referred to above, which will be conducted prior to the Closing Date. Revaluations will take place at six-year intervals following the Closing Date and may result in revision of the 58:42 ratio.

Although the determinations of the fair market rentals for the NYC Allocated Assets and the PRR Allocated Assets and the Interest Rental for the Shared Assets Areas have not yet been made, NS and CSX expect that those amounts and the usage fees under the Shared Assets Areas Operating Agreements will be more than sufficient to permit CRC, its Subsidiaries and CRR to pay all of their operating and maintenance expenses and taxes, to pay all of their obligations as they mature and to provide NYC, PRR and CRC a fair return for the Allocated Assets and the Shared Assets Areas.

The headquarters of CRR and CRC are located in Philadelphia. At the present time, the anticipated employment level in the Philadelphia area following the Division of Conrail is

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approximately 350 people. This would include Conrail employees who would be managing and operating trains for NS and CSX, the employees in the local Shared Assets Area, and the management personnel for the continuing Conrail functions. In addition, each of NS and CSX anticipates establishing a regional headquarters-type function in Philadelphia that will include such activities as operations, industrial development, sales and marketing, freight claims, and other traditional railroad administrative activities. The number of personnel necessary to carry on these functions has not yet been determined, but it would be in addition to the 350 mentioned above.

Upon the Division, it is intended that CRC will no longer hold itself out to the public as performing transportation services directly and for its own account, and will not enter into any contract (other than with CSXT or NSR) for the performance of transportation services, but that all the transportation services performed by CRC will be performed as agent or subcontractor of CSXT or NSR.

For the assets to be retained by CRR and CRC, further information as to the treatment of CRR's and CRC's liabilities, and CRC's role in the Shared Assets Areas, see "B. Division of Conrail - 2b. Retained Assets"," "2c. Liabilities," and "3b. Shared Assets Areas and Operating Agreements," above.

C. Abandonments. In accordance with Decision No. 7, served May 30, 1997 ("Decision No. 7"), CSX and CRC are submitting in Volume 5 of this Application a control-related abandonment notice of exemption with respect to one CRC line segment totalling approximately 29 miles, and NS is submitting control-related abandonment and/or notices of exemption with respect to four NSR line segments totalling approximately 50 miles.

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D. Construction Projects/Connections. Certain construction projects to be undertaken in connection with the proposed transaction, such as terminal construction and connections, are described in the CSX and the NS Operating Plans (Exhibit 13 in Volumes 3A and 3B, respectively) and the CSX and NS Environmental Report (Exhibit 4 in Volume 6 of this Application). In Volume 5 of this Application, CSX and NS have included 10 notices of exemption and 12 petitions for exemption relating to these construction projects.

On May 2, 1997, CSX and Conrail (CSX-1) and NS (NS-1) filed Petitions for Waiver of 49 C.F.R. § 1180.4(c)(2)(vi) as that provision relates to seven "first day" connections the Applicants proposed to construct prior to Board approval of the Primary Application. In their petitions, Applicants requested that the Board waive the requirement that all construction projects related to the primary transaction be evaluated as a related application. Their petitions addressed only the construction of these connections and not the operating rights that would result if the Board were to grant the Primary Application.

In Decision No. 9, served June 12, 1997, the Board granted the two petitions, thereby allowing the Board to consider construction of these seven connections (Sub-Nos. 1-7) prior to its consideration of operating rights over these connections, and accordingly the related notices and petitions included in Volume 5 of this Application and addressed in Sub-Dockets Nos. 1 through 7 should be considered only as to operating rights when the Board reviews the Primary Application.

E. Relocation. In Volume 5, Norfolk and Western Railway Company ("NW"), a wholly-owned subsidiary of NSR, has submitted a verified notice of exemption for a joint project involving relocation of NW's rail line running down 19th Street at Erie, PA to a parallel railroad

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right-of-way currently owned and operated by CRC that is to be operated by CSXT pursuant to the transaction for which approval is sought in the Primary Application.

F. Fort Wayne, IN Line Transfer. In Volume 5, CRC and NW have submitted a petition for exemption for the transfer a line of railroad between Milepost 319.2 at Tolleston (Gary), IN and Milepost 441.8 at Fort Wayne, IN from NW to CRC in a like-kind exchange for CRC's transfer to NW of CRC's line between Milepost 6.3 at Osborn, IN and Milepost 33.2 at Schneider, IN and Milepost 56.4 at Wheatfield, IN and Milepost 186.0 at Moronts, IL.

G. Trackage Rights. In Volume 5 of this Application, CSXT and NW have included six notices of exemption for instances where they are granting each other trackage rights over current CSXT or NW lines. NW and The Baltimore and Ohio Chicago Terminal Railroad Company ("BOCT") have included one notice of exemption, also included in Volume 5, under which BOCT is granting NW trackage rights over an existing BOCT line. Finally, BOCT and NW have included one notice of exemption for BOCT to grant NW trackage rights over an IHB line for which BOCT has the authority pursuant to an agreement with IHB to grant trackage rights to third parties.

H. The Lakefront Dock and Railroad Terminal Company. As part of the Division of the operation of Conrail's assets, NYC will be assigned CRC's 50% interest in The Lakefront Dock and Railroad Terminal Company ("LD&RT"), a terminal railroad in which CSXT and CRC each currently holds 50% interest. As a result, following the Division, CSX will hold a controlling interest in LD&RT. CSX is submitting in Volume 5 of this Application, an application with respect to CSX's control of LD&RT.

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I. Albany Port Railroad. CRC's 50% stock interest in Albany Port Railroad Corporation ("APRC"), a switching and terminal railroad in which CRC and D&H Corporation (an affiliate of Canadian Pacific Limited) each currently holds a 50% interest, will be allocated to NYC, and will be one of the assets in the Operating Agreement between NYC and CSXT. CSX is submitting, in Volume 5 of this Application, a petition for exemption, to the extent required, with respect to CSX's control of APRC.

SECTION 1180.6(a)(7)(ii)

AGREEMENTS -- EXHIBIT 2

Agreements pertaining to the proposed transaction are listed in Exhibit 2 to this Volume. Copies of these Agreements are provided in Volume 8 of this Application.

SECTION 1180.6(a)(7)(iii)

DESCRIPTION OF RESULTING COMPANY

Pursuant to the Merger Agreement, on June 2, 1997, Merger Sub was merged with and into CRR, with CRR as the surviving corporation. As illustrated in the Post-Transaction Chart that appears in Section 1180.6(a)(1)(i), "Summary of Transaction," as a result of the Merger, CSX and NS are indirect owners of CRR. CRR is a Pennsylvania corporation and is a direct wholly-owned subsidiary of Tender Sub, and an indirect wholly-owned subsidiary of CRR Holdings. CRR Holdings, a Delaware limited liability company, in turn is controlled equally by CSXC and NSC. The capitalization of CSXC and NSC following the proposed transaction

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is presented in the pro forma balance sheets in Appendix C and Appendix G, respectively, of this volume.

See Section 1180.6(a)(7)(i), "Nature and Terms of Proposed Transaction," for a more detailed description of the resulting company.

SECTION 1180.6(a)(7)(iv)

COURT ORDER -- EXHIBIT 3

Not applicable. No Applicant is a trustee, receiver, assignee, or personal representative of a real party in interest.

SECTION 1180.6(a)(7)(v)

PROPERTY INCLUDED IN PROPOSED TRANSACTION

The proposed transaction involves the purchase by CSX and NS, by and through their subsidiaries, of all of the stock of CRR, the division of all of Conrail's lines and assets (including the Fort Wayne Line that Conrail will receive in exchange with NSR for Conrail's Streator Line), and the operation or use of certain of those lines and assets by CSX and NS separately, and of other of those assets by CSX and NS jointly. See the CSX and NS Operating Plans in Volumes 3A and 3B, respectively, of this Application and the Transaction Agreement for a description of the division of the Conrail assets; see the Application in Sub-No. 24 for a description of the Fort Wayne Line.

Conrail's 21.807% stock interest in TTX Company (formerly Trailer Train) will be allocated between NYC and PRR. NYC will receive 10.125%, and PRR will receive 11.682%.

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In addition, PRR will be allocated 100% of the issued and outstanding capital stock of TCV, Inc. (which owns a 50% partnership interest in Triple Crown Services Company, which Conrail acquired from NS in 1993).

SECTION 1180.6(a)(7)(vi)

DESCRIPTION OF PRINCIPAL ROUTES

A general description of the principal routes of CSX, NS and Conrail, the termini of the lines involved and their main line and branch line mileage is set forth below. The Exhibit 1 maps in the pocket at the end of this Volume depict the principal points of interchange on the routes of the two expanded carriers.

CSX. CSX operates approximately 18,504 route miles and 31,961 track miles of railroad in 20 states east of the Mississippi River and in Ontario, Canada. Of that total, approximately 1,607 miles are operated under trackage rights while the remaining mileage is either owned or operated under contract or lease. CSX does not separate its railroad system on a basis of main line versus branch line mileage.

CSX has principal routes to, and serves, virtually every major metropolitan area east of the Mississippi River, from Chicago, St. Louis, Memphis, and New Orleans on the West to Miami, Jacksonville, Charleston, Norfolk, Washington, D.C., and Philadelphia on the East. Other major metropolitan areas served by CSX include Atlanta, Nashville, Cincinnati, Detroit, Pittsburgh, Baltimore, Charlotte, Birmingham, and Louisville. CSX interchanges traffic with other railroads at virtually all of the aforementioned locations and at numerous other points on its railroad system.

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NS. NS operates approximately 14,282 route miles and 25,236 track miles of railroad in 20 states, primarily in the South and the Midwest, and the province of Ontario, Canada. Of that total, approximately 1,520 miles are operated under trackage rights while the remaining mileage is either owned or operated under contract or lease. NS does not normally separate its railroad system on a basis of main line versus branch line mileage; however, arbitrarily defining branch lines as those lines that have less than 5 million gross-ton-mile annually will result in the NS system being comprised of 68% main lines and 32% branch lines.

NS has routes to, and serves, virtually every major market in an area that stretches from Kansas City, MO in the Midwest to Norfolk, VA in the East to Chicago, IL and Buffalo, NY in the North to New Orleans, LA and Jacksonville, FL in the South. These markets include Memphis, Chattanooga and Knoxville, TN; St. Louis, MO; Fort Wayne, IN; Detroit; Toledo, Cincinnati, Columbus, and Cleveland, OH; Louisville and Lexington, KY; Bluefield, WV; Alexandria, Roanoke, Lynchburg, and Richmond, VA; Winston-Salem, Raleigh, Durham, Charlotte, and Morehead City, NC; Greenville, Spartanburg, Columbia, and Charleston, SC; Atlanta, Macon, Valdosta, and Savannah, GA; Bessemer, Birmingham, Montgomery, and Mobile, AL; Des Moines, IA; and Peoria, Springfield, and Decatur, IL. NS interchanges traffic with other railroads at virtually all of the locations mentioned above and at numerous other locations on its railroad system.

Conrail. Conrail operates approximately 10,500 miles of railroad in the Northeast and Midwest. This consists of approximately 5,520 miles of mainline and 4,980 miles of branchline.

The primary network of Conrail forms an "X" connecting Chicago (via the Chicago Line) and East St. Louis (via the St. Louis and Indianapolis Lines) in the West, with Boston, New

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York, and Northern New Jersey (via the "Chicago Line" and other main lines), and with Pittsburgh, Harrisburg, New Jersey, Philadelphia, Baltimore, and Washington, DC (via the "Pittsburgh Line" and other main lines) in the East. The "hub" of the "X" is located in, and about, Cleveland, OH.

The Chicago Line extends between Chicago and the Albany, NY area and connects there (through the Selkirk Branch) with the River Line (serving North Jersey via the west shore of the Hudson River), the Hudson Line (through which Conrail reaches New York and Long Island), and the Boston Line (which extends to Boston and via which Conrail serves New England).

Other important routes contiguous to the Chicago Line include the Detroit Line (between Detroit and a connection with the Chicago Line at Toledo), the Michigan Line (the portion between Detroit and Kalamazoo), and the Kalamazoo Secondary and Branch (between Kalamazoo, MI and Elkhart, IN on the Chicago Line), the Montreal Secondary (between Syracuse, NY and Adirondack Junction, Quebec), and the Southern Tier (between Buffalo, NY and Croxton, NJ).

The St. Louis Line extends between East St. Louis, IL and Indianapolis, IN connecting there with the Indianapolis Line which, in turn, extends between Indianapolis and the Cleveland area (connection with the Chicago Line). Conrail's Cincinnati Line (between Cincinnati and Columbus) and its Columbus Line (between Columbus and Galion, OH, on the Indianapolis Line) and the Scottslawn Secondary Track (between Columbus and Ridgeway, OH, on the Indianapolis Line) all accommodate traffic flows between other parts of the Conrail system and Cincinnati, Columbus and/or Conrail points served via the West Virginia Secondary Track between Columbus and the Kanawha Valley of West Virginia.

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Conrail's principal interchange points are in Chicago, East St. Louis and Salem, IL (via UP trackage rights between Salem and St. Elmo on the St. Louis Line); Streator, IL; Cincinnati; Hagerstown, MD; and Washington, D.C. Other important interchange points include Effingham, IL; Fort Wayne, IN; Toledo and Columbus, OH; Buffalo and Niagara Falls, NY; Montreal, Quebec; Rotterdam Junction, NY; and Worcester (including Barbers), MA.

SECTION 1180.6(a)(7)(vii)

GOVERNMENTAL FINANCIAL ASSISTANCE

No governmental financial assistance is contemplated in the proposed transaction.

SECTION 1180.6(a)(8)

ENVIRONMENTAL DATA -- EXHIBIT 4

The CSX and NS Environmental Report, Exhibit 4, appears in Volume 6 of this Application. The Environmental Report demonstrates that the transaction will result in significant fuel savings and reduction of pollutant emissions as a result of truck-to-rail diversions. Adverse localized environmental effects will be minimal. Pursuant to the Board's regulations at Section 1105.10(d), CSX and NS have engaged third party consultants to work with the Board's Section of Environmental Analysis to produce appropriate environmental documentation with respect to this Application.

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SECTION 1180.6(b)(1)

FORM 10-Ks -- EXHIBIT 6

Pursuant to Decision No. 7, Forms 10-K for the year ended December 27, 1996 for CSXC and CSXT and Forms 10-K for the year ended December 31, 1996 for NSC, NSR, CRR and CRC, in each case filed with the Securities and Exchange Commission ("SEC") (Exhibit 6) are submitted in Volume 7 of this Application.

SECTION 1180.6(b)(2)

FORM S-4 -- EXHIBIT 7

In Decision No. 7, the Board waived the requirement that each Applicant carrier file past Form S-4s. However, following the date of service of Decision No. 7, CSX filed a Form S-4 on June 3, 1997 with the SEC. The Form S-4 is submitted in Exhibit 7 in Volume 7 of this Application. The SEC Schedule 14D-1s, and all amendments thereto, that CSX and NS filed in connection with their separate and joint tender offers for CRR common stock are also submitted in Exhibit 7 in Volume 7. Financial information relevant to this proceeding is also contained in the Form 10-Ks and annual reports submitted in Exhibits 6 and 9, respectively, in Volume 7.

SECTION 1180.6(b)(3)

CHANGE IN OWNERSHIP OR CONTROL -- EXHIBIT 8

There have been no changes in ownership or control of CSXT, NSR or CRC since their most recent Forms R-1, for 1996, except that all of the common stock of CRR is currently held in the CSX/NS Voting Trust, pursuant to the Board's regulations, to avoid unauthorized control

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pending Board review of this Application. See Sections 1180.6(a)(1)(i), "Summary of Transaction", and 1180.6(a)(7)(i), "Nature and Terms of Proposed Transaction," above. CRR remains under the control of its board of directors, elected prior to the establishment of the CSX/NS Voting Trust or the separate voting trusts of CSX and NS which preceded it.

Current directors of CSXT are:

Mark G. Aron	Alvin R. Carpenter	Paul R. Goodwin
Gerald L. Nichols	John W. Snow	Michael J. Ward

Current directors of NSR are:

James C. Bishop Jr.	David R. Goode	Jon L. Manetta
L.I. Prillaman	Stephen C. Tobias	Henry C. Wolf

Current directors of CRC are:

David M. LeVan	H. Furlong Baldwin	Claude S. Brinegar
Daniel B. Burke	Kathleen Foley Feldstein	Roger S. Hillas
E. Bradley Jones	David B. Lewis	John C. Marous
Gail J. McGovern	Raymond T. Schuler	David H. Swanson

In Decision No. 7, the Board granted Applicants' request that they be permitted to provide lists of only the top six officers of CSXT, NSR and CRC and their majority-owned subsidiaries in order to comply with Section 1180.6(b)(3)'s requirements as to officers. Such information as of June 3, 1997 appears in Exhibit 8 in this Volume.

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SECTION 1180.6(b)(4)

ANNUAL REPORTS -- EXHIBIT 9

In accordance with Decision No. 7, Applicants are submitting as Exhibit 9 in Volume 7 of this Application copies of the two most recent annual reports to stockholders of CSXC, NSC, NSR and CRR (for 1995 and 1996).

SECTION 1180.6(b)(5)

RELEVANT ISSUES -- EXHIBIT 10

The issues relevant to the proposed transaction, in Applicants' opinion, are:

(1) The effects of the proposed transaction on competition among rail carriers east of the Mississippi and in the national rail system;

(2) The effects of the proposed transaction on the adequacy of transportation service to the public;

(3) The effects of the proposed transaction on the efficiency with which rail services are provided, and the resources consumed in providing such services;

(4) The effects of the proposed transaction on intermodal competition;

(5) The effects of the proposed transaction on the national highway system; and

(6) The effects of the proposed transaction on shippers and the national economy.

These issues are addressed throughout the Application.

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SECTION 1180.6(b)(6)

CORPORATE CHARTS -- EXHIBIT 11

Exhibit 11 in this Volume 1 presents corporate charts setting forth the information required by Section 1180.6(b)(6), as waived in part by the Board in Decision No. 7.

SECTION 1180.6(b)(6)(i)

STATEMENT OF COMMON OFFICERS AND DIRECTORS

In Decision No. 7, the Board granted Applicants' request for a waiver of the requirement that they submit a statement indicating common officers and directors among Applicant carriers and all affiliates and subsidiaries and also companies controlling Applicant carriers directly, indirectly or through another entity. The Board permitted Applicants to list only officers and directors who are (a) common to CSXC (including majority-owned subsidiaries); and CRR (including majority-owned subsidiaries); (b) common to NSC (including majority-owned subsidiaries); and CRR (including majority-owned subsidiaries); (c) common to both CSXC (including majority-owned subsidiaries) and NSC (including majority-owned subsidiaries); or (d) common to (i) either CSXC, NSC, CRR, or any of their majority-owned subsidiaries, on the one hand, and (ii) and any carrier outside the CSX, NS and Conrail corporate families, on the other hand. Applicants confirm that there are no such common officers or directors.

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SECTION 1180.6(b)(6)(ii)

CARRIER STATUS LIST

Table 1180.6(b)(ii) attached hereto indicates which of the companies included in the "Corporate Charts" provided under Section 1180.6(b)(6) above are carriers. For those companies that are carriers, the table also indicates the carrier mode and provides the certificate and docket number information required by Section 1180.6(b)(6)(ii).

SECTION 1180.6(b)(7)

INFORMATION ON NON-CARRIER APPLICANTS

CSXC is a holding company that was incorporated in Virginia in 1978 and is headquartered in Richmond, Virginia. CSXC's transportation holdings include CSX Transportation, Inc. and CSX Intermodal, Inc. CSXC also owns Sea-Land Service, Inc., a container shipping transportation and logistics company; American Commercial Lines, Inc., a provider of barge transportation and an operator of marine construction facilities, river terminals and communications services; and Customized Transportation, Inc., a provider of dedicated contract logistics services.

CSXC's non-transportation holdings include resort hotels such as The Greenbrier, a resort in West Virginia, and Grand Teton Lodge Company, a resort in Wyoming. CSXC also owns CSX Real Property Inc., which is responsible for sales, leasing and development of CSX-owned properties. CSXC holds a majority interest in Yukon Pacific Corporation, which promotes construction of the Trans-Alaska Gas System.

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NSC was incorporated in Virginia in 1980 and has its headquarters in Norfolk, Virginia. NSC is a holding company that owns and controls Norfolk Southern Railway Company and North American Van Lines, Inc., a motor carrier that provides household moving and specialized freight handling services.

NSC's other noncarrier subsidiaries principally engage in acquisition and leasing of coal, oil, gas and timberlands, development of real estate, and leasing or sale of rail property and equipment. NSC owns and controls Pocahontas Land Corporation, a natural resources company that manages approximately 900,000 acres of coal, natural gas and timber resources located in the southern and midwestern United States. NSC also owns NS Fiber Optics, Inc., NS Transportation Brokerage Corporation, NS Crown Services, Inc. and TCS Leasing, Inc.

The creation of CRC was authorized through an Act of Congress in 1973. CRC, now a Pennsylvania corporation, was formed as a Delaware corporation and began operations in 1976. CRC became an independent, private sector corporation in 1987 when the federal government sold its ownership interest in CRC through a public offering. CRR is a Pennsylvania holding company that was formed in 1993, when the shareholders of CRC voted to form a holding company. CRR is headquartered in Philadelphia, Pennsylvania, and CRC is a wholly-owned subsidiary of CRR. CRC is CRR's only significant subsidiary and primary asset.

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SECTION 1180.6(b)(8)

STATEMENT OF DIRECT OR INDIRECT INTERCORPORATE OR FINANCIAL RELATIONSHIPS

In Decision No. 7, the Board held that Applicants could comply with Section 1180.6(b)(8) by describing those relationships involving ownership by Applicants or their affiliates of more than 5% of a non-affiliated carrier's stock, including those relationships not disclosed elsewhere in this Application in which a group of people affiliated with Applicants own more than 5% of a non-affiliated carrier's stock. There are no such relationships.

SECTION 1180.7

MARKET IMPACT ANALYSES -- EXHIBIT 12

CSX and NS have individually prepared separate market impact analyses. Those analyses reflect the independent judgment of CSX and NS marketing personnel. Coordination between CSX and NS with respect to them was limited to the following matters deemed necessary for the orderly presentation of information in the Application: (1) CSX and NS jointly requested ALK Associates, Inc. to allocate 1995 Conrail traffic between CSX and NS for purposes of determining each party's share of Conrail's 1995 revenues and expenses for use in pro forma financial statements and as a starting point for each party's rail traffic diversion studies; (2) to minimize the risk that the separate traffic studies would result in significant double counting of traffic, which could have consequences for the Board's analysis of labor and environmental impacts, CSX and NS assumed for purposes of those studies that the Conrail traffic allocated by ALK to one carrier would not be diverted to the other; and (3) CSX and NS agreed to

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present jointly the sum of their separate estimates of the revenue impact of traffic diversions on other carriers. (See part 3 of Exhibit 12.)

1. CSX Market Impact Analyses

CSX performed detailed analyses and studies of the effects of the proposed transaction on intramodal and intermodal competition. CSX analyzed the commercial implications of these effects on CSX, its current and potential customers, and other railroads. These analyses draw upon diverse resources, including CSX marketing personnel and consultants and economists with expertise in rail and truck transportation. The analyses performed by CSX are summarized in the paragraphs below, which include references to the Verified Statements and supporting materials that constitute the analyses themselves.

a. Impacts of the Transaction on Intramodal Competition

The overall impact of the proposed transaction will be intensified competition between rail carriers. CSX and NS currently compete vigorously throughout large portions of the Southeast and Midwest for traffic in all major commodity groups. See Anderson V.S.; Jenkins V.S.; Sharp V.S.; Hawk V.S. The transaction will introduce additional competition between these two strong carriers into important commercial areas, including Philadelphia/Southern New Jersey and metropolitan New York/Northern New Jersey. See Kalt V.S. The creation of an extended, more efficient CSX rail network will enhance CSX's ability to compete with NS and other rail carriers by offering improved service and new, single-line rail routes to many commercial areas. Kalt V.S.; Jenkins V.S.

The allocation of the operation and use of Conrail lines and facilities between CSX and NS resulted in only limited instances in which facilities that were served by two rail carriers

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prior to the transaction would be served by one carrier following the transaction. CSX will provide trackage or haulage rights that will allow for alternative rail service to facilities that CSX has identified that otherwise would be solely rail-served by CSX as a result of the transaction. Hart V.S.

b. Impacts of the Transaction on Intermodal Competition

The transaction will result in intensified competition between CSX and trucks because CSX will be able to offer improved service and extended single-line hauls that will present attractive commercial options to many current truck customers. Trucks are currently the dominant mode of freight transportation in the eastern United States. Gaskins V.S.; Anderson V.S.; Jenkins V.S. Interline rail service is particularly ineffective in competing with truck movements on both carload and containerized traffic because of the delays and higher costs resulting from the need to interchange traffic between rail carriers. Gaskins V.S.; Jenkins V.S. The transaction will create new single-line CSX routes in major North-South corridors (I-95, I-85, I-75) that will allow CSX to capture significant volumes of both carload and intermodal traffic. Network efficiencies and route restructuring will enhance CSX's ability to compete with trucks over other portions of its system. CSX estimates that the diversion of truck traffic to CSX's rail lines will result in reduced transportation costs of $166 million per year in the near term and public savings in the form of reduced highway wear of $50 million per year. Gaskins V.S.

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c. <u>CSX Traffic Studies</u>

CSX performed traffic studies to estimate the impacts of its ability to offer more efficient and competitive rail service. The studies fell into two categories: (1) rail traffic diversion studies and (2) highway traffic diversion studies.

i. Rail Traffic Studies

As a predicate for its rail traffic diversion studies, CSX asked ALK Associates to identify the 1995 Conrail traffic allocated to CSX based on the Conrail lines and facilities to be operated by CSX. ALK made the allocation using the STB's 1995 Waybill sample, augmented with Conrail traffic data reflecting Canadian terminations. See Rosen V.S.

CSX performed four different traffic studies to estimate rail traffic, in addition to CSX's allocated portion of 1995 Conrail traffic, that CSX could expect to win from other rail carriers as a result of its more efficient post-transaction route structures.

(1) A study of certain coal, coke and iron ore traffic was undertaken by CSX coal marketing personnel. A key part of this study focused upon the Conrail-served electric utilities located on lines to be operated by CSX and on potential movements of coal that would originate on the former Monongahela lines. The results of this study, presented in Mr. Sharp's Verified Statement, show an estimated $58.1 million in incremental CSX coal revenues by the year 2000 as a result of the transaction.

(2) Movements of coal, coke and iron ore not included by CSX coal marketing personnel in their study were studied by ALK, using ALK's computerized traffic diversion model. This study estimated that CSX would lose revenue in the amount of $5.6 million on the traffic

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studied. Rosen V.S. The net results of the two studies yield a revenue gain from coal, coke and iron ore of $52.5 million. Sharp V.S.

(3) CSX automotive marketing personnel performed a separate study of the impact that combining CSX with Conrail assets to be operated by CSX would have on CSX's automotive traffic. This study estimated revenue gains on CSX's automotive traffic of $15.4 million. Hawk V.S.

(4) ALK performed a separate study of the impact that combining CSX with Conrail assets to be operated by CSX would have on CSX's general merchandise traffic. This study used ALK's computerized traffic diversion model. It resulted in estimated revenue gains of $79.0 million.

ii. Highway Traffic Studies

CSX undertook two studies that were designed primarily to estimate highway traffic that CSX could expect to attract to its new, more efficient rail network incorporating Conrail assets to be operated by CSX.

(1) CSX marketing personnel analyzed highway traffic (and a limited amount of barge traffic) that could be expected to move in rail cars (as distinct from trailers or containers moving on flatcars) following the transaction. This truck/barge-to-rail carload study resulted in an estimate of $42.3 million in revenue gains. Jenkins V.S.

(2) Reebie Associates, working in conjunction with CSX intermodal marketing personnel, analyzed highway traffic that would be potentially divertible to CSX intermodal service as a result of the creation of the new CSX rail network. This study estimated that CSX will attract an additional 321,000 intermodal units (containers and trailers) to its rail system

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within the first three years following the transaction, yielding revenue gains of approximately $158.1 million.[13]

In addition to the Reebie study, Darius W. Gaskins, Jr., a leading transportation economist and former chief executive of Burlington Northern Railroad Company, conducted a study of truck traffic potentially available to the CSX system over the longer term, e.g., five to ten years. Dr. Gaskins estimates a freight transportation opportunity of up to $818 million that could be realized by diverting highway traffic to single-line CSX carload and intermodal service. Because this estimate contemplates a time period that extends beyond the time horizons of typical traffic studies, including other traffic studies conducted by CSX for this application, CSX is not presenting Dr. Gaskins' estimate as part of its projected revenue gains for purposes of the Application. However, Dr. Gaskins' estimate is a useful measure of the long-term opportunity presented to CSX through the creation of an efficient rail network that reaches all major commercial areas in the eastern United States.

Summary of CSX Projected Revenue Gains

Coal, coke and iron ore	$ 52.5 million
Automotive	$ 15.4 million
General Merchandise	$ 79.0 million
Highway to Carload	$ 42.3 million
Highway to Intermodal	$158.1 million
Total	**$347.3 million**

[13]/ CSX considered the possibility that it might divert existing rail intermodal traffic from other carriers as a result of the transaction but concluded that there would be no such diversions.

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2. NS Market Impact Analysis

Three studies were prepared for NS to measure the intramodal and intermodal impacts of the proposed transaction. A rail car diversion study was performed by John H. Williams, a coal impact study by John William Fox and a highway diversion study by Patrick J. Krick. The competitive effects of the proposed transaction are also discussed in the verified statements of Thomas M. Corsi, Barry C. Harris and Charles Wilkins and the following NS officers: L.I. (Ike) Prillaman, David A. Cox, Thomas L. Finkbiner, John William Fox, Jr., James W. McClellan and Donald W. Seale.

a. Impacts of the Transaction on Intramodal Competition

The proposed transaction will create two competitively balanced rail systems serving most major markets in the East. Each system will offer its shippers the benefits of single-line service, expand the market reach of their customers and compete throughout the East. There will be more direct rail-to-rail competition in major commercial areas such as Detroit, northern New Jersey and southern New Jersey. Additional benefits flowing from the transaction include better equipment utilization, lower costs and enhanced prospects for industrial development. Prillaman V.S.; Fox V.S.; Seale V.S.; Cox V.S.; Wilkins V.S.

One indication of the competitively balanced networks created by the transaction is the estimated post-transaction share of historical eastern rail traffic (Attachment DWS-3, Seale V.S.):

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Coal, Coke & Iron Ore	50.3% (NS) v. 49.7% (CSX)
Intermodal	55.1% (NS) v. 44.9% (CSX)
Automotive	51.4% (NS) v. 48.6% (CSX)
Chemicals	41.2% (NS) v. 58.8% (CSX)
Metals & Construction	47.6% (NS) v. 52.4% (CSX)
Paper, Clay, Forest	49.5% (NS) v. 50.5% (CSX)
Agriculture & Consumer	46.3% (NS) v. 53.7% (CSX)

The transaction also has a beneficial "network" effect. Like other network industries, railroads have demand and costs structures that are significantly affected by economies of scope, scale and density. The transaction improves both the NS and CSX rail networks. Because there will be two comparable rail systems, competition will ensure that the cost savings and efficiencies resulting from the transaction are passed on to the shipping public. Harris V.S.

The consolidation is essentially end-to-end. The transaction ensures that "2-to-1" points are not a problem. The transaction creates new rail corridors that combine to form an efficient rail system and better integrates northeastern rail lines into the overall rail system. McClellan V.S. PRR and NS will provide haulage and trackage rights that will allow alternative rail service to facilities that otherwise would be solely rail-served by NS as a result of this transaction. McClellan V.S.

Because the transaction will allow NS (and CSX) to compete more effectively, it will continue the trend of lower prices that have followed the rail mergers of the last several decades. NS rail rates declined by 38.9% in constant dollars between 1982 and 1995. Even in current

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dollars (i.e., unadjusted for inflation), NS rail rates declined 6.3% over the same period. Prillaman V.S.

b. Impacts of the Transaction on Intermodal Competition

For many of the same reasons that the proposed transaction has a beneficial effect on intramodal competition, it also has a procompetitive effect on intermodal competition. The reduced costs, single-line efficiencies and other benefits the transaction produces for both the NS and CSX rail networks will allow each railroad to compete more effectively against motor carriers. NS intends to make substantial intermodal investments and aggressively pursue the traffic currently moving over the highway. Finkbiner V.S. Shippers shifting from highway to NS rail will see direct transportation cost savings of $75.3 million. Corsi V.S.

c. NS Traffic Studies

The railcar traffic diversion study concludes that as a result of the proposed transaction, NS will gain revenues of $190.6 million in diversions of existing rail traffic from other carriers. The largest diversions are between NS and CSX, with NS diverting $147.3 million from CSX and CSX diverting $62.3 million from NS. The study also estimates that as a result of the competition produced by the transaction, NS rates will decline by approximately $82 million annually. Williams V.S. The Coal Market Impact Study estimates that as a result of the proposed transaction, NS will gain an additional $101.0 million in coal revenues. Fox V.S.

The highway diversion study concludes that as a result of the proposed transaction, NS will gain additional revenues of $269.1 million in diversions from existing highway traffic. While most of this amount will be in intermodal movements ($240.4 million), some will be in rail cars ($28.7 million). Krick V.S. The estimated diversions are "very conservative" and NS

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expects that it can, over time, take much more traffic off the highways and onto rail. Finkbiner V.S.

3. Estimated Effects of Traffic Diversions on Other Rail Carriers

Estimates of the revenue impacts on other rail carriers resulting from CSX's and NS's projected diversions are summarized below. Revenue gains or (losses) are expressed in millions of dollars.

Carrier	CSX Effect	NS Effect	Total
Buffalo and Pittsburgh	(7.1)	(1.2)	(8.3)
Burlington Northern Santa Fe	(13.8)	(33.6)	(47.4)
Canadian National	(26.4)	(4.9)	(31.3)
Chicago South Shore & South Bend	(1.0)	0	(1.0)
CP Rail System	(27.7)	8.9	(18.8)
Eastern Shore	(.3)	(.2)	(.5)
Elgin, Joliet and Eastern	(.7)	(.3)	(1.0)
Guilford Rail System	6.7	3.5	10.2
Illinois Central	3.3	(14.3)	(11.0)
Kansas City Southern	(6.9)	2.0	(4.9)
Louisville and Indiana	(.1)	(1.2)	(1.3)
New England Central	(1.4)	(.2)	(1.6)
New York, Susquehanna & Western	(1.0)	(.1)	(1.1)
Providence and Worcester	(1.7)	(.1)	(1.8)

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Union Pacific	5.8	(12.5)	(6.7)
Wheeling & Lake Erie	.5	(1.9)	(1.4)
Wisconsin Central	(.8)	0	(.8)

CSX and NS do not currently anticipate that these revenue impacts would result in a loss of essential rail services.

SECTION 1180.8(a)(1)-(4)

OPERATING PLAN -- EXHIBIT 13

The Operating Plans of CSX and NS, Exhibit 13 in Volumes 3A and 3B, respectively, of this Application, explain in detail how each railroad will operate its extended network. The Plans describe how each will:

(a) provide improved rail freight service using newly created service lanes;

(b) enhance existing service including expanded intermodal, finished automotive, and coal networks;

(c) take advantage of new single-line service over more efficient and more direct routes to avoid the costs and delays associated with interchange;

(d) improve transit times and reliability;

(e) upgrade lines and facilities to improve service and reduce costs;

(f) consolidate functions to reduce costs;

(g) improve overall customer service; and

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(h) position each railroad to compete more effectively with trucks -- winning hundreds of thousands of loads a year from the nation's highways to rail.

Central to each Operating Plan is the advantage of an expanded network coupled with increased traffic volumes. CSX's Plan describes how it will use Conrail's line between St. Louis and Cleveland to route service-sensitive traffic around its congested system hub at Queensgate Yard, Cincinnati. The larger traffic volumes made available by the addition of Conrail traffic will enable CSX to build larger blocks, and even solid trains, where only smaller blocks are possible today. By expanding its Willard, OH Yard into the primary CSX system classification yard, CSX will be able to use the larger East-West traffic volume to build blocks that will go directly to specific interchanges with specific western carriers at Chicago -- or even pass through the congested Chicago terminal without classification.

By clearing Conrail's Virginia Avenue tunnel in Washington, D.C., CSX will cut approximately 40% of the miles out of the existing circuitous joint-line route that must be used to move finished motor vehicles from assembly plants in the Northeast to destinations in the Southeast. And, with the increased volumes and expanded network, 83% of all CSX automotive traffic will move in dedicated automotive trains -- improving service and reducing en-route damage to newly manufactured cars and trucks.

CSX will invest over $196.2 million to upgrade its former B&O line from Greenwich, OH where it will connect with Conrail's former NYC line linking New York to Cleveland to St. Louis. This will give CSX a route from the New York/North New Jersey port area to Chicago that will be 2.5 hours faster than Conrail's best existing service today -- a major service

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improvement that will greatly reduce missed connections to western roads' priority east- and west-bound intermodal trains.

To complete the physical plant needed to take maximum advantage of its expanded routes and increased traffic volumes, CSX's Operating Plan calls for an investment of approximately $488 million. This capital program will largely be completed before the end of the first year following STB approval.

The NS Operating Plan describes how NS will use the Conrail lines it will operate to extend single-line, truck-competitive service to a number of East-West and North-South routes. NS will offer improved service between New York and Chicago on two routes, one via Buffalo (the Southern Tier Route) one via Pittsburgh (the Penn Route); and will offer a new route from the East to Kansas City via Fort Wayne and Decatur (the Southwest Gateway Route). New North-South routes will be created between the Northeast and Southeast through Baltimore, Washington and Charlotte (the Piedmont Route); between Upstate New York, Canada and New England and the Southeast through Harrisburg (the Bridge Route); between Harrisburg and Hagerstown, Roanoke and Knoxville (the Shenandoah Route), and between the Midwest and the South via Cincinnati (the Mid-South Route). A new, combined route (the Butler cut-off), will provide the shortest route between Detroit and Chicago. The additional route capacity and flexibility afforded to NS will be combined with a blocking and train operation plan designed to maximize reliability.

With two routes under its control between New Jersey and Chicago, and with another major route to eastern gateways, NS will maximize service reliability and assign traffic so as to avoid congestion in the Northern New Jersey and Chicago areas. By combining NS and Conrail

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traffic volumes and using Conrail's Elkhart Yard, NS will create long-distance trains that will be able to cut one to three days in transit time on traffic moving through Elkhart to points in the South (such as Chattanooga, TN, and Macon, GA). The expanded NS will maximize service offerings via the efficient Kansas City gateway; increased traffic volumes between eastern points and midwestern points and Kansas City will permit NS to reduce the number of intermediate terminal handling, speeding run-through trains to western connections.

NS expects to spend almost $600 million on construction and upgrading projects associated with the transaction. The NS Operating Plan describes some $120 million in corridor upgrade projects, including siding construction, siding extensions and traffic control. The Plan also details NS's intention to spend $35 million to upgrade the Conrail Southern Tier line between Buffalo and Port Jervis. An improved Southern Tier line will be a principal artery for double stack intermodal service moving between the eastern seaboard, the Chicago gateway and western points. NS will also invest $32 million in the first two years to upgrade track on Conrail's other core routes. NS will invest in several major clearance improvement projects in order to accommodate double stack and other dimensional traffic, including projects at the Pattenburg Tunnel between Bethlehem, PA, and Northern New Jersey, on the routes between Perryville, MD and Baltimore, and between Columbus and Cincinnati, and on the new Shenandoah Corridor between Front Royal and Roanoke, VA. NS will invest $200 million in expanding or upgrading intermodal facilities and will spend about $25 million on new connections designed to form efficient, reliable through-routes. Finally, NS will also invest approximately $25 million during the first three years on information technology and systems support.

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The Verified Statements of John W. Orrison (CSX) and D. Michael Mohan (NS) in Volumes 3A and 3B, respectively, condense CSX's and NS's operating plans into their essential elements and explain how this transaction will enable CSX and NS to reduce costs and improve service to each railroad's customers.

SECTION 1180.8(a)(5)

DENSITY CHARTS -- EXHIBIT 14

Gross ton-mile density maps for the calendar-year 1996 for CSX, NS and Conrail (Exhibit 14) are provided in Volumes 3A and 3B of this Application. Attachments 13-5 (CSX) and 13-6 (Conrail) of the CSX Operating Plan (Volume 3A) and Figure 13.6-1 (NS) of the NS Operating Plan (Volume 3B), show mileage and changes in the number of trains and gross ton-miles for each line segment.

SECTION 1180.8(b)

OPERATING PLAN (MINOR TRANSACTIONS) -- EXHIBIT 15

Not applicable. Applicants propose a major transaction, as defined in 49 C.F.R. § 1180.2(a).

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SECTION 1180.9(a)

PRO FORMA BALANCE SHEETS -- EXHIBIT 16

Pro forma balance sheets for CSX and NS (Exhibit 16) are submitted as Appendix C and Appendix G, respectively, to this Volume 1. In accordance with Decision No. 7, only base year balance sheet data is provided for Conrail.

SECTION 1180.9(b)

PRO FORMA INCOME STATEMENTS -- EXHIBIT 17

Pro forma income statements for CSX and NS (Exhibit 17) are submitted as Appendix D and Appendix H, respectively, to this Volume 1. In accordance with Decision No. 7, only a base year income statement is provided for Conrail.

SECTION 1180.9(c)

SOURCES AND APPLICATION OF FUNDS STATEMENTS -- EXHIBIT 18

Sources and application of funds statements for CSX and NS (Exhibit 18) are submitted as Appendix E and Appendix I, respectively, to this Volume 1. In accordance with Decision No. 7, only base year sources and application of funds statement data are provided for Conrail.

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SECTION 1180.9(d)

PROPERTY ENCUMBRANCE -- EXHIBIT 19

A description of the property-encumbering debt securities and of obligations related to securities of Conrail, including the date of issue, date of maturity, interest rate, outstanding balance and property encumbered, is provided in Exhibit 19 in Appendix K to this Volume 1.

SECTION 1180.9(e)

CURRENT BALANCE SHEETS AND INCOME STATEMENTS -- EXHIBITS 20 AND 21

Pursuant to Section 1180.9(e), the Board will incorporate by reference the current balance sheets and income statements of CSXT, NSR and CRC (all of which are Class I railroads). Current balance sheets and income statements of CSXC, NSC and CRR, for the first quarter of 1997 are provided in Exhibits 20 and 21 in Volume 7 of this Application.

* * * *

DISCUSSION OF REQUESTED RELIEF

The transaction before the Board is, in its broad outlines, simple: CSX and NS will jointly acquire control of Conrail and will divide the use and operation of its lines and certain of its assets between them. Some Conrail assets will not be divided but instead will be used by both CSX and NS; others will be retained by Conrail but used for the benefit of CSX and NS.

While simple in concept, the transaction is somewhat unusual as compared to prior acquisitions considered by the Board and its predecessor, where the acquired party is essentially merged into the acquiring party. Accordingly, from a technical statutory perspective, the nature of the orders requested to effectuate the transaction requires some analysis. Additional complexities have been introduced in the structure of the transaction to accomplish important corporate objectives of the acquiring parties. The following discussion of the authorizations required follows the identifying numbers and letters used in the following formal Prayer for Relief:

(1) The basic transaction involves the acquisition of control by CSXC and NSC (noncarrier corporations in control of one or more rail carriers) of CRR (a noncarrier corporation controlling one or more rail carriers). Although the control by CSX and NS of Conrail as a separately functioning rail system will be transitory, lasting only until the Division is effected, it nonetheless requires the Board's authorization under 49 U.S.C. § 11323(a)(5).[14] Moreover, while CRC will no longer offer transportation services to the public after the Division, it will perform rail transportation related services for CSXT and NSR, and it and CRR will continue to be under their joint control. Approval under 49 U.S.C. § 11325(a)(5) also is necessary for this reason. Applicants anticipate that the New York Dock conditions will be applied to these approvals in satisfaction of 49 U.S.C. § 11326.

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[14]/ Unlike some prior cases, in which a fifty-fifty ownership interest in a carrier has been found not to constitute control (see Burlington Northern, Inc. -- Control & Merger -- St. Louis San Francisco Ry., 366 I.C.C. 862, 870, aff'd sub nom., Brotherhood of Ry. & Airline Clerks v. Burlington Northern, Inc., 722 F.2d 380 (8th Cir. 1983)) the proposed transaction clearly does result in the acquisition by CSX and NS of joint control of, and the power to exercise joint control over, Conrail. In contrast to those prior cases, here CSX and NS have agreed jointly to cause Conrail to take specified actions pursuant to the Transaction Agreement and related agreements, including those described in detail in this Application. This plainly constitutes the exercise of joint control by CSX and NS, and thus requires Board authorization under Section 11323.

As to the other interrelated elements of the transaction (the "Transaction Elements"):

a. In connection with the Division, NYC and PRR will each be assigned certain assets of their parent corporation, CRC, including lines of railroad. Most of these assets are now owned by CRC; others are operated by CRC under leases, trackage rights and similar arrangements. NYC and PRR will not operate those lines and assets for their own account; instead, they will be used and operated by CSXT and NSR, respectively. The steps through which NYC and PRR will be assigned the CRC lines and other assets constitute an integrated transaction in which, individually, CSXT and NSR will respectively use and operate NYC's and PRR's lines, rights and assets pursuant to the Allocated Assets Operating Agreements, which are long-term operating agreements. Because the transfers to NYC and PRR are part of the overall transaction involving separate operation by CSXT and NSR of the lines and other assets allocated to them, authorization under 49 U.S.C. §§ 11323 and 11324 is sought as to this element of the transaction, as precedents of the Board and its predecessor indicate is appropriate.[15] Approval under 49 U.S.C. §§ 11323 and 11324 clearly carries with it the consequences specified in 49 U.S.C. § 11321 and use of that authority is necessary and appropriate to ensure that NYC and PRR will have such title or other interests in the assets and rights being transferred to them, and the power to pass such use and enjoyment of those assets to CSXT and NSR, as are presently enjoyed by CRC, notwithstanding any restrictions on

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[15]/ *See* ICC Finance Docket No. 31505, *Rio Grande Industries, Inc., et al.--Purchase and Related Trackage Rights--Soo Line R.R. Co. Line Between Kansas City, MO and Chicago, IL*, Decided Nov. 13, 1989, Slip Copy, 1989 WL 246814, *3-4 (ICC) (applying 49 U.S.C. § 11323 to a noncarrier's acquisition of lines of a carrier, stating that "[the Board has] considerable discretion to determine under which section of the Act to proceed").

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assignability or divisibility.[16] Thus, the authorization under 49 U.S.C. §§ 11323 and 11324 should provide that NYC and PRR each will have the same right, title and interests in the assets and rights forming its part of the Allocated Assets as CRC now has, notwithstanding any purported limitations on assignability. For a further discussion of this last point, see item (c) below. Applicants anticipate that the New York Dock protective conditions will apply to these approvals.

b. A technical argument could be made that authority under 49 U.S.C. § 10901 is required for the transfer of CRC assets to NYC and PRR because they will not be carriers prior to that time. In Applicants' view, this would ignore the fact that the downstream transfer of the CRC routes and other assets to NYC and PRR is simply part of an overall transaction involving the operation by CSX of the assets to be held in NYC, and by NS of the assets to be held in PRR. Accordingly, Applicants request a declaratory order that 49 U.S.C. § 10901 does not apply to the transfer of the Allocated Assets to NYC and PRR. If the Board does not issue such a declaratory order, Applicants hereby seek authorization under 49 U.S.C. §§ 11323 and 11324 and under 49 U.S.C. § 10901 for the transfer of the CRC assets to NYC and PRR. The reasons for the importance of at least concurrent authority under 49 U.S.C. §§ 11323 and 11324 are stated in item (a) above. Applicants anticipate that the New York Dock labor protective conditions will apply to the transfer of Allocated Assets to NYC and PRR.

c. As part of the Division, NYC will enter into an Allocated Assets Operating Agreement with CSXT and PRR will enter into an Allocated Assets Operating Agreement with

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16/ Since authorization under 49 U.S.C. § 10901 alone would not be subject to 49 U.S.C. § 11321, Applicants request approval under 49 U.S.C. §§ 11323 and 11324 for each of the steps described in this point (1).

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NSR. Under those agreements, CSXT and NSR will have the power and obligation to operate the Allocated Assets held by NYC and PRR, respectively, and to offer and provide rail transportation services to the public. These arrangements accordingly constitute a "contract to operate property of another rail carrier" within the meaning of 49 U.S.C. § 11323(a)(2), and require authorization under it.

In addition, CRC will enter into three Shared Assets Areas Operating Agreements with CSXT and NSR, namely, the Shared Assets Area Operating Agreement for Detroit, the Shared Assets Area Operating Agreement for North Jersey, and the Shared Assets Areas Operating Agreement for South Jersey/Philadelphia. Under these agreements, CRC will grant to CSXT and NSR the right to operate and perform for their own account, and to be the sole carriers performing, the functions previously performed by CRC in providing rail transportation services to the public and others within each Shared Assets Area. CRC will, on behalf of CSXT and NSR, and not for its own account, perform certain of the services that CSXT and NSR will offer to and perform for the public and others. The Shared Assets Areas Operating Agreements thus are each a "contract to operate property of another rail carrier by any number of rail carriers" and accordingly require authorization under 49 U.S.C. § 11323(a)(2). Applicants anticipate that the New York Dock labor protective conditions will apply to approval of the above Operating Agreements.

In carrying out the transaction contemplated in this Application, CSX and NS each intend to operate, and render service to the public over, all of their respective allocated lines and shared lines, including those operated by CRC under leases, trackage rights and similar arrangements (collectively "Trackage Agreements"). By way of example: (1) Conrail currently provides

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freight service over the Northeast Corridor, owned by Amtrak, pursuant to an agreement with Amtrak. Under the Transaction Agreement and related agreements, both CSX and NS will conduct freight operations over the Northeast Corridor; (2) Conrail also provides service over a segment of its Southern Tier route, between Hoboken, NJ and Suffern, NY, owned by New Jersey Transit Corporation under an agreement with NJT. This segment of the Southern Tier Route is partially in the North Jersey Shared Assets Areas, where both CSX and NS will conduct freight operations over it; the remainder of the segment will be operated by NS, and will constitute a portion of NS's route between the New York area and Buffalo, NY; (3) CRC has various rights to operate over the IHB, which rights are to be assigned to NYC and/or CSXT, or to PRR and/or NSR, or to both of them, all as contemplated by the "Agreement Relating to the Contractual Rights and Ownership Interest of Consolidated Rail Corporation with Respect to the Indiana Harbor Belt Railroad Company" (the "IHB Agreement") (Volume 8); (4) CRC has rights to operate over various other lines owned by Amtrak or commuter agencies, including lines from New York City to Poughkeepsie, NY, from New York City to New Haven, CT, and in several areas of Massachusetts that will be operated by CSXT, as well as lines from Philadelphia to Harrisburg, between other points in Pennsylvania, in New Jersey, and in Michigan that will be operated by NSR.

Appendix L lists these and other similar Trackage Agreements, some of which contain restraints on assignability. It is by no means a complete list of Trackage Agreements to which Conrail is a party. Use of those rights (whether or not listed in Appendix L) by CSX and NS is essential to the realization of the benefits that this transaction offers. Applicants request that the Board's order approving this Application also include a declaratory order that CSX and NS

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will have the authority to conduct operations over the routes of Conrail covered by Trackage Agreements, whether or not listed in Appendix L, as fully and to the same extent as CRC itself could, notwithstanding any clauses in any such agreements purporting to limit or prohibit Conrail's unilateral assignment of its operating rights to another person. 49 U.S.C. § 11321(a). See also, e.g., Norfolk & Western Ry. Co. v. American Train Dispatchers' Ass'n, 499 U.S. 117 (1991); see UP/SP Decision No. 44, slip op. at 170. Likewise, with respect to the Allocated Assets or the assets in Shared Assets Areas consisting of assets other than routes, including, without limitation, the Existing Transportation Contracts, CSX and NS seek authority to use, operate, and perform and a declaration that they may use, operate, and perform such assets as fully and to the same extent as CRC itself could. Applicants anticipate that the Norfolk and Western labor protective conditions, as modified by Mendocino Coast, will apply to these Trackage Rights approvals and that the Mendocino Coast conditions will apply to operations by CSX and NS over any lines leased by Conrail from other carriers discussed under this heading.

d. Following the Division, NYC and PRR will continue to be wholly-owned subsidiaries of CRC, which CSX and NS will continue jointly to control through CRC. Day-to-day operations of the NYC and PRR properties will be performed, respectively, by CSXT and NSR, and persons nominated by CSX and NS will manage NYC and PRR. Certain major actions concerning NYC and PRR will remain under the control of CRC. Since NYC and PRR will no longer be part of a "single system" of rail carriers with CRC as a result of the Allocated Assets Operating Agreements, the continuing joint control by CSX and NS over NYC and PRR (and the resulting common control relationships) will require the Board's authorization

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under 49 U.S.C. §§ 11323 and 11324. Applicants anticipate that the New York Dock labor protective conditions will apply to these control authorizations.

e. Under the Transaction Agreement and the Ancillary Agreements, upon the Division, NYC will grant to NSR trackage rights on a number of rail lines, and PRR will grant to CSXT trackage rights on a number of rail lines; those rail lines are listed in items 1.A and 1.B, respectively, of Schedule 4 to the Transaction Agreement.[17] In addition, under the Monongahela Usage Agreement, CSXT is granted equal access to the Monongahela, which is defined in that Agreement; the Monongahela is a Conrail asset to be assigned to PRR and to be operated by NSR. Authority under 49 U.S.C. § 11323(a)(2) is sought for these elements of the transaction.

One of the trackage rights to be granted by NYC to NSR is on the line between Bound Brook, NJ, and Woodbourne, PA, a CRC line to be assigned to NYC and to be operated by CSXT. These trackage rights will be temporary rights, the duration of which is not to exceed three years (the "Temporary Trackage Rights"). The authorization granted by the Board with respect to these Temporary Trackage Rights should accordingly be coupled with authority for abandonment of the Temporary Trackage Rights by the trackage rights tenant at the time indicated above. Applicants anticipate that the Norfolk and Western conditions as modified by Mendocino Coast, apply to these Trackage Rights approvals, and the Oregon Short Line

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[17]/Some of the trackage rights identified in Schedule 4 are the subject of Related Applications and are covered by related applications found in Volume 5 and certain of the prayers for relief below (paragraphs (7), (10) and (11)), that refer to sub-dockets. Others identified there are existing CRC trackage rights on other carriers that are covered by paragraph 1.c of this Discussion. This paragraph 1.e refers to the remaining trackage rights.

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conditions will apply to the authority to abandon the Temporary Trackage Rights at the specified time.

f. Under certain of the Shared Assets Areas Operating Agreements, CRC is given the right to operate over certain of the lines held by NYC and PRR and operated by CSXT or NSR. These lines are identified as follows: CSXT, with the consent of NYC, and NSR, with the consent of PRR, each are to grant to CRC (and to the other of them), overhead operating rights in all three Shared Assets Areas necessary to effectuate the train operations and services contemplated by the representative Shared Assets Areas Agreements. In addition, in the North Jersey Shared Assets Area, CSXT, with the consent of NYC, is to grant CRC (and NSR) overhead operating rights with respect to the CRC River line between CP 2 and the Ridgefield Heights Auto Facility, and, for certain specified purposes, the right to use Manville Yard. As to the South Jersey/Philadelphia Shared Assets Area, CSXT, with the consent of NYC, is to grant CRC (and NSR) overhead operating rights on the current CRC line between CP Phil and CP Field and between CP Phil and CP Gray, and, with the consent of NYC, is to grant them full operating rights over the current CRC Trenton line between Park Junction and CP Newton, the current CRC line between Greenwich Yard and CP Belmont, and the Eastwick connection to be constructed by CSXT on the current CRC right-of-way between Eastwick and the vicinity of CP Field. NSR, in respect of the South Jersey/Philadelphia Shared Assets Area, with the consent of PRR, is to grant CRC (and CSXT) full operating rights over the current Amtrak Lancaster line between Zoo and 52nd Street, and rights for limited specified purposes to use West Falls Yard. Applicants anticipate that New York Dock labor protective conditions

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will apply to this element of the transaction. This element of the transaction requires authorization under 49 U.S.C. § 11323(a)(2) and 11324.

g. The proposed transaction provides the basis for competition between CSX and NS throughout their systems as expanded by the Division of Conrail. However, certain of the means that have been chosen to provide and facilitate this competition involve the creation, and in some cases the maintenance, of cooperative structures. One such structure is transitory -- the joint control of the present Conrail system in its current configuration from the date on which CSX and NS jointly assume control of Conrail through the date of the Division. Another, which is not transitory, involves CRC's continuing role in the Shared Assets Areas. In these Areas, CRC will perform services for both CSX and NS.

Under the Allocated Assets Operating Agreements and the Shared Assets Areas Operating Agreements, payments with respect to the operating rights granted with respect to the Allocated Assets and with respect to the use of the Shared Assets Areas, as well as for the services performed by CRC in the Shared Areas, are to be made by CSXT and by NSR to CRC (or CRC subsidiaries) in which CSX and NS each has an economic interest. A full description of all of these matters is contained in this Application. To the extent that any matter concerning the joint ownership by CSX and NS of CRR or CRC, or concerning the Transaction Agreement (including the provision for handling Existing Transportation Contracts) and the Ancillary Agreements referred to therein, might be deemed to be a pooling or division of traffic or services or of any part of the earnings of CSX or NS, the Board's approval under 49 U.S.C. § 11322 is requested.

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h. In a like-kind exchange, effective on the Division Date, NS will transfer to CRC the line (formerly owned by CRC) that runs from Ft. Wayne, IN, to Tolleston, IN (the "Ft. Wayne Line") in exchange for the transfer from CRC to NS of CRC's Streator Line. Pursuant to Decision No. 7, exemption from 49 U.S.C. §§ 11323 through 11325 for the transfer by NW to CRC of the Ft. Wayne Line is sought in a separate sub-docket (Sub-No. 24) and the transfer of the Streator Line from CRC to NSR/NW is sought in this Application. Accordingly, in Docket No. 33388, approval for the transfer of the Streator Line from CRC to NSR/NW under 49 U.S.C. §§ 11323 and 11324 is sought. The transfer of the Ft. Wayne Line to NYC and the operation of the Ft. Wayne Line by CSXT under the NYC Allocated Assets Operating Agreement are among the matters referred to in the authorizations discussed in paragraphs (a), (b) and (c) above.

(2) Applicants seek a determination by the Board that the terms of the acquisition of common stock of CRR by them, both individually and jointly, are fair and reasonable to the stockholders of CRR, CSXC and NSC.

(3) CSX, CRC and NS seek exemption from 49 U.S.C. § 10903 for certain abandonments of rail lines in AB-167 (Sub-No. 1181X), AB-55 (Sub-No. 551X) and AB-290 (Sub-No. 194X-197X). Applicants anticipate that the Board will impose Oregon Short Line labor conditions on these abandonments.

(4) CSXT, BOCT, NSR and NW seek exemption from 49 U.S.C. § 10901 for the construction and operation of certain connections in Sub-Nos. 1 through 22.

(5) In Sub-No. 23, NW seeks exemption from the requirements of 49 U.S.C. § 11323 for the relocation of NW's rail line running down 19th Street at Erie, PA to a parallel railroad

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right-of-way currently owned and operated by CRC to be operated by CSXT as part of the transaction for which approval is sought in the Primary Application. Applicants anticipate that the Board will impose standard labor protective conditions to this notice of exemption.

(6) In Sub-No. 24, CRC and NW seek exemption from 49 U.S.C. §§ 11323 through 11325 for the first leg of the in-like kind exchange referred to in paragraph 1(h) above is sought, namely, the transfer of the Ft. Wayne Line by NW to CRC. Applicants anticipate that the Board will impose standard labor protective conditions to this petition for exemption.

(7) In Sub-Nos. 25, 27-30 and 34, CSXT and NW seek exemption from 49 U.S.C. §§ 11323 through 11325 for instances where they are granting each other trackage rights over current CSXT and NW lines. Applicants anticipate that the Board will impose Norfolk and Western labor protections, as modified by Mendocino Coast to these notices.

(8) CRC's 50% interest in The Lakefront Dock and Railroad Terminal Company ("LD&RT"), a terminal railroad in which CSXT and CRC each currently hold a 50% interest, will be one of the assets subject to the NYC operating agreement with CSXT. In Sub-No. 26, CSXC and CSXT seek approval and authorization under 49 U.S.C. §§ 11323 and 11324 for the acquisition and exercise of control of LD&RT, and for the common control of LD&RT with other carriers controlled by them. Applicants anticipate that the Board will impose New York Dock conditions to this Application.

(9) In Sub-No. 31, CSX seeks exemption from 49 U.S.C. §§ 11323 through 11325, to the extent necessary, for NYC's acquisition of a 50% interest in APRC. If this transaction is subject to regulation, Applicants anticipate that the Board will impose New York Dock conditions to this petition for exemption.

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(10) In Sub-No. 32, NW seeks exemption from 49 U.S.C. §§ 11323 through 11325 for NW's acquisition of trackage rights over an existing IHB line, pursuant to an agreement between IHB and BOCT authorizing BOCT to grant trackage rights to third parties. Applicants anticipate that the Board will impose Norfolk and Western conditions, as modified by Mendocino Coast to these notices.

(11) In Sub-No. 33, NW seeks exemption from 49 U.S.C. §§ 11323 through 11325 for NW's acquisition of trackage rights over an existing BOCT line. Applicants anticipate that the Board will impose Norfolk and Western labor protection, as modified by Mendocino Coast to these notices.

PRAYER FOR RELIEF

Wherefore, CSXC, CSXT, NSC, NSR, CRR, and CRC pray that the Board:

(1) Enter an order in Finance Docket No. 33388, pursuant to 49 U.S.C. §§ 11321, 11323 and 11324 approving and authorizing the joint acquisition of control of CRR and CRC by CSX and NS and the following interrelated elements of such acquisition:

a. Approval and authorization under 49 U.S.C. §§ 11323 and 11324 for NYC to be assigned certain assets of CRC (including without limitation trackage and other rights) to be operated as part of CSXT's rail system, and for PRR to be assigned certain assets of CRC (including without limitation trackage and other rights) to be operated as part of NSR's rail system (the "NYC/PRR Assignments"), including the express provision that upon such assignment, NYC and PRR shall, respectively, have such right, title, interest in and other use of such assets as CRC itself had.

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b. A Declaratory Order that 49 U.S.C. § 10901 does not apply to the NYC/PRR Assignments. If the Board does not grant such an order, authorization is sought for the NYC/PRR Assignments under 49 U.S.C. § 10901, in addition to authorization under 49 U.S.C. §§ 11323 and 11324.

c. Approval and authorization under 49 U.S.C. §§ 11323 and 11324: (i) for CSXT to enter into the CSXT Operating Agreement and to operate the assets held by NYC; (ii) for NSR to enter into the NSR Operating Agreement and to operate the assets held by PRR; and (iii) for CSXT, NSR and CRC to enter into the Shared Assets Areas Operating Agreements and for the operation by CSXT, NSR and CRC of assets held by CRC; it being the intent and effect of such approval that, under the Allocated Assets Operating Agreements and the Shared Assets Areas Operating Agreements, CSXT and NSR will respectively acquire the right to operate and use the Allocated Assets and the Shared Assets, subject to the terms of the Allocated Assets Operating Agreements, the Shared Assets Areas Operating Agreements and other Ancillary Agreements, as fully as CRC itself had possessed the right to use them. Such authorization should include a declaration, to the same effect as a declaratory order, that the foregoing authorizations will permit CSXT and NSR to conduct operations over the routes of Conrail covered by Trackage Agreements as defined above, including but not limited to those listed on Appendix L, as fully and to the same extent as CRC itself could, notwithstanding any provisions in such Trackage Agreements purporting to limit or prohibit Conrail's unilateral assignment of its operating rights to another person or persons. Similarly, with respect to the Allocated Assets or the assets in Shared Assets Areas consisting of assets other than routes, (including, without limitation the Existing Transportation Contracts), authorization and declaration that CSXT and NSR may use, operate and perform and enjoy such assets to the same extent as CRC itself could, notwithstanding any provisions purporting to limit or prohibit CRC's assignment of its rights to use, operate and perform and enjoy such assets to another person or persons.

d. Approval and authorization under 49 U.S.C. §§ 11323 and 11324 for CSX, NS and CRR to continue to control NYC and PRR, subsequent to the transfer of CRC assets to NYC and PRR, and the common control by CSXC, CSXT, NSC, NSR, CRR and CRC of NYC, PRR and the carriers each of them currently controls.

e. Approval and authorization under 49 U.S.C. §§ 11323 and 11324 for the acquisition of trackage rights by CSXT and NSR, identified in paragraph 1.e of the "Discussion of Requested Relief" and approval, as part of the relief granted with respect to this primary application, of the abandonment by the trackage rights tenant of the Temporary Trackage Rights described above at the time indicated above and in Schedule 4 to the Transaction Agreement.

f. Approval and authorization under 49 U.S.C. §§ 11323 and 11324 for the grant by CSXT and NSR of certain incidental trackage rights to CRC (and to the other of them) over certain line segments, as identified in Section 3(c) of each of the three Shared Assets Areas Operating Agreements and summarized in paragraph 1.f of the "Discussion of Requested Relief."

g. To the extent that the ownership interests and control by CSX and NS over CRR, CRC, NYC or PRR, or any matter provided for in the Transaction Agreement or the Ancillary Agreements referred to therein and attached thereto, might be deemed to be a pooling or division by CSX and NS of traffic or services or any part of earnings by CSX, NS or Conrail, Applicants request approval under 49 U.S.C. § 11322 for such pooling or division.

h. Approval and authorization under 49 U.S.C. §§ 11323 and 11324 for the transfer from CRC to NS of CRC's Streator Line.

(2) Determine that the terms of the acquisitions of CRR stock by CSXC, Tender Sub, NSC and AAC are fair and reasonable to the stockholders of CRR, CSXC and NSC.

(3) In Dockets AB-290 (Sub-Nos. 194X - 197X); AB-55 (Sub-No. 551X); and AB-167 (Sub-No. 1181X), exempt from the requirements of 49 U.S.C. § 10903 for abandonments of certain rail lines.

(4) In Sub-Nos. 1 through 22, exempt from the requirements of 49 U.S.C. § 10901 for the construction and operation of certain connections by CSXT and NW.

(5) In Sub-No. 23, exemption from the requirements of 49 U.S.C. §§ 11323 through 11325 for the relocation of NW's rail line running down 19th Street at Erie, PA to a parallel railroad right-of-way currently owned and operated by CRC to be operated by CSXT as part of the transaction for which approval is sought in the Primary Application.

(6) In Sub-No. 24, exemption from the requirements of 49 U.S.C. §§ 11323 through 11325 for the transfer from NW to CRC of NW's Ft. Wayne Line.

(7) In Sub-Nos. 25, 27-30 and 34, exemption from the requirements of 49 U.S.C. §§ 11323 through 11325 for NW and CSXT to acquire certain trackage rights over each other.

(8) In Sub-No. 26, approve and authorize under 49 U.S.C. §§ 11323 and 11324 the acquisition and control of LD&RT and the common control of LD&RT with other carriers controlled by them.

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(9) In Sub-No. 31, exempt from the requirements of 49 U.S.C. §§ 11323 through 11325, to the extent necessary, for NYC's acquisition of a 50% control interest in APRC.

(10) In Sub-No. 32, exemption from the requirements of 49 U.S.C. § 11323 for NW's acquisition of trackage rights over an existing IHB line, pursuant to an agreement between IHB and BOCT authorizing BOCT to grant trackage rights to third parties.

(11) In Sub-No. 33, exemption from the requirements of 49 U.S.C. §§ 11323 through 11325 for NW's acquisition of trackage rights over an existing BOCT line.

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SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CSX CORPORATION

As counsel for CSX Corporation ("CSXC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application (the "Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such transaction, elements, and directly related matters involve CSXC, meet the requirements of the law, are within the corporate powers of CSXC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

Peter J. Shudtz

Peter J. Shudtz
General Counsel
CSX Corporation

Dated this 19th day of June 1997 at Washington, D.C.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CSX TRANSPORTATION, INC.

As counsel for CSX Transportation, Inc. ("CSXT"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("the Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such transaction, elements, and directly related matters involve CSXT, meet the requirements of the law, are within the corporate powers of CSXT, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

P M Giftos

P. Michael Giftos
Senior Vice President
and General Counsel
CSX Transportation, Inc.

Dated this 19th day of June 1997 at Washington, D.C.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

NORFOLK SOUTHERN CORPORATION

As counsel for Norfolk Southern Corporation ("NSC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions and/or notices, to the extent such transaction, elements, and directly related matters involve NSC, meets the requirements of the law, are within the corporate powers of NSC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation

Dated this 19th day of June at Norfolk, VA

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CSX TRANSPORTATION, INC.

As counsel for CSX Transportation, Inc. ("CSXT"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("the Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such transaction, elements, and directly related matters involve CSXT, meet the requirements of the law, are within the corporate powers of CSXT, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

P M Giftos

P. Michael Giftos
Senior Vice President
and General Counsel
CSX Transportation, Inc.

Dated this 19th day of June 1997 at Washington, D.C.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CSX CORPORATION

As counsel for CSX Corporation ("CSXC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application (the "Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such transaction, elements, and directly related matters involve CSXC, meet the requirements of the law, are within the corporate powers of CSXC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

Peter J. Shudtz

Peter J. Shudtz
General Counsel
CSX Corporation

Dated this 19th day of June 1997 at Washington, D.C.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

NORFOLK SOUTHERN CORPORATION

As counsel for Norfolk Southern Corporation ("NSC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions and/or notices, to the extent such transaction, elements, and directly related matters involve NSC, meets the requirements of the law, are within the corporate powers of NSC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation

Dated this 19th day of June at Norfolk, VA

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

NORFOLK SOUTHERN RAILWAY COMPANY

As counsel for Norfolk Southern Railway Company ("NSRC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions and/or notices, to the extent such transaction, elements, and directly related matters involve NSRC, meets the requirements of the law, are within the corporate powers of NSRC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

James C Bishop, Jr.
James C. Bishop, Jr.
Vice President-Law
Norfolk Southern Railway Company

Dated this 19th day of June at Norfolk, VA

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

NORFOLK SOUTHERN RAILWAY COMPANY

As counsel for Norfolk Southern Railway Company ("NSRC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and have reviewed the foregoing joint Railroad Control Application ("Application"). It is my opinion that the Control Transaction, including the Transaction Elements and any directly related applications, petitions and/or notices, to the extent such transaction, elements, and directly related matters involve NSRC, meets the requirements of the law, are within the corporate powers of NSRC, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

James C. Bishop, Jr.
Vice President-Law
Norfolk Southern Railway Company

James C. Bishop, Jr.
Vice President-Law
Norfolk Southern Railway Company

Dated this 19th day of June at Norfolk, VA

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CONRAIL INC.

As counsel for Conrail Inc. ("CRI"), I am generally familiar with the Control Transaction, including the Transaction Elements, and the foregoing joint Railroad Control Application ("Application"), to the extent necessary to give this opinion. It is my opinion that the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such elements and directly related matters involve CRI, meet the requirements of the law, are within the corporate powers of CRI, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

TOT

Timothy T. O'Toole, Esquire
Conrail Inc.

Dated this 19th day of June 1997 at Philadelphia, PA

STB FD 33388 6-23-97 A 180274V1 3/14

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CONRAIL INC.

As counsel for Conrail Inc. ("CRI"), I am generally familiar with the Control Transaction, including the Transaction Elements, and the foregoing joint Railroad Control Application ("Application"), to the extent necessary to give this opinion. It is my opinion that the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such elements and directly related matters involve CRI, meet the requirements of the law, are within the corporate powers of CRI, and will be legally authorized and valid, if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application.

TOTL

Timothy T. O'Toole, Esquire
Conrail Inc.

Dated this 19th day of June 1997 at Philadelphia, PA

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CONSOLIDATION RAIL CORPORATION

As counsel for Consolidated Rail Corporation ("CRC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and the foregoing joint Railroad Control Application ("Application"), to the extent necessary to give the following opinion. It is my opinion that the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such elements and directly related matters involve CRC, meet the requirements of the law, are within the corporate powers of CRC, and will be legally authorized and valid if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application

Timothy T. O'Toole, Esq.
Consolidated Rail Corporation

Dated this 19th day of June, 1997 at Philadelphia, PA.

SECTION 1180.6(a)(4)

OPINIONS OF COUNSEL FOR APPLICANTS

CONSOLIDATION RAIL CORPORATION

As counsel for Consolidated Rail Corporation ("CRC"), I am generally familiar with the Control Transaction, including the Transaction Elements, and the foregoing joint Railroad Control Application ("Application"), to the extent necessary to give the following opinion. It is my opinion that the Transaction Elements and any directly related applications, petitions, and/or notices, to the extent such elements and directly related matters involve CRC, meet the requirements of the law, are within the corporate powers of CRC, and will be legally authorized and valid if approved by the Surface Transportation Board. Capitalized terms used and not otherwise defined in this Opinion shall have the meanings specified in the foregoing Application

Timothy T. O'Toole, Esq.
Consolidated Rail Corporation

Dated this 19th day of June, 1997 at Philadelphia, PA.

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS, AND CERTIFICATIONS OF APPLICANTS' EXECUTIVE OFFICERS

CSX CORPORATION AND CSX TRANSPORTATION, INC.

I, John W. Snow, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of CSX Corporation and Chairman of the Board of CSX Transportation, Inc., applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

John W. Snow

John W. Snow

Executed on June 19, 1997

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS, AND CERTIFICATIONS
OF APPLICANTS' EXECUTIVE OFFICERS

CSX CORPORATION AND CSX TRANSPORTATION, INC.

I, John W. Snow, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of CSX Corporation and Chairman of the Board of CSX Transportation, Inc., applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

John W. Snow

John W. Snow

Executed on June 19, 1997

I, Alan A. Rudnick, hereby certify that I am Corporate Secretary of CSX Corporation, applicant herein, and that John W. Snow, Chairman, President and Chief Executive Officer of CSX Corporation., is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Alan A. Rudnick

Corporate Secretary

Dated this 19th day of June 1997 at Richmond, VA.

I, Alan A. Rudnick, hereby certify that I am Corporate Secretary of CSX Corporation, applicant herein, and that John W. Snow, Chairman, President and Chief Executive Officer of CSX Corporation., is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Alan A Rudnick

Corporate Secretary

Dated this 19th day of June 1997 at Richmond, VA.

I, Patricia J. Aftoora, hereby certify that I am Corporate Secretary of CSX Transportation, Inc., applicant herein, and that John W. Snow, Chairman of the Board of CSX Transportation, Inc., is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Patricia J. Aftoora

Corporate Secretary

Dated this 19th day of June 1997 at Jacksonville, FL

I, Patricia J. Aftoora, hereby certify that I am Corporate Secretary of CSX Transportation, Inc., applicant herein, and that John W. Snow, Chairman of the Board of CSX Transportation, Inc., is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Patricia J. Aftoora
Corporate Secretary

Dated this 19th day of June 1997 at Jacksonville, FL

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS AND CERTIFICATIONS OF APPLICANTS' EXECUTIVE OFFICERS

I, David R. Goode, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of Norfolk Southern Corporation and President and Chief Executive Officer of Norfolk Southern Railway Company, applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

David R. Goode

Executed on June 19, 1997

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS AND CERTIFICATIONS OF APPLICANTS' EXECUTIVE OFFICERS

I, David R. Goode, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of Norfolk Southern Corporation and President and Chief Executive Officer of Norfolk Southern Railway Company, applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

David R. Goode

Executed on June 19, 1997

I, Dezora M. Martin, hereby certify that I am Corporate Secretary of Norfolk Southern Corporation and Assistant Corporate Secretary of Norfolk Southern Railway Company, applicants herein, and that David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation and President and Chief Executive Officer of Norfolk Southern Railway Company, is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Dezora M. Martin
Corporate Secretary

Dated this 19th day of June, 1997, at Norfolk, VA.

I, Dezora M. Martin, hereby certify that I am Corporate Secretary of Norfolk Southern Corporation and Assistant Corporate Secretary of Norfolk Southern Railway Company, applicants herein, and that David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation and President and Chief Executive Officer of Norfolk Southern Railway Company, is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

Dezora M. Martin
Corporate Secretary

Dated this 19th day of June, 1997, at Norfolk, VA.

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS, AND CERTIFICATIONS OF APPLICANTS' EXECUTIVE OFFICERS

CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

I, David M. LeVan, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of Conrail Inc. and Consolidated Rail Corporation, applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

David M. LeVan

David M. LeVan

Executed on June 19, 1997

SECTION 1180.4(c)(2)(i)

SIGNATURES, OATHS, AND CERTIFICATIONS OF APPLICANTS' EXECUTIVE OFFICERS

CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

I, David M. LeVan, declare under penalty of perjury that I am Chairman, President and Chief Executive Officer of Conrail Inc. and Consolidated Rail Corporation, applicants herein; that I am one of the executive officers duly authorized to sign, to verify and to file this Application on behalf of the foregoing; that I have knowledge of the matters contained in this Application to the extent they relate to the foregoing; and that the statements made in this Application are true and correct to the best of my knowledge and belief.

David M. LeVan

David M. LeVan

Executed on June 19, 1997

I, James D. McGeehan, hereby certify that I am Secretary of Conrail Inc. and Consolidated Rail Corporation, applicants herein, and that David M. LeVan, Chairman, President, and Chief Executive Officer of Conrail Inc. and Consolidated Rail Corporation is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

James D. McGeehan, Secretary

Dated this 19th day of June 1997 at Philadelphia, PA.

I, James D. McGeehan, hereby certify that I am Secretary of Conrail Inc. and Consolidated Rail Corporation, applicants herein, and that David M. LeVan, Chairman, President, and Chief Executive Officer of Conrail Inc. and Consolidated Rail Corporation is duly authorized to sign, to verify, and to file this Application on behalf of the foregoing.

James D. McGeehan, Secretary

Dated this 19th day of June 1997 at Philadelphia, PA.

CERTIFICATE OF SERVICE

I certify that I will cause to be served a conformed copy of the foregoing Application in Finance Docket No. 33388, and conformed copies of verified statements, appendices, and exhibits in support of the Application, by first class mail, properly addressed with postage prepaid, or more expeditious manner of delivery, upon all persons required to be served as set forth in 49 C.F.R. § 1180.4(c)(5), namely:

(i) The Governor (or Executive Officer), Public Service Commission, and Department of Transportation of each State in which any part of the properties of Applicant carriers involved in the proposed transaction is situated;

(ii) The Secretary of the United States Department of Transportation (Docket Clerk, Office of Chief Counsel, Federal Railroad Administration, Room 5101, 400 7th Street, S.W., Washington, D.C. 20590);

(iii) The Attorney General of the United States;

(iv) The Federal Trade Commission;

(v) Judge Jacob Leventhal;

(vi) All parties of record in Finance Docket 33388; and

(vii) All other persons who requested a copy after Applicants' pre-filling notice was published in the Federal Register.

Dated at Washington, D.C., this 20th day of June, 1997.

Jeffrey R. Denman

Jeff Denman

CERTIFICATE OF SERVICE

I certify that I will cause to be served a conformed copy of the foregoing Application in Finance Docket No. 33388, and conformed copies of verified statements, appendices, and exhibits in support of the Application, by first class mail, properly addressed with postage prepaid, or more expeditious manner of delivery, upon all persons required to be served as set forth in 49 C.F.R. § 1180.4(c)(5), namely:

(i) The Governor (or Executive Officer), Public Service Commission, and Department of Transportation of each State in which any part of the properties of Applicant carriers involved in the proposed transaction is situated;

(ii) The Secretary of the United States Department of Transportation (Docket Clerk, Office of Chief Counsel, Federal Railroad Administration, Room 5101, 400 7th Street, S.W., Washington, D.C. 20590);

(iii) The Attorney General of the United States;

(iv) The Federal Trade Commission;

(v) Judge Jacob Leventhal;

(vi) All parties of record in Finance Docket 33388; and

(vii) All other persons who requested a copy after Applicants' pre-filling notice was published in the Federal Register.

Dated at Washington, D.C., this 20th day of June, 1997.

Jeffrey R. Denman

Jeff Denman

Respectfully submitted,

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APPENDIX A

CSX SUMMARY OF BENEFITS EXHIBIT

SUMMARY OF BENEFITS
CSX/Conrail
($ in Millions)

BENEFIT COMPONENT	YEAR ONE ANNUAL	YEAR ONE ONE-TIME	YEAR TWO ANNUAL	YEAR TWO ONE-TIME	YEAR THREE ANNUAL	YEAR THREE ONE-TIME	NORMAL YEAR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
OPERATING REVENUE GAINS:							
Revenue Increase from Traffic Gains	$ 104.2		$ 243.2		$ 347.3		$ 347.3
Revenue Adjustment per ALK Split	$ 66.4		$ 66.4		$ 66.4		$ 66.4
Cost of Handling Added Traffic	$ (66.6)		$ (155.3)		$ (221.9)		$ (221.9)
Expense Adjustment per ALK Split	$ (45.9)		$ (45.9)		$ (45.9)		$ (45.9)
Net Revenue Gains	$ 58.1		$ 108.4		$ 145.9		$ 145.9
OPERATING BENEFITS							
Engineering - Maintenance of Way	$ 7.4	$ (322.4)	$ 24.4	$ (105.0)	$ 37.6	$ (51.6)	$ 37.6
Mechanical	$ 17.7	$ (16.2)	$ 17.7	$ (16.2)	$ 17.7	$ (16.2)	$ 17.7
Transportation	$ 12.5	$ -	$ 31.9	$ -	$ 46.7	$ -	$ 46.7
Equipment Requirements & Utilization	$ 25.7	$ -	$ 54.0	$ -	$ 75.8	$ -	$ 75.8
Intermodal Operations	$ 7.0	$ -	$ 9.7	$ -	$ 13.0	$ -	$ 13.0
Purchasing	$ 6.1	$ 0.4	$ 15.4	$ 0.5	$ 30.7	$ 0.5	$ 30.7
subtotal	$ 76.4	$ (338.2)	$ 153.1	$ (120.7)	$ 221.5	$ (67.3)	$ 221.5
Support Functions							
Gen'l Admin	$ 59.2	$ -	$ 63.5	$ -	$ 64.3	$ -	$ 64.3
Info. Technology	$ 5.0	$ (28.0)	$ 10.0	$ (44.0)	$ 10.0	$ (4.0)	$ 10.0
subtotal	$ 64.2	$ (28.0)	$ 73.5	$ (44.0)	$ 74.3	$ (4.0)	$ 74.3
subtotal	$ 140.6	$ (366.2)	$ 226.6	$ (164.7)	$ 295.8	$ (71.3)	$ 295.8
Separate Facility Obligation	$ (19.2)	$ -	$ (17.4)	$ -	$ (12.4)	$ -	$ (5.9)
Total Operating Benefits	$ 121.4	$ (366.2)	$ 209.2	$ (164.7)	$ 283.4	$ (71.3)	$ 289.9
Employee Separation/Relocation	$ -	$ (201.4)	$ -	$ (16.6)	$ -	$ (4.9)	$ -
Expenditures Avoided		$ 182.2		$ 78.8		$ 75.9	
Shipper Logistics Benefits	$ 166.0		$ 166.0		$ 166.0		$ 166.0
Highway Maintenance Benefits	$ 50.0		$ 50.0		$ 50.0		$ 50.0
Total Merger Benefits	$ 395.5	$ (385.4)	$ 533.6	$ (102.5)	$ 645.3	$ (0.3)	$ 651.8

APPENDIX B

NS SUMMARY OF BENEFITS EXHIBIT

NS SUMMARY OF BENEFITS

($ Thousands)

DESCRIPTION	Year 1			Year 2			Year 3		
	Operating Rev		Total	Operating Rev		Total	Operating Rev		Total
REVENUE GAINS									
Gross Revenue Gains	$148,302		$148,302	395,473		$395,473	494,341		$494,341
Competitive Effects	-24,600		-24,600	-65,600		-65,600	-82,000		-82,000
Adjusted Gross Revenue Gains	123,702		123,702	329,873		329,873	412,341		412,341
Incremental Operating Costs	-33,822		-33,822	-90,193		-90,193	-112,741		-112,741
NET REVENUE GAINS	$89,880		$89,880	$239,680		$239,680	$299,600		$299,600
OPERATING BENEFITS	Operating Exp	Capital	Total	Operating Exp	Capital	Total	Operating Exp	Capital	Total
Non-Labor Benefits									
Yard & Terminal Consolidation	($15,520)	$0	($15,520)	($2,884)	$0	($2,884)	$6,869	$0	$6,869
Track Up-grades, New Construction & Retirement	0	-206,735	-206,735	849	-200,839	-199,990	849	-91,843	-90,994
Equipment Utilization	5,994	47,657	53,650	15,983	14,398	30,381	19,979	33,999	53,978
Equipment Maintenance	2,050	-60,000	-57,950	-7,700	-34,500	-42,200	800	-1,000	-200
Maintenance of Way	9,065	-2,600	6,465	17,330	-7,500	9,830	22,462	-2,500	19,962
Information Technologies & Communications	6,033	-14,200	-8,167	19,805	1,600	21,405	30,022	2,000	32,022
Materials Supply	5,695	10,920	16,615	15,188	13,840	29,028	18,985	11,300	30,285
Shops and Other Expenses Assumed	36,728	0	36,728	40,376	0	40,376	44,389	0	44,389
General & Administrative	18,919	5,000	23,919	24,793	5,000	29,793	27,142	5,000	32,142
Total Non-Labor -- OE	68,964		68,964	123,739		123,739	171,496		171,496
Total Non-Labor -- Capital		-219,958	-219,958		-208,001	-208,001		-43,044	-43,044
Labor Savings									
Recurring Savings (Note 1)	$90,402		$90,402	$79,008		$79,008	$81,684		$81,684
Labor Protection/Separation - NA	-24,448		-24,448	0		0	0		0
Labor Protection/Separation - A	-19,888		-19,888	-4,426		-4,426	-769		-769
Total Labor -- Recurring OE	90,402		90,402	79,008		79,008	81,684		81,684
Total Labor -- One-time	-44,336		-44,336	-4,426		-4,426	-769		-769
TOTAL OPERATING COSTS AND BENEFITS	$115,030	($219,958)	($104,928)	$198,321	($208,001)	($9,680)	$252,411	($43,044)	$209,367
SUB-TOTAL NET OPERATING BENEFITS	$204,910	($219,958)	($15,048)	$438,001	($208,001)	$230,000	$552,011	($43,044)	$508,968
SHIPPER LOGISTICS BENEFITS	27,630	0	27,630	73,680	0	73,680	92,100	0	92,100
COMPETITIVE PRICING BENEFITS	24,600	0	24,600	65,600	0	65,600	82,000	0	82,000
HIGHWAY MAINTENANCE BENEFITS	13,651	0	13,651	36,403	0	36,403	45,504	0	45,504
TOTAL COSTS AND BENEFITS									
Excluding Revenue Gains	$180,911	($219,958)	($39,047)	$374,004	($208,001)	$166,003	$472,015	($43,044)	$428,971
All Inclusive	$270,791	($219,958)	$50,833	$613,684	($208,001)	$405,683	$771,615	($43,044)	$728,571

Note 1: Based on average 1996 agreement positions and April, 1997, non-agreement positions. See joint verified statement of Kenneth R. Peifer and Robert S. Spenski.

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NS SUMMARY OF BENEFITS

($ Thousands)

DESCRIPTIONS	Recurring Annual Benefits (Costs)			3-Year Totals	
	Oper. Exp	Cap. Exp.	Total	Oper. Exp.	Cap. Exp.
REVENUE GAINS					
Gross Revenue Gains	$494,341		$494,341	$1,038,116	
Competitive Effects	($82,000)		($82,000)	($172,200)	
Adjusted Gross Revenue Gains	$412,341		$412,341	$865,916	
Incremental Operating Costs	($112,817)		($112,817)	($236,755)	
NET REVENUE GAINS	$299,524		$299,524	$629,161	
OPERATING BENEFITS					
Non-Labor Benefits					
Yard & Terminal Consolidation	$6,869	0	6,869	($11,535)	$0
Track Up-grades, New Construction & Retirements	$849	0	849	$1,698	($499,417)
Equipment Utilization	$19,979	0	19,979	$41,955	$96,054
Equipment Maintenance	$5,100	3,000	8,100	($4,850)	($95,500)
Maintenance of Way	$22,462	0	22,462	$48,856	($12,600)
Information Technologies & Communications	$32,500	2,000	34,500	$55,859	($10,600)
Materials Supply	$18,985	10,570	29,555	$39,868	$36,060
Shops and Other Expenses Assumed	$37,989	0	37,989	$121,493	$0
General & Administrative	$27,142	5,000	32,142	$70,854	$15,000
Total Non-Labor -- OE	$171,875		$171,875	$364,199	
Total Non-Labor -- Capital		$20,570	$20,570		($471,003)
Labor Savings					
Recurring Savings (Note 1)	$81,684		$81,684	$251,093	
Labor Protection/Separation - NA (Note 2)				($73,353)	
Labor Protection/Separation - A				($25,083)	
Total Labor -- Recurring OE	$81,684		$81,684	$251,093	
Total Labor -- One-time (Note 3)				($98,436)	($218,300)
SUB-TOTAL NET OPERATING BENEFITS	$553,083	$20,570	$573,653	$1,146,017	($689,304)
SHIPPER LOGISTICS BENEFITS	$92,100	$0	$92,100	$193,410	$0
COMPETITIVE PRICING BENEFITS	$82,000	$0	$82,000	$172,200	$0
HIGHWAY MAINTENANCE BENEFITS	$45,504	$0	$45,504	$95,558	$0
TOTAL COSTS AND BENEFITS					
Excluding Revenue Gains	$473,163	$20,570	$493,733	$978,024	($689,304)
All Inclusive	$772,687	$20,570	$793,257	$1,607,185	($689,304)

Note 1: Based on average 1996 agreement positions and April, 1997, non-agreement positions. See joint verified statement of Kenneth R. Peifer and Robert S. Spenski.

Note 2: 3-Year total includes NS share of CR OE severance prior to year 1.

Note 3: 3-Year capital total includes severance accrued in purchase accounting.

APPENDIX C

CSX/CONRAIL PRO FORMA BALANCE SHEETS

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX
(In Millions)

	CSX HISTORICAL 1995 AS REPORTED (1)	ADJUSTMENTS (2)	CSX BASE YEAR (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$660	($80)	$580
ACCOUNTS RECEIVABLE	832		832
OTHER CURRENT ASSETS	443		443
TOTAL CURRENT ASSETS	1,935	(80)	1,855
PROPERTIES-NET	11,297	173	11,470
OTHER LONG-TERM ASSETS	1,050	6	1,056
TOTAL ASSETS	$14,282	$99	$14,381
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$148		$148
CURRENT MATURITIES OF LONG-TERM DEBT	486		486
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,357	($42)	2,315
TOTAL CURRENT LIABILITIES	2,991	(42)	2,949
LONG-TERM DEBT	2,222		2,222
DEFERRED INCOME TAXES	2,560	71	2,631
OTHER LONG-TERM LIABILITIES	2,267	(39)	2,228
TOTAL LIABILITIES	10,040	(10)	10,030
SHAREHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	210		210
OTHER CAPITAL	1,210		1,210
RETAINED EARNINGS	2,822	109	2,931
TOTAL SHAREHOLDERS' EQUITY	4,242	109	4,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,282	$99	$14,381

NOTES TO PRO FORMA BALANCE SHEET
CSX
BASE YEAR

1. CSX HISTORICAL 1995 AS REPORTED: Represents CSX's 1995 balance sheet as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects on CSX's balance sheet of the following non-recurring transactions reported in 1995: (1) a restructuring charge and (2) a net gain on the issuance of an equity interest in the operations of a subsidiary and the writedown of various investments.

3. CSX BASE YEAR: Represents CSX's 1995 balance sheet as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

4. OTHER: CSX acquired a majority interest in and obtained STB authority to control The Indiana Rail Road Company (INRD) in 1996. Prior to the date of control (including base year 1995 used for this Application), the financial statements of INRD were not reported as part of the consolidated financial statements of CSX. INRD had revenues of approximately $13 million and net income of approximately $3 million for 1995.

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUSTMENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR: CSX	ALLOCATION OF CONRAIL BASE YEAR: NS
	(1)	(2)	(3)	(4a)	(4b)
ASSETS					
CURRENT ASSETS					
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$73	$37	$110	$46	$64
ACCOUNTS RECEIVABLE	614		614	258	356
OTHER CURRENT ASSETS	519		519	218	301
TOTAL CURRENT ASSETS	1,206	37	1,243	522	721
PROPERTIES-NET	6,408	285	6,693	2,811	3,882
OTHER LONG-TERM ASSETS	810		810	340	470
TOTAL ASSETS	$8,424	$322	$8,746	$3,673	$5,073
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
SHORT-TERM DEBT	$89		$89	$37	$52
CURRENT MATURITIES OF LONG-TERM DEBT	181		181	76	105
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	900		900	378	522
TOTAL CURRENT LIABILITIES	1,170	0	1,170	491	679
LONG-TERM DEBT	1,911		1,911	803	1,108
DEFERRED INCOME TAXES	1,393	130	1,523	640	883
OTHER LONG-TERM LIABILITIES	973		973	408	565
TOTAL LIABILITIES	5,447	130	5,577	2,342	3,235
SHAREHOLDERS' EQUITY					
COMMON STOCK, $1 PAR VALUE	85		85	36	49
ESOP PREFERRED STOCK	282		282	118	164
OTHER CAPITAL	1,434		1,434	602	832
RETAINED EARNINGS	1,176	192	1,368	575	793
TOTAL SHAREHOLDERS' EQUITY	2,977	192	3,169	1,331	1,838
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$8,424	$322	$8,746	$3,673	$5,073

NOTES TO PRO FORMA BALANCE SHEET
CONRAIL
BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: Represents Conrail's 1995 balance sheet as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects on Conrail's balance sheet of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the balance sheet effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents Conrail's 1995 balance sheet as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the Control Date.

   a. CSX: Represents 42% of Conrail's assets, liabilities, and shareholders' equity.

   b. NS: Represents 58% of Conrail's assets, liabilities, and shareholders' equity.

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX / CONRAIL
(In Millions)

		CONRAIL OPERATIONS ACQUIRED			
	CSX BASE YEAR	CSX PORTION OF CONRAIL BASE YEAR	PURCHASE ACCOUNTING ADJUSTMENTS	TOTAL	CSX / CONRAIL BASE YEAR
	(1)	(2a)	(2b)	(2c)	(3)
ASSETS					
CURRENT ASSETS					
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$580	$46		$46	$626
ACCOUNTS RECEIVABLE	832	258		258	1,090
OTHER CURRENT ASSETS	443	218		218	661
TOTAL CURRENT ASSETS	1,855	522	0	522	2,377
PROPERTIES-NET	11,470	2,811	4,011	6,822	18,292
OTHER LONG-TERM ASSETS	1,056	340	764	1,104	2,160
TOTAL ASSETS	$14,381	$3,673	$4,775	$8,448	$22,829
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
SHORT-TERM DEBT	$148	$37		$37	$185
CURRENT MATURITIES OF LONG-TERM DEBT	486	76		76	562
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,315	378	170	548	2,863
TOTAL CURRENT LIABILITIES	2,949	491	170	661	3,610
LONG-TERM DEBT	2,222	803	4,277	5,080	7,302
DEFERRED INCOME TAXES	2,631	640	1,466	2,106	4,737
OTHER LONG-TERM LIABILITIES	2,228	408	193	601	2,829
TOTAL LIABILITIES	10,030	2,342	6,106	8,448	18,478
SHAREHOLDERS' EQUITY					
COMMON STOCK, $1 PAR VALUE	210	36	(36)	0	210
ESOP PREFERRED STOCK		118	(118)	0	0
OTHER CAPITAL	1,210	602	(602)	0	1,210
RETAINED EARNINGS	2,931	575	(575)	0	2,931
TOTAL SHAREHOLDERS' EQUITY	4,351	1,331	(1,331)	0	4,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,381	$3,673	$4,775	$8,448	$22,829

NOTES TO PRO FORMA BALANCE SHEET

CSX / CONRAIL

BASE YEAR

1. CSX BASE YEAR: Represents CSX's 1995 balance sheet as reported in the 1995 Form 10-K, adjusted to eliminate the balance sheet effects of non-recurring transactions. See separate CSX base year pro forma balance sheet included in this section of the Application.

2. CONRAIL OPERATIONS ACQUIRED:
   a. CSX PORTION OF CONRAIL BASE YEAR: Represents CSX's proportionate share of Conrail's 1995 assets liabilities, and shareholders' equity under the Division, excluding the effects of non-recurring transactions. See separate Conrail pro forma balance sheet included in this section of the Application.

   b. PURCHASE ACCOUNTING ADJUSTMENTS: Represents the acquisition by CSX of its proportionate share of Conrail's net assets and the related purchase accounting adjustments for this transaction.

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 1 ACTIVITY (2)	CSX / CONRAIL PRO FORMA YEAR 1 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$626	$4	$630
ACCOUNTS RECEIVABLE	1,090		1,090
OTHER CURRENT ASSETS	661		661
TOTAL CURRENT ASSETS	2,377	4	2,381
PROPERTIES-NET	18,292	835	19,127
OTHER LONG-TERM ASSETS	2,160	(154)	2,006
TOTAL ASSETS	$22,829	$685	$23,514
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$185		$185
CURRENT MATURITIES OF LONG-TERM DEBT	562		562
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,863	($21)	2,842
TOTAL CURRENT LIABILITIES	3,610	(21)	3,589
LONG-TERM DEBT	7,302	(1)	7,301
DEFERRED INCOME TAXES	4,737	156	4,893
OTHER LONG-TERM LIABILITIES	2,829	14	2,843
TOTAL LIABILITIES	18,478	148	18,626
SHAREHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	210		210
OTHER CAPITAL	1,210		1,210
RETAINED EARNINGS	2,931	537	3,468
TOTAL SHAREHOLDERS' EQUITY	4,351	537	4,888
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$22,829	$685	$23,514

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL PRO FORMA YEAR 1 (1)	YEAR 2 ACTIVITY (2)	CSX / CONRAIL PRO FORMA YEAR 2 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$630	$4	$634
ACCOUNTS RECEIVABLE	1,090		1,090
OTHER CURRENT ASSETS	661		661
TOTAL CURRENT ASSETS	2,381	4	2,385
PROPERTIES-NET	19,127	598	19,725
OTHER LONG-TERM ASSETS	2,006	(2)	2,004
TOTAL ASSETS	$23,514	$600	$24,114
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$185		$185
CURRENT MATURITIES OF LONG-TERM DEBT	562		562
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,842	$112	2,954
TOTAL CURRENT LIABILITIES	3,589	112	3,701
LONG-TERM DEBT	7,301	(319)	6,982
DEFERRED INCOME TAXES	4,893	154	5,047
OTHER LONG-TERM LIABILITIES	2,843	14	2,857
TOTAL LIABILITIES	18,626	(39)	18,587
SHAREHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	210		210
OTHER CAPITAL	1,210		1,210
RETAINED EARNINGS	3,468	639	4,107
TOTAL SHAREHOLDERS' EQUITY	4,888	639	5,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$23,514	$600	$24,114

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL PRO FORMA YEAR 2 (1)	YEAR 3 ACTIVITY (2)	CSX / CONRAIL PRO FORMA YEAR 3 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$634	$4	$638
ACCOUNTS RECEIVABLE	1,090		1,090
OTHER CURRENT ASSETS	661		661
TOTAL CURRENT ASSETS	2,385	4	2,389
PROPERTIES-NET	19,725	530	20,255
OTHER LONG-TERM ASSETS	2,004	(1)	2,003
TOTAL ASSETS	$24,114	$533	$24,647
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$185		$185
CURRENT MATURITIES OF LONG-TERM DEBT	562		562
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,954	$129	3,083
TOTAL CURRENT LIABILITIES	3,701	129	3,830
LONG-TERM DEBT	6,982	(492)	6,490
DEFERRED INCOME TAXES	5,047	147	5,194
OTHER LONG-TERM LIABILITIES	2,857	14	2,871
TOTAL LIABILITIES	18,587	(202)	18,385
SHAREHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	210		210
OTHER CAPITAL	1,210		1,210
RETAINED EARNINGS	4,107	735	4,842
TOTAL SHAREHOLDERS' EQUITY	5,527	735	6,262
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$24,114	$533	$24,647

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL PRO FORMA YEAR 3 (1)	NORMAL YEAR ACTIVITY (2)	CSX / CONRAIL PRO FORMA NORMAL YEAR (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$638	$4	$642
ACCOUNTS RECEIVABLE	1,090		1,090
OTHER CURRENT ASSETS	661		661
TOTAL CURRENT ASSETS	2,389	4	2,393
PROPERTIES-NET	20,255	481	20,736
OTHER LONG-TERM ASSETS	2,003	0	2,003
TOTAL ASSETS	$24,647	$485	$25,132
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$185		$185
CURRENT MATURITIES OF LONG-TERM DEBT	562		562
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	3,083	$140	3,223
TOTAL CURRENT LIABILITIES	3,830	140	3,970
LONG-TERM DEBT	6,490	(575)	5,915
DEFERRED INCOME TAXES	5,194	139	5,333
OTHER LONG-TERM LIABILITIES	2,871	14	2,885
TOTAL LIABILITIES	18,385	(282)	18,103
SHAREHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	210		210
OTHER CAPITAL	1,210		1,210
RETAINED EARNINGS	4,842	767	5,609
TOTAL SHAREHOLDERS' EQUITY	6,262	767	7,029
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$24,647	$485	$25,132

NOTES TO PRO FORMA BALANCE SHEET
CSX / CONRAIL
YEAR 1 THROUGH NORMAL YEAR

1. CSX / CONRAIL BASE YEAR (1995) OR PRO FORMA FOR PRECEDING YEAR: For Year 1, represents the pro forma combined CSX / Conrail base year balance sheet. For Year 2 through Normal Year, represents the pro forma combined CSX / Conrail balance sheet for the preceding year. See separate combined CSX / Conrail base year, Year 1, Year 2, or Year 3 pro forma balance sheets included in this section of the Application.

2. YEAR 1 THROUGH NORMAL YEAR ACTIVITY: Represents the effects on the combined CSX / Conrail pro forma balance sheets of the operating results (earnings and cash flows) for the respective years, inclusive of adjustments to reflect implementation of the operating plan:

   CASH, CASH EQUIVALENTS & SHORT-TERM INVESTMENTS - Represents the normal change in cash (resulting from the base year) as derived from the statement of sources and application of funds (statement of cash flows).

   PROPERTIES - NET - Represents capital expenditures for each of the respective years, including capital expenditures necessary to combine operations of CSX and Conrail, less an allowance for depreciation for each year. All years reflect an increase in the normal allowance for depreciation resulting from the capital expenditures necessary to combine operations and the purchase accounting adjustment to revalue property and equipment.

   OTHER LONG-TERM ASSETS - Represents normal expenditures for other investing activities (resulting from the base year), less amortization of goodwill arising from the purchase accounting adjustments.

   ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES - Represents net cash flows from other operating activities, principally net changes in the balance of accounts payable and other current liabilities.

   LONG-TERM DEBT - Represents the net issuance or repayment of long-term debt for the respective years. In any year where there is a net use of cash arising from the combination of CSX and Conrail and the implementation of the operating plan, long-term debt is assumed to be issued. In any year where there is a net source of cash arising from the combination and the operating plan, long-term debt is assumed to be repaid.

   DEFERRED INCOME TAXES - Represents the net change in the deferred income tax liability resulting principally from different book and tax treatment for depreciation expense and for the depreciation or amortization of components of the excess purchase price resulting from the transaction.

   OTHER LONG-TERM LIABILITIES - Represents normal proceeds from other financing activities (resulting from the base year) as derived from the statement of sources and application of funds (statement of cash flows).

   RETAINED EARNINGS - Represents net earnings for the respective years, less dividends declared and paid to shareholders.

APPENDIX D

CSX/CONRAIL PRO FORMA INCOME STATEMENTS

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX
(In Millions)

	CSX HISTORICAL 1995 AS REPORTED (1)	ADJUSTMENTS (2)	CSX BASE YEAR (3)
OPERATING REVENUE	$10,504	($200)	$10,304
OPERATING EXPENSE	9,332	(411)	8,921
OPERATING INCOME	1,172	211	1,383
OTHER INCOME	72	(31)	41
INTEREST EXPENSE	270		270
EARNINGS BEFORE INCOME TAXES	974	180	1,154
INCOME TAXES	356	71	427
NET EARNINGS	$618	$109	$727

NOTES TO PRO FORMA INCOME STATEMENT

CSX

BASE YEAR

1. CSX HISTORICAL 1995 AS REPORTED: Represents CSX's 1995 income statement as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) a restructuring charge and (2) a net gain on the issuance of an equity interest in the operations of a subsidiary and the writedown of various investments. Line item reclassifications were also made to conform the income statement with presentation changes made in the 1996 Form 10-K and applied to 1995 in that report.

3. CSX BASE YEAR: Represents CSX's 1995 income statement as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUSTMENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR	
				CSX	NS
	(1)	(2)	(3)	(4a)	(4b)
OPERATING REVENUE	$3,686		$3,686	$1,548	$2,138
OPERATING EXPENSE	3,230	($344)	2,886	1,212	1,674
OPERATING INCOME	456	344	800	336	464
OTHER INCOME	130		130	55	75
INTEREST EXPENSE	194		194	81	113
EARNINGS BEFORE INCOME TAXES	392	344	736	310	426
INCOME TAXES	128	152	280	118	162
NET EARNINGS	$264	$192	$456	$192	$264

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NOTES TO PRO FORMA INCOME STATEMENT

CONRAIL

BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: Represents Conrail's 1995 income statement as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents Conrail's 1995 income statement as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the Control Date.

   a. CSX: Represents 42% of Conrail's revenues and expenses.

   b. NS: Represents 58% of Conrail's revenues and expenses.

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX / CONRAIL
(In Millions)

	CSX BASE YEAR (1)	CONRAIL OPERATIONS ACQUIRED / CSX PORTION OF CONRAIL BASE YEAR (2)	CSX / CONRAIL BASE YEAR (3)
OPERATING REVENUE	$10,304	$1,548	$11,852
OPERATING EXPENSE	8,921	1,212	10,133
OPERATING INCOME	1,383	336	1,719
OTHER INCOME	41	55	96
INTEREST EXPENSE	270	81	351
EARNINGS BEFORE INCOME TAXES	1,154	310	1,464
INCOME TAXES	427	118	545
NET EARNINGS	$727	$192	$919

NOTES TO PRO FORMA INCOME STATEMENT
CSX / CONRAIL
BASE YEAR

1. CSX BASE YEAR: Represents CSX's 1995 income statement as reported in the 1995 Form 10-K, adjusted to eliminate the effects of non-recurring transactions and to reflect certain reclassifications. See separate CSX base year pro forma income statement included in this section of the Application.

2. CONRAIL OPERATIONS ACQUIRED - CSX PORTION OF CONRAIL BASE YEAR: Represents CSX's proportionate share of Conrail's revenues and expenses under the Division, excluding the effects of non-recurring transactions. See separate Conrail base year pro forma income statement included in this section of the Application.

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 1 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 1 (3)
OPERATING REVENUE	$11,852	$170	$12,022
OPERATING EXPENSE	10,133	140	10,273
OPERATING INCOME	1,719	30	1,749
OTHER INCOME	96		96
INTEREST EXPENSE	351	290	641
EARNINGS BEFORE INCOME TAXES	1,464	(260)	1,204
INCOME TAXES	545	(94)	451
NET EARNINGS	$919	($166)	$753

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX / CONRAIL

	CSX / CONRAIL BASE YEAR (1)	YEAR 2 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 2 (3)
OPERATING REVENUE	$11,852	$310	$12,162
OPERATING EXPENSE	10,133	160	10,293
OPERATING INCOME	1,719	150	1,869
OTHER INCOME	96		96
INTEREST EXPENSE	351	281	632
EARNINGS BEFORE INCOME TAXES	1,464	(131)	1,333
INCOME TAXES	545	(45)	500
NET EARNINGS	$919	($86)	$833

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 3 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 3 (3)
OPERATING REVENUE	$11,852	$414	$12,266
OPERATING EXPENSE	10,133	133	10,266
OPERATING INCOME	1,719	281	2,000
OTHER INCOME	96		96
INTEREST EXPENSE	351	258	609
EARNINGS BEFORE INCOME TAXES	1,464	23	1,487
INCOME TAXES	545	13	558
NET EARNINGS	$919	$10	$929

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	NORMAL YEAR ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA NORMAL YEAR (3)
OPERATING REVENUE	$11,852	$414	$12,266
OPERATING EXPENSE	10,133	111	10,244
OPERATING INCOME	1,719	303	2,022
OTHER INCOME	96		96
INTEREST EXPENSE	351	228	579
EARNINGS BEFORE INCOME TAXES	1,464	75	1,539
INCOME TAXES	545	33	578
NET EARNINGS	$919	$42	$961

NOTES TO PRO FORMA INCOME STATEMENT
CSX / CONRAIL
YEAR 1 THROUGH NORMAL YEAR

1. CSX / CONRAIL BASE YEAR (1995): **Represents pro forma combined CSX / Conrail base year income statement, included separately in this section of the Application.**

2. YEAR 1 THROUGH NORMAL YEAR ADJUSTMENTS: **Represents the effects on the combined CSX / Conrail pro forma base year income statement of cumulative net benefits arising from implementation of the operating plan, inclusive of one-time expenses related to combining operations, as well as depreciation and amortization arising from purchase accounting adjustments and interest expense on acquisition debt:**

   OPERATING REVENUE - **Represents gross revenue gains from additional traffic, as well as an amount to adjust the division of the Conrail base year from an allocation based on the Percentage, which reflects the economics of the transaction, to an allocation based on the study period, which reflects traffic modeling based on 1995 historical data.**

   OPERATING EXPENSE - **Represents net benefits from operating and facility efficiencies, reduced by (1) additional expenses incurred to handle increased traffic, (2) increased depreciation expense arising from one-time capital expenditures to combine operations and from the purchase accounting adjustment to revalue property and equipment, and (3) amortization of goodwill arising from the purchase accounting adjustments.**

   INTEREST EXPENSE - **Represents the net increase in interest expense arising from debt incurred to finance the acquisition, net of interest expense reductions arising from debt repayments.**

   INCOME TAXES - **Represents the change in current and deferred income taxes resulting from the net adjustments to pretax earnings as outlined above.**

APPENDIX E

CSX/CONRAIL PRO FORMA SOURCES AND APPLICATION OF FUNDS STATEMENTS

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX
(In Millions)

	CSX HISTORICAL 1995 AS REPORTED (1)	ADJUSTMENTS (2)	CSX BASE YEAR (3)
OPERATING ACTIVITIES			
NET EARNINGS	$618	$109	$727
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	600		600
DEFERRED INCOME TAXES	(26)	71	45
OTHER OPERATING ACTIVITIES	375	(155)	220
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,567	25	1,592
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,156)		(1,156)
OTHER INVESTING ACTIVITIES	102	(105)	(3)
NET CASH USED BY INVESTING ACTIVITIES	(1,054)	(105)	(1,159)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(53)		(53)
LONG-TERM DEBT ISSUED	121		121
LONG-TERM DEBT REPAID	(343)		(343)
CASH DIVIDENDS PAID	(194)		(194)
OTHER FINANCING ACTIVITIES	11		11
NET CASH USED BY FINANCING ACTIVITIES	(458)	0	(458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$55	($80)	($25)

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

CSX

BASE YEAR

1. CSX HISTORICAL 1995 AS REPORTED: Represents CSX's 1995 sources and application of funds as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) a restructuring charge and (2) a net gain on the issuance of an equity interest in the operations of a subsidiary and the writedown of various investments.

3. CSX BASE YEAR: Represents CSX's 1995 sources and application of funds as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUSTMENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR	
				CSX	NS
	(1)	(2)	(3)	(4a)	(4b)
OPERATING ACTIVITIES					
NET EARNINGS	$264	$192	$456	$192	$264
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:					
DEPRECIATION AND AMORTIZATION	293		293	123	170
DEFERRED INCOME TAXES	108	130	238	100	138
OTHER OPERATING ACTIVITIES	108	(285)	(177)	(74)	(103)
NET CASH PROVIDED BY OPERATING ACTIVITIES	773	37	810	341	469
INVESTING ACTIVITIES					
PROPERTY ADDITIONS	(415)		(415)	(174)	(241)
OTHER INVESTING ACTIVITIES	(21)		(21)	(9)	(12)
NET CASH USED BY INVESTING ACTIVITIES	(436)	0	(436)	(183)	(253)
FINANCING ACTIVITIES					
SHORT-TERM DEBT-NET	(23)		(23)	(10)	(13)
LONG-TERM DEBT ISSUED	85		85	36	49
LONG-TERM DEBT REPAID	(134)		(134)	(56)	(78)
PURCHASE AND RETIREMENT OF COMMON STOCK	(92)		(92)	(39)	(53)
CASH DIVIDENDS PAID	(150)		(150)	(63)	(87)
OTHER FINANCING ACTIVITIES	7		7	3	4
NET CASH USED BY FINANCING ACTIVITIES	(307)	0	(307)	(129)	(178)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$30	$37	$67	$29	$38

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

CONRAIL

BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: Represents Conrail's 1995 sources and application of funds as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents Conrail's 1995 sources and application of funds as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the Control Date.

   a. CSX: Represents 42% of Conrail's sources and application of funds.

   b. NS: Represents 58% of Conrail's sources and application of funds.

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX / CONRAIL
(In Millions)

	CSX BASE YEAR (1)	CONRAIL OPERATIONS ACQUIRED CSX PORTION OF CONRAIL BASE YEAR (2)	CSX / CONRAIL BASE YEAR (3)
OPERATING ACTIVITIES			
NET EARNINGS	$727	$192	$919
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	600	123	723
DEFERRED INCOME TAXES	45	100	145
OTHER OPERATING ACTIVITIES	220	(74)	146
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,592	341	1,933
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,156)	(174)	(1,330)
OTHER INVESTING ACTIVITIES	(3)	(9)	(12)
NET CASH USED BY INVESTING ACTIVITIES	(1,159)	(183)	(1,342)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(53)	(10)	(63)
LONG-TERM DEBT ISSUED	121	36	157
LONG-TERM DEBT REPAID	(343)	(56)	(399)
PURCHASE AND RETIREMENT OF COMMON STOCK	--	(39)	(39)
CASH DIVIDENDS PAID	(194)	(63)	(257)
OTHER FINANCING ACTIVITIES	11	3	14
NET CASH USED BY FINANCING ACTIVITIES	(458)	(129)	(587)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($25)	$29	$4

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

CSX / CONRAIL

BASE YEAR

1. CSX BASE YEAR: Represents CSX's 1995 sources and application of funds as reported in the 1995 Form 10-K, adjusted to eliminate the effects of non-recurring transactions. See separate CSX base year pro sources and application of funds included in this section of the Application.

2. CONRAIL OPERATIONS ACQUIRED -- CSX PORTION OF CONRAIL BASE YEAR: Represents CSX's proportionate share of Conrail's sources and application of funds under the Division, excluding the effects of non-recurring transactions. See separate Conrail base year pro forma statement of sources and application of funds included in this section of the Application.

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 1 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 1 (3)
OPERATING ACTIVITIES			
NET EARNINGS	$919	($166)	$753
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	723	105	828
DEFERRED INCOME TAXES	145	11	156
OTHER OPERATING ACTIVITIES	146	(35)	111
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,933	(85)	1,848
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,330)	(321)	(1,651)
OTHER INVESTING ACTIVITIES	(12)		(12)
NET CASH USED BY INVESTING ACTIVITIES	(1,342)	(321)	(1,663)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(63)	63	0
LONG-TERM DEBT ISSUED	157	241	398
LONG-TERM DEBT REPAID	(399)		(399)
PURCHASE AND RETIREMENT OF COMMON STOCK	(39)	39	0
CASH DIVIDENDS PAID	(257)	63	(194)
OTHER FINANCING ACTIVITIES	14		14
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(587)	406	(181)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$4	$0	$4

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 2 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 2 (3)
OPERATING ACTIVITIES			
NET EARNINGS	$919	($86)	$833
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	723	112	835
DEFERRED INCOME TAXES	145	9	154
OTHER OPERATING ACTIVITIES	146	(32)	114
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,933	3	1,936
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,330)	(91)	(1,421)
OTHER INVESTING ACTIVITIES	(12)		(12)
NET CASH USED BY INVESTING ACTIVITIES	(1,342)	(91)	(1,433)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(63)	63	0
LONG-TERM DEBT ISSUED	157		157
LONG-TERM DEBT REPAID	(399)	(77)	(476)
PURCHASE AND RETIREMENT OF COMMON STOCK	(39)	39	0
CASH DIVIDENDS PAID	(257)	63	(194)
OTHER FINANCING ACTIVITIES	14		14
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(587)	88	(499)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$4	$0	$4

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	YEAR 3 ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA YEAR 3 (3)
OPERATING ACTIVITIES			
NET EARNINGS	$919	$10	$929
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	723	114	837
DEFERRED INCOME TAXES	145	2	147
OTHER OPERATING ACTIVITIES	146	(16)	130
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,933	110	2,043
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,330)	(25)	(1,355)
OTHER INVESTING ACTIVITIES	(12)		(12)
NET CASH USED BY INVESTING ACTIVITIES	(1,342)	(25)	(1,367)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(63)	63	0
LONG-TERM DEBT ISSUED	157		157
LONG-TERM DEBT REPAID	(399)	(250)	(649)
PURCHASE AND RETIREMENT OF COMMON STOCK	(39)	39	0
CASH DIVIDENDS PAID	(257)	63	(194)
OTHER FINANCING ACTIVITIES	14		14
NET CASH USED BY FINANCING ACTIVITIES	(587)	(85)	(672)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$4	$0	$4

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CSX / CONRAIL
(In Millions)

	CSX / CONRAIL BASE YEAR (1)	NORMAL YEAR ADJUSTMENTS (2)	CSX / CONRAIL PRO FORMA NORMAL YEAR (3)
OPERATING ACTIVITIES			
NET EARNINGS	$919	$42	$961
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	723	112	835
DEFERRED INCOME TAXES	145	(6)	139
OTHER OPERATING ACTIVITIES	146	(6)	140
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,933	142	2,075
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,330)	26	(1,304)
OTHER INVESTING ACTIVITIES	(12)		(12)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,342)	26	(1,316)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(63)	63	0
LONG-TERM DEBT ISSUED	157		157
LONG-TERM DEBT REPAID	(399)	(333)	(732)
PURCHASE AND RETIREMENT OF COMMON STOCK	(39)	39	0
CASH DIVIDENDS PAID	(257)	63	(194)
OTHER FINANCING ACTIVITIES	14		14
NET CASH USED BY FINANCING ACTIVITIES	(587)	(168)	(755)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$4	$0	$4

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

CSX / CONRAIL

YEAR 1 THROUGH NORMAL YEAR

1. CSX / CONRAIL BASE YEAR (1995): Represents pro forma combined CSX / Conrail base year sources and application of funds (statement of cash flows), included separately in this section of the Application.

2. YEAR 1 THROUGH NORMAL YEAR ADJUSTMENTS: Represents the effects on the combined CSX / Conrail pro forma base year sources and application of funds of (1) cumulative benefits arising from implementation of the operating plan, (2) one-time capital expenditures related to combining operations, (3) the issuance or repayment of debt and (4) the elimination of amounts paid by Conrail to repurchase shares of its common stock and pay dividends to shareholders:

   NET EARNINGS - Represents net adjustments to net earnings in the respective years, as derived from the income statement.

   DEPRECIATION AND AMORTIZATION - Represents the increased depreciation or amortization expense arising from (1) one-time capital expenditures to combine operations, (2) the adjustment of property and equipment to fair value, and (3) goodwill.

   DEFERRED INCOME TAXES - Represents the adjustment to deferred income tax expense resulting from the net adjustments to pretax earnings.

   OTHER OPERATING ACTIVITIES - Represents annual changes to working capital accounts for each of the respective years, principally changes in accounts payable and other current liabilities.

   PROPERTY ADDITIONS - Represents capital expenditures for each of the respective years, including one-time expenditures necessary to combine operations of CSX and Conrail.

   SHORT-TERM DEBT - NET - A reclassification was made to reflect base year repayments of short-term debt as repayments of long-term debt. CSX's base year balance sheet reflects short-term debt balances which are representative of levels maintained in the normal course of business to provide liquidity.

   LONG-TERM DEBT ISSUED / REPAID - Represents the issuance or repayment of long-term debt for the respective years. In any year where there is a net use of cash arising from the combination of CSX and Conrail and the implementation of the operating plan, long-term debt is assumed to be issued. In any year where there is a net source of cash arising from the combination and the operating plan, long-term debt is assumed to be repaid.

   PURCHASE AND RETIREMENT OF COMMON STOCK - Represents CSX's proportionate share of the of the elimination of Conrail's base year cash outlay to repurchase shares of its common stock under Conrail's ongoing stock repurchase programs.

   CASH DIVIDENDS PAID - Represents CSX's proportionate share of the elimination of Conrail's base year cash outlay to pay dividends to common and preferred shareholders.

APPENDIX F

CSX/CONRAIL PRO FORMA FINANCIAL RATIOS

(See Exhibit WWW-13 to the Verified Statement of
William W. Whitehurst, Jr. in this Volume 1)

APPENDIX G

NS/CONRAIL PRO FORMA BALANCE SHEETS

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	YEAR 1 ACTIVITY (2)	NS / CONRAIL PRO FORMA YEAR 1 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$393	$49	$442
ACCOUNTS RECEIVABLE	1,060		1,060
OTHER CURRENT ASSETS	611		611
TOTAL CURRENT ASSETS	2,064	$49	2,113
PROPERTIES-NET	18,680	$505	19,185
OTHER LONG-TERM ASSETS	1,731	($227)	1,504
TOTAL ASSETS	$22,475	$327	$22,802
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$97	($13)	$84
CURRENT MATURITIES OF LONG-TERM DEBT	191		191
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,816	($215)	1,601
TOTAL CURRENT LIABILITIES	2,104	($228)	1,876
LONG-TERM DEBT	8,589	($169)	8,420
DEFERRED INCOME TAXES	5,297	$228	5,525
OTHER LONG-TERM LIABILITIES	1,636		1,636
TOTAL LIABILITIES	17,626	($169)	17,457
STOCKHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	129		129
OTHER CAPITAL	418	$24	442
RETAINED EARNINGS	4,302	$472	4,774
TOTAL STOCKHOLDERS' EQUITY	4,849	$496	5,345
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$22,475	$327	$22,802

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS / CONRAIL
(In Millions)

	NS / CONRAIL PRO FORMA YEAR 1 (1)	YEAR 2 ACTIVITY (2)	NS / CONRAIL PRO FORMA YEAR 2 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$442	$49	$491
ACCOUNTS RECEIVABLE	1,060		1,060
OTHER CURRENT ASSETS	611		611
TOTAL CURRENT ASSETS	2,113	49	2,162
PROPERTIES-NET	19,185	486	19,671
OTHER LONG-TERM ASSETS	1,504	($10)	1,494
TOTAL ASSETS	$22,802	$525	$23,327
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$84	($13)	$71
CURRENT MATURITIES OF LONG-TERM DEBT	191		191
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,601	(17)	1,584
TOTAL CURRENT LIABILITIES	1,876	(30)	1,846
LONG-TERM DEBT	8,420	(298)	8,122
DEFERRED INCOME TAXES	5,525	176	5,701
OTHER LONG-TERM LIABILITIES	1,636		1,636
TOTAL LIABILITIES	17,457	(152)	17,305
STOCKHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	129		129
OTHER CAPITAL	442	24	466
RETAINED EARNINGS	4,774	653	5,427
TOTAL STOCKHOLDERS' EQUITY	5,345	677	6,022
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$22,802	$525	$23,327

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS / CONRAIL
(In Millions)

	NS / CONRAIL PRO FORMA YEAR 2 (1)	YEAR 3 ACTIVITY (2)	NS / CONRAIL PRO FORMA YEAR 3 (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$491	$49	$540
ACCOUNTS RECEIVABLE	1,060		1,060
OTHER CURRENT ASSETS	611		611
TOTAL CURRENT ASSETS	2,162	49	2,211
PROPERTIES-NET	19,671	320	19,991
OTHER LONG-TERM ASSETS	1,494	($10)	1,484
TOTAL ASSETS	$23,327	$359	$23,686
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$71	($13)	$58
CURRENT MATURITIES OF LONG-TERM DEBT	191		191
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,584	(6)	1,578
TOTAL CURRENT LIABILITIES	1,846	(19)	1,827
LONG-TERM DEBT	8,122	(558)	7,564
DEFERRED INCOME TAXES	5,701	172	5,873
OTHER LONG-TERM LIABILITIES	1,636		1,636
TOTAL LIABILITIES	17,305	(405)	16,900
STOCKHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	129		129
OTHER CAPITAL	466	24	490
RETAINED EARNINGS	5,427	740	6,167
TOTAL STOCKHOLDERS' EQUITY	6,022	764	6,786
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$23,327	$359	$23,686

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS / CONRAIL
(In Millions)

	NS / CONRAIL PRO FORMA YEAR 3 (1)	NORMAL YEAR ACTIVITY (2)	NS / CONRAIL PRO FORMA NORMAL YEAR (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$540	$49	$589
ACCOUNTS RECEIVABLE	1,060		1,060
OTHER CURRENT ASSETS	611		611
TOTAL CURRENT ASSETS	2,211	49	2,260
PROPERTIES-NET	19,991	257	20,248
OTHER LONG-TERM ASSETS	1,484	($10)	1,474
TOTAL ASSETS	$23,686	$296	$23,982
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$58	($13)	$45
CURRENT MATURITIES OF LONG-TERM DEBT	191		191
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,578		1,578
TOTAL CURRENT LIABILITIES	1,827	(13)	1,814
LONG-TERM DEBT	7,564	(652)	6,912
DEFERRED INCOME TAXES	5,873	170	6,043
OTHER LONG-TERM LIABILITIES	1,636		1,636
TOTAL LIABILITIES	16,900	(495)	16,405
STOCKHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE	129		129
OTHER CAPITAL	490	24	514
RETAINED EARNINGS	6,167	767	6,934
TOTAL STOCKHOLDERS' EQUITY	6,786	791	7,577
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$23,686	$296	$23,982

NOTES TO PRO FORMA BALANCE SHEET

NS / CONRAIL

YEAR 1 THROUGH NORMAL YEAR

1. NS / CONRAIL BASE YEAR (1995) OR PRO FORMA FOR PRECEDING YEAR: For Year 1, represents the pro forma combined NS / Conrail base year balance sheet. For Year 2 through Normal Year, represents the pro forma combined NS / Conrail balance sheet for the preceding year. See separate NS / Conrail base year, Year 1, Year 2, Year 3, or Normal Year pro forma balance sheets included in this section of the application.

2. YEAR 1 THROUGH NORMAL YEAR ACTIVITY: Represents the effects on the combined NS / Conrail pro forma balance sheets of the operating results (net income and cash flows) for the respective years, inclusive of adjustments to reflect implementation of the operating plan:

   CASH, CASH EQUIVALENTS & SHORT-TERM INVESTMENTS - Represents the normal change in cash (resulting from the base year) as derived from the statement of sources and application of funds (statement of cash flows).

   PROPERTIES-NET - In Year 1 through Year 3 includes the increase resulting from capital spending necessary to combine operations. The normal year includes a reduction due to efficiencies of the combined operations. Additionally, all years include an increase in depreciation expense resulting from the write-up of properties to fair market value and resulting from the additional capital spending discussed above.

   OTHER LONG-TERM ASSETS - In year one, includes the use of other assets to pay employee benefits earned as a result of the transaction. Year one also reflects the use of other assets to pay employee benefits earned and paid during the holding period (with a corresponding reduction in taxes payable and retained earnings). Additionally, all years include the amortization of goodwill and debt fees and the net cash flows from other operating and investing activities as derived from the statement of sources and application of funds (statement of cash flows).

   SHORT-TERM DEBT - Represents the normal change in short-term debt (resulting from the base year) as derived from the statement of sources and application of funds (statement of cash flows).

   ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES: In Years 1 through 3, represents the payment of separation benefits from accruals established in purchase accounting. Year 1 also includes a reduction in income taxes payable to reflect the effect of employee benefits earned during the holding period.

   LONG-TERM DEBT - Represents the repayment of long-term debt, net of debt issuance, for the respective years resulting from a net source of cash arising from the combination and the operating plan. Also reflects the amortization of the write-up of long-term debt in purchase accounting.

   DEFERRED INCOME TAXES - Represents the net change in the deferred income tax liability resulting principally from different book and tax treatment for depreciation expense and for the depreciation or amortization of write-ups resulting from purchase accounting.

   OTHER CAPITAL - Represents the normal change in other capital (resulting from the base year) as derived from the statement of sources and application of funds (statement of cash flows).

   RETAINED EARNINGS - Represents net income for the respective years, less dividends. In Year 1, includes adjustment for employee benefits expensed prior to the control date.

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS / CONRAIL
(In Millions)

	NS BASE YEAR	CONRAIL OPERATIONS ACQUIRED: NS PORTION OF CONRAIL BASE YEAR	CONRAIL OPERATIONS ACQUIRED: PURCHASE ACCOUNTING ADJUSTMENTS	CONRAIL OPERATIONS ACQUIRED: TOTAL	NS / CONRAIL BASE YEAR
	(1)	(2a)	(2b)	(2c)	(3)
ASSETS					
CURRENT ASSETS					
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$329	$64		$64	$393
ACCOUNTS RECEIVABLE	704	356		356	1,060
OTHER CURRENT ASSETS	310	301		301	611
TOTAL CURRENT ASSETS	1,343	721	0	721	2,064
PROPERTIES-NET	9,259	3,882	5,539	9,421	18,680
OTHER LONG-TERM ASSETS	303	470	958	1,428	1,731
TOTAL ASSETS	$10,905	$5,073	$6,497	$11,570	$22,475
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
SHORT-TERM DEBT	$45	$52		$52	$97
CURRENT MATURITIES OF LONG-TERM DEBT	86	105		105	191
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,075	522	219	741	1,816
TOTAL CURRENT LIABILITIES	1,206	679	219	898	2,104
LONG-TERM DEBT	1,553	1,108	5,928	7,036	8,589
DEFERRED INCOME TAXES	2,313	883	2,101	2,984	5,297
OTHER LONG-TERM LIABILITIES	984	565	87	652	1,636
TOTAL LIABILITIES	6,056	3,235	8,335	11,570	17,626
STOCKHOLDERS' EQUITY					
COMMON STOCK, $1 PAR VALUE	129	49	(49)	0	129
ESOP PREFERRED STOCK		164	(164)	0	0
OTHER CAPITAL	418	832	(832)	0	418
RETAINED EARNINGS	4,302	793	(793)	0	4,302
TOTAL STOCKHOLDERS' EQUITY	4,849	1,838	(1,838)	0	4,849
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,905	$5,073	$6,497	$11,570	$22,475

NOTES TO PRO FORMA BALANCE SHEET

NS / CONRAIL

BASE YEAR

1. NS BASE YEAR: Represents NS' 1995 balance sheet as reported in the 1995 Form 10-K, adjusted to eliminate the balance sheet effects of an early retirement charge. See separate NS base year pro forma balance sheet included in this section of the application.

2. CONRAIL OPERATIONS ACQUIRED:
   a. NS PORTION OF CONRAIL BASE YEAR: Represents NS' proportionate share of Conrail's 1995 assets, liabilities, and stockholders' equity under the Division, excluding the effects of non-recurring transactions. See separate Conrail pro forma balance sheet included in this section of the application.

   b. PURCHASE ACCOUNTING ADJUSTMENTS: Represents the acquisition by NS of its proportionate share of Conrail's net assets and the related purchase accounting adjustments for this transaction.

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
NS
(In Millions)

	NS HISTORICAL 1995 AS REPORTED (1)	ADJUST-MENTS (2)	NS BASE YEAR (3)
ASSETS			
CURRENT ASSETS			
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$329		$329
ACCOUNTS RECEIVABLE	704		704
OTHER CURRENT ASSETS	310		310
TOTAL CURRENT ASSETS	1,343	0	1,343
PROPERTIES-NET	9,259		9,259
OTHER LONG-TERM ASSETS	303		303
TOTAL ASSETS	$10,905	$0	$10,905
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
SHORT-TERM DEBT	$45		$45
CURRENT MATURITIES OF LONG-TERM DEBT	86		86
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,075		1,075
TOTAL CURRENT LIABILITIES	1,206	0	1,206
LONG-TERM DEBT	1,553		1,553
DEFERRED INCOME TAXES	2,299	14	2,313
OTHER LONG-TERM LIABILITIES	1,018	(34)	984
TOTAL LIABILITIES	6,076	(20)	6,056
STOCKHOLDERS' EQUITY			
COMMON STOCK, $1 PAR VALUE (NET OF TREASURY SHARES)	129		129
OTHER CAPITAL (NET OF TREASURY SHARES)	418		418
RETAINED EARNINGS	4,282	20	4,302
TOTAL STOCKHOLDERS' EQUITY	4,829	20	4,849
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,905	$0	$10,905

NOTES TO PRO FORMA BALANCE SHEET

NS

BASE YEAR

1. NS HISTORICAL 1995 AS REPORTED: Represents NS' 1995 balance sheet as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of an early retirement charge reported in 1995.

3. NS BASE YEAR: Represents NS' 1995 balance sheet as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

EXHIBIT 16

SECTION 1180.9 (a)
PRO FORMA BALANCE SHEET
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUST-MENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR	
				CSX	NS
	(1)	(2)	(3)	(4a)	(4b)
ASSETS					
CURRENT ASSETS					
CASH, CASH EQUIVALENTS, & SHORT-TERM INVESTMENTS	$73	$37	$110	$46	$64
ACCOUNTS RECEIVABLE	614		614	258	356
OTHER CURRENT ASSETS	519		519	218	301
TOTAL CURRENT ASSETS	1,206	37	1,243	522	721
PROPERTIES-NET	6,408	285	6,693	2,811	3,882
OTHER LONG-TERM ASSETS	810		810	340	470
TOTAL ASSETS	$8,424	$322	$8,746	$3,673	$5,073
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
SHORT-TERM DEBT	$89		$89	$37	$52
CURRENT MATURITIES OF LONG-TERM DEBT	181		181	76	105
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	900		900	378	522
TOTAL CURRENT LIABILITIES	1,170	0	1,170	491	679
LONG-TERM DEBT	1,911		1,911	803	1,108
DEFERRED INCOME TAXES	1,393	130	1,523	640	883
OTHER LONG-TERM LIABILITIES	973		973	408	565
TOTAL LIABILITIES	5,447	130	5,577	2,342	3,235
STOCKHOLDERS' EQUITY					
COMMON STOCK, $1 PAR VALUE	85		85	36	49
ESOP PREFERRED STOCK	282		282	118	164
OTHER CAPITAL	1,434		1,434	602	832
RETAINED EARNINGS	1,176	192	1,368	575	793
TOTAL STOCKHOLDERS' EQUITY	2,977	192	3,169	1,331	1,838
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$8,424	$322	$8,746	$3,673	$5,073

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NOTES TO PRO FORMA BALANCE SHEET

CONRAIL

BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: Represents Conrail's 1995 balance sheet as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects on Conrail's balance sheet of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the balance sheet effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents Conrail's 1995 balance sheet as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the control date.

   a. CSX: Represents 42% of Conrail's assets, liabilities, and stockholders' equity.

   b. NS: Represents 58% of Conrail's assets, liabilities, and stockholders' equity.

APPENDIX H

NS/CONRAIL PRO FORMA INCOME STATEMENTS

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	YEAR 1 ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA YEAR 1 (3)
OPERATING REVENUE	$7,045	$124	$7,169
OPERATING EXPENSE	5,461	79	5,540
OPERATING INCOME	1,584	45	1,629
OTHER INCOME	217		217
INTEREST EXPENSE	226	393	619
INCOME BEFORE INCOME TAXES	1,575	(348)	1,227
INCOME TAXES	578	(127)	451
NET INCOME	$997	($221)	$776

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS / CONRAIL

	NS / CONRAIL BASE YEAR (1)	YEAR 2 ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA YEAR 2 (3)
OPERATING REVENUE	$7,045	$330	$7,375
OPERATING EXPENSE	5,461	58	5,519
OPERATING INCOME	1,584	272	1,856
OTHER INCOME	217		217
INTEREST EXPENSE	226	377	603
INCOME BEFORE INCOME TAXES	1,575	(105)	1,470
INCOME TAXES	578	(35)	543
NET INCOME	$997	($70)	$927

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	YEAR 3 ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA YEAR 3 (3)
OPERATING REVENUE	$7,045	$412	$7,457
OPERATING EXPENSE	5,461	29	5,490
OPERATING INCOME	1,584	383	1,967
OTHER INCOME	217		217
INTEREST EXPENSE	226	347	573
INCOME BEFORE INCOME TAXES	1,575	36	1,611
INCOME TAXES	578	19	597
NET INCOME	$997	$17	$1,014

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	NORMAL YEAR ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA NORMAL YEAR (3)
OPERATING REVENUE	$7,045	$412	$7,457
OPERATING EXPENSE	5,461	26	5,487
OPERATING INCOME	1,584	386	1,970
OTHER INCOME	217		217
INTEREST EXPENSE	226	306	532
INCOME BEFORE INCOME TAXES	1,575	80	1,655
INCOME TAXES	578	36	614
NET INCOME	$997	$44	$1,041

NOTES TO PRO FORMA INCOME STATEMENT

NS / CONRAIL

YEAR 1 THROUGH NORMAL YEAR

1. NS / CONRAIL BASE YEAR (1995): Represents the pro forma combined NS / Conrail base year income statement, included separately in this section of the application.

2. YEAR 1 THROUGH NORMAL YEAR ADJUSTMENTS: Represents the effects on the combined NS / Conrail pro forma income statement of net benefits arising from implementation of the operating plan, inclusive of one-time expenses related to combining operations, as well as depreciation and amortization arising from purchase accounting adjustments and interest expense on acquisition debt:

   OPERATING REVENUE - Represents gross revenue gains from additional traffic, net of gross revenue losses from enhanced competition, as well as an amount to adjust the division of the Conrail base year from an allocation based on the Percentage, which reflects the economics of the transaction, to an allocation based on the study period, which reflects traffic modeling based on 1995 historical data.

   OPERATING EXPENSE - Represents the net benefits from operating and facility efficiencies, reduced by the additional expenses incurred to handle increased traffic, increased depreciation expense resulting from capital additions and the write-up of properties to fair value in purchase accounting, goodwill amortization and one-time costs not accrued through purchase accounting.

   INTEREST EXPENSE - Represents the net increase in interest expense arising from debt incurred to finance the acquisition.

   INCOME TAXES - Represents the change in current and deferred income taxes resulting from the net adjustments to pretax earnings as outlined above.

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS / CONRAIL
(In Millions)

	NS BASE YEAR (1)	CONRAIL OPERATIONS ACQUIRED — NS PORTION OF CONRAIL BASE YEAR (2)	NS / CONRAIL BASE YEAR (3)
OPERATING REVENUE	$4,907	$2,138	$7,045
OPERATING EXPENSE	3,787	1,674	5,461
OPERATING INCOME	1,120	464	1,584
OTHER INCOME	142	75	217
INTEREST EXPENSE	113	113	226
INCOME BEFORE INCOME TAXES	1,149	426	1,575
INCOME TAXES	416	162	578
NET INCOME	$733	$264	$997

NOTES TO PRO FORMA INCOME STATEMENT

NS / CONRAIL

BASE YEAR

1. NS BASE YEAR: Represents NS' 1995 income statement as reported in the 1995 Form 10-K, adjusted to eliminate the effects of an early retirement charge and certain reclassifications. See separate NS base year pro forma income statement included in this section of the application.

2. CONRAIL OPERATIONS ACQUIRED - NS PORTION OF CONRAIL BASE YEAR: Represents NS' proportionate allocated share of Conrail's revenues and expenses under the Division, excluding the effects of non-recurring transactions. See separate Conrail base year pro forma income statement included in this section of the application.

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
NS
(In Millions)

	NS HISTORICAL 1995 AS REPORTED (1)	ADJUSTMENTS (2)	NS BASE YEAR (3)
OPERATING REVENUE	$4,668	$239	$4,907
OPERATING EXPENSE	3,582	205	3,787
OPERATING INCOME	1,086	34	1,120
OTHER INCOME	142		142
INTEREST EXPENSE	113		113
INCOME BEFORE INCOME TAXES	1,115	34	1,149
INCOME TAXES	402	14	416
NET INCOME	$713	$20	$733

NOTES TO PRO FORMA INCOME STATEMENT

NS

BASE YEAR

1. NS HISTORICAL 1995 AS REPORTED: Represents NS' 1995 income statement as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of an early retirement charge reported in 1995. Line item reclassifications were also made to conform the income statement with presentation changes made in the motor carrier subsidiary in 1997.

3. NS BASE YEAR: Represents NS' 1995 income statement as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

EXHIBIT 17

SECTION 1180.9 (b)
PRO FORMA INCOME STATEMENT
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUST-MENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR	
				CSX	NS
	(1)	(2)	(3)	(4a)	(4b)
OPERATING REVENUE	$3,686	$0	$3,686	$1,548	$2,138
OPERATING EXPENSE	3,230	(344)	2,886	1,212	1,674
OPERATING INCOME	456	344	800	336	464
OTHER INCOME	130		130	55	75
INTEREST EXPENSE	194		194	81	113
INCOME BEFORE INCOME TAXES	392	344	736	310	426
INCOME TAXES	128	152	280	118	162
NET INCOME	$264	$192	$456	$192	$264

NOTES TO PRO FORMA INCOME STATEMENT

CONRAIL

BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: *Represents Conrail's 1995 income statement as reported in the 1995 Form 10-K.*

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents Conrail's 1995 income statement as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the control date.

   a. CSX: Represents 42% of Conrail's revenues and expenses.

   b. NS: Represents 58% of Conrail's revenues and expenses.

APPENDIX I

NS/CONRAIL PRO FORMA SOURCES AND APPLICATION OF FUNDS STATEMENTS

EXHIBIT 18

SECTION 1180.9 (c)

PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS / CONRAIL

(In Millions)

	NS / CONRAIL BASE YEAR	YEAR 1 ADJUSTMENTS	NS / CONRAIL PRO FORMA YEAR 1
	(1)	(2)	(3)
OPERATING ACTIVITIES			
NET INCOME	$997	($221)	$776
ADJUSTMENTS TO RECONCILE NET INCOME			
TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	584	151	735
DEFERRED INCOME TAXES	219	9	228
OTHER OPERATING ACTIVITIES	(94)	(27)	(121)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,706	(88)	1,618
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,004)	(220)	(1,224)
OTHER INVESTING ACTIVITIES	79		79
NET CASH USED FOR INVESTING ACTIVITIES	(925)	(220)	(1,145)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(13)		(13)
LONG-TERM DEBT ISSUED	161		161
LONG-TERM DEBT REPAID	(152)	(170)	(322)
PURCHASE AND RETIREMENT OF COMMON STOCK	(391)	391	0
CASH DIVIDENDS PAID	(361)	87	(274)
OTHER FINANCING ACTIVITIES	24		24
NET CASH USED FOR FINANCING ACTIVITIES	(732)	308	(424)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$49	$0	$49

EXHIBIT 18

SECTION 1180.9 (c)

PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS / CONRAIL

(In Millions)

	NS / CONRAIL BASE YEAR (1)	YEAR 2 ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA YEAR 2 (3)
OPERATING ACTIVITIES			
NET INCOME	$997	($70)	$927
ADJUSTMENTS TO RECONCILE NET INCOME			
TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	584	158	742
DEFERRED INCOME TAXES	219	(43)	176
OTHER OPERATING ACTIVITIES	(94)	(16)	(110)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,706	29	1,735
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,004)	(208)	(1,212)
OTHER INVESTING ACTIVITIES	79		79
NET CASH USED FOR INVESTING ACTIVITIES	(925)	(208)	(1,133)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(13)		(13)
LONG-TERM DEBT ISSUED	161		161
LONG-TERM DEBT REPAID	(152)	(299)	(451)
PURCHASE AND RETIREMENT OF COMMON STOCK	(391)	391	0
CASH DIVIDENDS PAID	(361)	87	(274)
OTHER FINANCING ACTIVITIES	24		24
NET CASH USED FOR FINANCING ACTIVITIES	(732)	179	(553)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$49	$0	$49

EXHIBIT 18

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	YEAR 3 ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA YEAR 3 (3)
OPERATING ACTIVITIES			
NET INCOME	$997	$17	$1,014
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	584	159	743
DEFERRED INCOME TAXES	219	(47)	172
OTHER OPERATING ACTIVITIES	(94)	(5)	(99)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,706	124	1,830
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,004)	(43)	(1,047)
OTHER INVESTING ACTIVITIES	79		79
NET CASH USED FOR INVESTING ACTIVITIES	(925)	(43)	(968)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(13)		(13)
LONG-TERM DEBT ISSUED	161		161
LONG-TERM DEBT REPAID	(152)	(559)	(711)
PURCHASE AND RETIREMENT OF COMMON STOCK	(391)	391	0
CASH DIVIDENDS PAID	(361)	87	(274)
OTHER FINANCING ACTIVITIES	24		24
NET CASH USED FOR FINANCING ACTIVITIES	(732)	(81)	(813)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$49	$0	$49

EXHIBIT 18

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
NS / CONRAIL
(In Millions)

	NS / CONRAIL BASE YEAR (1)	NORMAL YEAR ADJUSTMENTS (2)	NS / CONRAIL PRO FORMA NORMAL YEAR (3)
OPERATING ACTIVITIES			
NET INCOME	$997	$44	$1,041
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	584	158	742
DEFERRED INCOME TAXES	219	(49)	170
OTHER OPERATING ACTIVITIES	(94)	1	(93)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,706	154	1,860
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(1,004)	21	(983)
OTHER INVESTING ACTIVITIES	79		79
NET CASH USED FOR INVESTING ACTIVITIES	(925)	21	(904)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	(13)		(13)
LONG-TERM DEBT ISSUED	161		161
LONG-TERM DEBT REPAID	(152)	(653)	(805)
PURCHASE AND RETIREMENT OF COMMON STOCK	(391)	391	0
CASH DIVIDENDS PAID	(361)	87	(274)
OTHER FINANCING ACTIVITIES	24		24
NET CASH USED FOR FINANCING ACTIVITIES	(732)	(175)	(907)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$49	$0	$49

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS / CONRAIL

YEAR 1 THROUGH NORMAL YEAR

1. NS / CONRAIL BASE YEAR (1995): Represents pro forma combined NS / Conrail base year sources and application of funds (statement of cash flows), included separately in this section of the application.

2. YEAR 1 THROUGH NORMAL YEAR ACTIVITY: Represents the effects on the combined NS/Conrail pro forma base year sources and application of funds of cumulative benefits arising from implementation of the operating plan, inclusive of one-time capital expenditures related to combining operations, as well as the repayment of debt and the elimination of amounts paid by NS and Conrail to purchase and retire shares of their common stock and amounts paid by Conrail to pay dividends to shareholders:

NET INCOME - Represents net adjustments to net income in the respective years, as derived from the income statement.

DEPRECIATION AND AMORTIZATION - Represents increased depreciation expense arising from one-time capital expenditures to combine operations and from the purchase accounting adjustment to revalue property and equipment, as well as amortization of goodwill arising from the purchase accounting adjustments.

DEFERRED INCOME TAXES - Represents the adjustment to deferred income tax expense resulting from the net adjustments to pretax income.

OTHER OPERATING ACTIVITIES - Represents payments of employee separation liabilities recorded as purchase accounting adjustments net of the use of employee benefits trust assets. Also includes the amortization of the pension plan and long-term debt adjustments arising from purchase accounting.

PROPERTY ADDITIONS - Represents capital expenditures for each of the respective years, including one-time expenditures necessary to combine operations of NS and Conrail.

LONG-TERM DEBT REPAID - Represents the repayment of long term debt for the respective years resulting from a net source of cash arising from the combination and the operating plan.

PURCHASE AND RETIREMENT OF COMMON STOCK - Represents the elimination of NS' and NS' proportionate share of Conrail's base year cash outlays to purchase and retire shares of each of its own common stock under NS' and Conrail's ongoing share purchase programs.

CASH DIVIDENDS PAID - Represents NS' proportionate share of the elimination of Conrail's base year cash outlay to pay dividends to stockholders.

EXHIBIT 18

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
NS / CONRAIL
(In Millions)

	NS BASE YEAR (1)	CONRAIL OPERATIONS ACQUIRED — NS PORTION OF CONRAIL BASE YEAR (2)	NS / CONRAIL BASE YEAR (3)
OPERATING ACTIVITIES			
NET INCOME	$733	$264	$997
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	414	170	584
DEFERRED INCOME TAXES	81	138	219
OTHER OPERATING ACTIVITIES	9	(103)	(94)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,237	469	1,706
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(763)	(241)	(1,004)
OTHER INVESTING ACTIVITIES	91	(12)	79
NET CASH USED FOR INVESTING ACTIVITIES	(672)	(253)	(925)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	0	(13)	(13)
LONG-TERM DEBT ISSUED	112	49	161
LONG-TERM DEBT REPAID	(74)	(78)	(152)
PURCHASE AND RETIREMENT OF COMMON STOCK	(338)	(53)	(391)
CASH DIVIDENDS PAID	(274)	(87)	(361)
OTHER FINANCING ACTIVITIES	20	4	24
NET CASH USED FOR FINANCING ACTIVITIES	(554)	(178)	(732)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$11	$38	$49

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS / CONRAIL

BASE YEAR

1. NS BASE YEAR: Represents NS' 1995 sources and application of funds as reported in the 1995 Form 10-K, adjusted to eliminate the effects of an early retirement charge. See separate NS base year pro forma sources and application of funds included in this section of the application.

2. CONRAIL OPERATIONS ACQUIRED -- NS PORTION OF CONRAIL BASE YEAR: Represents NS' proportionate share of Conrail's sources and application of funds under the Division, excluding the effects of non-recurring transactions. See separate Conrail base year pro forma statement of sources and application of funds included in this section of the application.

EXHIBIT 18

SECTION 1180.9 (c)

PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS

(In Millions)

	NS HISTORICAL 1995 AS REPORTED	ADJUST-MENTS	NS BASE YEAR
	(1)	(2)	(3)
OPERATING ACTIVITIES			
NET INCOME	$713	$20	$733
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED:			
DEPRECIATION AND AMORTIZATION	414		414
DEFERRED INCOME TAXES	67	14	81
OTHER OPERATING ACTIVITIES	43	(34)	9
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,237	0	1,237
INVESTING ACTIVITIES			
PROPERTY ADDITIONS	(659)	(104)	(763)
OTHER INVESTING ACTIVITIES	91		91
NET CASH USED FOR INVESTING ACTIVITIES	(568)	(104)	(672)
FINANCING ACTIVITIES			
SHORT-TERM DEBT-NET	0		0
LONG-TERM DEBT ISSUED	8	104	112
LONG-TERM DEBT REPAID	(74)		(74)
PURCHASE AND RETIREMENT OF COMMON STOCK	(338)		(338)
CASH DIVIDENDS PAID	(274)		(274)
OTHER FINANCING ACTIVITIES	20		20
NET CASH USED FOR FINANCING ACTIVITIES	(658)	104	(554)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$11	$0	$11

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

NS

BASE YEAR

1. NS HISTORICAL 1995 AS REPORTED: Represents NS' 1995 sources and application of funds as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of an early retirement charge reported in 1995 and to add the effects of the acquisition of locomotives that were financed using capital leases in 1995.

3. NS BASE YEAR: Represents NS' 1995 sources and application of funds as reported in the 1995 Form 10-K, revised to include the adjustments indicated in 2. above.

EXHIBIT 18

SECTION 1180.9 (c)
PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)
CONRAIL
(In Millions)

	CONRAIL HISTORICAL 1995 AS REPORTED	ADJUST-MENTS	CONRAIL BASE YEAR	ALLOCATION OF CONRAIL BASE YEAR	
				CSX	NS
	(1)	(2)	(3)	(4a)	(4b)
OPERATING ACTIVITIES					
NET INCOME	$264	$192	$456	$192	$264
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED:					
DEPRECIATION AND AMORTIZATION	293		293	123	170
DEFERRED INCOME TAXES	108	130	238	100	138
OTHER OPERATING ACTIVITIES	108	(285)	(177)	(74)	(103)
NET CASH PROVIDED BY OPERATING ACTIVITIES	773	37	810	341	469
INVESTING ACTIVITIES					
PROPERTY ADDITIONS	(415)		(415)	(174)	(241)
OTHER INVESTING ACTIVITIES	(21)		(21)	(9)	(12)
NET CASH USED FOR INVESTING ACTIVITIES	(436)	0	(436)	(183)	(253)
FINANCING ACTIVITIES					
SHORT-TERM DEBT-NET	(23)		(23)	(10)	(13)
LONG-TERM DEBT ISSUED	85		85	36	49
LONG-TERM DEBT REPAID	(134)		(134)	(56)	(78)
PURCHASE AND RETIREMENT OF COMMON STOCK	(92)		(92)	(39)	(53)
CASH DIVIDENDS PAID	(150)		(150)	(63)	(87)
OTHER FINANCING ACTIVITIES	7		7	3	4
NET CASH USED FOR FINANCING ACTIVITIES	(307)	0	(307)	(129)	(178)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$30	$37	$67	$29	$38

NOTES TO PRO FORMA SOURCES AND APPLICATION OF FUNDS (STATEMENT OF CASH FLOWS)

CONRAIL

BASE YEAR

1. CONRAIL HISTORICAL 1995 AS REPORTED: Represents Conrail's 1995 sources and application of funds as reported in the 1995 Form 10-K.

2. ADJUSTMENTS: Represents adjustments made to eliminate the effects of the following non-recurring transactions reported in 1995: (1) asset disposition charge and (2) decrease in state income tax rate. An adjustment was also made to eliminate from the base year the effects of permanent annual cost savings resulting from a 1996 voluntary separation program.

3. CONRAIL BASE YEAR: Represents CRR's 1995 sources and application of funds as reported, revised to include the adjustments indicated in 2. above.

4. ALLOCATION OF CONRAIL BASE YEAR: For purposes of this STB pro forma presentation, the financial statements for Conrail were divided based on the Percentage, which reflects the economics of the transaction. No separate estimation was made for that portion of Conrail which will be shared. It is expected that the assets and operations which will be jointly controlled will be accounted for under the equity method of accounting by both CSX and NS after the control date.

   a. CSX: Represents 42% of Conrail's sources and application of funds.

   b. NS: Represents 58% of Conrail's sources and application of funds.

APPENDIX J

NS/CONRAIL PRO FORMA FINANCIAL RATIOS

TABLE 1
NS / CONRAIL
VARIOUS PRO FORMA FINANCIAL RATIOS
(Dollars in millions)

	Base Year	Year 1	Year 2	Year 3	Normal Year
I. Pro Forma Fixed Charge Coverage Ratio					
1. Income Available For Fixed Charges	$1,801	$1,846	$2,073	$2,184	$2,187
2. Fixed Charges	226	619	603	573	532
3. Times Fixed Charge Coverage (L1/L2)	8.0	3.0	3.4	3.8	4.1
II. Pro Forma Cash Throw-Off-To-Debt Ratio					
1. Net Income	$997	$776	$927	$1,014	$1,041
2. Depreciation and Amortization	584	735	742	743	742
3. Deferred Income Taxes	219	228	176	172	170
4. Other Operating Activities	(94)	(121)	(110)	(99)	(93)
5. Net Cash Provided By Operating Activities (L1+L2+L3+L4)	1,706	1,618	1,735	1,830	1,860
6. Current Maturities of Long-Term Debt	191	191	191	191	191
7. Cash Throw-Off-To-Debt Ratio (L5/L6)	8.9	8.5	9.1	9.6	9.7
III. Pro Forma Operating Ratio					
1. Operating Revenue	$7,045	$7,169	$7,375	$7,457	$7,457
2. Operating Expense	5,461	5,540	5,519	5,490	5,487
3. Operating Ratio (L2/L1)	77.5%	77.3%	74.8%	73.6%	73.6%
IV. Pro Forma Return on Equity					
1. Net Income	$997	$776	$927	$1,014	$1,041
2. Stockholders' Equity	4,849	5,345	6,022	6,786	7,577
3. Return on Equity (L1/L2)	20.6%	14.5%	15.4%	14.9%	13.7%
V. Pro Forma Long-Term Debt to Long-Term Debt Plus Equity Ratio					
1. Long-Term Debt (excluding current maturities)	$8,589	$8,420	$8,122	$7,564	$6,912
2. Stockholders' Equity	4,849	5,345	6,022	6,786	7,577
3. Long-Term Debt Plus Equity	13,438	13,765	14,144	14,350	14,489
4. Ratio of Long-Term Debt to Long-Term Debt Plus Equity (L1/L3)	63.9%	61.2%	57.4%	52.7%	47.7%

NOTES TO TABLE 1

SOURCES OF DATA:

The data in this table were derived and computed from information contained in the following submissions by applicant: (1) Volume 1 of the Application, Exhibit 16 (pro forma balance sheets for the base year, the first three years after the Division, and the normal year); (2) Volume 1 of the Application, Exhibit 17 (pro forma income statements for the base year, the first three years after the Division, and the normal year); and (3) Volume 1 of the Application, Exhibit 18 (pro forma sources and application of funds (statement of cash flows) for the base year, the first three years after the Division, and the normal year).

BASE YEAR DATA:

The data shown in this table for the base year represent 1995 information as reported or derived from the Form 10-K annual reports for NS and Conrail adjusted to eliminate the effects of non-recurring transactions, to reflect the permanent annual cost savings of Conrail's 1996 voluntary separation program in the base year, and to give effect to NS's purchase accounting and the related increase in debt arising from the joint acquisition and division of Conrail.

DATA SUBSEQUENT TO BASE YEAR:

Data subsequent to the base year (i.e., data for the first three years after the Division and the normal year) give effect to the estimated benefits from combined NS and Conrail operations (increased revenues and traffic and cost savings), including joint operations with CSX. The data also include non-recurring expenditures necessary to implement the operating plan and apply net increases in cash flow as a reduction of long-term debt.

APPENDIX K

PROPERTY ENCUMBRANCE

APPENDIX K
PROPERTY ENCUMBRANCE
as of December 31, 1995 and 1996

Description of Obligation	Creditor/Trustee	Address of Creditor/ Trustee	Description	Origin Date	Expiration Date	Rate	Amount Outstanding 12/31/95	Amount Outstanding 12/31/96
1993 - B ETC	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	80 Locomotives	11/04/93	11/15/08	5.22%	$88,400,000	$81,600,000
1993 - A PTT	US Trust Co. of CA	555 S Flower St Suite 2700 Los Angelas, CA 90071	74 Locomotives	02/26/93	12/31/07	6.36%	49,200,000	47,300,000
1994 - A ETC	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	36 Dash8-40CWS	07/01/94	07/01/09	7.09%	45,500,000	42,250,000
1995 - A PTT	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	60 Locos & 750 Coal Cars	06/27/95	05/25/15	6.76%	54,711,230	54,184,098
1996 - A ETC	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	20 Locomotives	06/30/96	07/01/11	7.05%	0	25,908,000
Secured Note	Sun Life Assurance Co.	One Sun Life Exec Plaza Wellesley Hills, MA 0218	11 Locomotives	05/01/93	12/13/01	9.24%	4,176,051	3,480,043
CR Subs	Bank of New York	101 Barclay St New York, NY 10286	Office Building	1/22/88	01/15/10	10.47%	8,942,322	7,543,000
Capital Lease - Equip	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	25 SD60I Locos	06/25/95	06/24/09	6.76%	67,062,580	61,823,239
Capital Lease - Equip	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	28 SD80MAC Locos	04/30/96	04/25/10	6.96%	0	60,094,293
Capital Lease - Equip	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	20 Locos	05/29/91	06/24/05	8.68%	54,283,642	47,122,496
Capital Lease - Equip	General Electric Credit	1600 Summer St Stamford, CT 06905	58 Locos	05/01/83	01/01/99	7.58%	17,784,505	12,712,614

Capital Lease - Equip	GMAC	3044 W Grand Blvd Detroit, MI 48202	17 Locos	02/15/83	11/30/98	10.41%	5,186,524	3,629,824
Capital Lease - Equip	GMAC	3044 W Grand Blvd Detroit, MI 48202	23 Locos	03/15/83	12/31/98	10.41%	7,017,062	5,990,704
Capital Lease - Equip	CitiRail Citicorp	450 Mamaroneck Ave Harrison, NY 10528	40 Locos	11/18/83	07/01/99	10.65%	15,046,144	11,848,336
Capital Lease - Equip	CitiRail Citicorp	450 Mamaroneck Ave Harrison, NY 10528	40 Locos	11/18/83	07/01/99	10.65%	0	13,900,000
Capital Lease - Equip	General Electric Credit	1600 Summer St Stamford, CT 06905	60 Locos	04/15/84	10/31/99	7.87%	23,632,793	18,389,944
Capital Lease - Equip	PLC Leasing Corp	One Progress Plaza St. Petersburg, FL 33733	25 Locos	03/15/85	01/01/01	8.48%	13,838,969	11,768,894
Capital Lease - Equip	GMAC	3044 W Grand Blvd Detroit, MI 48202	25 Locos	04/15/85	06/25/00	8.14%	14,164,505	11,433,135
Capital Lease - Equip	The Bank of New York	101 Barclay St New York, NY 10286	30 Locos	01/15/86	02/28/01	7.60%	18,492,190	15,665,237
Capital Lease - Equip	Metlife Capital Credit	2 Corporate Dr, Suite 353 Shelton, CT 06484	22 Locos	06/15/86	06/30/04	6.86%	13,241,773	11,931,044
Capital Lease - Equip	Shawmut Bank CT	777 Main St Hartford, CT 06115	30 Locos	04/01/88	10/14/06	7.64%	28,596,377	25,194,019
Capital Lease - Equip	Shawmut Bank CT	777 Main St Hartford, CT 06115	395 Auto Racks	04/01/88	10/14/06	7.58%	8,859,306	7,957,863
Capital Lease - Equip	Colonial Pacific Leasing	PO Box 5066 Norwalk, CT 06856	700 Auto Racks	12/01/88	01/01/05	8.09%	16,868,122	15,911,607
Capital Lease - Equip	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	25 Locos	07/31/90	12/30/04	9.60%	50,821,384	44,871,662

Capital Lease - Equip	Wilmington Trust Co.	1100 N. Market St. Wilmington, DE 19890	Locomotives	02/26/93	02/28/07	5.7% & 6.86%	43,217,234	39,360,567
Capital Lease - Equip	PNC Leasing Corp.	Broad and Chestnut Street Philadelphia, PA 19101	Auto Racks	N/A	12/31/08	6.75%	9,177,098	8,687,434
Capital Lease - Equip	General Electric Credit	1600 Summer St Stamford, CT 06905	Freight Cars	06/15/80	09/14/97	9.18%	4,247,563	2,213,479
Capital Lease - Equip	Connecticut Bank and Trust Co	One Constitution Plaza Hartford, CT 06103	Freight Cars	11/01/84	01/02/03	9.67%	7,372,272	6,553,647
Capital Lease - Equip	Connecticut Bank and Trust Co	One Constitution Plaza Hartford, CT 06103	Freight Cars	11/01/84	01/02/03	9.67%	3,712,886	3,303,599
Capital Lease - Equip	Not Applicable	Not Applicable	Freight Cars	04/19/85	01/01/03	9.51%	1,545,350	1,407,816
Capital Lease - Equip	BancBoston Leasing	100 Federal St Boston, MA 02105	Auto Racks	10/21/85	01/01/98	7.90%	2,079,106	1,079,780
Capital Lease - Equip	Whirlpool Accept Corp	17177 N Laurel Park Livonia, MI 48152	Not Available	N/A	03/31/98	6.77%	4,317,120	2,961,301
Capital Lease - Equip	Mellon Bank	55 W Monroe St Chicago, IL 60603	50 Units Work Equip	12/15/86	12/31/84	6.94%	1,195,956	1,107,498
Capital Lease - Equip	Mellon Bank	55 W Monroe St Chicago, IL 60603	98 Units Work Equip	12/15/86	12/31/04	7.80%	2,486,777	2,309,755
Capital Lease - Equip	Whirlpool Accept Corp	17177 N Laurel Park Livonia, MI 48152	Auto Racks	10/01/87	01/31/03	8.65%	8,113,688	7,228,104
Capital Lease - Equip	Shawmut Bank CT	777 Main St Hartford, CT 06115	395 Auto Racks	04/01/88	10/14/06	7.75%	1,742,086	1,570,757
Capital Lease - Equip	Colonial Pacific Leasing	PO Box 5066 Norwalk, CT 06856	148 Auto Racks	12/01/88	06/29/04	8.28%	2,854,767	2,701,922

Capital Lease - Equip	Colonial Pacific Leasing	PO Box 5066 Norwalk, CT 06856	140 Auto Racks	12/01/88	01/01/05	8.33%	3,676,533	3,476,995
Capital Lease - Equip	CK Industries	PO Box 87 Deland, FL 32721	60 Gondola Cars	12/20/89	09/30/08	10.30%	1,499,054	1,439,724
Capital Lease - Equip	CK Industries	PO Box 87 Deland, FL 32721	119 Gondola Cars	12/20/89	12/31/08	14.26%	2,475,166	2,384,999
Capital Lease - Equip	Pitney Bowes Credit	1350 Campus Parkway Neptune, NJ 94111	Auto Racks	12/19/89	06/26/05	8.24%	2,949,616	2,810,415
Capital Lease - Equip	PNC Leasing Corp.	Broad and Chestnut Street Philadelphia, PA 19101	Auto Racks	11/19/93	01/18/09	6.75%	4,505,805	4,292,557
Capital Lease - Equip	General Electric Credit	1600 Summer St Stamford, CT 06905	7 Locos	02/01/79	01/01/97	8.12%	1,796,687	624,628
Capital Lease - Equip	GATX Capital	4 Embarcadero Ctr San Francisco, CA 94111	26 Locos	02/01/79	01/03/97	8.46%	2,329,902	809,022
Capital Lease - Equip	State Street Bk & Trust	225 Franklin Street Boston, MA 02110	Freight Cars/Boxcars	07/15/80	09/14/96	10.34%	1,585,995	0
Capital Lease - Equip	Mellon Bank	55 W Monroe St Chicago, IL 60603	3 Locos	12/17/85	12/31/00	7.17%	1,062,670	898,757
Capital Lease - Equip	GATX Capital	4 Embarcadero Ctr San Francisco, CA 94111	Freight Cars	03/01/70	04/25/00	8.75%	1,557,940	1,257,536
Capital Lease - Equip	Residual Finance Corp.	Three First Ntl Plaza Suite Chicago, IL 60602	Freight Cars	N/A	07/01/00	8.75%	914,970	724,678
Capital Lease - Equip	State Street Bk & Trust	225 Franklin Street Boston, MA 02110	17 Locos	12/15/79	06/30/96	9.16%	545,029	0
Capital Lease - Equip	State Street Bk & Trust	225 Franklin Street Boston, MA 02110	Freight Cars	04/15/80	07/01/96	10.01%	992,597	0

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Capital Lease - Equip	GATX Capital	4 Embarcadero Ctr San Francisco, CA 94111	7 Locos	02/01/79	01/01/97	8.12%	399,436	0
Capital Lease - Equip	American Finance Grp	24 School St Boston, MA 02109	4 Locos	02/01/79	01/01/97	8.12%	231,386	0
Capital Lease - Equip	CitiRail Citicorp	450 Mamaroneck Ave Harrison, NY 10528	Freight Cars	09/01/79	01/14/96	7.96%	456,673	0
Capital Lease - Equip	General Electric Credit	1600 Summer St Stamford, CT 06905	19 Locos	02/01/79	01/14/97	8.63%	669,923	232,805
Capital Lease - Equip	State Street Bk & Trust	225 Franklin Street Boston, MA 02110	Freight Cars	02/15/79	01/14/96	8.28%	132,692	0
Capital Lease - Equip	State Street Bk & Trust	225 Franklin Street Boston, MA 02110	Freight Cars	10/02/79	02/29/96	7.87%	187,427	0
Capital Lease - Equip	The CIT Group	1211 Avenue of the Americas New York, NY 10036	Boxcars	09/15/69	10/13/99	8.75%	616,314	477,719
Capital Lease - Equip	The CIT Group	1211 Avenue of the Americas New York, NY 10036	148 Freight Cars	12/01/69	06/01/00	8.75%	309,783	249,176
Capital Lease - Equip	The CIT Group	1211 Avenue of the Americas New York, NY 10036	36 Boxcars	12/01/69	02/26/00	8.75%	110,750	29,896
Capital Lease - Equip	The CIT Group	1211 Avenue of the Americas New York, NY 10036	Freight Cars	12/01/69	02/26/00	8.75%	0	59,792
Capital Lease - Equip	The CIT Group	1211 Avenue of the Americas New York, NY 10036	55 Freight Cars	12/01/69	02/10/00	8.75%	133,699	108,273
Capital Lease - Equip	First Union Rail	2593 Wexford Bayne Rd Sewickley, PA 15143	Auto Racks	10/01/84	12/31/99	11.12%	481,075	406,174
Capital Lease - Equip	First Union Rail	2593 Wexford Bayne Rd Sewickley, PA 15143	Auto Racks	10/01/84	12/31/99	11.12%	445,305	350,745