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holders of at least 20% or more of a corporation's stock have and, then, in only limited circumstances not applicable here -- then it must be treated as a 20% stockholder for all purposes under the PBCL, including for purposes of Subchapter 25E.

297. Alternatively, Section 5.1(b) must be declared a void and ultra vires act of the Conrail Board.

298. Plaintiffs have no adequate remedy at law.

COUNT TWENTY-FIVE
(For Declaratory Relief
Against All Defendants Relating
To Subchapter 25E of the PBCL)

299. Plaintiffs repeat and reallege all of the foregoing allegations as if fully set forth in this paragraph.

300. Subchapter 25E of the PBCL was designed and intended to provide protection for shareholders of Pennsylvania Corporations against coercive partial tender offers. Subchapter 25E provides that "[a]ny holder of voting shares of a registered corporation that becomes the subject of a control transaction who shall object to the transaction shall be entitled to the rights and remedies provided in this subchapter." "Control transaction" is defined as the "acquisition by a person or group of the status of a controlling person or group." "Controlling person or group" means "a person who has, or a group of persons acting in concert that has, voting power over voting shares of the registered corporation that would entitle the holders thereof to cast at least 20% of the votes that all shareholders would be entitled to cast in an election of directors."

301. The remedy provided by Subchapter 25E is the right to receive "fair value", as defined, upon demand, for each of the shares held by an objecting shareholder, from the controlling person or group. "Fair value" means a value "not less than the highest price paid for

shares by the controlling person or group at any time during the 90-day period ending on and including the date of the control transaction plus an increment representing any value, including without limitation, any proportion of any value payable for acquisition of control of the corporation, that may not be reflected in such price." Subchapter 25E sets forth defined procedures for demand, appraisal, and payment of "fair value."

302. For the purpose of Subchapter 25E, "a person has voting power over a voting share if the person has or shares, directly or indirectly, through any option, contract, arrangement, understanding, conversion right or relationship, or by acting jointly or in concert or otherwise, the power to vote, or to direct the vote of, the voting share."

303. CSX, Green Acquisition Corp., Conrail's directors, senior executives and officers of Conrail constitute a group acting in concert and for the common purpose of facilitating, pursuing, and causing to be consummated the CSX Transaction (the "Control Transaction Group").

304. CSX purchased an aggregate of 17,860,124 shares of Conrail stock pursuant to its first tender offer which expired on November 20, 1996. It paid \$110 in cash per share.

305. Upon information and belief, the sum of the shares purchased by CSX in its first tender offer and the shares held by Conrail's directors and senior executive officers is in excess of 20% of the voting shares of Conrail stock. If one also takes into account the unallocated shares held by the Conrail ESOP and Employee Benefit Trust over which Conrail's officers have voting power, consummation of the first CSX tender offer resulted in the Control Transaction Group having acquired voting power over very substantially in excess of 20% of Conrail's voting stock. Thus, upon consummation of the first CSX tender offer, a control transaction occurred with respect to Conrail.

306. Accordingly, the Control Transaction Group is required by Subchapter 25E to give prompt notice of a control transaction and to pay to each demanding shareholder at least \$110 per share in cash for each share held by such demanding shareholder. Plaintiffs seek a declaratory judgment that this is so.

307. Plaintiffs have no adequate remedy at law.

WHEREFORE, plaintiffs respectfully request that this Court enter judgment against all defendants, and all persons in active concert or participation with them, as follows:

A. Declaring that:

(a) defendants have violated Sections 14(a), 14(d) and 14(e) of the Exchange Act and the rules and regulations promulgated thereunder;

(b) defendants' use of the Charter Amendment is violative of Pennsylvania statutory law and their fiduciary duties;

(c) defendants' discriminatory use of Conrail's Poison Pill Plan violates the director defendants' fiduciary duties;

(d) the termination fees and stock option agreements granted by Conrail to CSX are violative of the defendants' fiduciary duties;

(e) the Continuing Director Requirement of Conrail's Poison Pill Plan is ultra vires and illegal under Pennsylvania Law and Conrail's Articles of Incorporation and Bylaws; and is illegal because its adoption constitutes a breach of the defendants' fiduciary duties;

(f) Conrail's entire staggered board or any one or more of its directors, can be removed without cause at Conrail's next annual meeting of stockholders;

(g) the defendants have engaged in a civil conspiracy to violate Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(h) the Poison Pill Lock-In provisions in the CSX Merger Agreement are ultra vires and, therefore, void under Pennsylvania Law;

(i) the Two-Year Lock-Out provision in the CSX Merger Agreement is ultra vires under Pennsylvania law and, therefore, void;

(j) the Director Defendants, by approving the CSX Merger Agreement, breached their fiduciary duties of care and loyalty;

(k) the coercive nature of the CSX Transaction constitutes fundamental unfairness to Conrail's shareholders;

(l) the defendants' conduct concerning the New Special Meeting constitutes an illegal and inequitable manipulation of the processes of corporate democracy and is fraudulent and fundamentally unfair;

(m) section 5.1(b) of the revised CSX Merger Agreement constitutes an unlawful delegation of the Director Defendants' fiduciary duties, is illegal and ultra vires, and its adoption by Conrail constituted a breach of the Director Defendants' fiduciary duties, aided and abetted by CSX; and

(n) consummation of the first CSX Offer caused a "Control Transaction" with respect to Conrail to occur under subchapter 25E of the PBCL and created a joint and several liability among the members of the Control Transaction Group to pay \$110 cash per share to each demanding Conrail shareholder.

B. Preliminarily and permanently enjoining the defendants, their directors, officers, partners, employees, agents, subsidiaries and affiliates, and all other persons acting in concert with or on behalf of the defendants directly or indirectly, from:

- (a) commencing or continuing a tender offer for shares of Conrail stock or other Conrail securities or accepting shares for payment in connection with such tender offer;
- (b) seeking the approval by Conrail's stockholders of the Charter Amendment, or, in the event it has been approved by Conrail's stockholders, from taking any steps to make the Charter Amendment effective;
- (c) taking any action to redeem rights issued pursuant to Conrail's Poison Pill Plan or render the rights plan inapplicable as to any offer by CSX without, at the same time, taking such action as to NS's outstanding offer;
- (d) taking any action to enforce the Continuing Director Requirement of Conrail's Poison Pill Plan;
- (e) taking any action to enforce the termination fee or stock option agreement granted to CSX by Conrail;
- (f) failing to take such action as is necessary to exempt the NS Proposal from the provisions of the Pennsylvania Business Combination Statute;
- (g) holding the Conrail special meeting until all necessary corrective disclosures have been made and adequately disseminated to Conrail's stockholders;
- (h) taking any action to enforce the Poison Pill Lock-In and/or the Two-Year Lock-Out provisions of the CSX Merger Agreement;
- (i) failing to take such action as is necessary to ensure that a Distribution Date does not occur under the terms of the Conrail Poison Pill Plan;
- (j) failing to take any action required by the fiduciary duties of the Director Defendants; and
- (k) postponing the shareholder vote scheduled for December 23, 1996.

(l) taking any further action toward consummation of the CSX Transaction.

C. Granting compensatory damages for all incidental injuries suffered as a result of defendants' unlawful conduct.

D. Awarding plaintiffs the costs and disbursements of this action, including attorneys' fees.

E. Granting plaintiffs such other and further relief as the court deems just and proper.

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Attorneys for Plaintiffs

Of Counsel:

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P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

DATED: December 20, 1996

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

NORFOLK SOUTHERN CORPORATION, a :
Virginia Corporation, ATLANTIC :
ACQUISITION CORPORATION, A :
Pennsylvania corporation AND :
KATHRYN B. McQUADE, :
Plaintiffs, :

v. :

C.A. No. 96-CV-7167

CONRAIL INC. a Pennsylvania :
corporation, DAVID M. LEVAN, H. :
FURLONG BALDWIN, DANIEL B. :
BURKE, ROGER S. HILLAS, CLAUDE :
S. BRINEGAR, KATHLEEN FOLEY :
FELDSTEIN, DAVID B. LEWIS, JOHN :
C. MAROUS, DAVID H. SWANSON, E. :
BRADLEY JONES, AND RAYMOND T. :
SCHULER AND CSX CORPORATION, :
Defendants, :

PLAINTIFFS' MOTION TO DISMISS
DEFENDANTS' COUNTERCLAIM

Pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, plaintiffs Norfolk Southern Corporation, Atlantic Acquisition Corporation, and Kathryn B. McQuade hereby move that Defendants' Counterclaim against them be dismissed with prejudice for failure to state a claim for which relief may be granted.

In support of their motion, plaintiffs rely upon the accompanying memorandum of law.

Respectfully Submitted:

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(302) 651-3000

DATED: December 20, 1996

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 29)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 29 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(77) Parent's Proxy Statement Supplement, including attached letter to the Company's shareholders, mailed to the Company's shareholders commencing on or about December 26, 1996.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: December 26, 1996

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(77) Parent's Proxy Statement Supplement, including attached letter to the Company's shareholders, mailed to the Company's shareholders commencing on or about December 26, 1996.

December 26, 1996

Dear Conrail Shareholder:

**SOONER OR LATER, CONRAIL WILL HAVE TO COUNT YOUR VOTE!
PROTECT THE VALUE OF YOUR INVESTMENT
BY VOTING AGAINST CONRAIL'S PROPOSALS TODAY**

Once again Conrail has delayed its important Special Meeting seeking shareholder approval of the proposed charter amendment to "opt-out" of the Pennsylvania Fair Value Statute. The Special Meeting has now been rescheduled for January 17, 1997. But don't let Conrail's maneuvering distract you from taking steps to receive fair value for your shares.

Conrail has stated that because of the December 17, 1996 order by the United States District Court for the Eastern District of Pennsylvania, it will not postpone or adjourn the Special Meeting because it has not received sufficient proxies to assure approval of the "opt-out" amendment. **THEREFORE, IT IS CRITICALLY IMPORTANT THAT YOU VOTE AGAINST THE "OPT-OUT" AMENDMENT PROPOSAL AND AGAINST THE ADJOURNMENT PROPOSAL BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD TODAY (OR THE GREEN INSTRUCTION CARD FOR ESOP PARTICIPANTS). Remember, only your latest dated vote counts!**

**MORE VALUE, LESS RISK — —
NORFOLK SOUTHERN'S OFFER REMAINS SUPERIOR**

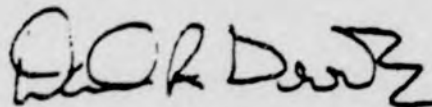
On December 19, 1996, we announced that we had increased our all-cash offer from \$110 to \$115 for each Conrail share that you own. Our offer is currently valued at almost \$16* more per share than CSX's offer, or approximately \$1 billion more for Conrail shareholders than what CSX has offered.

Norfolk Southern's revised proposal continues to offer significant benefits to Conrail shareholders. The increased offer provides for an immediate cash payment for shares purchased through use of a voting trust. With the Norfolk Southern offer, you know exactly what you will be getting — **you will be getting \$115 in cash**. On the other hand, with CSX's proposed deal approximately 75% of your shares will be acquired for CSX stock, the value of which will be subject to market risk. In addition, even though CSX is proposing to close through use of a voting trust, we believe the future value of the CSX stock you would receive will be affected significantly by the STB approval process.

YOUR VOTE IS IMPORTANT

The choice is clear. But it's going to take a strong shareholder vote to make Conrail understand that. Make sure your voice is heard. Vote today on the **GOLD** proxy card (or **GREEN** instruction card if you are an ESOP Participant) **AGAINST** Conrail's proposals. Even if you have tendered your shares into CSX's new offer or voted earlier, you can still vote those shares **AGAINST** the "Opt-Out" Amendment Proposal and the Adjournment Proposal by signing and returning the **GOLD** proxy card (or **GREEN** instruction card) today.

Sincerely,



David R. Goode
Chairman, President and
Chief Executive Officer

* Based on the closing price of CSX common stock on December 24, 1996

IMPORTANT INFORMATION

If your Conrail shares are held in the name of a bank or broker, only your bank or broker can vote your shares and only upon receipt of your specific instructions. Please instruct your bank or broker to vote **AGAINST** Conrail's proposals by executing the **GOLD** proxy card today. If you have any questions or require any assistance in voting your shares, please call:

**GEORGESCH
& COMPANY INC**

Wall Street Plaza
New York, New York 10005

Call Toll Free: 800-223-2064

Banks and Brokers call: 212-440-9800

SPECIAL MEETING OF SHAREHOLDERS
of
CONRAIL INC.

PROXY STATEMENT SUPPLEMENT
of
NORFOLK SOUTHERN CORPORATION

SOLICITATION OF PROXIES
IN OPPOSITION TO THE PROPOSED AMENDMENT TO THE
ARTICLES OF INCORPORATION OF CONRAIL INC.

INTRODUCTION

This Proxy Statement Supplement (this "Supplement") is furnished by Norfolk Southern Corporation ("Norfolk Southern") and relates to a Special Meeting of Shareholders of Conrail Inc. ("Conrail" or the "Company") to vote upon Conrail's proposal (the "Amendment Proposal") to amend its Articles of Incorporation to "opt out" of Subchapter E (the "Fair Value Statute") of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended, and to any adjournments, postponements or reschedulings thereof (the "Special Meeting"). This Supplement amends and supplements, to the extent set forth herein, the Proxy Statement of Norfolk Southern, dated November 4, 1996, which was first mailed to Conrail Shareholders on or about November 4, 1996 and which was subsequently amended and supplemented by a proxy supplement dated November 8, 1996, and again by a proxy supplement dated December 9, 1996 (as amended to date, the "Proxy Statement"). Capitalized terms used in this Supplement and not otherwise defined in this Supplement shall have the respective meanings assigned to such terms in the Proxy Statement. This Supplement is first being mailed to Conrail Shareholders on or about December 26, 1996.

RECENT DEVELOPMENTS

The Special Meeting

On December 19, 1996, Conrail publicly announced that the Special Meeting, which previously had been scheduled for December 23, 1996, had been rescheduled for January 17, 1997. In addition, on December 24, 1996, Conrail filed a supplement to its proxy statement (as amended, the "Conrail Proxy Statement"), in which Conrail stated that the Special Meeting would be held at The Main Auditorium at The Academy of Music, Broad and Locust Streets, Philadelphia, Pennsylvania at 12:00 p.m. Eastern Standard Time. According to the Conrail Proxy Statement, the Record Date for the Special Meeting continues to be December 5, 1996. Norfolk Southern is soliciting proxies from Shareholders to vote **AGAINST** both (i) the Amendment Proposal and (ii) Conrail's proposal to adjourn (the "Adjournment Proposal") the Special Meeting, if necessary, to permit Conrail to further solicit proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Amendment Proposal.

The proxy cards previously furnished to you by Norfolk Southern remain valid for Shareholders entitled to vote at the Special Meeting. Nonetheless, new **GOLD** proxy cards are being provided to you with this Supplement to vote **AGAINST** both the Amendment Proposal and the Adjournment Proposal. ESOP Participants can instruct the ESOP Trustee to vote their ESOP Preferred Shares **AGAINST** the Amendment Proposal and the Adjournment Proposal on the enclosed **GREEN** instruction card. In addition, if you have already voted Conrail's white proxy card (or marked the **GREEN** instruction card) in favor of the Amendment Proposal, you may revoke that vote by completing and returning the **GOLD** proxy (or marking the **GREEN** instruction card) and indicating your vote **AGAINST** the Amendment Proposal. It is the latest dated proxy which will be counted.

PLEASE SIGN AND DATE THE ENCLOSED **GOLD** PROXY CARD (OR FOR ESOP PARTICIPANTS, THE **GREEN** INSTRUCTION CARD) TODAY AND VOTE **AGAINST** THE AMENDMENT PROPOSAL AND THE ADJOURNMENT PROPOSAL.

The Norfolk Southern Revised Offer

On December 19, 1996, Norfolk Southern announced that the Norfolk Southern Cash Offer by Atlantic Acquisition Corporation, a wholly-owned subsidiary of Norfolk Southern, for all outstanding Shares was being increased from \$110 per Share to **\$115 per Share, net to the seller in cash**, without interest thereon (the "Norfolk Southern Revised Offer"). The Norfolk Southern Revised Offer will expire at 12:00 midnight, New York City time, on Friday, January 10, 1997, unless extended. The terms of the Norfolk Southern Revised Offer are set forth in a supplement dated December 20, 1996 to the Norfolk Southern Offer to Purchase, which has been mailed to Shareholders.

The Amended CSX/Conrail Merger Agreement

The following description is based upon the Schedule 14D-9 filed with the SEC by Conrail on December 20, 1996, an amendment to a Schedule 14D-1 filed with the SEC by CSX and dated December 19, 1996, and the Conrail Proxy Statement, and the following description is qualified in its entirety by reference to the full text and exhibits of such filings.

On December 19, 1996, Conrail and CSX announced that an amendment to the CSX/Conrail Merger Agreement (the "Second Amendment") had been entered into pursuant to which CSX increased the consideration to be paid in the CSX/Conrail Proposed Merger. Pursuant to the Second Amendment, the 60% of the Shares expected to be outstanding at the time of the consummation of the CSX/Conrail Proposed Merger (assuming the CSX/Conrail Proposed Merger is consummated) and not owned by CSX will be exchanged for (i) CSX common stock at a rate of 1.85619 shares of CSX common stock for each Share and (ii) an additional \$16 per Share in CSX convertible preferred stock, the terms of which will be set prior to the CSX/Conrail Proposed Merger so that such securities would trade at par on a fully distributed basis. Based on the closing sale price of CSX common stock on the New York Stock Exchange Inc. Composite Tape on December 24, 1996, the total per Share consideration in the CSX/Conrail Proposed Merger was worth approximately \$95.58.

By reason of the increase in the Norfolk Southern Cash Offer, the increased punitive effect of the CSX Lockup Option on Norfolk Southern will be approximately \$80 million. On such basis, in the event that the CSX termination fee is paid and the CSX Lockup Option Agreement is exercised by CSX, the aggregate additional cost to an acquirer of Conrail (including Norfolk Southern) by reason of the CSX Lockup Option Agreement and the CSX termination fee will amount to approximately \$660 million (assuming an acquisition of Conrail at \$115 per Share). In the litigation pending in the District Court for the Eastern District of Pennsylvania (the "District Court"), Norfolk Southern is contesting the validity of both the CSX Lockup Option Agreement and the CSX termination fee.

In the CSX/Conrail Merger Agreement, Conrail and CSX agreed, among other things, to a provision (the "No Negotiation Provision") providing that, subject to certain exceptions, neither Conrail nor CSX will, nor will they permit any of their subsidiaries to, nor will they authorize or permit any of their officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative, retained by them or any of their subsidiaries to, directly or indirectly through another person, participate in any conversations, discussions or negotiations, or enter into any agreement, arrangement or understanding, with any other company engaged in the operation of railroads (including Norfolk Southern) with respect to the acquisition by any such other company (including Norfolk Southern) of any securities or assets of Conrail and its subsidiaries or CSX and its subsidiaries, or any trackage rights or other concessions relating to the assets or operations of Conrail and its subsidiaries or CSX and its subsidiaries, other than with respect to certain sales, leases, licenses, mortgages or other disposals of assets or properties.

In the Second Amendment, Conrail also agreed to extend the term of the No Negotiation Provision from July 12, 1997 to December 31, 1998, with the intended effect of preventing Conrail from considering or otherwise facilitating any competing proposal to acquire Conrail, such as the Norfolk Southern Cash Offer and the Proposed Norfolk Southern/Conrail Merger, until such time. As noted below, Norfolk Southern has challenged the legality of this provision in the litigation pending in the District Court, and a hearing has been scheduled for January 9, 1997.

The Second Amendment provides that the CSX/Conrail Proposed Merger will occur as soon as practicable after the CSX and the Conrail shareholders meetings are held to consider matters related to the CSX/Conrail Proposed Merger and that all of the Shares acquired by CSX in the CSX/Conrail Proposed Merger would be placed in the voting trust holding Shares previously acquired by CSX pending the outcome of Surface Transportation Board (the "STB") proceedings relating to the proposed combination of CSX and Conrail.

CERTAIN LITIGATION — RECENT EVENTS

On December 13, 1996, Plaintiffs filed a Motion for Leave to File their Third Amended Complaint (the "Third Amended Complaint"), which was granted on December 17, 1996, and a Motion for a Preliminary Injunction in the District Court. The Third Amended Complaint withdrew two counts relating to the originally scheduled November 14, 1996 Special Meeting as moot, and added the following additional claims: (i) that Defendants' stated intention not to convene the Special Meeting scheduled for December 23, 1996 constitutes a breach of fiduciary duties; (ii) that Defendants' stated intention to successively postpone the vote of Shareholders until the Shareholders submit to the will of Defendants constitutes fraudulent and fundamentally unfair conduct; (iii) that Section 5.1(b) of the CSX/Conrail Merger Agreement, as amended, constitutes a breach of fiduciary duty in that it purports to delegate the Conrail directors' fiduciary responsibilities relating to the processes of corporate democracy, and, alternatively, that Section 5.1(b) is void and ultra vires; (iv) that consummation of the CSX Tender Offer caused a "control transaction" to occur with respect to Conrail pursuant to Subchapter E of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended, thus obligating the group consisting of CSX, the Conrail directors and certain executive officers of Conrail to pay to each demanding Conrail Shareholder at least \$110 cash per Share; and (v) that Defendants' public statements suggesting that the consideration payable in the CSX/Conrail Proposed Merger might be improved are materially misleading and constitute a violation of federal securities laws.

On December 17, 1996, the District Court held a hearing to consider Plaintiffs' Motion for a Preliminary Injunction. At the conclusion of the hearing, the District Court issued an order enjoining the Defendants from failing to convene, and/or from postponing, and/or from adjourning the Special Meeting scheduled for Monday, December 23, 1996, by reason of Conrail or its nominees not having received sufficient proxies to assure approval of the Amendment Proposal.

On December 19, 1996, the District Court scheduled a hearing for January 9, 1997 to consider Plaintiffs' challenge of the legality of the No Negotiation Provision, as extended, and the issue of whether CSX now owns 20% of the Shares, and is an "interested shareholder", under Subchapter E of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended.

On December 20, 1996, Plaintiffs filed a Motion for Leave to File their Fourth Amended Complaint (the "Fourth Amended Complaint"). The Fourth Amended Complaint would update the allegations contained in their earlier complaints and add the following additional claims: (i) that the extended two-year No Negotiation Provision in the Second Amendment constitutes an abdication, by the Conrail directors, of their fiduciary duties and is illegal, ultra vires, fundamentally unfair and constitutes a breach of those fiduciary duties; (ii) that the extended two-year No Negotiation Provision purports to restrict the managerial discretion of future Conrail directors and thus violates Pennsylvania statutory law, Conrail's By-laws and Articles of Incorporation, and the Conrail directors' fiduciary duties; and (iii) that Conrail failed to disclose its number of Shares outstanding as of the Record Date for the Special Meeting in violation of the federal proxy rules.

In addition, on December 20, 1996, Plaintiffs filed a Motion to Dismiss the Counterclaim for failure to state a claim pursuant to Rule 12(b) of the Federal Rules of Civil Procedure and an accompanying brief.

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NORFOLK SOUTHERN CORPORATION

Dated: December 26, 1996

SCHEDULE I

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF CONRAIL

In the Conrail Proxy Statement, Conrail provided updated information concerning the Record Date outstanding Shares, voting securities and principle holders thereof and ownership of Shares by Conrail officers and directors. The following information is based solely on the Conrail Proxy Statement and supersedes the information in Schedule I of the Norfolk Southern Proxy Statement, dated November 4, 1996, as amended. The following information is qualified in its entirety by reference to the Conrail Proxy Statement.

RECORD DATE AND OUTSTANDING SHARES. According to the Conrail Proxy Statement, as of the close of business on the Record Date, there were issued and outstanding 82,244,375 Common Shares and 7,303,920 ESOP Preferred Shares.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF. According to the Conrail Proxy Statement, the only persons (or "groups" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), who, as of the Record Date (except as otherwise set forth below), owned beneficially more than 5% of any class of Conrail's voting securities are listed in the following table (which also lists shares held by the Employee Benefits Trust):

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock	CSX Corporation One James Center 801 East Cary Street Richmond, VA 23219	17,860,124(1)	21.7%
Common Stock	FMR Corp. 82 Devonshire Street Boston, MA 02109	7,621,404(2)	9.3%
Common Stock	Wellington Management Company 75 State Street Boston, MA 02109	4,119,510(3)	5.0%
Common Stock	Mellon Bank, N.A. Suite 3346 Pittsburgh, PA 15258	5,444,500, solely in its capacity as trustee of the Employee Benefits Trust(4)	4.2%
ESOP Preferred Shares	Fidelity Management Trust Company 82 Devonshire Street Boston, MA 02109	5,646,125, solely in its capacity as Trustee of the ESOP(5)	77.3%

- (1) Based on information set forth on the Amendment No. 10 to the Schedule 13D filed by CSX with the SEC on December 6, 1996. These Shares represent approximately 19.9% of Conrail's total voting securities as of the Record Date.
- (2) Based on information set forth on the Schedule 13F filed by FMR Corp. ("FMR") with the SEC on November 15, 1996. Assuming that all these Shares owned by FMR were tendered pursuant to the first CSX Tender Offer, 23.45% of these Shares (or 1,787,219 Shares) would have been purchased by CSX prior to the Record Date and reflected in CSX's beneficial ownership set forth above. These Shares represent approximately 8.5% (or approximately 6.5% assuming FMR tendered all its Shares to CSX) of Conrail's total voting securities as of the Record Date.
- (3) Based on information set forth on the Schedule 13F filed by Wellington Management Company ("Wellington") with the SEC on November 15, 1996. Assuming that all these Shares owned by Wellington were tendered pursuant to the first CSX Tender Offer, 23.45% of these Shares (or

966,025 Shares) would have been purchased by CSX prior to the Record Date and reflected in CSX's beneficial ownership set forth above. These Shares represent approximately 4.6% (or approximately 3.5% assuming Wellington tendered all its Shares to CSX) of Conrail's total voting securities as of the Record Date.

- (4) These Common Shares represent approximately 3.8% of Conrail's total voting securities as of the Record Date. The Employee Benefits Trust is listed for information purposes only and does not represent a beneficial owner of more than 5% of the Common Shares as of the Record Date.
- (5) ESOP Preferred Shares are convertible into Common Shares at any time on a share-for-share basis, subject to certain antidilution adjustments. As a result, ownership of ESOP Preferred Shares is deemed to be ownership of an equal number of Common Shares. These ESOP Preferred Shares represent the unallocated shares of ESOP Preferred Shares contained in the ESOP. These shares, together with the 1,657,795 ESOP Preferred Shares allocated to participants, constitute an aggregate of 7,303,920 of ESOP Preferred Shares, which aggregate represents approximately 8.2% of Conrail's total voting securities as of the Record Date.

OWNERSHIP BY THE ESOP AND EMPLOYEE BENEFITS TRUST. As set forth in the table above, as of the Record Date, each of the ESOP and the Employee Benefits Trust owns Shares representing approximately 8.2% and 3.8%, respectively, of Conrail's total voting securities. As disclosed in the Conrail Proxy Statement, the ESOP and the Employee Benefits Trust tendered substantially all of their Shares, respectively, pursuant to the first CSX Tender Offer, and the Employee Benefits Trust, pursuant to its terms, used substantially all the proceeds it received from CSX pursuant to the first CSX Tender Offer to acquire 964,164 Shares in the market prior to the Record Date. According to Conrail, the ESOP, pursuant to the authority and fiduciary responsibility of the Trustee, did not use the proceeds it received from CSX pursuant to the first CSX Tender Offer to purchase Shares prior to the Record Date. As set forth in the Conrail Proxy Statement, Shares owned by the Employee Benefits Trust will be voted by the trustee thereof in the same manner and proportion as the ESOP Preferred Shares for which valid instructions are received and instructed to be voted. The trust agreement governing the ESOP provides that proxies for Shares that have been allocated to individual participants pursuant to the ESOP will be voted in accordance with that participant's direction as set forth on the GREEN trustee instruction card that is enclosed herewith for participants. Participants cannot vote their ESOP Preferred Shares or instruct the Trustee as to how to vote their ESOP Preferred Shares by completing the enclosed GOLD proxy. The trust agreement also provides that all ESOP Preferred Shares that have not been allocated to an individual participant, and all ESOP Preferred Shares that have been so allocated but as to which no valid voting instructions have been received by the Trustee shall be voted in the same manner and proportion as are the ESOP Preferred Shares for which valid instructions are received.

OWNERSHIP BY MANAGEMENT OF VOTING SECURITIES. The following table sets forth the beneficial ownership, as of the Record Date, of Shares of each director, each of the six most highly compensated executive officers of Conrail, and all directors and executive officers as a group. Unless otherwise indicated, each such person has sole voting and investment power with respect to such Common Shares and sole voting power with respect to such ESOP Preferred Shares. The Trustee holds sole investment power with respect to all ESOP Preferred Shares. As of the Record Date, all Conrail directors and executive officers as a group owned less than one percent (1%) of the aggregate outstanding Shares.

<u>Name of Individual or Group</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
David M. LeVan Chairman of the Board of Directors, President and Chief Executive Officer	139,112(1)	•
H. Furlong Baldwin Director	2,000	•
Claude S. Brinegar Director	1,000	•
Daniel B. Burke Director	2,000	•
Kathleen Foley Feldstein Director	700	•
Roger S. Hilles Director	2,362	•
E. Bradley Jones Director	1,000	•
David B. Lewis Director	919	•
John C. Marous Director	612	•
Gail J. McGovern Director	0	•
Raymond T. Schuler Director	6,063	•
David H. Swanson Director	449	•
Bruce B. Wilson Senior Vice President—Law	28,695(1)	•
Ronald J. Conway Senior Vice President—Operations	34,665(1)	•
Timothy P. Dwyer Senior Vice President—Unit Trains Service Group	12,469(1)	•
John P. Sammon Senior Vice President—CORE Service Group	23,789(1)	•
George P. Turner Senior Vice President—Automotive Service Group	43,937(1)	•
Executive Officers and Directors as a Group	574,851(2)	•

• Less than one percent.

- (1) For Messrs. LeVan, Wilson, Conway, Dwyer, Sammon and Turner, respectively, includes options exercisable within 60 days to acquire 98,896, 0, 27,375, 0, 18,125 and 34,232 Common Shares and 1,931, 1,910, 1,868, 1,634, 1,642 and 1,668 ESOP Preferred Shares allocated to the accounts of each of the named officers under the ESOP. ESOP Preferred Shares are convertible into Common Shares at any time on a share-for-share basis, subject to certain antidilution adjustments. As a result, ownership of ESOP Preferred Shares is deemed to be ownership of an equal number of Common Shares.
- (2) Includes (x) options exercisable within 60 days to acquire 351,660 Common Shares and (y) 35,405 ESOP Preferred Shares allocated to the accounts of individual officers under the ESOP. This number also includes shares held by all officers of Consolidated Rail Corporation.

ADDITIONAL INFORMATION

If your Shares are held in the name of a bank or broker, only your bank or broker can vote your Shares and only upon receipt of your specific instructions. Please instruct your bank or broker to vote **AGAINST** the Amendment Proposal and the Adjournment Proposal by executing the **GOLD** proxy card today. If you have any questions or require any assistance in voting your Shares, please call:

**GEORGESON
& COMPANY INC**

Wall Street Plaza
New York, New York 10005

Call Toll Free: 800-223-2064

Banks and Brokers call: 212-440-9800

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 30)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 30 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On December 27, 1996, Parent filed a petition with the STB alleging that the No Negotiation Provision, as in effect after the Second Amendment, constitutes unlawful control of the Company by CSX for the purposes of the federal statute that requires prior STB approval of control and seeking, among other things, a declaratory order that CSX is in violation of such federal law by reason of the No Negotiation Provision and that such provision is unlawful and unenforceable.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(78) Press Release issued by Parent on December 27, 1996.
- (g)(11) Petition for Declaratory Order and Other Appropriate Relief, filed by Parent and Norfolk Southern Railway Company (dated December 27, 1996, Surface Transportation Board).

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: December 30, 1996

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(78)	Press Release issued by Parent on December 27, 1996.
(g)(11)	Petition for Declaratory Order and Other Appropriate Relief, filed by Parent and Norfolk Southern Railway Company (dated December 27, 1996, Surface Transportation Board).

FOR IMMEDIATE RELEASE
December 27, 1996

Media Contact: Robin Chapman
757-629-2713

NS Asks STB To Rule CSX-Conrail "Lock-out" Provision Unlawful

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) today asked the Surface Transportation Board to rule that a December 18 amendment to the merger agreement between CSX and Conrail constitutes unlawful control by one railroad over another.

The amendment prohibits Conrail, without CSX's consent, from entering into or discussing a merger agreement with any other company until 1999, even if Conrail shareholders or the STB disapprove the proposed CSX merger.

"Unless the Board intervenes to protect its jurisdiction over the control of one rail carrier by another," Norfolk Southern said in its petition to the STB, "CSX will be able to use the unlawful control afforded by the lock-out provision to coerce a critical vote of Conrail stockholders scheduled for January 17, 1997, by portraying CSX as the only choice available to them -- even though the terms of CSX's acquisition would provide Conrail's shareholders other than CSX \$1.16 billion less than Norfolk Southern's offer and even though a CSX-Conrail consolidation on its face presents extremely serious competitive issues, as CSX officials acknowledged years ago in testimony to Congress."

Norfolk Southern said that while provisions are commonly used in merger agreements that allow the merging parties time to secure needed corporate and regulatory approvals to consummate the transaction, a "lock-out" extending more than one year after the expected date of the STB's final decision on the CSX-Conrail merger is "extraordinary and wholly unjustified" and is intended to coerce Conrail shareholders to approve the transaction.

"The obvious and only intent of the amended lock-out provision is to preclude even the possibility of NS's superior offer from being realized for so long that Conrail shareholders will feel that they are left with no other effective choice but to accept the CSX merger," Norfolk Southern said.

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World Wide Web Site - <http://www.nscorp.com>

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33220

CSX CORPORATION AND CSX TRANSPORTATION, INC.
--CONTROL AND MERGER--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

PETITION OF NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY FOR DECLARATORY
ORDER AND OTHER APPROPRIATE RELIEF

INTRODUCTION AND SUMMARY

Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively "NS"), hereby petition the Surface Transportation Board (the "Board") for a declaratory order that CSX Corporation, CSX Transportation, Inc., and Green Acquisition Corporation (collectively "CSX") are in violation of 49 U.S.C. § 11323 by reason of an amendment, dated December 18, 1996, to the merger agreement between CSX and Conrail Inc. ("Conrail"). This extraordinary amendment prohibits Conrail, without CSX's consent, from entering into a merger agreement with any other company, or even discussing such an agreement with any other company, until 1999 -- more than two years from now -- even if Conrail shareholders vote in the next few months to disapprove the proposed CSX merger and even if the Board issues a decision in 1997 refusing to approve that merger.

The unlawful control over Conrail that this amendment gives to CSX threatens to have immediate and irreparable consequences, which the Board needs to act promptly to prevent. The obvious purpose of the amendment is to preclude consideration by Conrail shareholders of any other merger proposal for more than two years. Unless the Board intervenes to protect its jurisdiction over the acquisition of control of one rail carrier by another, CSX will be able to use the unlawful control afforded by the lock-out provision to coerce a critical vote of Conrail shareholders scheduled for January 17, 1997, by portraying CSX as the only choice available to them -- even though the terms of CSX's acquisition would provide Conrail's shareholders other than CSX \$1.16 billion less than Norfolk Southern's offer^{1/} and even though a CSX/Conrail consolidation on its face presents extremely serious competitive issues, as CSX officials acknowledged years ago in testimony to Congress (see pp. 18-19, below). The Board should not allow CSX to circumvent the Board's jurisdiction over the acquisition of control to gain an advantage in a stockholder vote.

The amendment in question is a form of what is commonly referred to as a "lock-out" or "no-shop" provision. Such provisions usually prohibit parties to a merger or acquisition agreement from negotiating a similar transaction with other

^{1/} This estimate is based on the closing price of CSX stock on December 26, 1996 and assumes that a new series of CSX convertible preferred stock to be issued to Conrail shareholders is worth its purported \$16 per Conrail share.

parties for such time as may be necessary to obtain needed corporate and regulatory approvals and consummate the transaction.^{2/} For example, prior to its recent amendment, the lock-out provision in the CSX-Conrail merger agreement barred Conrail from negotiating a merger with any other party until July 12, 1997.

The amendment in question, however, extends the lock-out period until December 31, 1998. That is more than one year after the expected date of the Board's final decision on the CSX/Conrail merger under their own proposed procedural schedule, and almost two years after the anticipated shareholder vote to consider the proposed merger. As so extended, the amended lock-out provision is extraordinary and wholly unjustified. Its purpose and function are obviously not to ensure that CSX and Conrail will both diligently seek corporate approvals and prosecute their application for regulatory approval, since it extends well beyond the time those parties expect a final Board decision and a shareholder vote. The obvious and only function of the amended lock-out provision is to preclude even the possibility of NS's superior offer from being realized for so long that Conrail shareholders will feel that they are left with no other effective choice but to accept the CSX merger.

NS's position is straightforward. NS submits that any agreement that gives one railroad power to prevent another

^{2/} In addition, such provisions typically include a "fiduciary out" clause which permits a board of directors to consider competing proposals in certain circumstances.

railroad from negotiating a consolidation with any other entity has no regulatory justification and is unlawful to the extent it prohibits such negotiations after the Board has completed its review of the two railroads' consolidation or after the shareholders of either railroad have themselves refused to approve that transaction. Such a provision gives the aspiring acquiror railroad control over the most basic attribute of the target railroad -- its future -- without the Board's prior approval, and thus violates 49 U.S.C. § 11323.^{2/} No one could seriously contend, for example, that a railroad could, without the Board's authority, surrender to another railroad its freedom to negotiate a consolidation with any other entity for 20 years. Such an agreement would obviously cripple the first railroad's ability to raise capital and, perhaps, even to survive in changing conditions.^{3/} The only conceivable rationale for permitting such an agreement (prior to Board approval) would be to provide a reasonable period of time for parties to an agreement to determine whether their shareholders and their

^{2/} Such provisions may also be objectionable as a matter of state law governing corporations and the fiduciary duties of corporate directors to the shareholders of the corporation. See, e.g., Paramount Communications, Inc. v. QVC Network Inc., 637 A.2d 34 (Del. 1994). See also, note 5, infra. The present petition presents no issues of state law; rather, it presents a fundamental issue of unlawful control under the statute administered by the Board.

^{3/} Imagine, for example, the probable fate of the Southern Pacific Transportation Company if in 1983 it had ceded to the Atchison, Topeka & Santa Fe Railroad the right to preclude SP from negotiating consolidations with any other railroad until the year 2003.

regulators will approve the transaction. Whatever the period, it is too long if it goes beyond what may be reasonably expected for the Board to consider and act upon the consolidation application of the two railroads themselves. It is also too long if it extends beyond other actions, such as a shareholder vote rejecting the merger, that effectively foreclose the possibility of the transaction taking place as proposed. Norfolk Southern therefore seeks a declaratory order that CSX is in violation of 49 U.S.C. § 11323 by reason of the recently amended lock-out provision, and that that provision is unlawful and unenforceable.

The need for such an order is urgent. CSX's violation threatens immediate, extreme and irreparable harm to both NS and Conrail's shareholders. Unless the Board declares that provision to be unlawful and unenforceable well in advance of the vote scheduled for January 17, 1997, Conrail shareholders may be coerced to vote for what CSX wants them to believe is the only choice left to them -- CSX. If CSX wins that vote, it will have achieved a critical step in its planned acquisition of Conrail by means circumventing the Board's jurisdiction over control transactions.

If the Board is unable to reach a final decision on the legality of the amended lock-out provision well in advance of January 17, 1997, it is essential that the Board take action to prevent that irreparable harm. It could do so by directing Conrail to postpone the January 17 shareholder meeting until after the Board decides the question. It could also do so by

prohibiting the trustee under CSX's voting trust from voting any Conrail shares held in that trust in favor of actions permitting further share acquisitions by CSX or in favor of the CSX/Conrail merger until after the Board decides the question.^{2/}

Because of the urgency and importance of this matter, NS respectfully requests the Board to give expedited consideration to this petition. NS suggests that the Board may wish to require that responses to this petition be filed by a date that will permit the Board to take appropriate action before January 17, 1997.

STATEMENT OF FACTS

Background: the CSX-Conrail Merger

On October 14, 1996, CSX and Conrail entered into an agreement for CSX to acquire Conrail, subject to the Board's approval and other conditions. On October 18, 1996, CSX and Conrail filed with the Board a notice of intent (CSX/CR-1) to file an application seeking the Board's prior authorization under 49 U.S.C. § 11323-25 for the acquisition of control of Conrail by

^{2/} This petition is being filed in Finance Docket No. 33220 because it presents issues central to that proceeding.

NS has also challenged the legality of the amended lockout provision, as well as other provisions of the CSX-Conrail merger agreement, in an action pending in the United States District Court for the Eastern District of Pennsylvania with claims based on the Pennsylvania corporation laws and the fiduciary duties of Conrail's board of directors. The present petition, however, presents a fundamental issue of illegal control under 49 U.S.C. § 11323, which the Board must address and enforce independently of any issue of state law.

a wholly-owned subsidiary of CSX, the merger of Conrail into the wholly-owned CSX subsidiary, and the resulting common control of CSX Transportation, Inc. and Consolidated Rail Corporation by CSX.

**The Structure of the CSX
Plan to Acquire Conrail**

Although the merger agreement between CSX and Conrail has been amended twice, the underlying structure of the proposed CSX acquisition of Conrail remains the same: two cash tender offers for the acquisition of up to an aggregate of 40% of the Conrail stock, followed by a merger to acquire the remaining 60% of the Conrail stock.^{5/} The process is one that is known as "front loaded," because it provides Conrail shareholders greater value, to be paid in cash, for each share purchased by CSX in the first two tender offers than for each share that Conrail shareholders will be forced to exchange after the merger is consummated. Such a process is designed to pressure Conrail shareholders to tender their shares in the initial stages for fear of being forced to exchange them for less later if they do not.

^{5/} The merger agreement dated as of October 14, 1996 (the hereinafter the "Merger Agreement"), appears as Exhibit (c)(1) to Schedule 14D-1, Tender Offer Statement, dated October 16, 1996, which CSX and Conrail submitted to the Board on November 27, 1996 in F.D. 33220. The Merger Agreement was amended on November 5, 1996 (the "First Amendment"), and again on December 18, 1996 (the "Second Amendment"). Provisions of the Merger Agreement, the First Amendment and the Second Amendment that are cited in this petition are attached in Attachment 1 hereto.

Under the original Merger Agreement, the three-step process would work as follows: first, CSX would make a tender offer to purchase 19.9% of the outstanding Conrail shares for cash.^{1/} Once CSX had those shares in hand, Conrail would hold a shareholder vote on whether Conrail would "opt out" of Subchapter 25E of the Pennsylvania Business Corporation Law,^{2/} which, without such opt-out, would require CSX to purchase all Conrail shares for the same cash price as it paid for the first 19.9%.^{2/} If and when a majority of the Conrail shares (including the 19.9% held by CSX) were voted to opt-out of Subchapter 25E, CSX would make a second tender offer for another 20.1% of the outstanding Conrail shares, again for cash. Once CSX acquired these shares, Conrail would schedule a shareholder vote on the merger itself.^{3/} If a majority of the shares (including CSX's 40%) were voted in favor of the merger, the third, "back end," step in the process would take place: when and if this Board approved the merger, the merger would be consummated and all remaining Conrail shares would be exchanged for CSX common stock at a ratio of 1.85619 shares of CSX common stock for each share of Conrail common stock.

^{1/} Merger Agreement, Section 1.1.

^{2/} These provisions appear at Pa. Stat. Ann., tit. 15, §§ 2541 through 2548 (West 1995).

^{2/} Merger Agreement, Section 5.1(b).

^{3/} As required by Conrail's bylaws and by Section 3.1(k) of the Merger Agreement, any merger with CSX must be approved by a vote of a majority of Conrail voting shares outstanding.

**The Battle for Conrail: The Bidding
War and the Lock-Out Provisions**

Pursuant to the original Merger Agreement, CSX initially offered to pay \$92.50 in cash for each of the 19.9% of the shares of Conrail stock it sought to purchase in the first step of the process. CSX announced it would exchange 1.85619 shares of CSX for each remaining share of Conrail stock in the third step of the process, after the STB regulatory process had run its course.

On October 23, 1996, NS responded with an all-cash tender offer for all of the outstanding shares of Conrail stock at \$100 per share, subject to certain conditions.

Although NS wishes to acquire Conrail and is prepared to pay Conrail's shareholders substantially more than CSX is willing to pay, provisions of the Merger Agreement have prevented NS from reaching an agreement, or even discussing NS's proposal, with Conrail's management. Section 4.2 of the Merger Agreement (hereinafter, the "lock-out provision"), prohibits Conrail's management for a specified period from taking various actions with respect to any proposal by any entity other than CSX to acquire more than 50% of the assets or voting stock of Conrail (defined in the agreement as a "Takeover Proposal"). Section 4.2(a) provides that Conrail may not "(i) solicit, initiate or encourage (including by way of furnishing information) . . . any inquiries or the making of any proposal which constitutes any Takeover Proposal or (ii) participate in any discussions or negotiations regarding any Takeover Proposal. . . ." Section 4.2(b) prohibits Conrail's Board of Directors for a specified

period from (1) withdrawing or modifying its approval or recommendation that shareholders approve the CSX/Conrail merger agreement, (2) approving or recommending any merger agreement with any party other than CSX, or (3) entering into any letter of intent or merger agreement related to any Takeover Proposal.

Under the original Merger Agreement, Conrail was permitted to negotiate with respect to other unsolicited takeover proposals after April 12, 1997 if Conrail's Board concluded, on advice of counsel, that their fiduciary duties required them to do so. The original Merger Agreement also permitted Conrail actually to enter into a letter of intent or agreement with another party after April 12, 1997 if Conrail's Board concluded that the other party's proposal was superior to CSX's and that CSX was unlikely to acquire 40% of Conrail's stock.

On November 5, 1996, CSX and Conrail amended the Merger Agreement to, among other things, increase CSX's cash offer for the "front end" of its acquisition to \$110 per Conrail share.^{11/} CSX and Conrail did not change the terms for the "back end" of the merger at this time. This amendment also extended the period within which Conrail could not under any circumstances negotiate any other takeover proposal with another entity until July 12, 1997.

^{11/} Section 1 to the First Amendment, attached to Schedule 14D-1, Tender Offer Statement (Amendment No. 4), transmitted to Secretary Williams on November 27, 1996.

On November 8, 1996, Norfolk Southern increased its all-cash offer for Conrail stock to \$110 per share, subject to the same conditions as its initial offer.

CSX consummated its first tender offer and announced that it had acquired 19.9% of Conrail's shares on November 20, 1996. Also, the shareholder meeting to vote on whether to opt out of Subchapter 25E, originally scheduled for November 14, 1996, was rescheduled to December 23, 1996. Conrail stated in its proxy materials, however, that it would further postpone the December 23 meeting if it appeared that the Conrail shareholders would vote against the proposed opt out.

Notwithstanding CSX's ownership of at least 19.9% of Conrail's shares, it appeared certain that a majority of Conrail's shares would have been voted against opting out of Subchapter 25E on December 23, and that Conrail would therefore postpone the vote. Accordingly, NS filed a motion in U.S. District Court in Philadelphia on December 13, 1996 for a preliminary injunction to block Conrail from postponing the vote. The District Court ruled on December 17, 1996 that the right asserted by Conrail's management to postpone scheduled shareholder votes whenever it appeared they would not win them was "fundamentally unfair," "effectively disenfranchises those shareholders who may be opposed to the proposal," and amounts to a "sham election," and it enjoined Conrail from postponing the

vote in the absence of changed circumstances, such as a new proposal.^{12/}

In response to this legal setback, CSX amended its proposal once again. This change also permitted Conrail to postpone the Conrail shareholder opt out vote yet again, and Conrail has now scheduled the stockholders meeting for January 17, 1997.

Under CSX's latest offer, CSX will continue to offer only \$110 cash for each of the 20.1% of Conrail shares that CSX proposes to purchase under its "second offer." This second offer is conditioned on Conrail shareholders voting to opt out of Subchapter 25E. If a majority of the shares vote to opt out of Subchapter 25E and CSX is able to acquire the additional 20.1% of Conrail's shares, CSX will have effective control over any subsequent shareholder vote on whether to approve the Conrail/CSX merger.^{13/}

As in the original Merger Agreement, after the merger is approved by the owners of a majority of Conrail shares and the merger is consummated, the remaining outstanding Conrail stock would be forcibly exchanged for CSX securities. Under the latest

^{12/} Transcript of Hearing on December 17, 1996 in Norfolk Southern Corp., et al. v. Conrail, Inc., et al., C.A. No. 96-CV-7167 (E.D. Pa.) at 68-69 (Attachment 2).

^{13/} That is so because a separate agreement also gives CSX the option to purchase another 15,955,477 shares of Conrail stock from Conrail's treasury at \$92.50 per share. Section 1 of the Green Stock Option Agreement, dated as of October 14, 1996, transmitted to the Board on November 27, 1996 (Attachment 3). Exercising that option would give CSX an additional 9% of Conrail's outstanding shares, which, in addition to the 40% already owned, would virtually ensure a majority vote in favor of the merger.

amendment to the Merger Agreement, CSX will exchange newly issued CSX convertible preferred stock, with an asserted value of \$16 per share (the terms of the issue have not yet been fixed), and 1.85619 shares of CSX common stock for each of the remaining outstanding shares of Conrail stock. In addition, instead of waiting until the end of the regulatory approval process, the Merger Agreement now provides that this "back end" exchange of securities will take place after the Conrail shareholders meet and approve the merger, which CSX and Conrail have stated that they anticipate will occur before the end of the first quarter of 1997.^{44/} If that occurs before regulatory approval is obtained, all of the Conrail stock will be placed in a voting trust.

The Second Amendment also dramatically increases CSX's control over Conrail by extending the lock-out periods in Section 4.2 of the Merger Agreement an additional eighteen months -- from July 12, 1997 to December 31, 1998. Under the amended Section 4.2(a), Conrail now may not negotiate any merger or acquisition by any other entity under any circumstances until 1999. That prohibition applies even if Conrail's board concludes, and its counsel advises, that its fiduciary responsibilities require it to do so. Likewise, under the amended Section 4.2(b), Conrail's board may not, until 1999, withdraw its recommendation to its shareholders in favor of the CSX/Conrail merger or enter into any letter of intent or agreement with respect to another entity's

^{44/} Amendment No. 3 to Schedule 14D-1, Tender Offer Statement, transmitted to the Securities and Exchange Commission on December 19, 1996.

superior proposal even if the Conrail board concludes that there is no significant chance that CSX will acquire 40% of Conrail's shares or that the CSX/Conrail merger will be approved by Conrail's shareholders. Again, no fiduciary out is applicable to the prohibition.

On December 19, 1996, Norfolk Southern increased its all-cash offer for all of Conrail's outstanding shares to \$115 per share.^{15/}

ARGUMENT

I. BY THE AMENDED LOCK-OUT PROVISION, CSX HAS ACQUIRED UNLAWFUL CONTROL OF CONRAIL IN VIOLATION OF 49 U.S.C. § 11323.

49 U.S.C. § 11323 (formerly 49 U.S.C. § 11343) provides that certain transactions may be carried out only with the prior approval and authorization of this Board. These include "[a]cquisition of control of a rail carrier by any number of rail carriers," "[a]cquisition of control of at least two carriers by a person that is not a rail carrier," and "[a]cquisition of control of a rail carrier by a person that is not a rail carrier but that controls any number of rail carriers." 49 U.S.C. § 11323(a)(3), (4) and (5).

^{15/} As it now stands, the Norfolk Southern offer would provide Conrail shareholders other than CSX almost \$16 per share more than the blended value of cash and securities that CSX is offering current Conrail shareholders for their shares, based on the market price of CSX common stock at closing on December 26, 1996. On that basis, NS estimates that the total amount it is offering to Conrail shareholders other than CSX is approximately \$1.16 billion more than what CSX is offering.

The Interstate Commerce Commission ("ICC" or "Commission") and the courts have long held that what constitutes control for purposes of this statute is a question of fact that depends on the circumstances of each case. See, e.g., Gilbertville Trucking Co. v. United States, 371 U.S. 115, 125 (1962); Missouri Pacific Railroad Co.--Control--Chicago & Eastern Illinois Railroad Co., 327 I.C.C. 279 (1965) ("Missouri Pacific"); Declaratory Order--Control--Rio Grande Industries, Inc., Finance Docket No. 31243 (Aug. 11, 1988), 1988 ICC LEXIS 257 ("Rio Grande"). They have also recognized that control does not depend on a particular percentage of stock ownership, or indeed on any stock ownership at all, and that control by one railroad of another may exist by reason of contractual provisions or other circumstances giving the first railroad the power to block important actions by the other.

Thus, in Missouri Pacific, the Commission found that Missouri Pacific Railroad had acquired unlawful control of the Chicago & Eastern Illinois Railroad. The Commission stated that "[t]he influence of the one carrier over the other may . . . be evident from the ability of the one to encumber the other in accomplishing, or to prevent the accomplishment of, financial transactions or operational changes. . . ." 327 I.C.C. at 317.^{15/} Of particular significance for present purposes, the Commission

^{15/} In Missouri Pacific and other cases, the Commission cited the following definition of control from Colletti Control--Cornet Freight Lines, 38 M.C.C. 95, 97 (1942): "[T]he power or authority to manage, direct, superintend, restrict, regulate, govern, administer, or oversee." (emphasis added).

found that Missouri Pacific, notwithstanding its minority stock ownership, had the effective ability to prevent the Chicago & Eastern Illinois from taking a number of actions, including "consolidations, mergers, leases, or sales which do not result in liquidations." 327 I.C.C. at 318. The Commission ruled that Missouri Pacific's ability to prevent those actions was not justified as "standard protective provisions afforded owners of minority stock interests"; instead it was "an infringement upon the freedom of management in its operations, and to that extent they constitute elements of control and not merely stockholder protection." Id.

The amended lock-out provision in the CSX-Conrail merger agreement is no less an infringement upon the freedom of Conrail's management to take actions that management may believe to be in the best interests of Conrail and its shareholders. Unless CSX consents to waive or delete that provision through a subsequent amendment, the provision prohibits Conrail from having any discussions with any other entity about a consolidation with that entity until January 1, 1999. It does so even if Conrail's stockholders vote in the next few months to reject the CSX/Conrail merger proposal and even if this Board issues a final decision a year from now refusing to approve that merger -- either of which actions would effectively foreclose the likelihood of the transaction taking place. Furthermore, the provision precludes such discussions even if Conrail's present or future directors believe, and are advised by counsel, that their

fiduciary duties require them to discuss and consider such a consolidation.

The amended lock-out provision thus gives CSX complete control over a basic and critical aspect of the responsibility and authority of Conrail's management to manage Conrail in the best interests of its stockholders and customers. Nor is the amended lock-out reasonably related to CSX's desire to protect the status quo pending corporate and regulatory actions needed for its transaction.

Sworn testimony from Conrail's top executives makes it crystal clear that, in Conrail management's own view, a consolidation with another railroad is both a critical and an urgent necessity for the future well-being of Conrail. In a hearing just last month, current and former Conrail executives defended their decision to merge with CSX on the ground that, after the UP/SP and BN/SF mergers, Conrail would be seriously harmed if it remained independent and did not combine with another carrier.

For example, James Hagen, former board chairman and CEO of Conrail, testified that this Board's decision approving the UP/SP merger paved the way for more combinations in the rail industry, and that Conrail therefore evaluated the "harm that would befall Conrail if everybody merged and we didn't."⁴⁷ He also testified

⁴⁷ Transcript of November 19, 1996 hearing in Norfolk Southern Corp., et al. v. Conrail Inc., et al., C.A. No. 96-CV-7167 (E.D. Pa.) (hereafter "Tr. 4") at 414. Cited pages of this transcript are attached as Attachment 4.

that staying independent would put Conrail in "a very uncomfortable position because what happens then is that you are now going to be viewed as a lame duck. And that's not where you want to be."^{18/}

Similarly, Bradley Jones, a member of Conrail's board of directors, testified that the BN/SF and UP/SP mergers gave Conrail "a significant concern . . . that we were going to be left out and perhaps be not only neutral, but we would not be a beneficiary of those mergers."^{19/} David LeVan, Conrail's current board chairman and CEO, echoed these concerns, testifying that the decision to merge with CSX followed an evaluation of "the risks associated with [remaining independent], with the prospect that the other two eastern railroads would merge with the other two western railroads, and we would be . . . a left out player in that scenario. . . ."^{20/}

In short, through the amended lock-out, CSX has ensured that, if its acquisition of Conrail is not approved by Conrail's stockholders or this Board, Conrail will be unable until 1999 even to discuss with another entity what these executives have indicated to be essential to Conrail's future well being. That restraint will have significant implications for the way both Conrail will conduct their businesses and how they will compete with each other and other railroads. CSX and Conrail have

^{18/} Tr. 425.

^{19/} Tr. 439.

^{20/} Tr. 524.

recognized these implications. In a joint press release issued on October 15, 1996, announcing their proposed merger (Attachment 5), CSX and Conrail stated that "to continue to improve their competitive position, better and more innovative services need to be offered. Neither company by itself can meet the demands of customers and the public as well as they can in combination. Together, they can overcome the inherent limitations of more regionally limited two-carrier service." The amended lock-out provision, however, gives CSX the power to preclude Conrail until at least 1999 from "improv[ing] [its] competitive condition," providing "better and more innovative services," or "overcom[ing] the inherent limitations of more regionally limited . . . service" through a combination with any other railroad if Conrail's stockholders or this Board refuses to approve the proposed CSX/Conrail merger.

Moreover, to the extent the lock-out provision precludes Conrail from developing more competitive and innovative services through a combination with NS, the effect of the provision is to shield CSX from increased competition from its two main competitors. CSX and Conrail compete throughout large areas of the Northeast and Midwest, and NS and CSX compete throughout the Southeast and Midwest. It is easy to see why CSX would wish to prevent those parties from improving the competitiveness of their services vis-a-vis CSX until at least 1999. NS submits, however, that Section 11323 does not permit CSX to do so without prior Board authority.

In sum, it is clear that Conrail's own management believes that a merger is critically important for Conrail's future well-being. Yet, there can be no question that the amended lock-out will preclude Conrail's management from even discussing other merger proposals for more than two years that may be superior for Conrail's shareholders, for Conrail's customers and for competition in the rail industry. Indeed, the serious competitive issues presented by a CSX/Conrail merger were candidly acknowledged by CSX officials -- including CSX's current chief executive officer, John Snow -- in testimony to Congress opposing a proposed NS/Conrail combination a decade ago. For, example, in testimony to the Senate Commerce Committee in 1985, Mr. Hayes Watkins, then CEO of CSX Corporation, explained that CSX had carefully considered a CSX acquisition of Conrail but had rejected it because it concluded that the manifestly anticompetitive effects of such a merger would make it clearly unacceptable. He stated:

We had an extensive internal study. Our lawyers, particularly our antitrust lawyers and economic consultants, said there is no way that the anticompetitive effects of a CSX-Conrail combination could be successfully achieved.

Not believing that, we then went to an outside group, specifically Arnold & Porter in Washington, and asked them the same question: If we make a bid for Conrail, what chances do we have that this might be successful? We have a detailed writeup which you and the other members of the committee who are lawyers would understand, which says

loud and clear our chances are small to none.^{21/}

Mr. Snow echoed these views in written responses to questions posed by the committee. He wrote:

As to why CSX did not bid [for Conrail], we simply believed that the antitrust laws would be enforced and that a bid on our part would just be a bit of puffery.^{22/}

In short, notwithstanding the asserted critical importance of a merger for Conrail, the amended lock-out provision locks Conrail's management and shareholders for more than two years, into a single merger option that CSX's own officials have described as something whose chances of approval would be "small to none" and would be "just a bit of puffery."

II. THE LOCK-OUT RESTRAINT CANNOT BE JUSTIFIED AS REASONABLY RELATED TO CSX'S DESIRE TO PRESERVE THE STATUS QUO PENDING CORPORATE AND REGULATORY APPROVAL.

Nor can there be any justification for this provision. In other cases, the ICC found that various negative covenants in financing agreements or acquisition agreements did not constitute the acquisition of control because they were reasonably designed to protect the legitimate interests of various parties without

^{21/} Sale of Conrail: Hearings Before the Senate Committee on Commerce, Science, and Transportation, 99th Cong., 1st Sess. 220 (1985) (emphasis supplied) (hereafter "1985 Hearings") at 242 (emphasis added) (testimony of Hayes T. Watkins, Chairman and Chief Executive Officer, CSX Corp.). See also id. at 248-449. Mr. Watkins' full prepared statement (pages 219-224) and other cited portions of the 1985 Hearings are set forth in Attachment 6.)

^{22/} 1985 Hearings at 247.

giving them control of the railroad. In Guilford Transportation Industries, Inc.--Control--Boston and Maine Corporation, 366 I.C.C. 294 (1982), for example, the ICC held that Guilford Transportation Industries ("GTI") had not acquired premature control over the Boston & Maine Corporation ("B&M") (then in reorganization) by reason of a provision in the GTI-B&M acquisition agreement requiring GTI's approval for major capital purchases by B&M. The Commission held:

The negative covenants in the acquisition agreement are no more than standard safeguards to ensure that B&M would emerge from reorganization in a position substantially similar to the one it was in at the time of the agreement. It is hardly unreasonable for an entity making a \$24.25 million purchase to obtain contractual assurance that it would get what it bargained for.

366 I.C.C. at 327-328. Similarly, in Rio Grande, the Morgan Stanley Group, Inc. made an agreement with Rio Grande Industries ("RGI") whereby Morgan Stanley would provide and arrange for a major portion of the financing for RGI's acquisition of the Southern Pacific Transportation Company and would also acquire 20 percent of RGI's stock. The Commission held that certain provisions in the agreement between Morgan Stanley and RGI did not give Morgan Stanley control of RGI but were merely "designed to give the buyer (here Morgan Stanley) assurance that the seller (RGI) will not take actions prior to closing to deprive the buyer of its bargain." Slip. op. at 4.

The rationale of those cases has no application to the amended lock-out provision at issue here. That rationale might

arguably justify a provision in a merger agreement precluding either party from negotiating a similar transaction with another party while their transaction is pending receipt of corporate or regulatory approvals necessary to permit it to take place so that both parties will work diligently to obtain those approvals. But it cannot justify one party precluding the other party from negotiating a similar transaction with others after the time for regulatory review has been concluded or after stockholders have rejected the transaction.

In this case, the lock-out will remain in effect until December 31, 1998 even if the Conrail stockholders vote not to approve the proposed CSX/Conrail merger, which vote CSX and Conrail have stated they anticipate to take place before March 31, 1997. Since stockholder approval is required, disapproval would effectively foreclose the possibility of the transaction as proposed taking place. Even so, the lock-out will prevent Conrail, without CSX's consent, from even discussing other competitive alternatives until 1999.

The lock-out will also remain in effect until December 31, 1998 even if this Board disapproves the CSX/Conrail merger or imposes conditions unacceptable to the applicants. Under the timetable proposed by the Board and anticipated by CSX and Conrail, however, the Board's final decision in this proceeding would be issued by December 26, 1997, a year before the end of the lock-out period. It is apparent, therefore, that the amended lock-out provision was not designed to serve any legitimate

desire by CSX to preserve "what it bargained for" pending regulatory review (Guilford at 328), and cannot be justified on that ground.^{23/} Instead it was clearly designed to give CSX control over a vital aspect of the conduct of Conrail's business, and is therefore unlawful.

III. CSX'S UNLAWFUL CONTROL THREATENS NS AND CONRAIL'S STOCKHOLDERS WITH IMMEDIATE IRREPARABLE INJURY WHICH THE BOARD MUST ACT TO PREVENT.

The amended lock-out provision threatens NS and Conrail's shareholders with immediate and irreparable injury. Unless the provision is declared unlawful substantially advance of January 17, 1997, Conrail shareholders will be required to cast a critical vote on that date without correct information about the choices available to them. The vote is on whether to waive the Subchapter 25E of Pennsylvania Business Corporation Act to permit CSX to consummate its Second Tender Offer, which seeks to acquire an additional 20 percent of Conrail's shares for \$110 per share. Consummating the Second Tender Offer is a critical step in CSX's plan to acquire Conrail. Doing so would give CSX 40 percent of Conrail's outstanding common stock. Coupled with CSX's exercise of its option to purchase additional shares, this would virtually ensure a subsequent majority vote in favor of the merger, as

^{23/} Indeed, the reasonable expectations of CSX concerning the maintenance of Conrail's status quo ante are largely met by the separate "standstill" provision of the Merger Agreement, Section 4.1, which sets forth in elaborate detail a long list of actions regarding the conduct of its business that Conrail may not undertake prior to the closing of the transaction without the consent of CSX.

Conrail itself has disclosed in proxy statements. If a majority of the shares vote in favor of the merger, then the remaining Conrail shares not owned by CSX (i.e., 60 percent of them) will be forcibly exchanged for CSX's securities when the merger is consummated.

Prior to the amendment to the lock-out provision, Conrail shareholders could vote against permitting CSX to consummate the Second Tender Offer in the expectation that Conrail could and would agree to a merger with NS on NS's more favorable terms after July 12, 1997, and that the shareholders could realize those terms shortly thereafter. For that very reason, it appears certain that the owners of a majority of Conrail's shares would have voted against permitting CSX to consummate the Second Tender Offer on December 23, 1996, when that vote was originally scheduled. After the amendment to the lock-out provision, Conrail shareholders will face considerable uncertainty as to when they might realize NS's more favorable terms. Certainly, CSX and Conrail want them to believe that they have no effective economic choice but to vote in favor of CSX's inferior proposal.

In short, the amended lock-out provision is an effort to present Conrail shareholders with the proverbial "offer they cannot refuse." If they yield to that coercion, they will be irreparably harmed because they will receive substantially less for their shares than they would receive from NS. NS will also be irreparably harmed, because CSX will have succeeded in acquiring 40 percent of Conrail's outstanding shares, thereby

ensuring that a majority of the shares will be voted in favor of a CSX/CR consolidation rather than in favor of an NS/CR consolidation.

The Board must act to prevent CSX from using its unlawful control to cause irreparable harm to Conrail's shareholders and to NS. A declaratory order that the amended lock-out provision is unlawful and unenforceable would do so if it were issued sufficiently in advance of January 17, 1997 to ensure that Conrail shareholders would be aware of their choices. If the Board feels it is unable to decide the question in that time frame, it should order Conrail to postpone the meeting now scheduled for January 17, 1997 until the Board is able to make a decision. Alternatively, the Board could prohibit CSX from directing the trustee under CSX's voting trust agreement to vote the shares held in the voting trust in favor of opting out of Subchapter 25E of the Pennsylvania Business Corporation Act or in favor of any CSX/Conrail merger until the Board is able to make a decision.

CONCLUSION

The Board should issue a declaratory order that CSX has acquired control of Conrail in violation of 49 U.S.C. § 11323 by reason of Section 4.2 of the CSX/Conrail merger, as amended on December 18, 1996 and that Section 4.2 is void and unenforceable. If the Board is unable to reach a decision on the question of unlawful control substantially before January 17, 1997, it should

issue a temporary cease and desist order barring Conrail from holding the shareholder meeting now scheduled for January 17, 1997, or barring CSX from requiring the trustee under CSX's voting trust to vote any Conrail shares held in the voting trust in favor of opting out of Subchapter 25E of the Pennsylvania Business Corporation Act or in favor of a CSX/Conrail merger, until the Board is able to decide the question.

Respectfully submitted,

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Corporation and Norfolk Southern
Railway Company

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 31)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000

This Amendment No. 31 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On January 2, 1997, Plaintiffs in the Pennsylvania Litigation filed a Motion for Preliminary Injunction and a Motion for Partial Summary Judgment in the District Court. In its Motion for Preliminary Injunction, Plaintiffs request that the District Court enjoin the Defendants, and all persons acting in concert with them, from seeking to enforce or requiring compliance with, and challenge the validity of, the No Negotiation Provision, as extended. In its Motion for Partial Summary Judgment Plaintiffs, request an order stating that consummation of the CSX Offer caused a "Control Transaction" with respect to the Company to occur under Subchapter 25E of the PBCL and created joint and several liability among the members of the Control Transaction Group to pay at least \$110 cash per share to each demanding Company shareholder.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (g)(12) Motion for Preliminary Injunction filed by Parent, Purchaser and Kathryn B. McQuade (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania).
- (g)(13) Motion for Partial Summary Judgment filed by Parent, Purchaser and Kathryn B. McQuade (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania).

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 2, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(g)(12)	Motion for Preliminary Injunction filed by Parent, Purchaser and Kathryn B. McQuade (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania).
(g)(13)	Motion for Partial Summary Judgment filed by Parent, Purchaser and Kathryn B. McQuade (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania).

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

----- x
NORFOLK SOUTHERN CORPORATION, a :
Virginia corporation, ATLANTIC :
ACQUISITION CORPORATION, a :
Pennsylvania corporation, and :
KATHRYN B. MCQUADE, :
 :
Plaintiffs, : C.A. No. 96-CV-7167
 :
-against- :
 :
CONRAIL, INC., a Pennsylvania :
corporation, DAVID M. LEVAN, :
H. FURLONG BALDWIN, DANIEL B. :
BURKE, ROGER S. HILLAS, CLAUDE :
S. BRINEGAR, KATHLEEN FOLEY :
FELDSTEIN, DAVID B. LEWIS, JOHN :
C. MAROUS, DAVID H. SWANSON, E. :
BRADLEY JONES, RAYMOND T. :
SCHULER and CSX CO., :
 :
Defendants. :
----- x

PLAINTIFFS' MOTION FOR PRELIMINARY INJUNCTION

Plaintiffs Norfolk Southern Corporation, Atlantic Acquisition Corporation, and Kathryn B. McQuade hereby move pursuant to Federal Rule of Civil Procedure 65 for a preliminary injunction. The grounds for this motion are set forth in

Plaintiffs' Opening Brief In Support Of Their Motion For A Preliminary Injunction And Partial Summary Judgment filed herewith.

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(I.D. No. 24923)
George G. Gordon
(I.D. No. 63072)
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Of Counsel:

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& FLOM (DELAWARE)
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P.O. Box 636
Wilmington, Delaware 19899
(302) 651-3000

DATED: January 2, 1997

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

----- x
NORFOLK SOUTHERN CORPORATION, a :
Virginia corporation, ATLANTIC :
ACQUISITION CORPORATION, a :
Pennsylvania corporation, and :
KATHRYN B. MCQUADE, :
 :
Plaintiffs, : C.A. No. 96-CV-7167
 :
-against- :
 :
CONRAIL, INC., a Pennsylvania :
corporation, DAVID M. LEVAN, :
H. FURLONG BALDWIN, DANIEL B. :
BURKE, ROGER S. HILLAS, CLAUDE :
S. BRINEGAR, KATHLEEN FOLEY :
FELDSTEIN, DAVID B. LEWIS, JOHN :
C. MAROUS, DAVID H. SWANSON, E. :
BRADLEY JONES, RAYMOND T. :
SCHULER and CSX CO., :
 :
Defendants. :
----- x

PLAINTIFFS' MOTION FOR PARTIAL SUMMARY JUDGMENT

Plaintiffs Norfolk Southern Corporation, Atlantic Acquisition Corporation, and Kathryn B. McQuade hereby move pursuant to Federal Rule of Civil Procedure 56 for partial summary judgment on Count Twenty-Five of their Fourth Amended Complaint.

The grounds for this motion are set forth in
Plaintiffs' Opening Brief In Support Of Their Motion For Prelimi-
nary Injunction and Partial Summary Judgment.

Mary A. McLaughlin
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George G. Gordon
(I.D. No. 63072)
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Of Counsel:

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P.O. Box 636
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(302) 651-3000

DATED: January 2, 1997

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 32)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

Norfolk Southern Corporation
Atlantic Acquisition Corporation

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000

This Amendment No. 32 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(79) Text of Article appearing in the Journal of Commerce on January 6, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 6, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(79) Text of Article appearing in the Journal of Commerce on January 6, 1997.

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Norfolk Southern Corp.

David R. Gocde
Chairman, president, chief executive

[picture]

Competitive balance - the major Eastern railroad issue of 1996 - is also shaping up as the major issue of 1997. We have made clear our position that a Norfolk Southern-Conrail combination is superior to the alternative from the standpoint of competitive balance, stockholder value and public policy, and we will continue to press our case aggressively in 1997.

This issue is critical to the economy of the nation's most populous region. It is, in fact, the last chance for a good solution for Eastern railroads. It is also driven by a more pervasive, industry-wide issue: quality transportation. This is the driving force behind the most recent and future rail mergers. Combining systems removes many of the obstacles that currently frustrate railroads and their customers in the quest for timely, reliable and efficient interline service. It is vital that mergers create the framework for providing that quality service to shippers.

Mergers are not a panacea. They do not eliminate the need for continuous improvement. Our overriding focus in 1997 must continue to be what the railroads - singly and cooperatively - are doing to make the North American rail network safer, more efficient, more reliable and more flexible.

Ultimately, our customers do not care whether their goods are handled by one railroad or several. Engaged in global, competitive battles of their own, they are very interested in price and quality of service. That is what helps them gain a competitive edge, and that is the yardstick by which they measure any development in the rail industry.

For the industry to thrive, we must continue to make the necessary investments in people, infrastructure and technology that will enable us to provide a level of service that makes us an indispensable element of our customers' supply chain.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 33)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 33 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(80) Text of Presentation made to certain Company shareholders commencing January 7, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 7, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

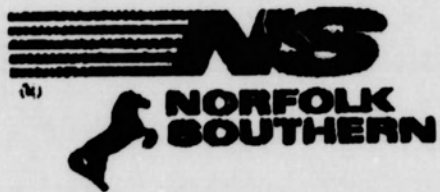
EXHIBIT INDEX

Exhibit
Number

Description

(a)(80) Text of Presentation made to certain Company shareholders commencing
January 7, 1997.

January 1997



Norfolk Southern
Shareholder presentation

Norfolk Southern is offering Conrail shareholders superior value

Norfolk Southern offer

- Nominal value of \$115.00 per share¹
- \$8.4BN total value²
- No equity risk – all cash
- No synergy risk – all cash
- Immediate value

CSX offer

- Nominal value of \$97.82 per share³
- \$7.0BN total value²
- Equity risk – 75% common and convertible stock
- Trading discount risk – convertible stock
- Synergy risk – 75% common and convertible stock

¹ Represents premium of 18% over CSX's offer

² For remaining shares (not already owned by CSX)

³ Based on 25% cash/75% stock, reflects CSX 1/6/97 closing price of \$41.75

CSX's offer – much less value, really hostile to shareholders

Much less value

	Value	Earliest receipt date
CSX common (\$41.75 x 1.85819)	\$77.50 ¹	Spring 1997 (?)
Convertible preferred	<u>\$16.00</u> ² \$93.50 x .75	Spring 1997 (?)
75% equity component	\$70.12	
25% cash component (\$110 x 25%)	<u>\$27.50</u>	January 1997
Nominal consideration per Conrail share	<u>\$97.62</u>	

¹ Based on CSX 1/6/97 closing price of \$41.75

² Theoretical value

Really hostile

- Hostile approach – coercive bid
- Hostile structure – multi-tier, front-end loaded
- Hostile currency with uncertain value for 75% of the bid
- Terms of convertible preferred are not defined (i.e., mystery stock)
- Subjects Conrail shareholders to unnecessary equity market risks

CSX's offer exposes shareholders to significant equity risk for most of the consideration received

Assumed CSX stock value	Assumed convertible value ¹	Resultant blended value	NS premium to CSX offer value
\$43.00	\$16.00 (?)	\$99.36	15.7%
\$42.50	\$16.00 (?)	\$98.67	16.6%
\$42.00	\$16.00 (?)	\$97.97	17.4%
\$41.50	\$16.00 (?)	\$97.27	18.2%
\$41.00	\$16.00 (?)	\$96.58	19.1%
\$40.50	\$16.00 (?)	\$95.88	19.9%
\$40.00	\$16.00 (?)	\$95.19	20.8%
\$39.50	\$16.00 (?)	\$94.49	21.7%
\$39.00	\$16.00 (?)	\$93.79	22.6%

¹ Convertible stock, theoretically worth \$16 per share, will be received for 75% of the Conrail shares currently outstanding and not owned by CSX. This convertible preferred is likely to trade at a significant discount to par.

Summary of the CSX offer

The CSX offer to Conrail shareholders

- Provides less value
- Includes CSX stock subject to market risks
 - Equity market fluctuations
 - Bears risk of regulatory approval
 - Bears risk of realization of promised synergies
- Includes undefined convertible preferred stock
 - Uncertain value prior to acquisition
 - Market risk after acquisition
- Requires CSX shareholder approval of a dilutive transaction
- Seeks to preclude Conrail shareholders from accepting a superior all-cash offer
- Provides an undesirable template for other coercive merger transactions

**A vote against will increase the value of your
Conrail shares**

A vote against the proposed CSX transaction will

- 1. Force CSX to increase its bid for Conrail again**

or

- 2. Force the Conrail board to accept Norfolk Southern's superior all-cash \$115 offer for all Conrail shares**

Conrail shareholders should vote against:

- 1. Opting out of the Pennsylvania statute requiring fair value for all shareholders, and**
- 2. Allowing Conrail management to adjourn the meeting (if it appears that the vote will be unfavorable)**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 34)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.

Executive Vice President-Law

Norfolk Southern Corporation

Three Commercial Place

Norfolk, Virginia 23510-2191

Telephone: (757) 620-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

Randall H. Doud, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

919 Third Avenue

New York, New York 10022

Telephone: (212) 735-3000

This Amendment No. 34 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 4. Source and Amount of Funds or Other Consideration.

Item 4 is hereby amended and supplemented by the following:

(a) On January 8, 1997, Parent announced that it had received commitment letters from banks for more than enough funds to complete its proposed acquisition of the Company. Receipt by Parent of such commitments satisfies the Financing Condition to the Offer.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(f) On January 8, 1997, Parent and Purchaser announced that they were extending the expiration date of the Offer to 12:00 midnight, New York City time, on Friday, January 24, 1997, unless the Offer is further extended. As of the afternoon of January 7, 1997, approximately 2,568,000 Shares had been tendered and not withdrawn pursuant to the Offer.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(81) Text of Advertisement appearing in newspapers commencing January 8, 1997.
- (a)(82) Press Release issued by Parent on January 8, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 8, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

- (a)(81) Text of Advertisement appearing in newspapers commencing January 8, 1997.
- (a)(82) Press Release issued by Parent on January 8, 1997.

[Newspaper Ad]

TO ALL CONRAIL CONSTITUENCIES:

**Protect your interests.
Support Norfolk Southern's
superior \$115 per share
all cash offer.**

Join those who are demanding that the Conrail Board secure the superior benefits of the Norfolk Southern offer for all constituencies.

Greater value for Shareholders

Norfolk Southern's \$115 all-cash, all-shares offer - with prompt payment through use of a voting trust - is worth 18%¹ more than CSX's current deal. And it does not subject you to the substantial equity risk presented by receiving part of your payment in CSX stock, which has already declined 16%¹ since the CSX offer for Conrail was announced.

Better for Conrail employees

A merger between CSX and Conrail would eliminate competitive rail service in 64 cities, and Conrail's Hollidaysburg and Altoona shops are within 70 miles of CSX's facilities at Cumberland, Maryland. Redundancies like these could add up to lost jobs. A Norfolk Southern/Conrail system would have substantially less overlap.

In addition, CSX was recently named again as having one of the nation's 50 largest underfunded pensions.² With a Norfolk Southern/Conrail combination, Conrail employees would become part of one of the most financially sound and safest major railroads in America.

A more competitive environment for shippers

A CSX/Conrail combination would eliminate competitive service in major markets, such as Philadelphia, Baltimore,

Youngstown and Pittsburgh. A Norfolk Southern/Conrail combination will provide balanced competition by creating a strong rail alternative to compete with CSX.

A stronger commitment to the economies of Philadelphia and Pennsylvania

Norfolk Southern is committed to maintaining a major operating presence in Philadelphia and has announced plans for a multimodal rail-highway facility at the Philadelphia Navy Base. We are committed to continuing to operate Conrail's Hollidaysburg Car Shop and its Juniata Locomotive Shop in Altoona, and will seek to promote employment at both locations. What has CSX promised?

Protect your interests. Shareholders should vote now AGAINST Conrail's proposals. Others should make their voices heard.

[Graphic: checkmark in box above the words "VOTE AGAINST"]

Conrail Shareholders

Protect the value of your shares. Vote now on Norfolk Southern's GOLD proxy card **AGAINST** Conrail's proposals to "opt out" of Pennsylvania's Fair Value Statute and to adjourn the special meeting scheduled for January 17. Be sure Norfolk Southern receives your proxy before January 17.

Conrail ESOP Participants

Your vote is especially important since each vote represents several votes. Use your GREEN instruction card to confidentially instruct your Trustee to vote **AGAINST** Conrail's proposals. Be sure the trustee receives your instruction card by January 15.

[Norfolk Southern Logo]

Important: If you have any questions, please call our solicitor, Georgeson & Company Inc. toll free at 800-223-2064. Banks and brokers call 212-440-9800.

Based on the closing price of CSX common stock on January 6, 1997. Pension Benefit Guaranty Corporation: News Release 97-09. 12/12/96.

January 8, 1997

FOR IMMEDIATE RELEASE

January 8, 1997

Media Contact: Robert Fort
(757) 629-2710

NORFOLK, VA -- Norfolk Southern Corporation (NYSE:NSC) today announced that it is extending its previously announced tender offer for shares of Conrail. The tender offer has been extended through 12:00 midnight, New York City time, on Friday, January 24, 1997. Norfolk Southern continues to offer \$115 cash per share for all shares of Conrail. According to the depositary for the Norfolk Southern tender offer, approximately 2,568,000 Conrail shares had been tendered and not withdrawn pursuant to Norfolk Southern's offer as of the afternoon of January 7.

Norfolk Southern also said that it has received signed commitment letters from banks in amounts more than sufficient to fund its current offer. Accordingly, the financing condition of the Norfolk Southern offer has been satisfied.

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World Wide Web Site - <http://www.nscorp.com>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 35)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 35 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On January 9, 1997, the STB denied, as premature, Parent's petition for an order declaring that the No Negotiation Provision, as in effect after the Second Amendment, gave CSX unlawful control over the Company.

In denying the petition, the STB stated that the No Negotiation Provision would not preclude the STB from approving Parent's Proposed Merger. The STB, which indicated that the No Negotiation Provision "appears excessive on its face," also stated that the No Negotiation Provision could not be used to interfere with consummation of a Parent-Company transaction once it had been approved.

The STB explained that applicable law can preempt contractual rights, including the No Negotiation Provision, if necessary to permit consummation of an STB-approved transaction. Thus, CSX and the Company cannot preclude approval of a transaction by entering into a contract that purports to prevent all alternatives to their own preferred outcome.

On January 9, 1997, the District Court declined to issue a Preliminary Injunction enjoining the Pennsylvania Special Meeting. Plaintiffs are appealing the District Court ruling to the Third Circuit and are asking such court to hear the appeal on an expedited basis.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(83) Text of Letter sent to certain Company shareholders commencing January 8, 1997.
- (a)(84) Press Release issued by Parent on January 8, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 9, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(83)	Text of Letter sent to certain Company shareholders commencing January 8, 1997.
(a)(84)	Press Release issued by Parent on January 8, 1997.

January 9, 1997

Dear Conrail Shareholder:

DON'T "OPT OUT" OF YOUR RIGHT TO RECEIVE FAIR VALUE

Conrail's special meeting is now only 8 days away. Vote **AGAINST** Conrail's proposal today to protect the value of your investment. Please sign, date and return the enclosed **GOLD** proxy card (or **GREEN** instruction card) today.

Join those who are demanding that the Conrail Board secure the superior benefits of the Norfolk Southern offer for all constituencies.

GREATER VALUE FOR SHAREHOLDERS

Norfolk Southern's \$115 all-cash, all-shares offer — with prompt payment through use of a voting trust — is worth 18%¹ more than CSX's current deal. And it does not subject you to the substantial equity risk presented by receiving part of your payment in CSX stock, which has already declined 15%¹ since the CSX offer for Conrail was announced.

BETTER FOR CONRAIL EMPLOYEES

A merger between CSX and Conrail would eliminate competitive service in 64 cities, and Conrail's Hollidaysburg and Altoona shops are within 70 miles of CSX's facilities at Cumberland, Maryland. Redundancies like these could add up to lost jobs. A Norfolk Southern/Conrail system would have substantially less overlap.

In addition, CSX was recently named again as having one of the nation's 50 largest underfunded pensions.² With a Norfolk Southern/Conrail combination, Conrail employees would become part of one of the most financially sound and safest major railroads in America.

A MORE COMPETITIVE ENVIRONMENT FOR SHIPPERS

A CSX/Conrail combination would eliminate competitive service in major markets, such as Philadelphia, Baltimore, Youngstown and Pittsburgh. A Norfolk Southern/Conrail combination will provide balanced competition by creating a strong rail alternative to compete with CSX.

A STRONGER COMMITMENT TO THE ECONOMIES OF PHILADELPHIA AND PENNSYLVANIA

Norfolk Southern is committed to maintaining a major operating presence in Philadelphia and has announced plans for a multimodal rail-highway facility at the Philadelphia Navy Base. We are committed to continuing to operate Conrail's Hollidaysburg Car Shop and its Juniata Locomotive Shop in Altoona, and will seek to promote employment at both locations. What has CSX promised?

* * *

CONRAIL SHAREHOLDERS: Protect the value of your shares. Vote now on Norfolk Southern's **GOLD** proxy card **AGAINST** Conrail's proposals to "opt out" of Pennsylvania's Fair Value Statute and to adjourn the special meeting scheduled for January 17. Be sure Norfolk Southern receives your proxy before January 17.

CONRAIL ESOP PARTICIPANTS: Your instruction to the Trustee is especially important since your instruction to the Trustee directs the voting of several shares. Use your **GREEN** instruction card to confidentially instruct your Trustee to vote **AGAINST** Conrail's proposals. Be sure the Trustee receives your instruction card by January 15.

Sincerely,

Norfolk Southern Corporation

¹ Based on the closing price of CSX on January 8, 1997.

² Pension Benefit Guaranty Corporation: News Release 97-09, 12/12/96.

IMPORTANT INFORMATION

If your Conrail shares are held in the name of a bank or broker, only your bank or broker can vote your shares and only upon receipt of your specific instructions. Please instruct your bank or broker to vote **AGAINST** Conrail's proposals by executing the **GOLD** proxy card today. If you have any questions or require any assistance in voting your shares, please call:

***GEORGESON
& COMPANY INC.***

Wall Street Plaza
New York, New York 10005

Call Toll Free: 800-223-2064

Banks and Brokers call: 212-440-9800

FOR IMMEDIATE RELEASE

January 9, 1997

Media Contact: Robert Fort
(757) 629-2710

**Norfolk Southern to Appeal Ruling on Preliminary Injunction Against Conrail,
Welcomes Surface Transportation Board Position on Lock-out**

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) issued the following statement in response to U.S. District Court Judge Donald VanArtsdalen's decision today declining to issue a preliminary injunction enjoining the Conrail shareholders' meeting scheduled to be held January 17 and a separate decision today by the Surface Transportation Board:

"Norfolk Southern is appealing the Court's ruling to the U.S. Third Circuit Court of Appeals in Philadelphia and is asking the Court to hear the appeal on an expedited basis.

"Regardless of the outcome of our appeal, Conrail shareholders will have an opportunity on January 17 to regain control of the corporation they own. By rejecting the proposed 'opt out' of Pennsylvania's fair value statute they can send a clear message to Conrail's board that CSX's latest bid is unacceptable and that shareholders want the opportunity to consider Norfolk Southern's superior all-cash offer of \$115 per share --- an offer worth over \$1 billion more than CSX's.

"Today's ruling in no way contradicts the fact that Conrail and CSX are continuing to wage a campaign of coercion to deny Conrail shareholders that opportunity and force them to go along with CSX's inferior offer.

"Norfolk Southern is pleased that the Surface Transportation Board, acting on its petition to invalidate the lock-out provision, today issued a decision acknowledging that the two-year lock-out period 'appears excessive on its face.'

"The Board emphasized that the lock-out provision would not preclude it from approving Norfolk Southern's proposal to acquire Conrail or keep Norfolk Southern from consummating the merger once it is approved.

"While the Board said it was premature to void the provision at this time, it held that federal law would void the lock-out provision if the Board approves a Norfolk Southern/Conrail combination. In language applicable to CSX and Conrail, the Board said: 'A person cannot effectively preclude our approval of a transaction from going forward simply by entering into a contract that purports to prevent all alternatives to its own preferred outcome.'

"Norfolk Southern remains committed to its offer to acquire Conrail and to deliver to Conrail shareholders \$115 in cash for each of their shares. As announced yesterday, Norfolk Southern has received commitments from banks that provide more than enough money to fully fund its all-cash offer."

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World Wide Web Site - <http://www.nscorp.com>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 36)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.

Executive Vice President-Law

Norfolk Southern Corporation

Three Commercial Place

Norfolk, Virginia 23510-2191

Telephone: (757) 629-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

Randall H. Doud, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

919 Third Avenue

New York, New York 10022

Telephone: (212) 735-3000

This Amendment No. 36 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On January 9, 1997, Plaintiffs asked the District Court for an injunction pending appeal which was denied. On the same date, Plaintiffs filed a notice of appeal with the District Court.

On January 10, 1997, Plaintiffs filed a motion for expedited appeal or, in the alternative, an injunction pending appeal with the Third Circuit. On the same date, the Third Circuit set a briefing schedule to consider Plaintiffs' motion for an injunction pending appeal but declined to expedite a final decision on the appeal.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(85) Text of Speech made to the Council of Institutional Investors on January 10, 1997.
- (a)(86) Text of Advertisement appearing in newspapers commencing January 10, 1997.
- (g)(14) Motion for Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX *et al.* (dated January 10, 1997, United States Court of Appeals for the Third Circuit).

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 10, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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(g)(14)	Motion for Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX <i>et al.</i> (dated January 10, 1997, United States Court of Appeals for the Third Circuit).

Remarks by: **David R. Goode**
Chairman, President and CEO
Norfolk Southern Corporation

Before the: **Council of Institutional Investors**
Washington, D.C.
January 10, 1997

Good afternoon, and thank you for that introduction. I welcome the opportunity to talk with you today. My topic -- which obviously is the battle for Conrail -- is not only timely, but also goes to the heart of the issues you deal with every day: Corporate governance and accountability to shareholders.

My charge today is threefold: I will demonstrate the superiority of Norfolk Southern's offer, show why Conrail shareholders should vote a resounding "no" on January 17th, and discuss issues involved in this situation that reach beyond anyone's immediate economic interest -- even our own -- and threaten the fundamentals of our corporate system.

Your "Shareholder Bill of Rights" observes that American corporations "must be governed by the principles of accountability and fairness inherent in our democratic system." While most corporations adhere to those principles, events surrounding the Conrail issue demonstrate the potential for real problems of fairness or accountability to corporate owners.

That's readily apparent from the cavalier comment Conrail's CEO gave The Wall Street Journal a while ago. Speaking about Pennsylvania's anti-takeover statute, he said, "If you don't like the law, don't buy the stock." While a very candid comment, this is reminiscent of the days when railroad magnates like William Henry Vanderbilt could snort, "the public be damned," and get away with it.

But Vanderbilt added something else in 1882. After damning the public, he still insisted, "I am working for my stockholders." I ask you today -- when weighing the merits for Conrail shareholders -- whether the days of the robber barons are over when Conrail and CSX claim that their deal is a good one for Conrail constituents.

Many in the investment community disagree with their claim. As one Bear Stearns analyst observed, nowhere in Conrail's proxy materials does it say that CSX's bid is in the shareholders' best interests. Conrail's solicitation materials say only that the proposal is in the company's best interests. This omission, the analyst added, is unusual -- if not unprecedented.

To suggest that the proposed Conrail / CSX merger is good for shareholders ignores reality. Indeed, it's a billion-dollar plus falsehood -- the difference in the value of CSX's coercive, front-end, two-tiered offer and Norfolk Southern's superior all-cash proposal of \$115 a share. As of today, the value gap for the shareholders is \$15 per share, reason enough to support our bid.

Conrail's actions have consistently sought to thwart the interests of shareholders.

Consider the lock-out provision, for example.

If the CSX / Conrail deal is so attractive to all constituencies, why did they find it necessary to extend the lock-out period from nine months to two years, preventing Conrail from discussing any other offers until January 1, 1999? I submit that CSX and Conrail are trying to coerce stockholders into approving the transaction by portraying CSX as the only choice available.

This raises serious questions. Why the unusually long period? What does the long vacation time for the Conrail directors do in the event of problems with the proposed transaction? What if Norfolk Southern, the shippers or the various states and regions that have expressed concern are successful before the Surface Transportation Board? What happens then to the interests of Conrail shareholders if the directors have tied their hands? I'll let you decide.

In another move disclosed last week, CSX dumped 85,000 shares of Conrail in an attempt to avoid a requirement of the Pennsylvania Fair Price law that would force them to pay at least \$110 per share for all remaining Conrail shares to investors who demand it. Is this fair? Obviously not.

The issue of whether they can use Pennsylvania anti-takeover laws against Conrail shareholders --- and at the same time avoid compliance with the Fair Price provision --- is now before the Federal Appeals Court. Successful or not, the attempt to use Pennsylvania law to prevent Conrail shareholders from realizing the highest price sends a real message about fundamental fairness.

The Conrail "shareholders be damned" attitude permeates the maneuvering. Consider the date Conrail originally set for a special shareholder meeting to vote on a proposal that would allow CSX to buy the additional shares it needs to gain control. If you recall, it was planned for December 23rd --- two days before Christmas --- at 5 p.m. no less. Furthermore, Conrail said it would hold the meeting only if victory was certain. Does that sound like an effort to enhance corporate democracy?

Fortunately, the courts told Conrail that it could postpone the meeting only for reasons more substantial than fear of defeat. As that date neared and defeat seemed imminent, CSX was forced to sweeten its inferior bid in response to shareholder complaints. The meeting to vote on the revised offer is now set for next Friday.

Indeed, Conrail used this rescheduling to further disenfranchise shareholders. While Conrail reset the meeting date for its shareholder vote in hopes of gathering the necessary support, they did not change the original record date. So, unless you purchased stock in time to be a record holder on December 5th, you cannot vote at the January meeting. CSX and Conrail understand that they maximize their chances of success by minimizing investor participation. While this may be acceptable under the law, ask yourself again whether this is in the spirit of encouraging corporate democracy.

It's clear to me that Conrail and CSX must believe that they can succeed only by limiting the ability of shareholders to participate in a crucial decision affecting the future of the company owned by these

shareholders.

Fortunately, Conrail cannot exclude all of its shareholders from the decision process. The January 17th meeting still offers a critical opportunity to express their distaste for Conrail's abusive strategy.

By rejecting Conrail's proposal to allow the two-tier CSX offer to proceed, Conrail shareholders can send a clear message that the current offer is inadequate. They can urge CSX and Conrail to work with Norfolk Southern to address their investment needs in the context of our \$115 all-cash offer. Only a loud-and-clear rejection from Conrail shareholders will open Conrail and CSX's eyes that a three-party, \$115 solution is the only solution.

Your "Shareholder Bill of Rights" makes the point. It says: Shareholders "are entitled to participate in the fundamental financial decisions which could affect corporate performance and growth and the long range viability and competitiveness of corporations."

Given the opportunity for real participation, I'm confident Conrail shareholders would choose Norfolk Southern's offer. That's because our offer is not only better for them, but also for shippers, employees, and the public. We have pointed this out before, but let's run through it again.

For shareholders, our all-cash offer has the highest value and the lowest risk. It offers immediate and obvious benefits.

It will give current Conrail shareholders a premium of \$15 per share, or 15 percent over the blended value of CSX's proposal, based on yesterday's closing price for CSX stock. With our offer, shareholders know the value they'll receive. They don't have to guess.

Norfolk Southern shareholders will benefit, too. Through improved operating efficiencies and market share gains, a Norfolk Southern / Conrail combination will add significantly to earnings per share. It will produce a growth rate nearly 50 percent higher than we could have achieved on our own. The earnings impact will be accretive following STB approval in the second year, but will be accretive from a cashflow standpoint in the first year.

All other constituencies --- from employees to shippers to the public -- should prefer Norfolk Southern's offer.

A glance at the railroad map shows how Conrail employees benefit. CSX's routes and facilities overlap Conrail considerably. There's a lot of duplication. I wish Conrail employees could hear the extensive list of yards and shops presumably being considered for consolidation in the event of a CSX purchase. Conrail and CSX overlap, which means redundancy. For the most part, Norfolk Southern and Conrail do not.

From a job security standpoint, if I were in the safety shoes of a Conrail employee, I'd welcome Norfolk Southern with open arms. I'd welcome a merger with a company whose physical plant extends and

complements --- rather than duplicates --- the Conrail system.

For shippers and Conrail-served communities, the choice should be clear, too. Unlike a combined Norfolk Southern and Conrail, CSX and Conrail would leave large, important areas --- such as Philadelphia, Pittsburgh, Baltimore, and Youngstown --- with a rail monopoly unless the Surface Transportation Board acts to avoid it. Economic development and plant location experts will tell you that growth will not be encouraged by limiting rail service.

Conrail and CSX means market dominance in the East unless the STB acts to prevent it. Consider this: 75 percent of the electric generation capacity and almost 70 percent of Norfolk Southern, CSX and Conrail total rail traffic would be controlled by a single railroad unless the STB steps in to fix the problems. Does this sound good to you for the general public and other non-shareholder constituencies?

With Norfolk Southern, no such competitive problems exist. There is virtually no overlap, and we have offered up front to end the long quasi-monopoly Conrail has enjoyed in the New York metropolitan area. This is relevant to Conrail shareholders because it shows what a hard case Conrail and CSX would have before the STB and how great the risks are in terms of the CSX stock value they would get.

All told, a Norfolk Southern / Conrail combination is better for competition, better for shipper service, better for industrial development, better for economic growth, better for job security, and better for the financial stability of the employee retirement picture.

On this last point, let me suggest that Conrail employees should want their strong and overfunded pension fund combined with Norfolk Southern's overfunded pension fund. They should not want it to become a part of CSX's, which a few weeks ago again landed on the Pension Benefit Guaranty Corporation's list of most underfunded pension funds.

I won't belabor the differences between the two offers. You've studied them, and you know the merits of Norfolk Southern's proposal. That's obvious from the letter your organization wrote Conrail last month expressing concerns about the fundamental fairness of the CSX deal to shareholders.

You are not alone in your criticisms. Institutional Shareholder Services, a consultant to Conrail's largest institutional holders, has also called CSX's bid "coercive and unfair to shareholders" and advised their clients to reject the proposed "opt out."

By voting against CSX's offer at next Friday's meeting, shareholders can force one of two actions that will benefit them.

First, a vote "no" could force CSX to bump up their offer --- if, of course, they can afford to do so. Or second, by voting no, shareholders could force Conrail and CSX to work out a solution with us which incorporates our superior, all-cash offer --- an offer that we have more than enough bank commitments to fund.

The vote does make a difference. Look at what's happened.

From the outset, CSX and Conrail have dismissed Norfolk Southern's offer as unreal -- a "non-bid," if you will -- a phantom offer that could never be realized by the shareholders. At the same time, CSX nominally increased its own offer by, first, approximately \$628 million on November 6, and then another \$870 million on December 19 -- a total of \$1.5 billion dollars. They know our offer is very real and our prospects are very good. Believe me, they did not put an extra \$1.5 billion on the table in response to a phantom offer with low prospects of success.

Shareholders can influence the future of the company they own by acting now and voting no. The other side will tell you that the litigation should end this. Don't believe them. We're in this strongly -- Norfolk Southern is not going away. We'll pursue all legal options to succeed with Conrail, including the Surface Transportation Board, which yesterday reminded everyone that it does have the power to override a Conrail / CSX contract and to approve an application from another party or make changes. A "no" vote will have a powerful influence.

I know the dangers of believing one's own press, but in the case of Conrail I'll make an exception. Experts are virtually unanimous in their opinion that our all-cash offer is superior to CSX's. They have concluded that CSX and Conrail are using every trick in the corporate raiders' playbook to force a bad deal down shareholders' throats.

The Wall Street Journal observed that "Conrail and CSX are using arguably coercive takeover tactics reminiscent of the 1980s-style corporate raiders, exploiting a tough anti-takeover law adopted to shield companies from such raiders."

Business Week said: "The 1989 anti-takeover law was designed to thwart raids on local companies by foreign slice-and-dice artists out to kill jobs for quick market gains. It was never aimed at efficiency-driven bidders such as Norfolk Southern."

And Harvard Business School Professor Michael Jensen and others have noted that CSX's two-tiered, front-end loaded deal is "a classic maneuver in which you railroad people into taking a deal they don't want."

Today, I thank you for your support and ask that you continue to express your concerns. Tell the media, tell the directors, tell the shareholders, tell the employees that you do not want the CSX deal to become a template for other coercive mergers down the line. And, of course, vote against the opt out proposal.

Remind them that the battle for Conrail goes beyond the companies involved, even beyond the future of the railroad industry. It is about who owns a corporation, and the rights of those owners. Insist that Conrail's shareholders be allowed to decide for themselves which offer is best. This transaction may well be a tactical textbook for years to come. If so, it's important that the right moral be drawn from the lesson.

This transaction is not only important for Conrail shareholders, Norfolk Southern, and the future of transportation in our country, but also important for setting the tone for corporate governance in the future. You --- and those who listen to you --- have a heavy responsibility. I'm working as hard as I can on this --- a lot of people are --- but we need your help.

With that, I will be happy to take your questions.

[Newspaper Ad]

TO PARTICIPANTS IN CONRAIL'S ESOP

Now is the time to act.

[Norfolk Southern Logo]

Dear ESOP Participant:

Say "NO" to the CSX/Conrail deal at the shareholders' meeting scheduled for January 17. Instruct the ESOP Trustee to vote your shares AGAINST the proposal to "opt out" of the Pennsylvania Fair Value Statute and the adjournment proposal.

Your ESOP vote is very important because each ESOP share in your account represents a significantly greater voting interest--by our calculations, equal to at least seven shares. This is because your instructions to the Trustee direct the voting of: 1) ESOP shares allocated to your account, 2) ESOP shares not yet allocated to your account, 3) any ESOP shares that are not voted, and 4) Employee Benefits Trust shares.

Remember, the ESOP Trustee is required by law to keep your vote confidential.

Here are three good reasons to instruct the ESOP Trustee to vote AGAINST the "opt out" proposal.

1. Large redundancies could add up to lost jobs

- There is substantially more overlap with a CSX/Conrail system than there is with a Norfolk Southern/Conrail system.
- A merger between CSX and Conrail would eliminate competitive services in 64 cities, including Philadelphia, Baltimore, Youngstown and Pittsburgh.
- Conrail's Hollidaysburg and Altoona shops are within 70 miles of CSX's facilities at Cumberland, MD.

2. Norfolk Southern values its employees

- Since the formation of Norfolk Southern in June 1982, we have matched people to needs through attrition, voluntary separation and early retirements and have avoided massive layoffs and involuntary separations.
- Norfolk Southern is committed to maintaining a major operating presence in Philadelphia, as we have done in Roanoke, Virginia and Atlanta, Georgia -- major operating centers for Norfolk Southern's two predecessor railroads.
- Norfolk Southern and Conrail have fully funded, healthy pension funds, ensuring peace of mind for both employees and retirees. CSX, on the other hand, was recently named again as having one of the nation's 50 largest underfunded pensions.¹
- Norfolk Southern has the best employee safety record of any major rail carrier.

3. Norfolk Southern's \$115 all-cash offer for Conrail shares is the superior offer

- Norfolk Southern's \$115 all-cash, all-share offer--with prompt payment through use of a voting trust--is worth 18%² more than CSX's current deal.

Your vote is important. If you have already sent in Trustee instruction card in response to the Conrail solicitation, you may revoke it and vote AGAINST the proposals by signing and dating the GREEN instruction card previously sent to you and mailing it to the Trustee. *It's the latest dated instruction card that counts.* The Trustee's deadline for receiving your instructions is January 15.

Sincerely,

NORFOLK SOUTHERN CORPORATION

Say "NO" to the CSX/Conrail merger by voting today. Instruct the ESOP Trustee to vote your shares AGAINST Conrail's amendment proposal and the adjournment proposal.

[Norfolk Southern Logo]

Important: If you have any questions, please call our solicitor, Georgeson & Company Inc. toll free at 800-223-2064. Banks and brokers call 212-440-9800. Pension Benefit Guaranty Corporation: News Release 97-09, 12/12/96. ²Based on closing price of CSX common stock on January 8, 1997.

January 10, 1987

**APPELLANTS' MOTION FOR EXPEDITED APPEAL OF
THE DISTRICT COURT'S JANUARY 9, 1997 ORDER DENYING THEIR
MOTION AND SUPPLEMENTAL MOTION FOR PRELIMINARY INJUNCTION
OR, IN THE ALTERNATIVE, FOR AN INJUNCTION PENDING APPEAL**

For the reasons set forth in the accompanying Opening Brief, appellants/plaintiffs-below Norfolk Southern Corporation, Atlantic Acquisition Corporation, and Kathryn B. McQuade hereby move for the following expedited relief:

1. An Order requiring that appellees/defendants-below file and serve responses to the accompanying Opening Brief by 5:00 p.m. on January 13, 1997 and that appellants/plaintiffs-below file and serve any reply brief by January 14, 1997.


2. A decision on plaintiffs' appeal from the District Court's January 9, 1997 Order denying their Motion and Supplemental Motion for Preliminary Injunction before the currently scheduled January 17, 1997 shareholders meeting of Conrail, Inc. based on the attached Opening Brief, defendants' response thereto, plaintiffs' reply, if any, and oral argument.

3. In the alternative, if the Court does not agree to expedite the treatment of the final decision as requested above, plaintiffs request that it adopt the briefing schedule outlined above in connection with their motion for an injunction pending appeal and, for the reasons set forth in the accompanying Opening Brief, request that this Court enjoin defendants, and all

persons acting in concert with them or on behalf of them are enjoined from holding any meeting of Conrail's shareholders at which the shareholders will be asked to take any action regarding rights they may have under Subchapter 25E of the Pennsylvania Business Corporation Law, including any right to opt-out of Subchapter 25E, pending final resolution of plaintiffs' appeal of the District Court's January 9, 1996 Order denying Plaintiffs' Motion and Supplemental Motion for Preliminary Injunction.

Plaintiffs' counsel has talked with defendants' counsel and informed them that plaintiffs are seeking the expedited briefing schedule set forth above.

Respectfully submitted


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Dated: January 10, 1997

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 37)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 37 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

**Item 5. Purpose of the Tender Offer and Plans or Proposals of the Bidder and
Item 7. Contracts, Arrangements, Understandings or Relationships with Respect to the
Subject Company's Securities.**

Items 5 and 7 are hereby amended and supplemented by the following:

On January 13, 1997, Parent announced its pledge that if the Company's shareholders defeat the Company's management proposals to approve the Articles Amendment at the Pennsylvania Special Meeting and to allow the Company's management to adjourn or postpone the Pennsylvania Special Meeting, Parent and Purchaser will promptly amend the Offer to eliminate all of the conditions thereto and to reduce the aggregate number of Shares sought in the Offer to approximately 8,200,000 Shares, the maximum number of Shares (based on currently available information as to the number of outstanding Common Shares) that Purchaser can acquire without becoming an "Acquiring Person" under the Rights Agreement. At such time, Parent also announced that, following Purchaser's acceptance for payment of Shares in such amended Offer, Purchaser would commence a second all-cash tender offer for all the remaining Shares at \$115 per Share and upon essentially the same terms and conditions as the Offer as in effect on January 13, 1997.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(87) Text of Advertisement appearing in newspapers commencing January 13, 1997.
- (a)(88) Press Release issued by Parent on January 13, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 13, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

- (a)(87) Text of Advertisement appearing in newspapers commencing January 13, 1997.
- (a)(88) Press Release issued by Parent on January 13, 1997.

[Newspaper Ad]

TO CONRAIL SHAREHOLDERS:

It's bad enough:

They want you to settle for inferior value.

They want you to accept an offer worth \$1 billion less than what Norfolk Southern is offering, approximately \$15 per share less.*

They want you to assume equity risks.

They want you to receive much of CSX's remaining offer in the form of CSX stock, which has already declined 13%* since the CSX offer for Conrail was announced. Its value will continue to be subject to market risk. With Norfolk Southern's offer, you know exactly what you will be getting: \$115. All cash. No risk. Period.

They want to take away your right to receive fair value.

They want you to approve an amendment to the Conrail charter that will deprive you of the important protection of the Pennsylvania Fair Value Statute, which requires that shareholders be able to receive fair value, in cash, for their shares in takeover transactions such as the one CSX has proposed.

And they want you to help them pull it off.

Don't help the Conrail Board cram down CSX's inferior offer. Remind the Board that you actually own the company, that you elected the Board in the first place, and that you can replace them if they ignore your interests. Put a stop to their complete disregard of your shareholder rights and abdication of their responsibility to represent those rights.

Take back control of your company.

Protect your interests. Vote now AGAINST Conrail's proposals to "opt out" of Pennsylvania's Fair Value Statute and to adjourn the special meeting.

[Graphic: Checkmark in box above the words "VOTE AGAINST"]

Conrail Shareholders

Protect the value of your shares. Vote now on Norfolk Southern's GOLD proxy card AGAINST Conrail's proposals. Be sure Norfolk Southern receives your proxy before January 17.

Conrail ESOP Participants

Your vote is confidential, and is very important since each ESOP share represents a significantly greater voting interest--by our calculations, equal to at least seven shares. Use your GREEN instruction card to instruct your Trustee to vote AGAINST Conrail's proposals. The Trustee must receive your instruction card by January 15.

[Norfolk Southern Logo]

Important: If you have any questions, please call our solicitor, Georgeson & Company Inc. toll free at 800-223-2064. Banks and brokers call 212-440-9800.

* Based on the closing price of CSX common stock on January 9, 1997.
January 13, 1997

FOR IMMEDIATE RELEASE

January 13, 1997

Media Contact: Robert Fort
757-629-2710

**NORFOLK SOUTHERN TO BUY 9.9% OF CONRAIL
IF SHAREHOLDERS VOTE AGAINST 'OPT OUT' PROPOSAL**

NORFOLK, VA - Norfolk Southern Corporation (NYSE: NSC) today announced that it will buy Conrail common and ESOP preferred shares representing 9.9 percent of Conrail's outstanding common shares for \$115 per share if Conrail shareholders defeat proposals on Friday (January 17) that would force them to accept an inferior offer from CSX Corp.

The Norfolk Southern proposal is contingent only on the defeat of Conrail management proposals asking shareholders to "opt out" of the fair value provision of Pennsylvania anti-takeover statute and to allow Conrail management to adjourn the special shareholder meeting scheduled for Friday.

After shareholders vote against the proposals, Norfolk Southern said it will promptly amend its existing all-cash tender offer in order to buy about 8.2 million Conrail shares. This represents the maximum number of shares that Norfolk Southern can buy without triggering Conrail's 'poison pill.'

The 9.9 percent offer would not be subject to termination of the merger agreement between Conrail and CSX and would not require any action by Conrail's Board of Directors.

Norfolk Southern said it would promptly begin a second all-cash tender offer for all the remaining Conrail common shares and ESOP preferred shares at \$115 a share after it completes the 9.9 percent tender offer.

The terms and conditions of the second tender offer would essentially be the same as those in Norfolk Southern's current all-cash offer of \$115 per share, which is worth \$15 per share or about 15 percent more than CSX's cash-and-stock proposal.

"Our proposal again demonstrates our commitment to Conrail shareholders and our determination to see that they get an excellent price for their shares," said David R. Goode, Norfolk Southern's Chairman,

President and Chief Executive Officer. "It underscores Norfolk Southern's determination to see this battle through and get a fair value for Conrail shareholders and a sound result for all constituencies.

"Our proposal makes two things possible -- the best deal for shareholders and the best combined railroad -- despite the unprecedented obstructions that Conrail and CSX have put in shareholders' path," Goode said. "Conrail shareholders have an opportunity to reassert control over their corporation and reject the coercive tactics being used to pressure them into approving CSX's inferior offer."

Norfolk Southern said a vote to reject the CSX/Conrail scheme would signal the beginning of the process to unseat Conrail directors at Conrail's next annual meeting.

Norfolk Southern also noted that the Surface Transportation Board has made clear that it would not be prevented from approving Norfolk Southern's proposal to acquire Conrail despite the "lock-out" provision in the Conrail-CSX merger agreement. The Board, in a decision last Thursday, said "the lock-out provision would in no way preclude Board approval...of an NS/Conrail merger...or the consummation of such a merger if approved."

The practical consequence for Conrail shareholders is significant. On the procedural schedule anticipated by the STB, the merger case will be decided late this year or early in 1998, and that decision, the Board said, would void any lock-out clause that conflicts with its decision. Consequently, the "lock-out" will cease to have any practical effect at least a year earlier than CSX would have shareholders believe.

Norfolk Southern is a Virginia-based holding company with headquarters in Norfolk, Va. It owns a major freight railroad, Norfolk Southern Railway Company, which operates 14,500 miles of road in 20 states, primarily in the Southeast and Midwest, and the Province of Ontario, Canada. The corporation also owns North American Van Lines, Inc., and Pocahontas Land Corporation, a natural resources company.

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World Wide Web Site - <http://www.nscorp.com>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 38)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000

This Amendment No. 38 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

(e) On January 14, 1997, the Third Circuit scheduled oral arguments to hear Plaintiffs' motion for an injunction pending appeal for 3:00 p.m. on January 15, 1997.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(89) Text of Mailgram sent to certain Company shareholders commencing January 14, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 14, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
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Description

(a)(89) Text of Mailgram sent to certain Company shareholders commencing January 14, 1997.

[Mailgram]

January 13, 1997

Dear Conrail Shareholder:

The Conrail Special Meeting is just a few short days away. Your vote, which will determine the future value of your investment, is very important, no matter how many shares you own.

NORFOLK SOUTHERN CONTINUES TO PROVE
ITS COMMITMENT TO CONRAIL SHAREHOLDERS

Norfolk Southern announced today that if Conrail shareholders vote AGAINST the "opt out" amendment and the adjournment proposal at the Conrail Special Meeting, Norfolk Southern will promptly amend its existing all-cash tender offer in order to buy Conrail common and ESOP preferred shares representing 9.9% of Conrail's outstanding common shares (or about 8.2 million shares) for \$115 per share in cash. This represents the maximum number of shares Norfolk Southern can buy without triggering Conrail's poison pill. Norfolk Southern would then promptly begin a second all-cash tender offer for all the remaining Conrail common and ESOP preferred shares at \$115 per share in cash after it completes the 9.9% tender offer. This means that you can immediately begin to realize the benefit of Norfolk Southern's offer -- which is worth about 14%* more than CSX's offer for the remaining Conrail shares.

IT'S NOT TOO LATE TO PROTECT YOUR INVESTMENT.

To preserve your opportunity to receive the benefits of Norfolk Southern's superior offer, you must vote AGAINST Conrail's proposals today.

Because time is short and your vote extremely important, we have established a method to enable you to vote by toll-free telephone. Please follow the simple instructions below.

If you need any assistance with the last-minute voting of your shares, please call Georgeson and Company Inc, toll-free, at 1-800-223-2064.

Thank you for your support.

Sincerely,

NORFOLK SOUTHERN CORPORATION

* Based on the closing price of CSX stock on January 13, 1997.

TOLL-FREE PROXYGRAM OPERATORS WHO ARE INDEPENDENT OF THE COMPANY ARE AVAILABLE TO ASSIST YOU NOW!!!

INSTRUCTIONS

1. Call Toll-Free 1-800-521-8454 between 8:00 a.m. and 12:00 midnight eastern time.
2. Tell the operator that you wish to send a collect ProxyGram to ID No. 4482, Norfolk Southern Corporation.
3. State your name, address and telephone number.
4. State the bank or broker at which your shares are held and your control number as shown below:

Name: <NA.1>
Broker: <Broker>
Control number: <ControlNum>
Number of shares: <NumShares>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 39)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 39 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(90) Text of Advertisement appearing in newspapers commencing January 15, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 15, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(90) Text of Advertisement appearing in newspapers
commencing January 15, 1997.

[Advertisement]

TO CONRAIL SHAREHOLDERS:

Norfolk Southern is committed to you.

Norfolk Southern will buy 9.9% of Conrail's shares for \$115 per share in cash after defeat of the "opt out" and adjournment proposals on January 17.

In a continuing effort to cram down CSX's inferior offer, Conrail and CSX are now suggesting that Conrail shareholders will have to wait until 1999 to benefit from Norfolk Southern's superior offer. *That is not true.*

Norfolk Southern will promptly amend its existing tender offer to purchase Conrail's common and ESOP preferred shares representing 9.9% of Conrail's outstanding common shares (the most that we can purchase without triggering the Poison Pill) after shareholders reject Conrail's proposal to "opt out" of the important protections provided by the Pennsylvania Fair Value Statute. The 9.9% offer would not be subject to termination of the Conrail/CSX merger agreement and would not require any action by Conrail's board.

Norfolk Southern will tender for the remaining shares promptly after the purchase.

Surface Transportation Board Decision

The Surface Transportation Board decided last week that "the lock-out provision would in no way preclude Board approval . . . of NS/Conrail merger . . . or the consummation of such a merger, if approved."

Based on the procedural schedule anticipated by the Surface Transportation Board, the merger case will be decided in late 1997 or early 1998. *That means the lock-out clause will cease to have any practical effect a year earlier than CSX would have you believe.*

Ask yourself which offer benefits you.

NORFOLK SOUTHERN'S SUPERIOR OFFER	CSX'S INFERIOR "CRAM DOWN" OFFER
\$115 per share.	\$101.29 nominal blended value per share.*
100% cash.	Only 25% cash for remaining Conrail shares.
No continued equity risk.	The value of the back-end portion of the offer will fluctuate with the price of CSX stock. There is no downside protection.
Consistent with the purpose of the Pennsylvania Fair Value Statute.	Exactly the kind of two-tiered, coercive offer that the Pennsylvania Fair Value Statute was intended to prevent.

[Graphic: Checkmark in box above the words "VOTE AGAINST"]

Protect your interests. Vote now AGAINST Conrail's proposals to "opt out" of Pennsylvania's Fair Value Statute and to adjourn the special meeting.

Vote now on Norfolk Southern's GOLD proxy card AGAINST Conrail's proposals. Be sure Norfolk Southern receives your proxy before January 17.

[Norfolk Southern Logo]

Important: If you have any questions, please call our solicitor, Georgeson & Company Inc. toll free at 800-223-2064. Banks and brokers call 212-440-9800.

* Based on the closing price of CSX common stock on January 13, 1997. Assumes CSX preferred stock is worth \$16 per share.

January 15, 1997

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 40)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

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This Amendment No. 40 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares") of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On January 15, 1997, the Third Circuit denied Plaintiffs' motion for an injunction pending appeal.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(91) Press Release issued by Parent on January 15, 1997.
- (a)(92) Text of Information sent to certain Company shareholders commencing January 16, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 16, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(91)	Press Release issued by Parent on January 15, 1997.
(a)(92)	Text of Information sent to certain Company shareholders commencing January 16, 1997.

FOR IMMEDIATE RELEASE

January 15, 1997

Media Contact: Robert Fort
(757) 629-2710

Norfolk Southern Urges Conrail Shareholders to Reject 'Opt-out' Proposal

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) issued the following statement today in response to a decision by the U.S. Third Circuit Court of Appeals refusing to block Conrail Inc. from holding a shareholders meeting scheduled for Friday:

"We urge Conrail shareholders to assert control of the corporation they own by rejecting the proposals to 'opt out' of Pennsylvania's fair value statute and adjourn the special meeting.

"We urge shareholders to reject the attempts by Conrail and CSX to disenfranchise them and pressure them into accepting an inferior offer worth nearly \$15 a share less than Norfolk Southern's all-cash, \$115-per-share offer.

"We urge them to take a stand against the "lock-out" provision and the other unprecedented obstructions that are part of the campaign of coercion to deny shareholders a real choice.

"Conrail shareholders should be aware that the Surface Transportation Board has said the "lock-out" provision 'would in no way' preclude it from approving a Norfolk Southern/Conrail merger. Because the Board anticipates it will decide the case by late 1997 or early 1998, it means the lock-out clause will cease to have any practical effect a year earlier than CSX would have shareholders believe.

"Norfolk Southern will continue to stand up for Conrail shareholders. We will continue our fight to ensure that they get the best possible price for their shares.

"Underscoring our commitment is our offer to buy Conrail shares equal to 9.9 percent of Conrail's outstanding common for \$115 per share if shareholders defeat the 'opt out' proposal."

Norfolk Southern is a Virginia-based holding company with headquarters in Norfolk, Va. It owns a major freight railroad, Norfolk Southern Railway Company, which operates 14,400 miles of road in 20 states, primarily in the Southeast and Midwest, and the Province of Ontario, Canada. The corporation also owns North American Van Lines, Inc., and Pocahontas Land Corporation, a natural resources company.

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World Wide Web Site - <http://www.nscorp.com>

SURFACE TRANSPORTATION BOARD SAYS "LOCK-OUT" CLAUSE CANNOT STOP APPROVED RAIL MERGERS

On January 9, 1997, the Surface Transportation Board noted the likely unenforceability of the "lock-out" clause in the CSX/Conrail merger agreement that purports to keep Conrail from negotiating with any other railroad until 1999.

The STB spoke clearly. "A person cannot effectively preclude [an approved] transaction from going forward simply by entering into a contract that purports to prevent all alternatives to its own preferred outcome." Again, "the lock-out provision would in no way preclude Board approval ... of NS/Conrail merger ... or the consummation of such a merger, if approved."

The practical consequence for Conrail stockholders is significant. On the procedural schedule anticipated by the STB, the merger case will be decided late this year or early in 1998, and that decision will void any conflicting lock-out clause.

The STB's action will not, of course, force Conrail to deal with Norfolk Southern. However, if the Board approves an NS/Conrail merger, Conrail will not be able to hide behind the "lock-out" and CSX will not be able to prevent the Conrail board from negotiating with Norfolk Southern.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 41)

Tender Offer Statement Pursuant to Section 14(d)(i)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 41 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(93) Press Release issued by Parent on January 17, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 17, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.
Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(93) Press Release issued by Parent on January 17, 1997.

FOR IMMEDIATE RELEASE

January 17, 1997

Media Contact: Robert Fort
(757) 629-2710

CONRAIL SHAREHOLDERS OVERWHELMINGLY VOTE AGAINST 'OPT OUT', NORFOLK SOUTHERN SAYS

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) issued the following statement, made by David R. Goode, Chairman, President and Chief Executive Officer, following the Conrail shareholders meeting today:

"I am pleased to report that based on the proxy cards Norfolk Southern had received through this morning, it appears that Conrail shareholders have overwhelmingly rejected their management's attempt to deny them their right to choose the best offer for their shares and voted against opting out of the Pennsylvania Fair Value Statute. According to our tally, at least 53 percent, constituting an absolute majority of outstanding shares, voted against the 'opt-out.' Even more dramatic is the vote by shareholders other than CSX or Conrail plans. More than nine of ten of their shares were voted against the 'opt out.'

"With this vote, Conrail's owners have sent a powerful message to Conrail's board that shareholders will not be coerced into accepting the deal CSX and Conrail tried to impose on them.

"The vote is a rejection of the CSX/Conrail deal. It is also a strong endorsement of Norfolk Southern's better offer. But there's even more involved here. The vote is a strong statement in favor of a higher standard of corporate democracy and for accountability and fairness to corporate owners.

"This battle has often been confrontational. None of us likes confrontation. That's certainly not Norfolk Southern's style. But we had no choice. The issues are too important to stand aside when the future of transportation in the East is at stake.

"After it becomes official that Conrail shareholders have rejected the 'opt-out' proposal, we will keep the promise that we made last week; we will begin an all-cash offer to buy 9.9 percent of Conrail's outstanding common shares for \$115 per share.

"Now that the shareholders have spoken, it is time for Conrail's board to accept their will. We hope they will seize the opportunity to do that. Our superior offer should be allowed to go forward and we're ready to have meaningful discussions with Conrail and CSX to that end. But whatever happens, we will move forward.

-- MORE --

"We will make our case before the Surface Transportation Board, which will determine the ultimate form of any combination involving Conrail.

"The STB will fully examine the potential impacts on the employees, the shipping public and communities. It will not rely on Conrail management's claim that this so-called 'strategic merger of equals' is as good for all constituencies as it is for Conrail management. The STB will examine the facts. We will demonstrate that Norfolk Southern truly is the best partner for Conrail, that it has made a better offer, and will make, with Conrail, a better railroad and a more competitive, balanced rail transportation system in the East. And we expect to have a lot of help from shippers, ports, and other interested parties.

"We remain firmly committed to the best interest of the shareholders, employees and customers of Conrail and Norfolk Southern as well as the communities they serve. We are committed to growth and opportunity, a result that will be good for our stockholders and Conrail's, good for shippers and good for the national interest.

"We are immensely gratified by this vote.

"Conrail shareholders have sent a strong message. Now it is time for all of us -- Norfolk Southern, CSX and Conrail -- to move forward in the spirit of that message."

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World Wide Web Site - <http://www.nscorp.com>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 42)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

**Common Stock, par value \$1.00 per share
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

**Series A ESOP Convertible Junior
Preferred Stock, without par value
(Including the associated Common Stock Purchase Rights)**
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

**James C. Bishop, Jr.
Executive Vice President-Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750**

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
**Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000**

This Amendment No. 42 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1") by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On January 21, 1997, Parent announced that a preliminary vote count by the independent inspector of election for the Pennsylvania Special Meeting indicated that the Company's shareholders overwhelmingly defeated the Articles Amendment. Parent also indicated that, pursuant to its previous pledge to Company shareholders, on January 22, 1997 it would amend the Offer to reduce the number of Shares sought to 8.2 million Shares (approximately 9.9% of the Common Shares outstanding as of December 5, 1996, the most recent date for which such information is publicly available).

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(94) Text of Advertisement appearing in newspapers commencing January 21, 1997.
- (a)(95) Text of Speech made by David R. Goode, Chairman, President and Chief Executive Officer of Parent, at the Pennsylvania Special Meeting on January 17, 1997.
- (a)(96) Press Release issued by Parent on January 21, 1997.
- (a)(97) Text of Letter sent by David R. Goode, Chairman, President and Chief Executive Officer of Parent, to David M. LeVan, Chairman, President and Chief Executive Officer of the Company and John W. Snow, Chairman, President and Chief Executive Officer of CSX on January 21, 1997.
- (a)(98) Press Release issued by Parent on January 21, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 21, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(94)	Text of Advertisement appearing in newspapers commencing January 21, 1997.
(a)(95)	Text of Speech made by David R. Goode, Chairman, President and Chief Executive Officer of Parent, at the Pennsylvania Special Meeting on January 17, 1997.
(a)(96)	Press Release issued by Parent on January 21, 1997.
(a)(97)	Text of Letter sent by David R. Goode, Chairman, President and Chief Executive Officer of Parent, to David M. LeVan, Chairman, President and Chief Executive Officer of the Company and John W. Snow, Chairman, President and Chief Executive Officer of CSX on January 21, 1997.
(a)(98)	Press Release issued by Parent on January 21, 1997.

[ADVERTISEMENT]

TO CONRAIL SHAREHOLDERS:

Thank you.

And congratulations. In an important vote on January 17, Conrail's shareholders overwhelmingly rejected the Conrail Board's proposal to "opt out" of the valuable protections provided by the Pennsylvania Fair Value Statute.

As promised, Norfolk Southern will promptly amend its tender offer to purchase shares representing 9.9% of Conrail's outstanding common shares (the most that we can purchase without triggering the Poison Pill). And we remain committed to giving you the opportunity to receive \$115 in cash for your remaining shares as soon as possible thereafter.

We wish to congratulate you on your courageous resistance to Conrail's efforts to cram down CSX's inferior deal. Norfolk Southern has strongly supported the rights of Conrail shareholders throughout this battle. We look forward to the opportunity to work with Conrail shareholders to achieve our shared goals.

[Norfolk Southern Logo]

**Remarks by David R. Goode
Chairman, President and CEO, Norfolk Southern Corporation
Conrail Shareholders Meeting
January 17, 1997**

I would like to use my two minutes to thank the many Conrail shareholders who have supported Norfolk Southern. The battle has often been confrontational. None of us seeks confrontation. Nor is that Norfolk Southern's style.

But we had no choice. The issues involved here are too important for us to simply stand aside and do nothing. They affect not only the future of Conrail, but also the future of railroading in the East. They are important not only to Norfolk Southern, but to Conrail, its shareholders, employees and the shipping public.

We have no doubt that a Norfolk Southern-Conrail transaction is in the best interests of all constituencies --- shareholders, employees, shippers, and communities. We appreciate the support we have received over the last several months from shareholders and Conrail's other constituents. I hope and believe when all the votes are counted the result will show that Conrail shareholders have rejected the 'opt out' proposal. This will set the stage for the Conrail Board of Directors to discuss implementation of the \$115 all-cash Norfolk Southern offer --- something we've sought from the beginning.

If shareholders reject the "opt out", we will demonstrate our commitment by offering to buy 9.9 percent of Conrail's outstanding common stock for \$115 per share. We will move forward with the next stage of the transaction.

Three great railroads --- Conrail, Norfolk Southern and CSX -- have sought your vote in one of the hardest-fought merger battles in history. We have all made a big investment in energy, talent and money. Now it is time to turn all this talent and energy toward restructuring rail transportation in the East for the next century.

We are ready and willing to sit down with Conrail and CSX to make that happen. We impose no preconditions other than our commitment to deliver \$115 in cash per share to Conrail shareholders. But one way or the other, we will move forward.

Again, I thank you for your support and for the time and consideration you have given this important matter.

FOR IMMEDIATE RELEASE

January 21, 1997

Media Contact: Robert Fort
(757) 629-2710

Norfolk Southern Amends Tender Offer to Purchase 9.9% of Conrail Shares

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) today announced that a preliminary vote count by the independent inspector of election indicated that Conrail shareholders overwhelmingly defeated the Conrail management proposal to "opt-out" of the fair value provision of the Pennsylvania anti-takeover statute.

"The vote represents a decisive declaration by Conrail's shareholders that Norfolk Southern's all-cash offer of \$115 per share is the superior alternative for Conrail and its shareholders," said David R. Goode, Norfolk Southern's Chairman, President and Chief Executive Officer.

Norfolk Southern also announced that, consistent with its previous pledge to Conrail shareholders, tomorrow it would amend its existing all-cash tender offer in order to buy 8.2 million Conrail shares (about 9.9% of the outstanding common shares), the approximate maximum number of shares that Norfolk Southern can buy without triggering Conrail's "poison pill." As amended, Norfolk Southern's offer will not be subject to termination of the merger agreement between Conrail and CSX and will not require any action by Conrail's Board of Directors. The 9.9% tender offer is expected to expire at midnight, New York City time, on Tuesday, February 4, 1997, unless extended.

Norfolk Southern said it would promptly begin a second tender offer for all the remaining Conrail common shares and ESOP preferred shares at \$115 per share after it completes the 9.9% offer.

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World Wide Web Site - <http://www.nscorp.com>

[Norfolk Southern Letterhead]

January 21, 1997

Mr. David M. LeVan
Chairman, President and
Chief Executive Officer
Conrail Inc.
2001 Market Street
Philadelphia, PA 19101

Mr. John W. Snow
Chairman, President and
Chief Executive Officer
CSX Corporation
901 East Cary Street
Richmond, VA 23219

Dear David and John:

The Conrail shareholders' vote last Friday places a responsibility on us to work out a rail structure in the East that will be in the long-term interests of all constituencies served by our companies. I believe that this can be accomplished if we sit down and try.

I believe that we can achieve balanced competition in the East with the greatest continuity in existing operations by combining Norfolk Southern and Conrail and providing to a competitor such as CSX its own routes into the Northeast/Mid-Atlantic region from the West and South, so that the result is competing networks of equivalent scope, scale and market access.

You have a different, but perhaps not irreconcilable, vision of the 21st century railroad map. Accordingly, we are prepared to enter into discussions with no preconditions other than recognition of our pledge to the Conrail shareholders that Norfolk Southern will only enter into an agreement with Conrail or CSX that gives to Conrail shareholders an all cash offer of \$115 per share.

I look forward to your reply. Your initiative and our determination are hallmarks of great companies capable of finding a public interest resolution of their differences.

Sincerely,

/s/ DAVID R. GOODE

FOR IMMEDIATE RELEASE

January 21, 1997

Media Contact: Robert Fort
(757) 629-2710

NS Chairman Urges Conrail, CSX to Negotiate Balanced Competition Plan

Goode Reiterates Pledge of \$115 in Cash Per Conrail Share

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) released the following letter sent today by David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern, to David M. LeVan, and John W. Snow, Chairman, President and Chief Executive Officer, respectively, of Conrail Inc. and CSX Corporation:

"Dear David and John:

"The Conrail shareholders' vote last Friday places a responsibility on us to work out a rail structure in the East that will be in the long-term interests of all constituencies served by our companies. I believe that this can be accomplished if we sit down and try.

"I believe that we can achieve balanced competition in the East with the greatest continuity in existing operations by combining Norfolk Southern and Conrail and providing to a competitor such as CSX its own routes into the Northeast/Mid-Atlantic region from the West and South, so that the result is competing networks of equivalent scope, scale and market access.

"You have a different, but perhaps not irreconcilable, vision of the 21st century railroad map. Accordingly, we are prepared to enter into discussions with no preconditions other than recognition of our pledge to the Conrail shareholders that Norfolk Southern will only enter into an agreement with Conrail or CSX that gives to Conrail shareholders an all cash offer of \$115 per share.

"I look forward to your reply. Your initiative and our determination are hallmarks of great companies capable of finding a public interest resolution of their differences.

Sincerely,

David (signature)"

World Wide Web Site - <http://www.nscorp.com>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 43)

Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

Conrail Inc.

(Name of Subject Company)

Norfolk Southern Corporation Atlantic Acquisition Corporation

(Bidders)

Common Stock, par value \$1.00 per share
(including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

208368 10 0

(CUSIP Number of Class of Securities)

Series A ESOP Convertible Junior
Preferred Stock, without par value
(including the associated Common Stock Purchase Rights)
(Title of Class of Securities)

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.
Executive Vice President—Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191
Telephone: (757) 629-2750

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

Randall H. Doud, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000

Calculation of Filing Fee

Transaction Valuation*

\$943,000,000

Amount of Filing Fee**

\$188,600

- * For purposes of calculating the filing fee only. This calculation assumes the purchase of an aggregate of 8,200,000 shares of Common Stock, par value \$1.00 per share (the "Common Shares"), and Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares"), of Conrail Inc. (the "Company") at \$115 net per share in cash.
- ** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by Atlantic Acquisition Corporation for such number of Shares. The amount of \$2,456,439 was paid upon previous filings of this Schedule 14D-1. Accordingly, no additional fee is paid at this time and \$2,267,839 should be credited to the account of the Bidders.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: \$2,456,439

Filing Party: Norfolk Southern Corporation and Atlantic Acquisition Corporation

Form or Registration No.: Schedule 14D-1

Date Filed: November 8, 1996, October 24, 1996 and December 20, 1996

This Amendment No. 43 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase up to an aggregate of 8,200,000 shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and the Third Supplement to the Offer to Purchase, dated January 22, 1997 (the "Third Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement, the Third Supplement or the Schedule 14D-1.

Item 1. Security and Subject Company.

Item 1 is hereby amended and supplemented by the following:

(b) The information set forth in the Introduction and Section 1 ("Terms of the Offer; Proration; Expiration Date") of the Third Supplement is incorporated herein by reference.

(c) The information set forth in Section 3 ("Price Range of Shares; Dividends") of the Third Supplement is incorporated herein by reference.

Item 3. Past Contacts, Transactions or Negotiations with the Subject Company.

Item 3 is hereby amended and supplemented by the following:

(a) and (b) The information set forth in the Introduction, Section 5 ("Background of the Offer; Contacts with the Company") and Section 6 ("Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations") of the Third Supplement is incorporated herein by reference.

Item 4. Source and Amount of Funds or Other Consideration.

Item 4 is hereby amended and supplemented by the following:

(a) and (b) The information set forth in Section 4 ("Source and Amount of Funds") of the Third Supplement is incorporated herein by reference.

Item 5. Purpose of the Tender Offer and Plans or Proposals of the Bidder.

Item 5 is hereby amended and supplemented by the following:

The information set forth in the Introduction, Section 5 ("Background of the Offer; Contacts with the Company") and Section 6 ("Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations") of the Third Supplement is incorporated herein by reference.

Item 7. Contracts, Arrangements, Understandings or Relationships with Respect to the Subject Company's Securities.

Item 7 is hereby amended and supplemented by the following:

The information set forth in Section 7 ("Conditions of the Offer") and Section 8 ("Certain Legal Matters; Regulatory Approvals; Certain Litigation") of the Third Supplement is incorporated herein by reference.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(b) The information set forth in the Introduction and Section 6 ("Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations") of the Third Supplement is incorporated herein by reference.

(e) The information set forth in Section 8 ("Certain Legal Matters; Regulatory Approvals; Certain Litigation") of the Third Supplement is incorporated herein by reference.

(f) The information set forth in the Third Supplement and the revised Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(100) and (a)(101), respectively, is incorporated herein by reference.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(99) Press Release issued by Parent on January 22, 1997.
- (a)(100) Third Supplement to the Offer to Purchase, dated January 22, 1997.
- (a)(101) Revised Letter of Transmittal.
- (a)(102) Revised Notice of Guaranteed Delivery.
- (a)(103) Revised Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(104) Revised Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(105) Summary Advertisement dated January 22, 1997.
- (a)(106) Text of Advertisement appearing in newspapers commencing January 22, 1997.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 22, 1997

NORFOLK SOUTHERN CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

By: /s/ JAMES C. BISHOP, JR.

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(99)	Press Release issued by Parent on January 22, 1997.
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(a)(101)	Revised Letter of Transmittal.
(a)(102)	Revised Notice of Guaranteed Delivery.
(a)(103)	Revised Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(104)	Revised Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(105)	Summary Advertisement dated January 22, 1997.
(a)(106)	Text of Advertisement appearing in newspapers commencing January 22, 1997.

Exhibit (a)(99)

FOR IMMEDIATE RELEASE

January 22, 1997

Media Contact: Robert Fort
(757) 629-2710

NORFOLK SOUTHERN AMENDS TENDER OFFER

NORFOLK, VA -- Norfolk Southern Corporation (NYSE:NSC) today announced that it has amended its existing all-cash tender offer in order to buy 8.2 million Conrail shares (approximately 9.9%), the approximate maximum number of shares that Norfolk Southern can buy without triggering Conrail's "poison pill." Norfolk Southern also stated that the tender offer has been extended through 12:00 midnight, New York City time, on Tuesday, February 4, 1997. According to the depository for the Norfolk Southern tender offer, approximately 3,192,000 Conrail shares had been tendered and not withdrawn pursuant to Norfolk Southern's offer as of the afternoon of January 21.

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World Wide Web Site - <http://www.nscorp.com>

Exhibit (a)(100)

Third Supplement to the Offer to Purchase for Cash Dated October 24, 1996

Atlantic Acquisition Corporation,
a wholly owned subsidiary of

Norfolk Southern Corporation

Has Amended its Offer to Purchase for Cash

and is Now Offering to Purchase up to

an Aggregate of 8,200,000 Shares

of

Common Stock and Series A ESOP Convertible Junior Preferred Stock
(including, in each case, the associated Common Stock Purchase Rights)

of

Conrail Inc.

at

\$115 Net Per Share

THE OFFER, WITHDRAWAL RIGHTS AND THE PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, FEBRUARY 4, 1997, UNLESS THE OFFER IS EXTENDED

IMPORTANT

THE OFFER, AS AMENDED, IS NO LONGER SUBJECT TO THE MINIMUM CONDITION, THE SUBCHAPTER F CONDITION, THE RIGHTS CONDITION OR THE CSX TERMINATION CONDITION (EACH AS DEFINED IN THE OFFER TO PURCHASE). SEE SECTION 7.

Consistent with Norfolk Southern Corporation's ("Parent") pledge that it will not be a party to any agreement with CSX Corporation ("CSX") or Conrail Inc. (the "Company") that delivers anything less to Company shareholders than a \$115 all-cash offer, Parent and Atlantic Acquisition Corporation ("Purchaser"), a wholly owned subsidiary of Parent, intend to continue to seek to negotiate with the Company with respect to the acquisition of the Company by Parent or Purchaser.

Any shareholder desiring to tender all or any portion of such shareholder's Shares (as defined herein) should either (i) complete and sign the revised Letter of Transmittal delivered herewith or one of the Letters of Transmittal previously delivered to such shareholder by Parent and Purchaser (or any facsimiles of such Letters of Transmittal) in accordance with the instructions in such Letters of Transmittal, have such shareholder's signature thereon guaranteed if required by Instruction 1 to such Letters of Transmittal, mail or deliver one of such Letters of Transmittal (or such facsimile thereof) and any other required documents (continued)

The Dealer Managers for the Offer are:

J.P. Morgan & Co.

Merrill Lynch & Co.

January 22, 1997

to the Depository and either deliver the certificates for such Shares and, if separate, the certificates representing the associated Rights (as defined herein) to the Depository along with one of such Letters of Transmittal (or a facsimile thereof) or deliver such Shares (and Rights, if applicable) pursuant to the procedure for book-entry transfer set forth in Section 3 of the Offer to Purchase (as defined herein) prior to the expiration of the Offer (as defined herein) or (ii) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder having Shares (and, if applicable, Rights) registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Shares (and, if applicable, Rights).

Participants in the Company's Matched Savings Plan (the "ESOP") desiring that Fidelity Management Trust Company, as trustee under the ESOP (the "ESOP Trustee"), tender the ESOP Preferred Shares allocated to their accounts, which will be converted into Common Shares upon consummation of the Offer, should so instruct the ESOP Trustee by completing the form that will be provided to participants for that purpose. ESOP participants cannot tender Shares allocated to their ESOP accounts by executing one of the Letters of Transmittal.

Any shareholder who desires to tender Shares (and, if applicable, Rights) and whose certificates for such Shares (and, if applicable, Rights) are not immediately available, or who cannot comply with the procedures for book-entry transfer described in the Offer to Purchase on a timely basis, may tender such Shares (and, if applicable, Rights) by following the procedures for guaranteed delivery set forth in Section 3 of the Offer to Purchase.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective addresses and telephone numbers set forth on the back cover of this Third Supplement. Additional copies of the Offer to Purchase, the First Supplement (as defined herein), the Second Supplement (as defined herein), the revised Letter of Transmittal or other tender offer materials may be obtained from the Information Agent.

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TO THE HOLDERS OF COMMON STOCK AND
SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK OF CONRAIL INC.:

INTRODUCTION

The following information amends and supplements the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as previously amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), and the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), of Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), pursuant to which Purchaser is offering to purchase shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement").

Purchaser is now offering to purchase up to an aggregate of 8,200,000 Shares at \$115 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, as amended and supplemented by the First Supplement, the Second Supplement and this Third Supplement, and in the revised Letter of Transmittal (which, as amended from time to time, collectively constitute the "Offer"). **The Offer, as amended, is no longer subject to the Minimum Condition, the Subchapter F Condition, the Rights Condition or the CSX Termination Condition (each as defined in the Offer to Purchase).** See Section 7. Unless the context otherwise requires, all references to Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may enure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

On January 13, 1997, Parent announced its pledge that if Company shareholders defeated the Company proposal to approve the Articles Amendment at the Pennsylvania Special Meeting, Parent and Purchaser would promptly amend the Offer to eliminate all of the conditions thereto and to reduce the aggregate number of Shares sought in the Offer to 8,200,000 Shares, approximately the maximum number of Shares (based on currently available information as to the number of outstanding Common Shares) that Purchaser can acquire without becoming an "Acquiring Person" under the Rights Agreement. See Introduction and Section 12 of the Offer to Purchase and Sections 6 and 8 of the First Supplement. Based upon an official preliminary vote count by the inspector of election for the Pennsylvania Special Meeting, Company shareholders defeated the Articles Amendment at the Pennsylvania Special Meeting which was held on January 17, 1997. The Company has stated that it may call another special meeting of the Company shareholders to approve the Articles Amendment to "opt out" of Subchapter E of Chapter 25 of the PBCL or to consider the Proposed CSX Merger. However, the Company has not stated whether or when any such meeting would be held. Purchaser intends to vote any Shares acquired in the Offer against the Articles Amendment and the Proposed CSX Merger at any such meeting.

The Offer does not constitute a solicitation of proxies for any annual or other meeting of Company shareholders. Any such solicitation which Parent or Purchaser might make would be made only pursuant to separate proxy materials in compliance with the requirements of Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The purpose of the Offer is for Parent, through Purchaser, to acquire a significant equity interest in the Company as the first step in a business combination of Parent and the Company. Following Purchaser's acceptance for payment of Shares in the Offer, Purchaser intends to promptly commence another tender offer (the "Second Offer") to purchase all outstanding Shares not owned by Purchaser at a price of \$115 per Share, net to the seller in cash, without interest thereon, upon essentially the same terms and subject to the same conditions set forth in the Offer to Purchase, as previously amended and supplemented by the First Supplement and the Second Supplement, in order to acquire control of, and the entire equity interest in, the Company.

Consistent with Parent's pledge that it will not be a party to any agreement with CSX or the Company that delivers anything less to Company shareholders than a \$115 all-cash offer, Parent and Purchaser intend to continue to seek to negotiate with the Company a definitive merger agreement pursuant to which the Company would, as soon as practicable following consummation of the Offer or the Second Offer, consummate a merger or similar business combination with Purchaser or another direct or indirect subsidiary of Parent (the "Proposed Merger"). In the Proposed Merger, each Common Share and ESOP Preferred Share then outstanding (other than Shares held by the Company or any subsidiary of the Company and Shares owned by Parent, Purchaser or any direct or indirect subsidiary of Parent) would be converted into the right to receive an amount in cash equal to the price per Common Share and ESOP Preferred Share paid pursuant to the Offer or the Second Offer. See Sections 11 and 12 of the Offer to Purchase, Sections 5 and 6 of the First Supplement, Sections 7 and 8 of the Second Supplement and Sections 5 and 6 of this Third Supplement.

This Third Supplement should be read in conjunction with the Offer to Purchase, the First Supplement and the Second Supplement. Except as set forth in this Third Supplement and the revised Letter of Transmittal, the terms and conditions previously set forth in the Offer to Purchase, the First Supplement, the Second Supplement and the Letters of Transmittal mailed with the Offer to Purchase, the First Supplement or the Second Supplement remain applicable in all respects to the Offer. Terms used but not defined herein have the meanings set forth in the Offer to Purchase, the First Supplement or the Second Supplement.

Based upon information contained in the Company's Proxy Statement Supplement mailed to Company shareholders on or about December 24, 1996 in connection with the Pennsylvania Special Meeting, as of December 5, 1996 (the record date for determining Company shareholders entitled to vote at the Pennsylvania Special Meeting), 82,244,475 Common Shares and 7,303,920 ESOP Preferred Shares were issued and outstanding. Based upon information set forth in the Schedule 13D filed by CSX with the Securities and Exchange Commission (the "SEC") on December 6, 1996, as amended, 17,775,124 Common Shares are beneficially owned by CSX. Accordingly, assuming that all Company shareholders other than CSX tender all of their Shares in the Offer, Company shareholders will be able to sell approximately 11.4% of their Shares in the Offer. See Section 1.

To the extent Purchaser determines that, as a result of the consummation of the Offer, Purchaser would beneficially own such number of the then outstanding Common Shares as would result in the occurrence of a Distribution Date, Purchaser reserves the right, in its sole discretion, to further amend the Offer to reduce the number of Shares sought in the Offer so that the number of Common Shares that Purchaser would own upon consummation thereof would represent such number of Common Shares then outstanding as would not result in the occurrence of a Distribution Date at such time. Any such amendment would be made in compliance with applicable rules and regulations of the SEC. See Section 7.

The Offer to Purchase, the First Supplement, the Second Supplement, this Third Supplement and the revised Letter of Transmittal contain important information which should be read carefully before any decision is made with respect to the Offer.

1. Terms of the Offer; Proration; Expiration Date. The discussion set forth in Section 1 of the Offer to Purchase, Section 1 of the First Supplement and Section 1 of the Second Supplement is hereby amended and supplemented as follows:

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), Purchaser will accept for payment and pay for up to an aggregate of 8,200,000 Shares which are validly tendered prior to the Expiration Date (as hereinafter defined) and not properly withdrawn in accordance with Section 4 of the Offer to Purchase. The term "Expiration Date" means 12:00 Midnight, New York City time, on Tuesday, February 4, 1997, unless and until Purchaser, in its sole discretion, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

If more than 8,200,000 Shares are validly tendered prior to the Expiration Date and not properly withdrawn, Purchaser will, upon the terms and subject to the conditions of the Offer, accept for payment and pay for only 8,200,000 Shares, on a pro rata basis, with adjustments to avoid purchases of fractional Shares, based upon the number of Shares validly tendered prior to the Expiration Date and not properly withdrawn. The same proration factor will be applied in the Offer to the Common Shares and the ESOP Preferred Shares. Because of the difficulty of determining precisely the number of Shares validly tendered and not withdrawn, if proration is required, Purchaser would not expect to be able to announce the final results of proration or pay for Shares until at least five New York Stock Exchange, Inc. ("NYSE") trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Holders of Shares may obtain such preliminary information from the Information Agent and may also be able to obtain such preliminary information from their brokers.

2. Procedures for Tendering Shares. The discussion set forth in Section 3 of the Offer to Purchase, Section 2 of the First Supplement and Section 2 of the Second Supplement is hereby amended and supplemented as follows:

The revised Letter of Transmittal and the revised Notice of Guaranteed Delivery distributed with this Third Supplement may be used to tender Shares. Tendering shareholders may also continue to use the Letters of Transmittal and the Notices of Guaranteed Delivery previously distributed with the Offer to Purchase, the First Supplement or the Second Supplement to tender Shares. By tendering Shares pursuant to the revised Letter of Transmittal or the revised Notice of Guaranteed Delivery or one of the Letters of Transmittal or Notices of Guaranteed Delivery previously delivered, tendering shareholders will be deemed to represent and warrant to Parent and Purchaser that, among other things, such tender of Shares complies with Rule 14e-4 under the Exchange Act.

By executing a Letter of Transmittal, a tendering shareholder will irrevocably appoint designees of Purchaser as such shareholder's proxies, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares (including the associated Rights) tendered by such shareholder and accepted for payment by Purchaser (and any and all noncash dividends, distributions, rights, other Shares, or other securities issued or issuable in respect of such Shares on or after October 24, 1996). All such proxies shall be considered coupled with an interest in the tendered Shares or Rights. This appointment will be effective if, when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered (subject to the terms of the Voting Trust Agreement for so long as it shall be in effect with respect to the Shares or Rights) to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, by written consent or otherwise. Purchaser reserves the right to require that, in order for shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser (including through the Voting Trust) must be able to exercise full voting rights with respect to such Shares.

Purchaser intends to vote any Shares acquired in the Offer against the Articles Amendment and the Proposed CSX Merger at any special meeting of Company shareholders called for such purpose.

Shareholders who have previously validly tendered Shares pursuant to the Offer and not properly withdrawn such Shares have validly tendered such Shares for purposes of the Offer and need not take any further action in order to receive the Offer Price of \$115 net per Share pursuant to the Offer.

3. Price Range of Shares; Dividends. The discussion set forth in Section 6 of the Offer to Purchase, Section 3 of the First Supplement and Section 3 of the Second Supplement is hereby amended and supplemented as follows:

According to public sources, the high and low closing sale prices per Common Share on the NYSE for the Fourth Quarter of 1996 were \$100 $\frac{7}{8}$ and \$68 $\frac{1}{2}$, respectively. The high and low closing sale prices

per Common Share on the NYSE for the First Quarter of 1997 (through January 21, 1997) were \$104 $\frac{3}{4}$ and \$98 $\frac{1}{2}$, respectively. On January 21, 1997, the last full trading day prior to Parent's announcement that it was amending the terms of the Offer upon the terms set forth in this Third Supplement, the reported closing sale price per Common Share on the NYSE Composite Tape was \$104. **Shareholders are urged to obtain a current market quotation for the Common Shares.**

4. Source and Amount of Funds. The discussion set forth in Section 10 of the Offer to Purchase, Section 4 of the First Supplement and Section 6 of the Second Supplement is hereby amended and supplemented as follows:

Purchaser estimates that the total amount of funds now required to acquire Shares pursuant to the Offer, the Second Offer and the Proposed Merger (in each case as amended and as described in this Third Supplement), to pay all related costs and expenses, to refinance Parent's and the Company's existing debt and for working capital purposes will be approximately \$13 billion, of which up to approximately \$1.0 billion will be required to consummate the Offer and to pay costs and expenses related thereto. Parent anticipates borrowing up to approximately \$1.0 billion either under the revolving credit facility of the Credit Facility on a short-term basis or through the issuance of commercial paper to finance the acquisition of the Shares pursuant to the Offer and to pay such related costs and expenses.

As of January 8, 1997, signed commitments (including the commitments of the Arrangers and their affiliates as Lenders) in excess of the amount needed to complete Parent's proposed acquisition of the Company had been received by the Arrangers from banks and other financial institutions in respect of the \$13 billion financing for Parent's \$115 per Share Offer for all outstanding Shares. Parent has received oral confirmations from the Arrangers (and their affiliates as Lenders) in respect of their original commitments that the proceeds of the revolving credit facility will be available for the purchase of the 8,200,000 Shares pursuant to the Offer, as amended by this Third Supplement, and such other related purposes in connection therewith as described above, and Parent and the Arrangers are highly confident that the other Potential Syndicate Members will also agree to such use of proceeds in respect of their original commitments.

To the extent Parent elects that loans outstanding under the Credit Facility prior to the date on which the Borrower owns at least 51% of the Shares (the "Acquisition Date") bear interest at a rate based on the base rate, the adjusted CD rate or the Eurodollar rate, it is currently anticipated that such loans shall bear interest at margins over such rates equal to 0%, 0.225% and 0.1%, respectively.

To the extent Parent elects that any loans under the Credit Facility bear interest at a rate based on the adjusted CD rate on and after the Acquisition Date, it is currently anticipated that such loans shall bear interest at the adjusted CD rate plus a margin which will initially be .875% and may be adjusted depending on Parent's senior unsecured long-term debt ratings following the Acquisition Date to between .350% and 1.00%.

It is currently anticipated that, during all times that both Parent's senior unsecured long-term debt and the loans under the Credit Facility have ratings below investment grade, such loans will bear interest at a rate per annum equal to the rates described in the Offer to Purchase (as modified as described in the Second Supplement and, in the case of adjusted CD rate loans, this Third Supplement) that would otherwise be applicable to such loans plus an additional margin of .125%.

It is also currently anticipated that the \$3.5 billion term loan facility, which is one of the three term loan facilities (in addition to the revolving credit facility) which will comprise the Credit Facility, will be subject to a mandatory repayment in the amount of \$1.0 billion on the first anniversary of the Acquisition Date.

5. Background of the Offer; Contacts with the Company. The discussion set forth in Section 11 of the Offer to Purchase, Section 5 of the First Supplement and Section 7 of the Second Supplement is hereby amended and supplemented as follows:

On January 13, 1997, Parent announced its pledge that if Company shareholders defeated the Company proposal to approve the Articles Amendment at the Pennsylvania Special Meeting and to allow

the Company's management to adjourn or postpone the Pennsylvania Special Meeting, Parent and Purchaser would promptly amend the Offer to eliminate all of the conditions thereto and to reduce the aggregate number of Shares sought in the Offer to approximately 8,200,000 Shares, the maximum number of Shares (based on currently available information as to the number of outstanding Common Shares) that Purchaser can acquire without becoming an "Acquiring Person" under the Rights Agreement. At such time, Parent also announced that following Purchaser's acceptance for payment of Shares in such amended Offer, Purchaser would commence the Second Offer for all the remaining Shares at \$115 per Share and upon essentially the same terms and subject to the same conditions as the Offer as in effect on January 13, 1997.

On January 17, 1997, the Pennsylvania Special Meeting was held.

On January 21, 1997, Parent issued a press release stating that, based on the official preliminary vote count by the inspector of election for the Pennsylvania Special Meeting, the Company's shareholders defeated the Articles Amendment at the Pennsylvania Special Meeting.

Also on January 21, 1997, Mr. Goode sent the following letter to Messrs. LeVan and Snow:

January 21, 1997

Mr. David M. LeVan
Chairman, President and
Chief Executive Officer
Conrail Inc.
2001 Market Street
Philadelphia, PA 19101

Mr. John W. Snow
Chairman, President and
Chief Executive Officer
CSX Corporation
901 East Cary Street
Richmond, VA 23219

Dear David and John:

The Conrail shareholders' vote last Friday places a responsibility on us to work out a rail structure in the East that will be in the long-term interests of all constituencies served by our companies. I believe that this can be accomplished if we sit down and try.

I believe that we can achieve balanced competition in the East with the greatest continuity in existing operations by combining Norfolk Southern and Conrail and providing to a competitor such as CSX its own routes into the Northeast/Mid-Atlantic region from the West and South, so that the result is competing networks of equivalent scope, scale and market access.

You have a different, but perhaps not irreconcilable, vision of the 21st century railroad map. Accordingly, we are prepared to enter into discussions with no preconditions other than recognition of our pledge to the Conrail shareholders that Norfolk Southern will only enter into an agreement with Conrail or CSX that gives to Conrail shareholders an all cash offer of \$115 per share.

I look forward to your reply. Your initiative and our determination are hallmarks of great companies capable of finding a public interest resolution of their differences.

Sincerely,

David R. Goode

6. Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations. The discussion set forth in Section 12 of the Offer to Purchase, Section 6 of the First Supplement and Section 8 of the Second Supplement is hereby amended and supplemented as follows:

The purpose of the Offer is for Parent, through Purchaser, to acquire a significant equity interest in, the Company as the first step in a business combination of Parent and the Company. Following Purchaser's acceptance for payment of Shares in the Offer, Purchaser intends to promptly commence the Second Offer to acquire control of, and the entire equity interest in, the Company. The Second Offer will be subject to essentially the same terms and conditions set forth in the Offer to Purchase, as previously

amended and supplemented by the First Supplement and the Second Supplement, including there being validly tendered and not properly withdrawn prior to the expiration thereof a number of Shares which, together with Shares then owned by Parent or Purchaser, constitute at least a majority of the Shares outstanding on a fully diluted basis. The Second Offer would also be subject to the Subchapter F Condition, the Rights Condition and the CSX Termination Condition.

In furtherance of its efforts to acquire control of, and the entire equity interest in, Parent intends to solicit proxies at the Company's 1997 Annual Meeting of Shareholders seeking to remove some or all of the current members of the Company Board and elect a new slate of directors. The Company has not set the date for its 1997 Annual Meeting of Shareholders. Although the Company's Proxy Statement for its 1996 Annual Meeting of Shareholders stated that the Company's 1997 Annual Meeting of Shareholders was currently scheduled for May 21, 1997, the Company has stated that its 1997 Annual Meeting of Shareholders may be held as late as the end of 1997.

The Offer does not constitute a solicitation of proxies for any annual or other meeting of Company shareholders. Any such solicitation which Parent or Purchaser might make would be made only pursuant to separate proxy materials in compliance with the requirements of Section 14 (a) of the Exchange Act.

7. Conditions of the Offer. The Purchaser has eliminated all of the conditions to the Offer. However, to the extent Purchaser determines that, as a result of the consummation of the Offer, Purchaser would beneficially own such number of the then outstanding Common Shares as would result in the occurrence of a Distribution Date, Purchaser reserves the right, in its sole discretion, to further amend the Offer to reduce the number of Shares sought in the Offer so that the number of Common Shares that Purchaser would own upon consummation thereof would represent such number of Common Shares then outstanding as would not result in the occurrence of a Distribution Date at such time. Such amendment to the Offer could be required in the event that the Company amends the Rights Agreement, changes its capitalization by way of a recapitalization or takes certain other actions in respect of the Shares. Any such amendment would be made in compliance with applicable rules and regulations of the SEC.

8. Certain Legal Matters; Regulatory Approvals; Certain Litigation. The discussion set forth in Section 15 of the Offer to Purchase, Section 8 of the First Supplement and Section 10 of the Second Supplement is hereby amended and supplemented as follows:

STB Matters; Acquisition of Control. On December 27, 1996, Parent filed a petition with the STB alleging that the No Negotiation Provision, as in effect after the Second Amendment, constitutes unlawful control of the Company by CSX for the purposes of the federal statute that requires prior STB approval of control and seeking, among other things, a declaratory order that CSX is in violation of such federal law by reason of the No Negotiation Provision and that such provision is unlawful and unenforceable.

On January 9, 1997, the STB denied, as premature, Parent's petition for an order declaring that the No Negotiation Provision, as in effect after the Second Amendment, gave CSX unlawful control over the Company.

In denying the petition, the STB stated that the No Negotiation Provision would not preclude the STB from approving Parent's Proposed Merger. The STB, which indicated that the No Negotiation Provision "appears excessive on its face," also stated that the No Negotiation Provision could not be used to prevent the Company from negotiating or agreeing to a Parent-Company merger agreement once the STB approves Parent's Proposed Merger.

The STB explained that applicable law can preempt contractual rights, including the No Negotiation Provision, if necessary to permit consummation of an STB-approved transaction. Thus, CSX and the Company cannot preclude STB approval of a transaction by entering into a contract that purports to prevent all alternatives to their own preferred outcome.

Certain Litigation. On January 2, 1997, Plaintiffs in the Pennsylvania Litigation filed a Motion for Preliminary Injunction and a Motion for Partial Summary Judgment in the District Court. In their Motion for Partial Summary Judgment, Plaintiffs requested an order stating that consummation of the CSX Offer caused a "Control Transaction" with respect to the Company to occur under the Pennsylvania Control

Transaction Law and created joint and several liability among the members of the Control Transaction Group to pay at least \$110 cash per Share to each demanding Company shareholder. In their Motion for Preliminary Injunction, Plaintiffs requested that the District Court enjoin the Defendants, and all persons acting in concert with them, from seeking to enforce or requiring compliance with, the No Negotiation Provision, as extended, and to enjoin Defendants from convening the Pennsylvania Special Meeting until ten business days after the Company shareholders receive notice of the District Court's ruling on Plaintiffs' Motions for Preliminary Injunction and Partial Summary Judgment. On January 8, 1997, Plaintiffs filed a Supplemental Motion for Preliminary Injunction requesting that Defendants be enjoined from convening the Pennsylvania Special Meeting until ten business days after the Company shareholders receive notice of the District Court's final judgment on the Pennsylvania Control Transaction Law issue.

On January 9, 1997, the District Court denied Plaintiffs' Motion for Preliminary Injunction, Plaintiffs' Supplemental Motion for a Preliminary Injunction and Plaintiffs' Motion for Partial Summary Judgment. After the ruling, Plaintiffs asked the District Court for an injunction pending appeal which was denied. Plaintiffs later that day filed a notice of appeal with the District Court.

On January 10, 1997, Plaintiffs filed a motion for expedited appeal or, in the alternative, an injunction pending appeal with the Third Circuit. On the same date, the Third Circuit set a briefing schedule to consider Plaintiffs' motion for an injunction pending appeal but declined to expedite a final decision on the appeal. On January 14, 1997, the Third Circuit scheduled oral arguments on such motion. On January 15, 1997, after hearing oral arguments, the Third Circuit denied Plaintiffs' motion for an injunction pending appeal.

9. Miscellaneous. Parent and Purchaser have filed with the SEC amendments to the Schedule 14D-1, together with exhibits, pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer. The Schedule 14D-1, and any amendments thereto, may be inspected at, and copies may be obtained from, the same places and in the same manner as set forth in Section 8 of the Offer to Purchase (except that they may not be available at the regional offices of the SEC).

ATLANTIC ACQUISITION CORPORATION

January 22, 1997

Facsimile copies of the revised Letter of Transmittal or any Letter of Transmittal previously distributed by Parent and Purchaser, properly completed and duly signed, will be accepted. Any such Letter of Transmittal, certificates for the Shares and any other required documents should be sent by each shareholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depository as follows:

The Depository for the Offer is:

The Bank of New York

By Mail:
Tender & Exchange Department
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

By Facsimile Transmission:
(for Eligible Institutions Only)
(212) 815-6213

By Hand or Overnight Courier:
Tender & Exchange Department
101 Barclay Street
Receive & Deliver Window
New York, New York 10286

For Information Telephone:
(800) 507-9357

Any questions or requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective telephone numbers and locations listed below. Additional copies of the Offer to Purchase, the First Supplement, the Second Supplement, this Third Supplement, the revised Letter of Transmittal and the revised Notice of Guaranteed Delivery may be obtained from the Information Agent at its address and telephone numbers set forth below. Holders of Shares may also contact their broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

**GEORGESON
& COMPANY INC**

Wall Street Plaza
New York, NY 10005
Banks and Brokers Call Collect: (212) 440-9800
All Others Call Toll-Free: (800) 223-2064

The Dealer Managers for the Offer are:

J.P. Morgan & Co.

60 Wall Street
Mail Stop 2860
New York, New York 10260
(800) 576-5070 (toll free)

Merrill Lynch & Co.

World Financial Center
North Tower
New York, New York 10281-1305
(212) 449-8211 (call collect)

Exhibit (a)(101)

**Letter of Transmittal
To Tender Shares of Common Stock and
Series A ESOP Convertible Junior Preferred Stock
(including, in each case, the associated Common Stock Purchase Rights)
of
Conrail Inc.**

**Pursuant to the Offer to Purchase, dated October 24, 1996
as amended and supplemented by
the Supplement to the Offer to Purchase, dated November 8, 1996,
the Second Supplement to the Offer to Purchase, dated December 20, 1996
and the Third Supplement to the Offer to Purchase, dated January 22, 1997
by
Atlantic Acquisition Corporation,
a wholly owned subsidiary
of
Norfolk Southern Corporation**

**THE OFFER, WITHDRAWAL RIGHTS AND THE PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, FEBRUARY 4, 1997, UNLESS THE OFFER IS EXTENDED.**

The Depository for the Offer is:

THE BANK OF NEW YORK

By Mail:

Tender & Exchange Department
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

By Facsimile Transmission:

(for Eligible Institutions Only)
(212) 815-6213

By Hand or Overnight Courier:

Tender & Exchange Department
101 Barclay Street
Receive & Deliver Window
New York, New York 10286

For Information Telephone:
(800) 507-9357

**DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR
TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OR TELEX TRANSMISSION OTHER THAN AS
SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN
THIS LETTER OF TRANSMITTAL WHERE INDICATED BELOW AND COM-
PLETE THE SUBSTITUTE FORM W-9 PROVIDED BELOW.**

**THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL
SHOULD BE READ CAREFULLY BEFORE THIS LETTER
OF TRANSMITTAL IS COMPLETED.**

This revised Letter of Transmittal or one of the Letters of Transmittal previously delivered to shareholders is to be completed by shareholders of Conrail Inc. either if certificates evidencing Shares and/or Rights (each as defined below) are to be forwarded herewith, or if delivery of Shares and/or Rights is to be made by book-entry transfer to the Depository's account at The Depository Trust Company or the Philadelphia Depository Trust Company (each, a "Book-Entry Transfer Facility" and collectively, the "Book-Entry Transfer Facilities") pursuant to the book-entry transfer procedure described in

"Procedures for Tendering Shares" of the Offer to Purchase as supplemented by the First Supplement, the Second Supplement and the Third Supplement (each as defined below). Delivery of documents to a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

Shareholders who have previously validly tendered Shares and/or Rights pursuant to the Offer using one of the Letters of Transmittal previously delivered to shareholders or one of the Notices of Guaranteed Delivery previously delivered to shareholders and who have not properly withdrawn such Shares and/or Rights have validly tendered such Shares and/or Rights for the purposes of the Offer, as amended, and need not take any further action.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Third Supplement) holders of Shares will be required to tender one Right for each Share tendered to effect a valid tender of such Share. Until the Distribution Date (as defined in the First Supplement) occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date, a tender of Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred and separate certificates ("Rights Certificates") have been distributed by the Company (as defined below) to holders of Shares prior to the date of tender pursuant to the Offer (as defined below), Rights Certificates representing a number of Rights equal to the number of Shares being tendered must be delivered to the Depository in order for such Shares to be validly tendered. If a Distribution Date has occurred and Rights Certificates have not been distributed prior to the time Shares are tendered pursuant to the Offer, a tender of Shares without Rights constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depository within three business days after the date Rights Certificates are distributed. Purchaser (as defined below) reserves the right to require that it receive such Rights Certificates prior to accepting Shares for payment. Payment for Shares tendered and purchased pursuant to the Offer to Purchase will be made only after timely receipt by the Depository of, among other things, Rights Certificates, if such certificates have been distributed to holders of Shares. Purchaser will not pay any additional consideration for the Rights tendered pursuant to the Offer.

Shareholders whose certificates for Shares and, if applicable, Rights, are not immediately available or who cannot deliver such certificates and all other documents required hereby to the Depository prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis and who wish to tender their Shares and Rights must do so pursuant to the guaranteed delivery procedure described in "Procedures for Tendering Shares" of the Offer to Purchase as supplemented by the First Supplement, the Second Supplement and the Third Supplement. See Instruction 2.

CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITORY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

Check Box of Applicable Book-Entry Transfer Facility:

- The Depository Trust Company
 Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

CHECK HERE IF TENDERED RIGHTS ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

Check Box of Applicable Book-Entry Transfer Facility:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

CHECK HERE IF TENDERED SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

CHECK HERE IF TENDERED RIGHTS ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

DESCRIPTION OF SHARES TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Share Certificate(s) Tendered (Attach Additional List if Necessary)		
	Certificate Number(s)*	Total Number of Shares Represented By Certificate(s)	Number of Shares Tendered**
	Total Shares		

* Need not be completed by shareholders tendering by book-entry transfer.
 ** Unless otherwise indicated, it will be assumed that all Shares being delivered to the Depository are being tendered. See Instruction 4.

DESCRIPTION OF RIGHTS TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Rights Certificate(s) Tendered (Attach Additional List if Necessary)		
	Certificate Number(s)**	Total Number of Rights Represented By Certificate(s)	Number of Rights Tendered***
	Total Rights		

* If the tendered Rights are represented by separate Rights Certificates, provide the certificate numbers of such Rights Certificates. Shareholders tendering Rights which are not represented by separate certificates will need to submit an additional Letter of Transmittal if Rights Certificates are distributed.
 ** Need not be completed by shareholders tendering by book-entry transfer.
 *** Unless otherwise indicated, it will be assumed that all Rights being delivered to the Depository are being tendered. See Instruction 4.

The names and addresses of the registered holders should be printed, if not already printed above, exactly as they appear on the certificates representing Shares and/or Rights tendered hereby. The certificates and number of Shares and/or Rights that the undersigned wishes to tender should be indicated in the appropriate boxes.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.

PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation, the above described shares of common stock, par value \$1.00 per share (the "Common Shares"), or shares of Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), pursuant to Purchaser's offer to purchase up to an aggregate of 8,200,000 Shares, including, in each case, the associated Rights, at a price of \$115 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and the Third Supplement to the Offer to Purchase, dated January 22, 1997 (the "Third Supplement"), receipt of which is hereby acknowledged, and in this revised Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). Unless the context requires otherwise, all references herein to the Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights, and all references to the Rights shall include all benefits that may inure to the holders of the Rights pursuant to the Rights Agreement.

The undersigned understands that Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Shares and/or Rights tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares and Rights tendered herewith, in accordance with the terms of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares and Rights that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof or declared, paid or distributed in respect of such Shares on or after October 24, 1996 (collectively, "Distributions")), and irrevocably appoints the Depository the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares, Rights and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (individually, a "Share Certificate"), Rights and all Distributions, or transfer ownership of such Shares, Rights and all Distributions on the account books maintained by a Book-Entry Transfer Facility, together, in either case, with all accompanying evidence of transfer and authenticity to, or upon the order of Purchaser, (ii) present such Shares, Rights and all Distributions for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares, Rights and all Distributions, all in accordance with the terms of the Offer.

If, on or after October 24, 1996, the Company should declare or pay any cash or stock dividend or other distribution on (other than regular quarterly cash dividends), or issue any rights (other than the Rights), or make any distribution with respect to, the Shares that is payable or distributable to shareholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares accepted for payment pursuant to the Offer, then, subject to the provisions of Section 13 of the Offer to Purchase, (i) the purchase price per Share payable by Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) any such non-cash dividend, distribution or right to be received by the tendering shareholder will be received and held by such tendering shareholder for the account of Purchaser and will be required to be remitted promptly and transferred by each such tendering shareholder to the Depository for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance, Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by Purchaser in its sole discretion.

By executing this Letter of Transmittal, the undersigned irrevocably appoints David R. Goode, James C. Bishop, Jr. and Henry C. Wolf as proxies of the undersigned, each with full power of substitution, to the full extent of the undersigned's rights

with respect to the Shares and Rights tendered by the undersigned and accepted for payment by Purchaser (and any and all Distributic is). All such proxies shall be considered coupled with an interest in the tendered Shares and Rights. This appointment will be effective if, when, and only to the extent that, Purchaser accepts such Shares and Rights for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Shares, Rights, Distributions and other securities will, without further action, be revoked, and no subsequent proxies may be given. The individuals named above as proxies will, with respect to the Shares, Rights, Distributions and other securities for which the appointment is effective, be empowered (subject to the terms of the Voting Trust Agreement (as defined in the Offer to Purchase) so long as it shall be in effect with respect to the Shares) to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, by written consent or otherwise, and Purchaser reserves the right to require that, in order for Shares, Rights, Distributions or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares and Rights, Purchaser or Purchaser's designee must be able to exercise full voting rights with respect to such Shares and Rights.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares and Rights tendered hereby and all Distributions, that the undersigned own(s) the Shares and Rights tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that such tender of Shares complies with Rule 14e-4 under the Exchange Act, and that, when such Shares and Rights are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances, and that none of such Shares, Rights and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depository or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares and Rights tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depository for the account of Purchaser all Distributions in respect of the Shares and Rights tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares and Rights tendered hereby or deduct from such purchase price the amount or value of such Distribution as determined by Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, executors, personal and legal representatives, administrators, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable, provided that Shares and Rights tendered pursuant to the Offer may be withdrawn at any time prior to their acceptance for payment.

The undersigned understands that tenders of Shares and Rights pursuant to any one of the procedures described in "Procedures for Tendering Shares" of the Offer to Purchase, the First Supplement, the Second Supplement and the Third Supplement and in the Instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. Purchaser's acceptance for payment of Shares and Rights tendered pursuant to the Offer will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer. The undersigned recognizes that under certain circumstances set forth in the Offer, Purchaser may not be required to accept for payment any of the Shares and Rights tendered hereby.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates evidencing Shares or Rights not tendered or accepted for payment, in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered." Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates evidencing Shares or Rights not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price and/or return any certificates for Shares or Rights not purchased or not tendered or accepted for payment in the name(s) of, and mail such check and/or return such certificates to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please credit any Shares or Rights tendered hereby and delivered by book-entry transfer, but which are not purchased, by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares or Rights from the name of the registered holder(s) thereof if Purchaser does not accept for payment any of the Shares or Rights tendered hereby.

SPECIAL PAYMENT INSTRUCTIONS

(See Instructions 1, 5, 6 and 7 of this Letter of Transmittal)

To be completed ONLY if certificates for Shares and/or Rights not tendered or not purchased and/or the check for the purchase price of Shares and/or Rights purchased are to be issued in the name of someone other than the undersigned, or if Shares and/or Rights delivered by book-entry transfer which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated above.

Issue check and/or certificates to:

Name _____
(Please Print)

Address _____
(Include Zip Code)

(Taxpayer Identification or Social Security Number)
(Also Complete Substitute Form W-9 below)

- Credit unpurchased Shares and/or Rights delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below:

Check appropriate box:

- The Depository Trust Company
- Philadelphia Depository Trust Company

(Account Number)

SPECIAL DELIVERY INSTRUCTIONS

(See Instructions 1, 5, 6 and 7 of this Letter of Transmittal)

To be completed ONLY if certificates for Shares and/or Rights not tendered or not purchased and/or the check for the purchase price of Shares and/or Rights purchased are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail check and/or certificates to:

Name _____
(Please Print)

Address _____
(Include Zip Code)

SIGN HERE
(Complete Substitute Form W-9 on Reverse)

(Signature(s) of Holder(s))

Dated: _____, 199__

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Common or ESOP Preferred stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5 of this Letter of Transmittal.)

Name(s) _____
(Please Print)

Capacity (full title) _____

Address _____
(Include Zip Code)

Area Code and Telephone Number _____

Tax Identification or Social Security Number _____
(Complete Substitute Form W-9 on Reverse)

GUARANTEE OF SIGNATURE(S)
(See Instructions 1 and 5 of this Letter of Transmittal)

Authorized Signature _____

Name _____
(Please Print)

Title _____

Name of Firm _____

Address _____
(Include Zip Code)

Area Code and Telephone Number _____

Dated: _____, 199__

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm which is a bank, broker, dealer, credit union, savings association, or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program (each, an "Eligible Institution"). No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares or Rights) of Shares and/or Rights tendered herewith, unless such holder(s) has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (b) if such Shares or Rights are tendered for the account of an Eligible Institution. See Instruction 5. If a certificate evidencing Shares and/or Rights (a "Certificate") is registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made, or a Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Certificate, with the signature(s) on such Certificate or stock powers guaranteed as described above. See Instruction 5.

2. *Delivery of Letter of Transmittal and Share Certificates.* This Letter of Transmittal is to be used either if Certificates are to be forwarded herewith or if Shares and/or Rights are to be delivered by book-entry transfer pursuant to the procedure set forth in "Procedures for Tendering Shares" of the Offer to Purchase. Certificates evidencing all tendered Shares and/or Rights, or confirmation of a book-entry transfer of such Shares and/or Rights, if such procedure is available, into the Depository's account at one of the Book-Entry Transfer Facilities pursuant to the procedures set forth in "Procedures for Tendering Shares" of the Offer to Purchase, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message, as defined below) and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth on the reverse hereof prior to the Expiration Date (as defined in the Third Supplement). If Certificates are forwarded to the Depository in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. Shareholders whose Certificates are not immediately available, who cannot deliver their Certificates and all other required documents to the Depository prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Shares or Rights pursuant to the guaranteed delivery procedure described in "Procedures for Tendering Shares" of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, must be received by the Depository prior to the Expiration Date; and (iii) in the case of a guarantee of Shares or Rights, the Certificates, in proper form for transfer, or a confirmation of a book-entry transfer of such Shares or Rights, if such procedure is available, into the Depository's account at one of the Book-Entry Transfer Facilities, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by this Letter of Transmittal, must be received by the Depository within three New York Stock Exchange, Inc. trading days after the date of execution of the Notice of Guaranteed Delivery, all as described in "Procedures for Tendering Shares" of the Offer to Purchase as supplemented by the Third Supplement. The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by the Depository and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares or Rights, that such participant has received and agrees to be bound by the terms of this Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

The method of delivery of this Letter of Transmittal, Certificates and all other required documents, including delivery through any Book-Entry Transfer Facility, is at the sole option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the Depository. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares or Rights will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering shareholders waive any right to receive any notice of the acceptance of their Shares or Rights for payment.

3. *Inadequate Space.* If the space provided herein under "Description of Shares Tendered" is inadequate, the Certificate numbers, the number of Shares or Rights evidenced by such Certificates and the number of Shares or Rights tendered should be listed on a separate schedule and attached hereto.

4. *Partial Tenders.* (Not applicable to shareholders who tender by book-entry transfer.) If fewer than all the Shares or Rights evidenced by any Certificate delivered to the Depository herewith are to be tendered hereby, fill in the number of Shares or Rights which are to be tendered in the box entitled "Number of Shares Tendered." In such cases, new Certificate(s) evidencing the remainder of the Shares or Rights that were evidenced by the Certificates delivered to the Depository herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions," as soon as practicable after the expiration or termination of the Offer. All Shares or Rights evidenced by Certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

5. *Signatures on Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares or Rights tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Certificates evidencing such Shares or Rights without alteration, enlargement or any other change whatsoever.

If any Shares or Rights tendered hereby is owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares or Rights tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares or Rights tendered hereby, no endorsements of Certificates or separate stock powers are required, unless payment is to be made to, or Certificates evidencing Shares or Rights not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case, the Certificate(s) evidencing the Shares or Rights tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Certificate(s). Signatures on such Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares or Rights tendered hereby, the Share or Rights Certificate(s) evidencing the Shares or Rights tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Certificate(s). Signatures on such Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Certificate(s) or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of such person's authority so to act must be submitted.

6. *Stock Transfer Taxes.* Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Shares or Rights to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares or Rights purchased is to be made to, or Certificate(s) evidencing Shares or Rights not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares or Rights purchased, unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Certificate(s) evidencing the shares tendered hereby.

7. *Special Payment and Delivery Instructions.* If a check for the purchase price of any Shares or Rights tendered hereby is to be issued, or Certificate(s) evidencing Shares or Rights not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Shares Tendered," the appropriate boxes on this Letter of Transmittal must be completed. Shareholders tendering Shares or Rights by book-entry transfer may request that Shares or Rights not purchased be credited to such account maintained at a Book-Entry Transfer Facility as such shareholder may designate in the box entitled "Special Payment Instructions" on the reverse hereof. If no such instructions are given, all such Shares or Rights not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated on the reverse hereof as the account from which such Shares or Rights were delivered.

8. *Requests for Assistance or Additional Copies.* Requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, the First Supplement, the Second Supplement, the Third Supplement, this Letter of Transmittal, the revised Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Information Agent or the Dealer Managers or from brokers, dealers, commercial banks or trust companies.

9. *Substitute Form W-9.* Each tendering shareholder is required to provide the Depository with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalties of perjury, that such number is correct and that such shareholder is not subject to backup withholding of federal income tax. If a tendering shareholder has been notified by the Internal Revenue Service that such shareholder is subject to backup withholding, such shareholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such shareholder has since been notified by the Internal Revenue Service that such shareholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to 31% federal income tax withholding on the payment of the purchase price of all Shares or Rights purchased from such shareholder. If the tendering shareholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such shareholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depository is not provided with a TIN within 60 days, the Depository will withhold 31% on all payments of the purchase price to such shareholder until a TIN is provided to the Depository.

10. *Lost, Destroyed or Stolen Certificates.* If any certificate(s) representing Shares or Rights has been lost, destroyed or stolen, the shareholder should promptly notify the Depository. The shareholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: This Letter of Transmittal (or facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (together with share certificates or confirmation of book-entry transfer and all other required documents) or a properly completed and duly executed Notice of Guaranteed Delivery must be received by the Depository prior to the Expiration Date (as defined in the Third Supplement).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a shareholder whose tendered Shares or Rights are accepted for payment is required by law to provide the Depository (as payer) with such shareholder's correct TIN on Substitute Form W-9 below. If such shareholder is an individual, the TIN is such shareholder's social security number. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder with respect to Shares or Rights purchased pursuant to the Offer may be subject to backup withholding of 31%.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies with respect to a shareholder, the Depository is required to withhold 31% of any payments made to such shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares or Rights purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN), and (b) that (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is

subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding.

What Number to Give the Depository

The shareholder is required to give the Depository the social security number or employer identification number of the record holder of the Shares or Rights tendered hereby. If the Shares or Rights are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depository is not provided with a TIN within 60 days, the Depository will withhold 31% of all payments of the purchase price to such shareholder until a TIN is provided to the Depository.

PAYER'S NAME: The Bank of New York, as Depository		
SUBSTITUTE Form W-9 Department of the Treasury Internal Revenue Service	Part I — PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number OR
		Employer Identification Number
		(If awaiting TIN write "Applied For")
Payer's Request for Taxpayer Identification Number (TIN)	PART II — For Payees Exempt From Backup Withholding, see the enclosed Guidelines and complete as instructed therein. Certification — Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ("IRS") or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number), and (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends or (c) the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATE INSTRUCTIONS — You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)	
SIGNATURE _____ DATE _____, 199_		

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

Questions and requests for assistance or additional copies of the Offer to Purchase the First Supplement, the Second Supplement, the Third Supplement, this Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Managers as set forth below:

The Information Agent for the Offer is:

**GEORGESON
& COMPANY INC**

Wall Street Plaza
 New York, New York 10005
 (800) 223-2064 (Toll-Free)
 Banks and Brokers Call: (212) 440-9800 (Collect)

The Dealer Managers for the Offer are:

J.P. Morgan & Co.

60 Wall Street
 Mail Stop 2860
 New York, New York 10260
 (800) 576-5070 (toll free)

Merrill Lynch & Co.

World Financial Center
 North Tower
 New York, New York 10281-1305
 (212) 449-8211 (call collect)

Exhibit (a)(102)

Notice of Guaranteed Delivery
for
Tender of Shares of
Common Stock and Series A ESOP Convertible Junior Preferred Stock
(including, in each case, the associated Common Stock Purchase Rights)
of
Conrail Inc.
to
Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation
(Not To Be Used For Signature Guarantees)

This revised Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates ("Share Certificates") evidencing shares of common stock, par value \$1.00 per share (the "Common Shares"), or shares of Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), are not immediately available, (ii) time will not permit all required documents to reach The Bank of New York, as Depository (the "Depository"), prior to the Expiration Date (as defined in the Third Supplement to the Offer to Purchase, dated January 22, 1997 (the "Third Supplement")) or (iii) the procedure for book-entry transfer cannot be completed on a timely basis. All references herein to the Common Shares, ESOP Preferred Shares or Shares include the associated Rights. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository. See "Procedures for Tendering Shares" of the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and the Third Supplement.

The Depository for the Offer is:

THE BANK OF NEW YORK

By Mail:

Tender & Exchange Department
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

By Facsimile Transmission:

(for Eligible Institutions Only)
(212) 815-6213

*By Hand or by
Overnight Delivery:*

Tender & Exchange Department
101 Barclay Street
Receive and Deliver Window
New York, New York 10286

For Information Telephone:
(800) 507-9357

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to Atlantic Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, the First Supplement, the Second Supplement, the Third Supplement, and the revised Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares and Rights specified below pursuant to the guaranteed delivery procedures described in "Procedures for Tendering Shares" of the Offer to Purchase, the First Supplement, the Second Supplement, and the Third Supplement.

Number of Shares (including the associated Rights): _____

Name(s) of Record Holder(s) _____

(Please Type or Print)

Address(es): _____ (Include Zip Code)

Area Code and Telephone Number: _____

Certificate Number(s) (if available) _____

Check ONE box if Shares or Rights will be tendered by book-entry transfer:

- The Depository Trust Company
- Philadelphia Depository Trust Company

Signature(s): _____

Account Number _____

Dated _____, 199__

GUARANTEE

(Not To Be Used For Signature Guarantee)

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, hereby (a) represents that the tender of Shares effected hereby complies with Rule 14e-4 of the Securities Exchange Act of 1934, as amended, and (b) guarantees delivery to the Depository, at one of its addresses set forth above, of certificates evidencing the Shares and Rights tendered hereby in proper form for transfer, or confirmation of book-entry transfer of such Shares and Rights into the Depository's accounts at The Depository Trust Company or the Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed revised Letter of Transmittal or other Letter of Transmittal previously delivered to shareholders by Parent and Purchaser (or any facsimile thereof) with any required signature guarantees, or an Agent's Message (as defined in "Acceptance for Payment and Payment for Shares" of the Offer to Purchase), and any other documents required by the revised Letter of Transmittal, (x) in the case of Shares, within three New York Stock Exchange, Inc. trading days after the date of execution of this revised Notice of Guaranteed Delivery, or (y) in the case of Rights, within a period ending the later of (i) three New York Stock Exchange, Inc. trading days after the date of execution of this revised Notice of Guaranteed Delivery or (ii) three business days after the date Rights Certificates are distributed to shareholders.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the revised Letter of Transmittal or other Letter of Transmittal previously delivered to shareholders by Parent and Purchaser (or any facsimile thereof) and certificates for Shares and Rights to the Depository within the time period shown herein. Failure to do so could result in financial loss to such Eligible Institution.

Name of Firm: _____
(Authorized Signature)

Address: _____
(Include Zip Code)

Area Code and
Telephone Number: _____

Name: _____
(Please Type or Print)

Title: _____

Date _____, 199__

NOTE: DO NOT SEND CERTIFICATES FOR SHARES OR RIGHTS WITH THIS NOTICE. SUCH CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

Exhibit (a)(103)

**Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation**

**Has Amended Its
Offer to Purchase for Cash
and is Now Offering to
Purchase up to an Aggregate of 8,200,000 Shares**

**of
Common Stock and Series A ESOP Convertible Junior Preferred Stock
(including, in each case, the associated Common Stock Purchase Rights)
of
Conrail Inc.
at**

\$115 NET PER SHARE

**THE OFFER, WITHDRAWAL RIGHTS AND THE PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, FEBRUARY 4, 1997, UNLESS THE OFFER IS EXTENDED.**

January 22, 1997

*To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:*

We have been engaged by Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to act as Dealer Managers in connection with Purchaser's offer to purchase up to an aggregate of 8,200,000 shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated July 19, 1989, by and between the Company and First Chicago Trust Company of New York, as Rights Agent (as amended, the "Rights Agreement"), at a price of \$115 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), the Third Supplement to the Offer to Purchase, dated January 22, 1997 (the "Third Supplement"), and the revised Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). The Third Supplement and the revised Letter of Transmittal are enclosed herewith.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Third Supplement), holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the First Supplement) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to the number of Shares tendered must be delivered to the Depository (as defined in the Offer to Purchase) or, if available, a

Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depository with respect thereto. If the Distribution Date has occurred and Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Offer, Rights may be tendered prior to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a tender of Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depository within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depository receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the relating Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Offer and such shareholder's Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the revised Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

The Offer, as amended, is no longer subject to the Minimum Condition, the Subchapter F Condition, the Rights Condition, or the CSX Termination Condition.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Third Supplement to the Offer to Purchase, dated January 22, 1997;
2. Revised Letter of Transmittal to be used by holders of Shares and Rights in accepting the Offer and tendering Shares and/or Rights;
3. Revised Notice of Guaranteed Delivery to be used to accept the Offer if the certificates evidencing such Shares and/or Rights are not immediately available or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis;
4. A revised letter which may be sent to your clients for whose accounts you hold Shares and/or Rights registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;
5. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. Return envelope addressed to the Depository.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will purchase, by accepting for payment, and will pay for, up to an aggregate of 8,200,000 Shares (and, if applicable, Rights) validly tendered prior to the Expiration Date promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in "Conditions of the Offer" of the Offer to Purchase as supplemented by the First Supplement, the Second Supplement and the Third Supplement. For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares and Rights if, as and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance of such Shares and Rights for payment. In all cases, payment for Shares and Rights purchased pursuant to the Offer will be made only after timely receipt by the Depository of (i) the certificates evidencing such Shares and Rights or timely confirmation of a book-entry transfer of such Shares and Rights, if such procedure is available, into the Depository's account at The Depository Trust Company or the Philadelphia Depository Trust Company pursuant to the procedures set forth in "Procedures for Tendering Shares" of the Offer to Purchase, as supplemented by the First Supplement, the Second Supplement and the Third Supplement, (ii) the revised Letter of Transmittal delivered herewith or one of the Letters of Transmittal previously delivered to you (or any facsimiles of such Letters of Transmittal), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the revised Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Managers and the Information Agent as described in "Fees and Expenses" of the Offer to Purchase) in connection with the solicitation of tenders of Shares and Rights pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the revised Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER, WITHDRAWAL RIGHTS AND PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, FEBRUARY 4, 1997, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Depository, and certificates evidencing the tendered Shares or Rights should be delivered or such Shares and/or Rights should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the revised Letter of Transmittal, the Offer to Purchase, the First Supplement, the Second Supplement and the Third Supplement.

If holders of Shares and/or Rights wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures specified under "Procedures for Tendering Shares" of the Offer to Purchase as supplemented by the First Supplement, the Second Supplement and the Third Supplement.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Managers or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase, the First Supplement, the Second Supplement or the Third Supplement.

Additional copies of the enclosed materials may be obtained from J.P. Morgan Securities Inc. at 60 Wall Street, New York, New York 10260, telephone (800) 576-5070 (Toll Free), Merrill Lynch & Co. at World Financial Center, North Tower, New York, New York 10281-1305, telephone (212) 449-8211 (Collect) or the Information Agent, Georgeson & Company Inc. at Wall Street Plaza, New York, New York 10005, telephone (800) 223-2064 (Toll Free).

Very truly yours,

J.P. Morgan & Co.

Merrill Lynch & Co.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PARENT, PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGERS, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

Exhibit (a)(104)

Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation
Has Amended Its
Offer to Purchase for Cash
and is Now Offering to
Purchase up to an Aggregate of 8,200,000 Shares
of
Common Stock and Series A ESOP Convertible Junior Preferred Stock
(including, in each case, the associated Common Stock Purchase Rights)
of
Conrail Inc.
at
\$115 NET PER SHARE

**THE OFFER, WITHDRAWAL RIGHTS AND THE PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, FEBRUARY 4, 1997, UNLESS THE OFFER IS EXTENDED.**

January 22, 1997

To Our Clients:

Enclosed for your consideration is the Third Supplement to the Offer to Purchase, dated January 22, 1997 (the "Third Supplement"), to the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), the Second Supplement to the Offer to Purchase, dated December 20, 1996 (the "Second Supplement"), and the revised Letter of Transmittal (which, as amended from time to time, collectively constitute the "Offer") in connection with the offer by Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to purchase up to an aggregate of 8,200,000 shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), at a price of \$115 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer. All references herein to the Common Shares, ESOP Preferred Shares or Shares shall, unless the context otherwise requires, include the associated Rights.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Third Supplement), holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the First Supplement) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and Rights Certificates (as defined in the Offer to Purchase) have been

distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to the number of Shares tendered must be delivered to the Depository (as defined in the Offer to Purchase) or, if available, a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depository with respect thereto. If the Distribution Date has occurred and Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Offer, Rights may be tendered prior to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a tender of Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depository within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depository receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the related Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Offer and such shareholder's Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the revised Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

THE MATERIAL IS BEING SENT TO YOU AS THE BENEFICIAL OWNER OF SHARES HELD BY US FOR YOUR ACCOUNT BUT NOT REGISTERED IN YOUR NAME. WE ARE THE HOLDER OF RECORD OF SHARES HELD BY US FOR YOUR ACCOUNT. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE REVISED LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Shares held by us for our account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is \$115 per Share, net to the seller in cash.
2. The Offer, withdrawal rights and the proration period will expire at 12:00 Midnight, New York City time, on Tuesday, February 4, 1997, unless the Offer is extended.
3. The Offer is being made for up to an aggregate of 8,200,000 Shares. Following completion of the Offer, Purchaser intends to promptly commence a second tender offer to purchase all outstanding Shares not owned by Purchaser at a price of \$115 per Share, net to the seller in cash, without interest thereon, upon essentially the same terms and conditions set forth in the Offer to Purchase, as previously amended and supplemented by the First Supplement and the Second Supplement.
4. Purchaser has eliminated all conditions of the Offer.
5. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the revised Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer.

The Offer is made solely by the Offer to Purchase, the First Supplement, the Second Supplement, the Third Supplement and the revised Letter of Transmittal and is being made to all holders of Shares. Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form contained in this letter. An envelope in which to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth in this letter. **YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.**