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rating in effect at any date is that in effect at the close of business on such date. In the event of split ratings from Moody's and S&P, (i) if the ratings are one full rating category apart, Status shall be determined by the higher of the two ratings (unless the lower of such two ratings is BB+ (Ba1) or lower, in which case Status shall be determined by the lower of such two ratings) and (ii) if the ratings are more than one full rating category apart, Status shall be determined based on the rating at the midpoint between the two ratings, provided that if there is no rating at the midpoint between the two ratings, the higher of the two intermediate ratings (unless the lower of such two ratings is BB+ (Ba1) or lower, in which case Status shall be determined by the lower of such two ratings) shall apply (e.g., BBB+/Baa2 results in Level I Status, BBB+/Baa3, BBB/Baa3 and BBB+/Ba1 all result in Level II Status while BBB-/Ba1 and BBB/Ba2 result in Level IV Status).

**VOTING TRUST AGREEMENT
(VTA-3)**

THIS VOTING TRUST AGREEMENT, dated as of February 10, 1997, by and among Norfolk Southern Corporation, a Virginia corporation ("Parent"), Atlantic Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of Parent ("Acquiror"), and the First American National Bank (the "Trustee").

W I T N E S S E T H:

WHEREAS, Atlantic Investment Company, a Delaware corporation and a wholly owned subsidiary of Parent ("AIC"), owns on the date hereof 100 shares of common stock, \$1.00 par value ("Common Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company").

WHEREAS, Acquiror has commenced a tender offer (the "Tender Offer") to acquire up to an aggregate of 8,200,000 additional (i) Common Shares, and (ii) shares of Series A ESOP Convertible Junior Preferred Stock, no par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), including, in each case, the associated Common Stock Purchase Rights issued pursuant to the Rights Agreement, dated as of July 19, 1989, between the Company and First Chicago Trust Company of New York, as Rights Agent at a price of \$115 per Share, net to the seller in cash, and, following consummation of the tender offer, intends to commence a second tender offer to acquire all outstanding Shares not owned by Acquiror at a price of \$115 per Share, net to the seller in cash (the "Second Tender Offer" and, collectively with the Tender Offer, the "Tender Offers").

WHEREAS, Shares acquired (the "Acquired Shares") pursuant to the Tender Offer and the Second Tender Offer may be sufficient to empower the Parent or the Acquiror to control the Company.

WHEREAS, the Acquiror wishes to deposit all Acquired Shares with the acceptance for payment of such Acquired Shares pursuant to the Tender Offers, or otherwise, to deposit such Shares in an independent, irrevocable voting trust, pursuant to the rules of the Surface Transportation Board (the "STB"), in order to avoid any allegation or assertion that the Parent or the Acquiror is controlling or has the power to control the Company prior to the receipt of any required STB approval or exemption;

WHEREAS, the Parent intends to place the common stock of the Acquiror in such voting trust at or immediately prior to a merger or other combination (the "Merger") of the Acquiror with the Company pursuant to an Agreement and Plan of Merger to be entered into by and among the Parent, the Acquiror and the Company, as it may be amended from time to time (the "Acquisition Agreement"), in order to avoid any allegation or assertion that the Merger would result in the Parent controlling or having the power to control the Company prior to receipt of any required STB approval;

WHEREAS, neither the Trustee nor any of its affiliates has any officers or board members in common or any direct or indirect business arrangements or dealings (as described in Paragraph 9 hereof) with the Parent or the Acquiror or any of their affiliates; and

WHEREAS, the Trustee is willing to act as voting trustee pursuant to the terms of this Trust Agreement and the rules of the STB,

NOW THEREFORE, the parties hereto agree as follows:

1. Creation of Trust--The Parent and the Acquiror hereby appoint the First American National Bank as Trustee hereunder, and the Bank hereby accepts said appointment and agrees to act as Trustee under this Trust Agreement as provided herein.

2. Trust Is Irrevocable--This Trust Agreement and the nomination of the Trustee during the term of the trust shall be irrevocable by the Parent and the Acquiror and their affiliates and shall terminate only in accordance with, and to the extent of, the provisions of Paragraphs 8 and 14 hereof.

3. Deposit of Trust Stock--The Parent and the Acquiror agree that, prior to acceptance of any Acquired Shares purchased pursuant to each of the Tender Offers, the Acquiror will direct the depositaries for the Tender Offers to transfer to the Trustee any such Acquired Shares purchased pursuant to the Tender Offers. The Parent and the Acquiror also agree

that simultaneously with receipt, acquisition or purchase of any additional Shares by either of them, directly or indirectly, or by any of their affiliates, they will transfer to the Trustee the certificate or certificates for such Shares. All such certificates shall be duly endorsed or accompanied by proper instruments duly executed for transfer thereof to the Trustee or otherwise validly and properly transferred, and shall be exchanged for one or more Voting Trust Certificates substantially in the form attached hereto as Exhibit A (the "Trust Certificates"), with the blanks therein appropriately filled in. All Shares at any time delivered to the Trustee hereunder are called the "Trust Stock." The Trustee shall present to the Company all certificates representing Trust Stock for surrender and cancellation and for the issuance and delivery to the Trustee of new certificates registered in the name of the Trustee or its nominee.

Parent agrees that, at or immediately prior to the Merger, it will transfer to the Trustee all issued and outstanding shares of the common stock of the Acquiror owned by the Parent, which certificates shall be duly endorsed or accompanied by proper instruments duly executed for transfer thereof to the Trustee, in exchange for one or more Voting Trust Certificates substantially in the form attached hereto as Exhibit B (the "Acquiror Trust Certificates"), with the blanks therein appropriately filled. All shares of the common stock of the Acquiror at any time delivered to the Trustee hereunder are hereinafter called the "Acquiror Trust Stock." The Trustee shall present to the Acquiror all certificates representing the Acquiror Trust Stock for surrender and cancellation by the Acquiror, and for the issuance and delivery to the Trustee of new certificates registered in the name of the Trustee or its nominee.

4. Powers of Trustee--The Trustee shall be present, in person or represented by proxy, at all annual and special meetings of shareholders of the Company so that all Trust Stock may be counted for the purposes of determining the presence of a quorum at such meetings. The Trustee shall exercise all voting rights in respect of the Trust Stock to approve and effect the Merger (including, without limitation, by means of a "short-form" merger pursuant to Section 1924(b)(ii) of the Pennsylvania Business Corporation Law), and in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Parent and Acquiror's acquisition of the Company, pursuant to the Acquisition Agreement, and without limiting the generality of the foregoing, if there shall be with respect to the Board of Directors of the Company an "Election Contest" as defined in the Proxy Rules of the Securities and Exchange Commission (the "SEC"), in which one slate of nominees shall support the effectuation of the Merger and another oppose it, vote in favor of the removal of any directors opposing the Merger and in favor of the election of the slate supporting the effectuation of the Merger. In addition, for so long as the Acquisition Agreement is in effect, the Trustee shall exercise all voting rights in respect of the Trust Stock, to cause any other proposed merger, business combination or similar transaction (including, without limitation, any consolidation, sale or purchase of assets, reorganization, recapitalization, liquidation or winding up of or by the Company) involving the Company, but not involving the Parent or one of its subsidiaries or affiliates (otherwise than in connection with a disposition pursuant to Paragraph 8), not to be effected. In addition, the Trustee shall exercise all voting rights in respect of the Trust Stock in favor of any proposal or action necessary or desirable to dispose of Trust Stock in accordance with Paragraph 8 hereof. Except as provided in the three immediately preceding sentences or in Paragraph 5 hereof, the Trustee shall vote all shares of Trust Stock with respect to all matters, including without limitation the election or removal of directors, voted on by the shareholders of the Company (whether at a regular or special meeting or pursuant to a unanimous written consent) in accordance with its best judgment concerning the interests of the Company. In exercising its voting rights in accordance with this Paragraph 4, the Trustee shall take such actions at all annual, special or other meetings of stockholders of the Company or in connection with any and all consents of shareholders in lieu of a meeting.

5. Further Provisions Concerning Voting of Trust Stock--The Trustee shall be entitled and it shall be its duty to exercise any and all voting rights in respect of the Trust Stock either in person or by proxy, as hereinafter provided (including without limitation Paragraphs 4 and 8(b) hereof), unless otherwise directed by the STB or a court of competent jurisdiction. Subject to Paragraph 4, the Trustee shall not exercise the voting powers of the Trust Stock in any way so as to create any dependence or intercorporate relationship between (i) any or all of the Parent, the Acquiror and their affiliates, on the one hand, and (ii) the Company or its affiliates, on the other hand. The term "affiliate" or "affiliates" wherever used in this Trust Agreement shall have the meaning specified in Section 11323(c) of Title 49 of the United States Code, as amended. The Trustee shall not, without the prior approval of the STB, vote the Trust Stock to elect any officer, director, nominee or representative of the Parent, the Acquiror or their affiliates as an officer or director of the Company or of any affiliate of the Company. The Trustee shall be kept informed respecting the business operations of the Company by means of the financial statements and other public disclosure documents periodically filed by the Company and affiliates of the Company with the SEC and the STB, and by means of information respecting the Company contained in such statements and other documents filed by the Parent with the SEC and the STB, copies of which shall be promptly furnished to the Trustee by the Company or the Parent, as the case may be, and the Trustee shall be fully protected in relying upon such information. The Trustee shall not be liable for any mistakes of fact or law or any error of judgment, or for any act or omission, except as a result of the

Trustee's willful misconduct or gross negligence. Notwithstanding the foregoing provisions of this Paragraph 5, however, the registered holder of any Trust Certificate may at any time with the prior written approval of Parent--but only with the prior written approval of the STB--instruct the Trustee in writing to vote the Trust Stock represented by such Trust Certificate in any manner, in which case the Trustee shall vote such shares in accordance with such instructions.

6. Transfer of Trust Certificates--All Trust Certificates shall be transferable on the books of the Trustee by the registered holder upon the surrender thereof properly assigned, in accordance with rules from time to time established for the purpose by the Trustee. Until so transferred, the Trustee may treat the registered holder as owner for all purposes. Each transferee of a Trust Certificate issued hereunder shall, by his acceptance thereof, assent to and become a party to this Trust Agreement, and shall assume all attendant rights and obligations.

7. Dividends and Distributions--Pending the termination of this Trust as hereinafter provided, the Trustee shall, immediately following the receipt of each cash dividend or cash distribution as may be declared and paid upon the Trust Stock, pay the same over upon the order of Acquiror to the registered holders of the Trust Certificates in proportion to their respective interests. The Trustee shall receive and hold dividends and distributions other than cash upon the same terms and conditions as the Trust Stock and shall issue Trust Certificates representing any new or additional securities that may be paid as dividends or otherwise distributed upon the Trust Stock to the registered holders of Trust Certificates in proportion to their respective interests.

8. Disposition of Trust Stock; Termination of Trust--(a) This Trust is accepted by the Trustee subject to the right hereby reserved in the Parent at any time to sell or make any other disposition of the whole or any part of the Trust Stock, whether or not an event described in subparagraph (b) below has occurred. The Trustee shall take all actions reasonably requested by the Parent (including, without limitation, exercising all voting rights in respect of Trust Stock in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of or with respect to any proposed sale or other disposition of the whole or any part of the Trust Stock by the Acquiror or Parent that is otherwise permitted pursuant to this Paragraph 8. In the event of a permitted sale of Trust Stock by the Acquiror, the Trustee shall, to the extent the consideration therefor is payable to or controllable by the Trustee, promptly pay, or cause to be paid, upon the order of the Acquiror the net proceeds of such sale to the registered holders of the Trust Certificates in proportion to their respective interests. It is the intention of this Paragraph that no violation of 49 U.S.C. Section 11323 will result from a termination of this Trust

(b) In the event the STB by final order shall (i) approve or exempt the acquisition of control of the Company by the Acquiror, the Parent or any of their affiliates or (ii) approve or exempt a merger or similar business combination between the Company and the Acquiror, the Parent or any of their affiliates, then immediately upon the direction of the Parent and the delivery of a certified copy of such order of the STB or other governmental authority with respect thereof, or, in the event that Subtitle IV of Title 49 of the United States Code, or other controlling law, is amended to allow the Acquiror, the Parent or their affiliates to acquire control of the Company without obtaining STB or other governmental approval, upon delivery of an opinion of independent counsel selected by the Trustee that no order of the STB or other governmental authority is required, the Trustee shall either (x) transfer upon the order of Acquiror to the registered holders of the Trust Certificates in proportion to their respective interests, its right, title and interest in and to all of the Trust Stock then held by it in accordance with the terms, conditions and agreements of this Trust Agreement and not theretofore transferred by it as provided in subparagraph (a) hereof, or (y) if shareholder approval has not previously been obtained, vote the Trust Stock with respect to any such merger or similar business combination between the Company and the Acquiror, the Parent or any affiliate of either as directed by the holder or holders of a majority in interest of the Trust Certificates, and upon any such transfer, merger or similar business combination this Trust shall cease and come to an end.

(c) In the event that the STB should issue an order denying, or approving subject to conditions unacceptable to the Parent, any application or petition by the Acquiror, the Parent or their affiliates to merge with or otherwise exercise control over the Company or the surviving corporation in the Merger, and such order becomes final after judicial review or failure to appeal, Parent shall use its best efforts to sell, distribute or otherwise to dispose of the Trust Stock or all of the assets of the Company or the surviving corporation in the Merger, to one or more eligible purchasers, during a period of two years after such order becomes final after judicial review or failure to appeal, and subject to any jurisdiction of the STB to oversee Parent's divestiture of Trust Stock. At all times, the Trustee shall continue to perform its duties under this Trust Agreement and, should Parent be unsuccessful in its efforts to sell or distribute the Trust Stock during the period referred to, the Trustee shall then as soon as practicable sell the Trust Stock for cash to eligible purchasers in such manner and for such price as the

Trustee in its discretion shall deem reasonable after consultation with Parent. (An "eligible purchaser" hereunder shall be a person or entity that is not affiliated with Parent and which has all necessary regulatory authority, if any, to purchase the Trust Stock.) Parent agrees to cooperate with the Trustee in effecting such disposition and the Trustee agrees to act in accordance with any direction made by Parent as to any specific terms or method of disposition, to the extent not inconsistent with any of the terms of this Trust Agreement and with the requirements of the terms of any STB or court order. The proceeds of the sale shall be distributed upon the order of Acquiror to the registered holders of the Trust Certificates in proportion to their respective interests. The Trustee may, in its reasonable discretion, require the surrender to it of the Trust Certificates hereunder before paying to the holder his share of the proceeds. Upon disposition of all the Trust Stock pursuant to this paragraph 8(c), this Trust shall cease and come to an end.

(d) Unless sooner terminated pursuant to any other provision herein contained, this Trust Agreement shall terminate on December 31, 2016, and may be extended by the parties hereto, so long as no violation of 49 U.S.C. Section 11323 will result from such termination or extension. All Trust Stock and any other property held by the Trustee hereunder upon such termination shall be distributed upon the order of Acquiror to the registered holders of the Trust Certificates in proportion to their respective interests. The Trustee may, in its reasonable discretion, require the surrender to it of the Trust Certificates hereunder before the release or transfer of the stock interests evidenced thereby.

(e) The Trustee shall promptly inform the STB of any transfer or disposition of Trust Stock pursuant to this Paragraph 8.

(f) Except as expressly provided in this Paragraph 8, the Trustee shall not dispose of, or in any way encumber, the Trust Stock, and any transfer, sale or encumbrance in violation of the foregoing shall be null and void.

9. Independence of the Trustee--Neither the Trustee nor any affiliate of the Trustee may have (i) any officers, or members of their respective boards of directors, in common with the Acquiror, the Parent, or any affiliate of either, or (ii) any direct or indirect business arrangements or dealings, financial or otherwise, with the Acquiror, the Parent or any affiliate of either, other than dealings pertaining to the establishment and carrying out of this voting trust. Mere investment in the stock or securities of the Acquiror or the Parent or any affiliate of either by the Trustee, short of obtaining a controlling interest, will not be considered a proscribed business arrangement or dealing, but in no event shall any such investment by the Trustee in voting securities of the Acquiror, the Parent or their affiliates exceed five percent of their outstanding voting securities and in no event shall the Trustee hold a proportion of such voting securities so substantial as to permit the Trustee in any way to control or direct the affairs of the Acquiror, the Parent or their affiliates. Neither the Acquiror, the Parent nor their affiliates shall purchase the stock or securities of the Trustee or any affiliate of the Trustee.

10. Compensation of the Trustee--The Trustee shall be entitled to receive reasonable and customary compensation for all services rendered by it as Trustee under the terms hereof and said compensation to the Trustee, together with all counsel fees, taxes, or other expenses reasonably incurred hereunder, shall be promptly paid by the Acquiror or the Parent.

11. Trustee May Act Through Agents--The Trustee may at any time or from time to time appoint an agent or agents and may delegate to such agent or agents the performance of any administrative duty of the Trustee.

12. Concerning the Responsibilities and Indemnification of the Trustee--The Trustee shall not be answerable for the default or misconduct of any agent or attorney appointed by it in pursuance hereof if such agent or attorney has been selected with reasonable care. The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust Agreement. The Trustee shall not be responsible for the sufficiency or the accuracy of the form, execution, validity or genuineness of the Trust Stock, or of any documents relating thereto, or for any lack of endorsement thereon, or for any description therein, nor shall the Trustee be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such Trust Stock or document or endorsement or this Trust Agreement, except for the execution and delivery of this Trust Agreement by this Trustee. The Acquiror and the Parent agree that they will at all times protect, indemnify and save harmless the Trustee from any loss, cost or expense of any kind or character whatsoever in connection with this Trust except those, if any, growing out of the gross negligence or willful misconduct of the Trustee, and will at all times themselves undertake, assume full responsibility for, and pay all costs and expense of any suit or litigation of any character, including any proceedings before the STB, with respect to the Trust Stock of this Trust Agreement, and if the Trustee shall be made a party thereto, the Acquiror or the Parent will pay all costs and expenses, including reasonable counsel fees, to which the Trustee may be subject by reason thereof; provided, however, that the Acquiror and the Parent shall not be responsible for the cost and expense of any suit that the Trustee shall settle without

first obtaining the Parent's written consent. The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted or suffered by the Trustee hereunder in good faith and in accordance with such opinion.

13. Trustee to Give Account to Holders--To the extent requested to do so by the Acquiror or any registered holder of a Trust Certificate, the Trustee shall furnish to the party making such request full information with respect to (i) all property theretofore delivered to it as Trustee, (ii) all property then held by it as Trustee, and (iii) all actions theretofore taken by it as Trustee.

14. Resignation, Succession, Disqualification of Trustee--The Trustee, or any trustee hereafter appointed, may at any time resign by giving sixty days' written notice of resignation to the Parent and the STB. The Parent shall at least fifteen days prior to the effective date of such notice appoint a successor trustee which shall (i) satisfy the requirements of Paragraph 9 hereof and (ii) be a corporation organized and doing business under the laws of the United States or of any State thereof and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If no successor trustee shall have been appointed and shall have accepted appointment at least fifteen days prior to the effective date of such notice of resignation, the resigning Trustee may petition any competent authority or court of competent jurisdiction for the appointment of a successor trustee. Upon written assumption by the successor trustee of the Trustee's powers and duties hereunder, a copy of the instrument of assumption shall be delivered by the Trustee to the Parent and the STB and all registered holders of Trust Certificates shall be notified of its assumption, whereupon the Trustee shall be discharged of the powers and duties of the Trustee hereunder and the successor trustee shall become vested with such powers and duties. In the event of any material violation by the Trustee of the terms and conditions of this Trust Agreement, the Trustee shall become disqualified from acting as trustee hereunder as soon as a successor trustee shall have been selected in the manner provided by this paragraph.

15. Amendment--Subject to the requirements of the Acquisition Agreement, this Trust Agreement may from time to time be modified or amended by agreement executed by the Trustee, the Acquiror (if executed prior to the Merger), the Parent and all registered holders of the Trust Certificates (i) pursuant to an order of the STB, (ii) with the prior approval of the STB, (iii) in order to comply with any order of the STB or (iv) upon receipt of an opinion of counsel satisfactory to the Trustee and the holders of Trust Certificates that an order of the STB approving such modification or amendment is not required and that the amendment is consistent with the STB's regulations regarding voting trusts.

16. Governing Law; Powers of the STB--The provisions of this Trust Agreement and of the rights and obligations of the parties hereunder shall be governed by the laws of the State of Tennessee, except that to the extent any provision hereof may be found inconsistent with subtitle IV, title 49, United States Code or regulations promulgated thereunder, such statute and regulations shall control and such provision hereof shall be given effect only to the extent permitted by such statute and regulations. In the event that the STB shall, at any time hereafter by final order, find that compliance with law requires any other or different action by the Trustee than is provided herein, the Trustee shall act in accordance with such final order instead of the provisions of this Trust Agreement.

17. Counterparts--This Trust Agreement may be executed in counterparts, each of which shall constitute an original, and one of which shall be held by each of the Parent and the Acquiror and two shall be held by the Trustee, one of which shall be subject to inspection by holders of Trust Certificates on reasonable notice during business hours.

18. Filing With the STB--A copy of this Agreement and any amendments or modifications thereto shall be filed with the STB by the Acquiror.

19. Successors and Assigns--This Trust Agreement shall be binding upon the successors and assigns to the parties hereto, including without limitation successors to the Acquiror and the Parent by merger, consolidation or otherwise. The parties agree that the Company shall be an express third party beneficiary of this Trust Agreement. Except as otherwise expressly set forth herein, any consent required from the Company hereunder shall be granted or withheld in the Company's sole discretion.

20. Succession of Functions--The term "STB" includes any successor agency or governmental department that is authorized to carry out the responsibilities now carried out by the STB with respect to the consideration of the consistency with the public interest of rail mergers and combinations, the regulation of voting trusts in respect of the acquisition of securities

of rail carriers or companies controlling them, and the exemption of approved rail mergers and combinations from the antitrust laws.

21. Notices--Any notice which any party hereto may give to the other hereunder shall be in writing and shall be given by hand delivery, or by first class registered mail, or by overnight courier service, or by facsimile transmission confirmed by one of the aforesaid methods, sent,

If to Purchaser or Acquiror, to

Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510
Attention: Vice President--Law

If to the Trustee, to

First American National Bank
First American Center
300 Union Street
Nashville, Tennessee 37237-0404
Attention: Corporate Trust Department

And if to the holders of Trust Certificates, to them at their addresses as shown on the records maintained by the Trustee.

22. Remedies--Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to an order compelling specific performance of this Agreement in any action instituted in any state or federal court sitting in Nashville, Tennessee. Each party hereto consents to personal jurisdiction in any such action brought in any state or federal court sitting in Philadelphia, Pennsylvania.

IN WITNESS WHEREOF, Norfolk Southern Corporation and Atlantic Acquisition Corporation have caused this Trust Agreement to be executed by their authorized officers and their corporate seals to be affixed, attested by their Secretaries or Assistant Secretaries, and the Bank has caused this Trust Agreement to be executed by one of its Vice Presidents and its corporate seal to be affixed, attested to by one of its Vice Presidents, all as of the day and year first above written.

NORFOLK SOUTHERN CORPORATION

ATTEST:

By: _____

Title: _____

ATLANTIC ACQUISITION CORPORATION

ATTEST:

By: _____

Title: _____

FIRST AMERICAN NATIONAL BANK

ATTEST:

By: _____

Title: _____

No.

EXHIBIT A
Shares

VOTING TRUST CERTIFICATE
FOR
COMMON STOCK,
\$1.00 PAR VALUE
OF
CONRAIL INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF PENNSYLVANIA

THIS IS TO CERTIFY that _____ will be entitled, on the surrender of this Certificate, to receive on the termination of the Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Voting Trust Agreement, a certificate or certificates for _____ shares of the Common Stock, \$1.00 par value, of Conrail Inc. (the "Company"). This Certificate is issued pursuant to, and the rights of the holder hereof are subject to and limited by, the terms of a Voting Trust Agreement, dated as of _____, 1997, executed by Norfolk Southern Corporation, a Virginia corporation, Atlantic Acquisition Corporation, a Pennsylvania corporation, and First American National Bank, as Voting Trustee, a copy of which Voting Trust Agreement is on file in the registered office of said corporation at First American Center, 3000 Union Street, Nashville, Tennessee 37237-0404, and open to inspection of any stockholder of the Company and the holder hereof. The Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on _____, so long as no violation of 49 U.S.C. Section 11323 will result from such termination.

The holder of this Certificate shall be entitled to the benefits of said Voting Trust Agreement, including the right to receive payment equal to the cash dividends, if any, paid by the Company with respect to the number of shares represented by this Certificate.

This Certificate shall be transferable only on the books of the undersigned Voting Trustee or any successor, to be kept by it, on surrender hereof by the registered holder in person or by attorney duly authorized in accordance with the provisions of said Voting Trust Agreement, and until so transferred, the Voting Trustee may treat the registered holder as the owner of this Voting Trust Certificate for all purposes whatsoever, unaffected by any notice to the contrary.

By accepting this Certificate, the holder hereof assents to all the provisions of, and becomes a party to, said Voting Trust Agreement.

IN WITNESS WHEREOF, the Voting Trustee has caused this Certificate to be signed by its officer duly authorized.
Dated:

THE BANK
By Authorized Officer

FORM OF BACK OF VOTING TRUST CERTIFICATE

FOR VALUE RECEIVED hereby sells, assigns, and transfers unto the within Voting Trust Certificate and all rights and interests represented thereby, and does hereby irrevocably constitute and appoint Attorney to transfer said Voting Trust Certificate on the books of the within mentioned Voting Trustee, with full power of substitution in the premises.

Dated:

In the Presence of:

No.

VOTING TRUST CERTIFICATE
FOR
COMMON STOCK,
\$1.00 PAR VALUE

INCORPORATED UNDER THE LAWS OF THE STATE OF PENNSYLVANIA

THIS IS TO CERTIFY that will be entitled, on the surrender of this Certificate, to receive on the termination of the Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Voting Trust Agreement, a certificate or certificates for shares of the Common Stock, \$ par value, of , a Pennsylvania corporation (the "Company"). This Certificate is issued pursuant to, and the rights of the holder hereof are subject to and limited by, the terms of a Voting Trust Agreement, dated as of , 1997, executed by Norfolk Southern Corporation, a Virginia corporation, Atlantic Acquisition Corporation, a Pennsylvania corporation, and First American National Bank, as Voting Trustee, a copy of which Voting Trust Agreement is on file in the registered office of said corporation at First American Center, 300 Union Street, Nashville, Tennessee 37237-0404, and open to inspection of any stockholder of the Company and the holder hereof. The Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on , so long as no violation of 49 U.S.C. Section 11323 will result from such termination.

The holder of this Certificate shall be entitled to the benefits of said Voting Trust Agreement, including the right to receive payment equal to the cash dividends, if any, paid by the Company with respect to the number of shares represented by this Certificate.

This Certificate shall be transferable only on the books of the undersigned Voting Trustee or any successor, to be kept by it, on surrender hereof by the registered holder in person or by attorney duly authorized in accordance with the provisions of said Voting Trust Agreement, and until so transferred, the Voting Trustee may treat the registered holder as the owner of this Voting Trust Certificate for all purposes whatsoever, unaffected by any notice to the contrary.

By accepting this Certificate, the holder hereof assents to all the provisions of, and becomes a party to, said Voting Trust Agreement.

IN WITNESS WHEREOF, the Voting Trustee has caused this Certificate to be signed by its officer duly authorized.
Dated:

THE BANK
By Authorized Officer

FORM OF BACK OF VOTING TRUST CERTIFICATE

FOR VALUE RECEIVED hereby sells, assigns, and transfers unto the within Voting Trust Certificate and all rights and interests represented thereby, and does hereby irrevocably constitute and appoint Attorney to transfer said Voting Trust Certificate on the books of the within mentioned Voting Trustee, with full power of substitution in the premises.

Dated:

In the Presence of:

UNDERTAKING

THIS UNDERTAKING, dated February __, 1997, by and between Norfolk Southern Corporation, a Virginia corporation ("NS"), and _____, an individual ("NS-Supported Director").

WITNESSETH:

WHEREAS, Atlantic Investment Company, a Pennsylvania corporation and a wholly owned subsidiary of NS ("AIC"), owns on the date hereof 100 shares of common stock, \$1.00 par value ("Common Shares"), of Conrail Inc., a Pennsylvania corporation ("CRI");

WHEREAS, NS and AIC will solicit proxies in connection with the election of certain CRI directors at a meeting of CRI shareholders currently scheduled to be held on December 19, 1997 including postponement or adjournment thereof and will cause the proxies obtained to be voted in favor of certain directors who favor the effectuation of a merger or other combination of Atlantic Acquisition Corporation a wholly owned subsidiary of NS ("Atlantic"), or another affiliate of NS with CRI;

WHEREAS, NS wishes that all NS-Supported Directors have executed this undertaking to promptly to resign their positions in the event the Surface Transportation Board (the "STB") issues an order denying, or approving subject to conditions unacceptable to NS, any application or petition by NS, Atlantic or other affiliates to merge or combine with or exercise control over Consolidated Rail Corporation, a Pennsylvania corporation ("CRC"), and such order becomes final after judicial review or failure to appeal; and

WHEREAS, the undersigned NS-Supported Director is willing to act as Director pursuant to the terms of this Undertaking,

NOW THEREFORE, the parties hereto agree as follows:

1. Representations -- NS-Supported Director hereby represents that he/she is not an officer, director or employee of NS, Atlantic or AIC.

2. Best Efforts -- Upon election to the CRI Board of Directors, NS-Supported Director agrees to use his/her best efforts to cause the voting stock of CRC promptly to be placed in a voting trust.

3. No Influence or Exercise of Control -- NS-Supported Director agrees not to attempt to influence or exercise any control over the management or operations of CRC except upon the delivery of a certified copy of an order of the STB that (i) approves or exempts the acquisition of control of CRC by Atlantic, NS or any of their affiliates or (ii) approves or exempts a merger or similar business combination between CRC and Atlantic, NS or any of their affiliates, or, in the event that Subtitle IV of Title 49 of the United States Code, or other controlling law, is amended to allow Atlantic, NS or their affiliates to acquire control of the Company without obtaining STB or other governmental approval, upon the delivery of an opinion of independent counsel selected by NS-Supported Director that no order of the STB or other governmental authority is required.

4. Resignation -- NS-Supported Director agrees to resign his/her position in the event the STB issues an order denying, or approving subject to conditions unacceptable to NS, any application or petition by NS, Atlantic or their affiliates to merge with or exercise control over CRC, and such order becomes final after judicial review or failure to appeal. NS agrees to promptly notify NS-Supported Director upon the issuance of such an STB order.

NORFOLK SOUTHERN CORPORATION

ATTEST:

By: _____

Title: _____

NS-SUPPORTED DIRECTOR

ATTEST:

By: _____

Name: _____

Atlantic Investment Company
Three Commercial Place
Norfolk, Virginia 23510-2191

February 10, 1997

BY HAND

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Re: 1997 Annual Meeting of Shareholders

Dear Sirs:

In accordance with Article II, Section 2.15, and Article III, Section 3.03 of the Amended and Restated By-Laws (the "By-Laws") of Conrail Inc. (the "Company"), Atlantic Investment Company ("Atlantic"), a Delaware corporation and a wholly-owned subsidiary of Norfolk Southern Corporation ("Norfolk Southern"), hereby notifies you of its intent, at the 1997 Annual Meeting of Shareholders of the Company, including any postponement or adjournment thereof (the "Annual Meeting"), to (i) nominate the persons listed in Schedule A hereto for election as directors of the Company (each, a "Nominee", and collectively, the "Nominees"), (ii) introduce a proposal substantially in the form set forth in Schedule B hereto to amend Section 3.01 of the By-Laws to declassify the Company's Board of Directors (the "Company Board"), (iii) introduce a proposal substantially in the form set forth in Schedule C hereto which would effect the removal of all of the directors of the Company from the Company Board, other than the individuals nominated to the Company Board by Atlantic and the individuals named in Schedule C hereto, and (iv) introduce a proposal substantially in the form set forth in Schedule D hereto to amend Section 3.01 of the By-Laws to decrease the size of the Company Board to a total of eight directors. This letter, Schedules A, B, C and D hereto and all enclosures herewith are referred to as the "Notice."

In connection with the solicitation of proxies to attempt to effect the Shareholder Business (as defined below), Norfolk Southern and Atlantic will prepare and utilize their own

proxy materials (the "Proxy Materials") in accordance with applicable law.

I. Article II Information.

The information specified in clauses (1) through (6) of Article II, Section 2.15 of the By-Laws is set forth below:

(1) At the Annual Meeting, Atlantic intends to (i) nominate the individuals named in Schedule A hereto for election as directors of the Company, (ii) introduce a proposal substantially in the form set forth in Schedule B hereto to amend Section 3.01 of the By-Laws to declassify the Company Board, (iii) introduce a proposal substantially in the form set forth in Schedule C hereto which would effect the removal of all of the directors of the Company from the Company Board, other than the individuals nominated to the Company Board by Atlantic and the individuals named in Schedule C hereto, and (iv) introduce a proposal substantially in the form set forth in Schedule D hereto to amend Section 3.01 of the By-Laws to decrease the size of the Company Board to a total of eight directors (collectively, the "Shareholder Business").

Atlantic seeks to conduct the respective items included in the Shareholder Business in order to replace a majority of the members of the Company Board (as currently constituted) to include at least a majority of directors that are committed to evaluate acquisition proposals for the Company with a view towards maximizing value for Company shareholders and to reduce the size of the Company Board to a more manageable size. Each of the Nominees has stated that such Nominee is committed to seek the most advantageous transaction for holders of shares of common stock, par value \$1.00 per share (the "Common Shares"), of the Company and shares of ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, collectively with the Common Shares, the "Shares"), of the Company, and will evaluate fairly and impartially all acquisition or other proposals received by the Company, whether made by Norfolk Southern, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made. Based on the pending transaction proposals by each of Norfolk Southern and CSX, it is currently contemplated that the Nominees will support Norfolk Southern's proposal.

(2) Atlantic is a holder of record of 100 Common Shares. Accordingly, Atlantic is entitled to vote at the Annual Meeting and intends to appear in person or by proxy at the Annual Meeting to bring the Shareholder Business.

(3) The name and address of the shareholder who intends to conduct the Shareholder Business as they should appear on the Company's books are Atlantic Investment Company, P.O. Box 3813, Norfolk, Virginia 23514. As the owner of the entire equity interest in Atlantic, Norfolk Southern may be deemed the beneficial owner of all the Common Shares owned beneficially and of record by Atlantic. Accordingly, the Shareholder Business may be deemed to be proposed by Norfolk Southern. Norfolk Southern's address is Three Commercial Place, Norfolk, Virginia 23510-2191.

(4) As of the date hereof, Atlantic is the record owner of 100 Common Shares. In addition, as a result of the acceptance for payment by Atlantic Acquisition Corporation ("AAC"), a wholly owned subsidiary of Norfolk Southern, of 8,200,000 Shares pursuant to AAC's tender offer for up to 8,200,000 Shares, Norfolk Southern may be deemed the beneficial owner of such 8,200,000 Common Shares. However, it is intended that the record ownership of all of such 8,200,000 Common Shares will be held in the name of First American National Bank, as voting trustee, pursuant to a Voting Trust created under a Voting Trust Agreement among AAC, Norfolk Southern and First American National Bank.

(5) Atlantic has a material interest in the Shareholder Business in view of Norfolk Southern's ongoing efforts to acquire control of, and the entire equity interest in, the Company.

(6) The information set forth in paragraph number (4) above is incorporated herein by reference. Norfolk Southern has agreed to indemnify each Nominee against certain liabilities and expenses in connection with the Nominee's agreement to serve as a Nominee. Norfolk Southern has not agreed to indemnify the Nominees against any acts or omissions by them in their capacities as directors of the Company, if elected. In agreeing to indemnify the Nominees as described above, Norfolk Southern has expressly acknowledged that, as directors of the Company and as Nominees for election to the Company Board, the Nominees will exercise their independent judgment and will not be required to reflect the views of Norfolk Southern. A copy of the form of agreement between Norfolk Southern and each Nominee is enclosed herewith and is incorporated herein by reference.

Each of the Nominees has agreed, among other things, to resign his or her position as a director of the Company in the event that the Surface Transportation Board issues an order denying, or approving subject to conditions unacceptable to Norfolk Southern, any application or petition by Norfolk Southern, AAC or their affiliates to merge with or exercise control over Consolidated Rail Corporation, and such order

becomes final after judicial review or failure to appeal. A copy of the form of Undertaking entered into by each Nominee with Norfolk Southern is enclosed herewith and incorporated herein by reference.

II. Article III Information.

The information specified in clauses (1) through (3) of Article III, Section 3.03 of the By-Laws is set forth below:

(1) The following persons are to be nominated for election as directors at the Annual Meeting:

George A. Butler
Stephen P. Lamb
Mary Patterson McPherson
Bernard C. Watson
J. Roger Williams, Jr.

(A) The name, age, business address and residence address of each Nominee is set forth in Schedule A hereto.

(B) The principal occupation or employment of each Nominee is set forth in Schedule A hereto.

(C) The class and number of Shares beneficially owned by each Nominee is set forth in Schedule A hereto.

(D) The information set forth in paragraphs (1) and (6) of Section I of this Notice is incorporated herein by reference. Except as set forth therein, no Nominee has any arrangement or understanding with Norfolk Southern, Atlantic or any other person pursuant to which the nominations are to be made.

(E) Set forth in Schedule A hereto is all other information regarding each Nominee as of the date of the Notice as would be required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

(F) Each Nominee has consented to serve as a director of the Company if so elected. Enclosed herewith is a copy of the letter from each Nominee consenting to be named in the Notice and in the Proxy Materials and to serve as a director of the Company if so elected at the Annual Meeting.

(2) (A) At the Annual Meeting, Atlantic intends to conduct the Shareholder Business. Atlantic's address as it should appear on the Company's books is P.O. Box 3813, Norfolk, Virginia 23514.

(B) As of the date hereof, Atlantic is the record owner of 100 Common Shares. Accordingly, Atlantic is entitled to vote at the Annual Meeting and intends to appear in person or by proxy at the Annual Meeting to bring the Shareholder Business.

(C) The information set forth in paragraph (4) of Section I of this Notice is incorporated herein by reference.

(3) Atlantic is the record and beneficial owner proposing the Shareholder Business. However, Norfolk Southern, as the owner of the entire equity interest in Atlantic, may be deemed to be the beneficial owner of Atlantic's Common Shares. The information set forth in paragraph (2) (A)-(C) above is incorporated herein by reference. Norfolk Southern's address is Three Commercial Place, Norfolk, Virginia 23510-2191.

It is our understanding based upon public filings by the Company that the Company Board has thirteen directorships, of which five are designated as Class I, four are designated as Class II and four are designated as Class III, and that two of the Class I directorships are vacant. It is also our understanding that shareholders of the Company will be asked to elect between three and five Class I directors at the Annual Meeting. Atlantic reserves the right to (i) nominate alternate nominees to fill a director's position if any of the Nominees becomes unavailable to stand for election to the Company Board, (ii) nominate additional nominees to fill any director positions created by the Company Board prior to or at the Annual Meeting, (iii) nominate additional nominees if the Company takes or announces any actions that are designed to, or have the effect of, disqualifying any or all of the Nominees, (iv) designate any nominees as nominees with respect to any class or classes of directors to be elected at the Annual Meeting, (v) increase, decrease or otherwise modify the number and names of the directors which Atlantic seeks to remove from the Company Board, and (vi) propose other or different changes to the By-Laws in the event that the Company takes or proposes to take action to amend the By-Laws.

The Notice fully complies with the provisions of the By-Laws. Any claim that the Notice is in any way defective should be addressed to the undersigned so that there is adequate opportunity to address such claim in a timely fashion. The

giving of the Notice is not an admission that the By-Law procedures are legal, valid or binding, and Norfolk Southern and Atlantic reserve the right to challenge their validity in any appropriate forum.

Please sign the enclosed copy of this Notice in the space provided below and return it to the messenger.

Very truly yours,

ATLANTIC INVESTMENT COMPANY

By: /s/ William J. Romig
William J. Romig
President

cc: Robert A. Kindler, Esq.
Cravath, Swaine & Moore

Schedule A

(Attached to the Notice dated February 10, 1997)

The following sets forth certain information as of the date of the Notice concerning each Nominee that is, together with the information elsewhere in the Notice, required pursuant to Article II, Section 2.15 and Article III, Section 3.03 of the By-Laws. Any such information with respect to an individual Nominee has been furnished by such individual Nominee. Each of the Nominees listed and described herein has consented to serve as a director of the Company, if elected. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms elsewhere in the Notice.

Unless otherwise indicated, the following statements relate to each Nominee and any "associate" of such Nominee, as such term is defined in the Securities Exchange Act of 1934, as amended, and are true, complete and correct to the best of each such Nominee's knowledge:

1. No Nominee, directly or indirectly, is the beneficial or record owner of any securities of the Company or any subsidiary of the Company.

2. During the past five years (ten years, in the case of c.), no Nominee:

a. has had a petition under the Federal bankruptcy laws or any state insolvency law filed by or against him, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of the Nominee, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

b. was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

c. was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting, the following activities:

(i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any

other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with any activity;

(ii) engaging in any type of business practice; or

(iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

d. been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of the Nominee to engage in any activity described in paragraph (c)(i) above, or to be associated with persons engaged in any such activity;

e. been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended or vacated; or

f. been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

4. There has been no transaction, or series of similar transactions, since the beginning of the Company's last fiscal year, or any currently proposed transaction, or series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any Nominee had, or will have, a direct or indirect material interest.

5. The information set forth in paragraphs (1) and (6) of Section I of the Notice is incorporated herein by reference. Except as set forth therein or as described below, no Nominee has any arrangement or understanding with any person (1) with respect to any future employment by the Company or its affiliates, or (2) with respect to any future

transactions to which the Company or any of its affiliates will or may be a party. In the event that a Nominee is elected to the Company Board, such Nominee will be entitled to compensation and indemnification as a director of the Company in accordance with the Company's standard arrangements for remuneration and indemnification of non-officer directors.

6. No Nominee has been indebted to the Company or any of its subsidiaries at any time since the beginning of the Company's last fiscal year.

7. No relationship set forth in Item 404(b) of Regulation S-K between any Nominee and the Company or between any entity with which any Nominee is affiliated and the Company exists or has existed during the Company's last fiscal year, or is proposed to exist during the Company's current fiscal year.

8. Except as set forth below, no Nominee holds a directorship in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of that Act or any company registered as an investment company under the Investment Company Act of 1940.

9. Except as set forth below, no Nominee is a party to any material pending legal proceedings to which the Company or any of its subsidiaries is an adverse party and no Nominee has a material interest in any material pending legal proceedings adverse to the Company or any of its subsidiaries. Dilworth, Paxson, Kalish & Kauffman, the law firm for which Mr. Williams serves as of counsel, currently represents the Commonwealth of Pennsylvania in a civil action against the Company pending in the Court of Common Pleas of Dauphin County, PA.

10. No Nominee is, or was during the past year, a party to any contract, arrangements or understandings with any person with respect to any securities of the Company, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

NOMINEE

a) Name: George A. Butler

Age: 68

Business Address : N/A (Retired)

Residence Address: 4 Bugle Lane
Blue Ball, PA 19422

b) Principal Occupation or Employment: Retired; former
President of CoreStates Financial Corporation

c) Class, Series and Number of Shares of Capital Stock of
the Company Beneficially Owned: None

d) Certain other information relating to this Nominee that
is required to be disclosed in solicitations of proxies
for election of directors pursuant to the Rules and
Regulations of the Securities and Exchange Commission
under Section 14 of the Securities Exchange Act of 1934,
as amended:

Present Principal Occupation or Employment and Five-Year Employment History:

<u>Occupation, Position, Office or Employment</u>	<u>Names & Address of Corporation or Occupation</u>	<u>Principal Business of Corporation or Organization</u>	<u>Ending Dates of Employment, Office or Position Held</u>
President	CoreStates Financial Corp.	Banking and financial institution	Retired on 12/31/91

All positions and offices with the Company held by the
Nominee: None.

Directorships held in companies with a class of securities
registered pursuant to Section 12 of the Securities Exchange
Act of 1934, as amended, or subject to the requirements of
Section 15(d) of that Act or companies registered as
investment companies under the Investment Company Act of 1940:

Betz Dearborn, Inc.

NOMINEE

e) Name: Stephen P. Lamb

Age: 47

Business Address : Lamb & Bouchard
222 Delaware Avenue, Suite 1102
P.O. Box 29
Wilmington, Delaware 19899

Residence Address: 128 School Road
Wilmington, Delaware 19803

f) Principal Occupation or Employment: Attorney and Partner in the law firm of Lamb & Bouchard.

g) Class, Series and Number of Shares of Capital Stock of the Company Beneficially Owned: None

h) Certain other information relating to this Nominee that is required to be disclosed in solicitations of proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended:

Present Principal Occupation or Employment and Five-Year Employment History:

<u>Occupation, Position, Office or Employment</u>	<u>Names & Address of Corporation or Occupation</u>	<u>Principal Business of Corporation or Organization</u>	<u>Ending Dates of Employment, Office or Position Held</u>
President	Lamb & Bouchard 222 Delaware Ave. Suite 1102 P.O. Box 29 Wilmington, DE	Private practice of law	Since 5/1/96
Principal	Law Offices of Stephen P. Lamb, P.A.	Private practice of law	From 3/1/95 through 4/30/96
Partner	Skadden, Arps, Slate, Meagher & Flom	Private practice of law	From 1992 through 2/28/95

All positions and offices with the Company held by the Nominee:
None.

Directorships held in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act

of 1934, as amended, or subject to the requirements of Section 15(d) of that Act or companies registered as investment companies under the Investment Company Act of 1940: None

NOMINEE

i) Name: Mary Patterson McPherson

Age: 62

Business Address : Taylor Hall
Bryn Mawr College
Bryn Mawr, PA 19010

Residence Address: 907 Wyndon Avenue
Bryn Mawr, PA 19010

j) Principal Occupation or Employment: President of Bryn Mawr College (through June 1997; will become Senior Program Officer of the Andrew W. Mellon Foundation beginning October 1997)

k) Class, Series and Number of Shares of Capital Stock of the Company Beneficially Owned: None

l) Certain other information relating to this Nominee that is required to be disclosed in solicitations of proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended:

Present Principal Occupation or Employment and Five-Year Employment History:

<u>Occupation, Position, Office or Employment</u>	<u>Names & Address of Corporation or Occupation</u>	<u>Principal Business of Corporation or Organization</u>	<u>Ending Dates of Employment, Office or Position Held</u>
President	Bryn Mawr College Bryn Mawr, PA 19010	Education	Since 1978

All positions and offices with the Company held by the Nominee: None.

Directorships held in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of that Act or companies registered as investment companies under the Investment Company Act of 1940:

Dayton Hudson Corporation

Ms. McPherson is also a director of The Philadelphia Contributionship.

NOMINEE

m) Name: Bernard C. Watson

Age: 68

Business Address: 1314 Chestnut Street - 15th Floor
Philadelphia, PA 19107

Residence Address: 473 Copper Beech Circle
Elkins Park, PA 19027

n) Principal Occupation or Employment: Chairman, Board of Directors, HMA Foundation

o) Class, Series and Number of Shares of Capital Stock of the Company Beneficially Owned: None

p) Certain other information relating to this Nominee that is required to be disclosed in solicitations of proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended:

Present Principal Occupation or Employment and Five-Year Employment History:

<u>Occupation, Position, Office or Employment</u>	<u>Names & Address of Corporation or Occupation</u>	<u>Principal Business of Corporation or Organization</u>	<u>Ending Dates of Employment, Office or Position Held</u>
Chairman, Board of Directors	HMA Foundation 1314 Chestnut St. Philadelphia, PA	Non-profit organization supporting health care in Philadelphia area	Since 1/1/94
President	The William Penn Foundation Two Logan Square 100 N. 18th St. Philadelphia, PA	Non-profit organization supporting cultural, environmental and health care in Philadelphia area	From 1981 through 1993
Vice President, Academic Administration	Temple University 1801 N. Broad St. Philadelphia, PA	Educational institution	From 1976 through 1981

All positions and offices with the Company held by the Nominee: None.

Directorships held in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of that Act or companies registered as investment companies under the Investment Company Act of 1940:

Comcast Corporation

Dr. Watson is also a director of The Philadelphia Contributionship, First Union North (Advisory Board of First Union Bank), and AAA Mid-Atlantic.

NOMINEE

q) Name: J. Roger Williams, Jr.

Age: 60

Business Address: Dilworth, Paxson, Kalish & Kauffman
3200 Mellon Bank Center
1735 Market Street
Philadelphia, PA 19103

Residence Address: 464 Glyn Wynne Road
Haverford, PA 19041

r) Principal Occupation or Employment: Of Counsel to
the law firm of Dilworth, Paxson, Kalish & Kauffman

s) Class, Series and Number of Shares of Capital Stock of
the Company Beneficially Owned: None

t) Certain other information relating to this Nominee that
is required to be disclosed in solicitations of proxies
for election of directors pursuant to the Rules and
Regulations of the Securities and Exchange Commission
under Section 14 of the Securities Exchange Act of
1934, as amended:

Present Principal Occupation or Employment and Five-Year Employment History:

<u>Occupation, Position, Office or Employment</u>	<u>Names & Address of Corporation or Occupation</u>	<u>Principal Business of Corporation or Organization</u>	<u>Ending Dates of Employment, Office or Position Held</u>
Of Counsel	Dilworth, Paxson, Kalish & Kauffman 3200 Market St. Philadelphia, PA	Private practice of law	Since 1991

All positions and offices with the Company held by the Nominee:
None.

Directorships held in companies with a class of securities
registered pursuant to Section 12 of the Securities Exchange Act
of 1934, as amended, or subject to the requirements of Section
15(d) of that Act or companies registered as investment companies
under the Investment Company Act of 1940: None

Schedule B

(Attached to the Notice dated February 10, 1997)

RESOLVED, that pursuant to Article XII, Section 12.01 of the By-Laws and Article EIGHT of the Articles of Incorporation of the Company, the Amended and Restated By-Laws of the Company are hereby amended by deleting the second, third, fourth, fifth and sixth sentences of Section 3.01 thereof and adding two new sentences in replacement thereof which shall read in its entirety as follows:

"Except as provided in Section 3.04 of these By-Laws, directors shall be elected by a plurality of the votes cast at annual meetings of the shareholders and each director shall serve until his successor is duly elected and qualified, or until his earlier resignation or removal. Notwithstanding any other provisions of these By-Laws, the Board shall not have the power to alter or amend these By-Laws to classify the Board in respect of the time for which the directors shall severally hold office."

Schedule C

(Attached to the Notice dated February 10, 1997)

RESOLVED, that, with the exception of the individuals nominated for election to the Company's Board of Directors by Atlantic Investment Company and the individuals identified below, each of the members of the Company's Board of Directors be, and each of them hereby is, removed as a director of the Company, effective immediately:

Daniel B. Burke
David B. Lewis
John C. Marous

Schedule D

(Attached to the Notice dated February 10, 1997)

RESOLVED, that pursuant to Article XII, Section 12.01 of the By-Laws and Article EIGHT of the Articles of Incorporation of the Company, the Amended and Restated By-Laws of the Company are hereby amended by deleting the first sentence of Section 3.01 thereof and adding a new first sentence in replacement thereof which shall read in its entirety as follows:

"The Board shall consist of eight members."

[Form of Indemnity Agreement]

Norfolk Southern Corporation
Atlantic Investment Company
Three Commercial Place
Norfolk, Virginia 23510-2191

INDEMNITY LETTER

[NOMINEE]

Dear _____:

Reference is made to your consent to be included as a member of a slate of directors (a "Nominee") proposed by Atlantic Investment Company ("Atlantic"), a wholly owned subsidiary of Norfolk Southern Corporation, for election to the Board of Directors of Conrail Inc. ("Conrail") at Conrail's 1997 Annual Meeting of Shareholders.

The undersigned hereby agree to indemnify and hold you harmless from and against any and all losses, claims, damages, liabilities and expenses, or actions in respect thereof, relating to or arising out of or based upon your being a Nominee or a "participant in a solicitation" (as defined in the Rules and Regulations under the Securities Exchange Act of 1934, as amended); provided however, that the undersigned will not be responsible for indemnifying you (i) for any actions or failures to act by you in your capacity as a director of Conrail, if elected, (ii) for any losses, claims, damages, liabilities or expenses that are determined by final judgment of a court of competent jurisdiction to result from your gross negligence, bad faith or wilful misconduct or (iii) for the payment in settlement of any claim made without the written consent of the undersigned. The undersigned also hereby agree that the foregoing indemnity covers the fees and expenses of any counsel retained by you to advise you in connection with the matters covered by this Indemnity Letter and your involvement in any related litigation.

In agreeing to indemnify you as described above, the undersigned expressly acknowledges that, as a director of Conrail and as a nominee for election to the Conrail Board of Directors, you will exercise your independent judgment and will not be required to reflect the views of the undersigned.

This Indemnity Letter shall be governed by the laws of the State of New York.

Very truly yours,

NORFOLK SOUTHERN CORPORATION

By: _____
Name:
Title:

ATLANTIC INVESTMENT COMPANY

By: _____
Name:
Title:

ACCEPTED:

[NOMINEE]

UNDERTAKING

THIS UNDERTAKING, dated February __, 1997, by and between Norfolk Southern Corporation, a Virginia corporation ("NS"), and _____, an individual ("NS-Supported Director").

W I T N E S S E T H:

WHEREAS, Atlantic Investment Company, a Pennsylvania corporation and a wholly owned subsidiary of NS ("AIC"), owns on the date hereof 100 shares of common stock, \$1.00 par value ("Common Shares"), of Conrail Inc., a Pennsylvania corporation ("CRI");

WHEREAS, NS and AIC will solicit proxies in connection with the election of certain CRI directors at a meeting of CRI shareholders currently scheduled to be held on December 19, 1997 including any postponement or adjournment thereof and will cause the proxies obtained to be voted in favor of certain directors who favor the effectuation of a merger or other combination of Atlantic Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of NS ("Atlantic"), or another affiliate of NS, with CRI;

WHEREAS, NS wishes that all NS-Supported Directors have executed this undertaking to promptly resign their positions in the event the Surface Transportation Board (the "STB") issues an order denying, or approving subject to conditions unacceptable to NS, any application or petition by NS, Atlantic or other affiliates to merge or combine with or exercise control over Consolidated Rail Corporation, a Pennsylvania corporation ("CRC"), and such order becomes final after judicial review or failure to appeal; and

WHEREAS, the undersigned NS-Supported Director is willing to act as Director pursuant to the terms of this Undertaking.

NOW THEREFORE, the parties hereto agree as follows:

1. Representations -- NS-Supported Director hereby represents that he/she is not an officer, director or employee of NS, Atlantic or AIC.
2. Best Efforts -- Upon election to the CRI Board of Directors, NS-Supported Director agrees to use his/her best

efforts to cause the voting stock of CRC promptly to be placed in a voting trust.

3. No Influence or Exercise of Control -- NS-Supported Director agrees not to attempt to influence or exercise any control over the management or operations of CRC except upon the delivery of a certified copy of an order of the STB that (i) approves or exempts the acquisition of control of CRC by Atlantic, NS or any of their affiliates or (ii) approves or exempts a merger or similar business combination between CRC and Atlantic, NS or any of their affiliates, or, in the event that Subtitle IV of Title 49 of the United States Code, or other controlling law, is amended to allow Atlantic, NS or their affiliates to acquire control of the Company without obtaining STB or other governmental approval, upon the delivery of an opinion of independent counsel selected by NS-Supported Director that no order of the STB or other governmental authority is required.

4. Resignation -- NS-Supported Director agrees to resign his/her position in the event the STB issues an order denying, or approving subject to conditions unacceptable to NS, any application or petition by NS, Atlantic or their affiliates to merge with or exercise control over CRC, and such order becomes final after judicial review or failure to appeal. NS agrees to promptly notify NS-Supported Director upon the issuance of such an STB order.

NORFOLK SOUTHERN CORPORATION

ATTEST:

By: _____

Title: _____

NS-SUPPORTED DIRECTOR

ATTEST:

By: _____

Name: _____

NOMINEE CONSENT

February 5, 1997

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Gentlemen:

You are hereby notified that the undersigned consents to (i) being named as a nominee in the notice provided by Atlantic Investment Company to Conrail Inc. of its intention to nominate the undersigned and certain other persons as directors of Conrail Inc. and to conduct certain other matters at the Conrail Inc. 1997 Annual Meeting of Shareholders (the "Annual Meeting"), (ii) being named as a nominee in a proxy statement soliciting proxies for the undersigned's election as a director of Conrail Inc. at the Annual Meeting, and (iii) serving as a director of Conrail Inc. if elected at the Annual Meeting. The undersigned also confirms that the undersigned is committed to seek the most advantageous transaction for holders of shares of Common Stock and ESOP Preferred Convertible Junior Preferred Stock of Conrail Inc., and will evaluate fairly and impartially all acquisition or other proposals received by Conrail Inc., whether made by Norfolk Southern Corporation, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made.

Very truly yours,

/s/ George A. Butler

NOMINEE CONSENT

February 5, 1997

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Gentlemen:

You are hereby notified that the undersigned consents to (i) being named as a nominee in the notice provided by Atlantic Investment Company to Conrail Inc. of its intention to nominate the undersigned and certain other persons as directors of Conrail Inc. and to conduct certain other matters at the Conrail Inc. 1997 Annual Meeting of Shareholders (the "Annual Meeting"), (ii) being named as a nominee in a proxy statement soliciting proxies for the undersigned's election as a director of Conrail Inc. at the Annual Meeting, and (iii) serving as a director of Conrail Inc. if elected at the Annual Meeting. The undersigned also confirms that the undersigned is committed to seek the most advantageous transaction for holders of shares of Common Stock and ESOP Preferred Convertible Junior Preferred Stock of Conrail Inc., and will evaluate fairly and impartially all acquisition or other proposals received by Conrail Inc., whether made by Norfolk Southern Corporation, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made.

Very truly yours,

/s/ Stephen P. Lamb

NOMINEE CONSENT

February 5, 1997

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Gentlemen:

You are hereby notified that the undersigned consents to (i) being named as a nominee in the notice provided by Atlantic Investment Company to Conrail Inc. of its intention to nominate the undersigned and certain other persons as directors of Conrail Inc. and to conduct certain other matters at the Conrail Inc. 1997 Annual Meeting of Shareholders (the "Annual Meeting"), (ii) being named as a nominee in a proxy statement soliciting proxies for the undersigned's election as a director of Conrail Inc. at the Annual Meeting, and (iii) serving as a director of Conrail Inc. if elected at the Annual Meeting. The undersigned also confirms that the undersigned is committed to seek the most advantageous transaction for holders of shares of Common Stock and ESOP Preferred Convertible Junior Preferred Stock of Conrail Inc., and will evaluate fairly and impartially all acquisition or other proposals received by Conrail Inc., whether made by Norfolk Southern Corporation, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made.

Very truly yours,

/s/ Mary Patterson McPherson

NOMINEE CONSENT

February 5, 1997

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Gentlemen:

You are hereby notified that the undersigned consents to (i) being named as a nominee in the notice provided by Atlantic Investment Company to Conrail Inc. of its intention to nominate the undersigned and certain other persons as directors of Conrail Inc. and to conduct certain other matters at the Conrail Inc. 1997 Annual Meeting of Shareholders (the "Annual Meeting"), (ii) being named as a nominee in a proxy statement soliciting proxies for the undersigned's election as a director of Conrail Inc. at the Annual Meeting, and (iii) serving as a director of Conrail Inc. if elected at the Annual Meeting. The undersigned also confirms that the undersigned is committed to seek the most advantageous transaction for holders of shares of Common Stock and ESOP Preferred Convertible Junior Preferred Stock of Conrail Inc., and will evaluate fairly and impartially all acquisition or other proposals received by Conrail Inc., whether made by Norfolk Southern Corporation, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made.

Very truly yours,

/s/ Bernard C. Watson

NOMINEE CONSENT

February 5, 1997

Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: Corporate Secretary

Gentlemen:

You are hereby notified that the undersigned consents to (i) being named as a nominee in the notice provided by Atlantic Investment Company to Conrail Inc. of its intention to nominate the undersigned and certain other persons as directors of Conrail Inc. and to conduct certain other matters at the Conrail Inc. 1997 Annual Meeting of Shareholders (the "Annual Meeting"), (ii) being named as a nominee in a proxy statement soliciting proxies for the undersigned's election as a director of Conrail Inc. at the Annual Meeting, and (iii) serving as a director of Conrail Inc. if elected at the Annual Meeting. The undersigned also confirms that the undersigned is committed to seek the most advantageous transaction for holders of shares of Common Stock and ESOP Preferred Convertible Junior Preferred Stock of Conrail Inc., and will evaluate fairly and impartially all acquisition or other proposals received by Conrail Inc., whether made by Norfolk Southern Corporation, by CSX Corporation or by any other potential acquiror and whether now pending or subsequently made.

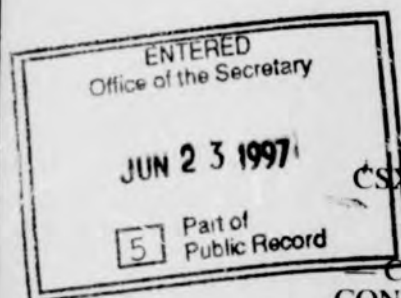
Very truly yours,

/s/ J. Roger Williams, Jr.

STB FD 33388 6-23-97 A 180274V7F 1/13

180274

CSX/NS-24



BEFORE THE
SURFACE TRANSPORTATION BOARD

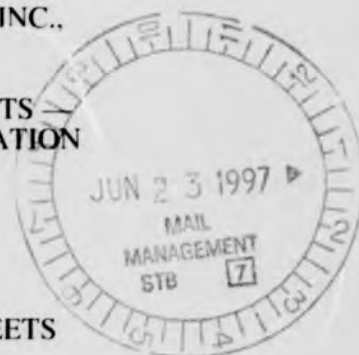
Finance Docket No. 33388

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

RAILROAD CONTROL APPLICATION

VOLUME 7F OF 8

FORM 10-Ks, FORM S-4s, FORM 14D-1s,
ANNUAL REPORTS, AND CURRENT BALANCE SHEETS
AND INCOME STATEMENTS
(EXHIBITS 6, 7, 9, 20 AND 21)



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*Counsel for Conrail Inc. and
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FILED

JUN 23 1997

SURFACE
TRANSPORTATION BOARD

VOLUME 7

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VOLUME 7F

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

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

SCHEDULE 13D

(Amendment No. 2)

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*

\$12,243,317,910

Amount of Filing Fee**

\$2,448,664

* For purposes of calculating the filing fee only. This calculation assumes the purchase of all outstanding 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. According to information in the Company's Proxy Statement Supplement mailed to Company shareholders on or about December 24, 1996, as of December 5, 1996, 82,244,475 Common Shares and 7,303,920 ESOP Preferred Shares were outstanding. Also, according to information included in the Tender Offer Statement on Schedule 14D-1, dated December 6, 1996, filed with the Securities and Exchange Commission by CSX Corporation ("CSX") and attributed to the Company, on November 27, 1996, 8,263,682 Common Shares were reserved for issuance pursuant to outstanding employee stock options or upon conversion of the ESOP Preferred Shares. Also according to such Schedule 14D-1, pursuant to a Stock Option Agreement, dated as of October 14, 1996, by and between the Company and CSX, the Company has granted CSX the option to purchase in certain circumstances up to 15,955,477 Common Shares.

** 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. Payment of the filing fee due in connection herewith has been completely offset by a previous payment by Bidders in the amount of \$2,456,439. Accordingly, a credit of \$7,778 remains on 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: October 24, 1996 and November 8, 1996

14D-1

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

NORFOLK SOUTHERN CORPORATION (E.I.N.: 52-1188014)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐
(b) ☒

3. SEC USE ONLY

4. SOURCE OF FUNDS

BK, WC, OO

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO
ITEMS 2(e) or 2(f) ☐

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Virginia

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

8,200,100 Common Shares

8. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
☐

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)

9.9% of outstanding Common Shares

10. TYPE OF REPORTING PERSON

HC and CO

14D-1

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
ATLANTIC ACQUISITION CORPORATION (E.I.N.: 54-1823555)
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) [X]
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO
ITEMS 2(e) or 2(f) []
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Pennsylvania
7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
8,200,000 Common Shares
8. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
[]
9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
9.9% of outstanding Common Shares
10. TYPE OF REPORTING PERSON
CO

Item 1. Security and Subject Company.

(a) The name of the subject company is Conrail Inc., a Pennsylvania corporation (the "Company"). The address of the Company's principal executive offices is 2001 Market Street, Two Commerce Square, Philadelphia, Pennsylvania 19101-1417.

(b) This Tender Offer Statement on Schedule 14D-1 relates to the offer by Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), 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 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 February 12, 1997, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Second Offer") at a purchase price of \$115 per Share, net to the tendering shareholder in cash. According to information in the Company's Proxy Statement Supplement mailed to Company shareholders on or about December 24, 1996, as of December 5, 1996, 82,244,475 Common Shares and 7,303,920 ESOP Preferred Shares were outstanding. Also, according to information included in the Tender Offer Statement on Schedule 14D-1, dated December 6, 1996, filed with the Securities and Exchange Commission by CSX Corporation ("CSX") and attributed to the Company, on November 27, 1996, 3,263,682 Common Shares were reserved for issuance pursuant to outstanding employee stock options or upon conversion of the ESOP Preferred Shares. Also according to such Schedule 14D-1, pursuant to a Stock Option Agreement, dated as of October 14, 1996, by and between the Company and CSX, the Company has granted CSX the option to purchase in certain circumstances up to 15,955,477 Common Shares. The information set forth under "Introduction" in the Offer to Purchase annexed hereto as Exhibit (a)(1) (the "Offer to Purchase") is incorporated herein by reference.

(c) The information set forth under "Price Range of Shares; Dividends" in the Offer to Purchase is incorporated herein by reference.

Item 2. Identity and Background.

(a)-(d); (g) This Statement is being filed by Purchaser and Parent. The information set forth under "Introduction" and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase and Schedule I thereto is incorporated herein by reference.

(e)-(f) During the last five years, neither Purchaser, Parent nor any persons controlling Purchaser, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I to the Offer to Purchase (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

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

(a)-(b) The information set forth under: "Introduction," "Background of the Second Offer; Contacts with the Company," "Purpose of the Second Offer and the Merger; Plans for the Company; Certain Considerations," "Certain Information Concerning the Company" and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

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

(a)-(b) The information set forth under "Introduction" and "Source and Amount of Funds" in the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

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

(a)-(e) The information set forth under "Introduction," "Background of the Second Offer; Contacts with the Company" and "Purpose of the Second Offer and the Merger; Plans for the Company; Certain Considerations" in the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth under "Introduction" and "Effect of the Second Offer on the Market for the Common Shares; Exchange Listing and Exchange Act Registration; Margin Regulations" in the Offer to Purchase is incorporated herein by reference.

Item 6. Interest in Securities of the Subject Company.

(a)-(b) The information set forth under "Introduction," and "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

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

The information set forth under "Introduction," "Purpose of the Second Offer and the Merger; Plans for the Company; Certain Considerations" and "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

Item 8. Persons Retained, Employed or to be Compensated.

The information set forth under "Fees and Expenses" in the Offer to Purchase is incorporated herein by reference.

Item 9. Financial Statements of Certain Bidders.

The information set forth under "Certain Information Concerning Purchaser and Parent" in the Offer to Purchase is incorporated herein by reference.

Item 10. Additional Information.

(a) Not applicable.

(b)-(c) The information set forth under "Introduction" and "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

(d) The information set forth under "Effect of the Second Offer on the Market for the Common Shares; Exchange Listing and Exchange Act Registration; Margin Regulations" in the Offer to Purchase is incorporated herein by reference.

(e) The information set forth under "Certain Legal Matters; Regulatory Approvals; Certain Litigation" in the Offer to Purchase is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, is incorporated herein by reference.

Item 11. Material to be Filed as Exhibits.

- (a)(1) Offer to Purchase, dated February 12, 1997.
- (a)(2) Letter of Transmittal.
- (a)(3) Notice of Guaranteed Delivery.
- (a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a)(7) Press Release issued by Parent on February 12, 1997.
- (a)(8) Summary Advertisement, dated February 12, 1997.
- (b)(1) Credit Agreement, dated as of February 10, 1997, by and among Parent, Morgan Guaranty Trust Company of New York, as administrative agent, Merrill Lynch Capital Corporation, as documentation agent, and the banks from time to time parties thereto.
- (c)(1) Voting Trust Agreement, dated as of February 10, 1997, by and among Parent, Purchaser and First American National Bank (incorporated by reference to Exhibit (c)(2) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on February 11, 1997).
- (c)(2) Notice, dated February 10, 1997, delivered by Parent to the Company regarding Parent's intention to nominate directors to the Company Board and to conduct certain other business at the Company's 1997 Annual Meeting of Shareholders (incorporated by reference to Exhibit (c)(3) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on February 11, 1997).
- (d) Not applicable.
- (e) Not applicable.
- (f) Not applicable.
- (g)(1) Transcript of oral ruling of Judge VanArtsdalen (dated November 19, 1996, United States District Court for the Eastern District of Pennsylvania).
- (g)(2) Emergency Motion for an Injunction Pending Appeal filed by Parent, Purchaser and Kathryn B. McQuade against the Company, *CSX et al.* (dated November 19, 1996, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(4) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on November 21, 1996).
- (g)(3) Motion for an Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade (dated November 19, 1996, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(5) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on November 21, 1996).
- (g)(4) Answer and Defenses of the Company, *CSX et al.* to Parent's, Purchaser's and Kathryn B. McQuade's Second Amended Complaint and the Counterclaim of the Company and *CSX* (dated December 5, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(6) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 6, 1996).
- (g)(5) Preliminary Injunction Motion and related brief and proposed form of Order filed by Parent, Purchaser and Kathryn B. McQuade against the Company, *CSX et al.* (dated December 13, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(8) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 16, 1996).
- (g)(6) Transcript of oral ruling of Judge VanArtsdalen (dated December 17, 1996, United States District Court for the Eastern District of Pennsylvania).

- (g)(7) Order of Judge VanArtsdalen (dated December 17, 1996, United States District Court for the Eastern District of Pennsylvania).
- (g)(8) Motion for Leave to Amend the Complaint filed by Parent, Purchaser and Kathryn B. McQuade, including as an exhibit thereto, Parent's, Purchaser's and Kathryn B. McQuade's Fourth Amended Complaint (dated December 20, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(9) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 23, 1996).
- (g)(9) Motion to Dismiss Counterclaim of the Company, *CSX et al.*, filed by Parent, Purchaser and Kathryn B. McQuade (dated December 20, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(10) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 23, 1996).
- (g)(10) Petition for Declaratory Order and Other Appropriate Relief, filed by Parent and Norfolk Southern Railway Company against the Company, *CSX et al.* (dated December 27, 1996, Surface Transportation Board and incorporated by reference to Exhibit (g)(11) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 30, 1996).
- (g)(11) Motion for Preliminary Injunction filed by Parent, Purchaser and Kathryn B. McQuade against the Company, *CSX et al.* (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(12) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 2, 1997).
- (g)(12) Motion for Partial Summary Judgment filed by Parent, Purchaser and Kathryn B. McQuade against the Company, *CSX et al.* (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(13) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 2, 1997).
- (g)(13) Decision of Chairman Morgan and Vice Chairman Owen (dated January 8, 1997, Surface Transportation Board).
- (g)(14) Transcript of oral ruling of Judge VanArtsdalen (dated January 9, 1997, United States District Court for the Eastern District of Pennsylvania).
- (g)(15) Order of Judge VanArtsdalen (dated January 9, 1997, United States District Court for the Eastern District of Pennsylvania).
- (g)(16) Motion for Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade (dated January 10, 1997, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(14) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 10, 1997).
- (g)(17) Order of Judges Stapleton, Scirica and Nygaard (dated January 15, 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: February 12, 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)(1)	Offer to Purchase, dated February 12, 1997.
(a)(2)	Letter of Transmittal.
(a)(3)	Notice of Guaranteed Delivery.
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(7)	Press Release issued by Parent on February 12, 1997.
(a)(8)	Summary Advertisement, dated February 12, 1997.
(b)(1)	Credit Agreement, dated as of February 10, 1997, by and among Parent, Morgan Guaranty Trust Company of New York, as administrative agent, Merrill Lynch Capital Corporation, as documentation agent, and the banks from time to time parties thereto.
(c)(1)	Voting Trust Agreement, dated as of February 10, 1997, by and among Parent, Purchaser, and First American National Bank (incorporated by reference to Exhibit (c)(2) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on February 11, 1997).
(c)(2)	Notice, dated February 10, 1997, delivered by Parent to the Company regarding Parent's intention to nominate directors to the Company Board and to conduct certain other business at the Company's 1997 Annual Meeting of Shareholders (incorporated by reference to Exhibit (c)(3) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on February 11, 1997).
(d)	Not applicable.
(e)	Not applicable.
(f)	Not applicable.
(g)(1)	Transcript of oral ruling of Judge VanArtsdalen (dated November 19, 1996, United States District Court for the Eastern District of Pennsylvania).
(g)(2)	Emergency Motion for an Injunction Pending Appeal filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX <i>et al.</i> (dated November 19, 1996, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(4) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on November 21, 1996).
(g)(3)	Motion for an Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade (dated November 19, 1996, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(5) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on November 21, 1996).
(g)(4)	Answer and Defenses of the Company, CSX <i>et al.</i> to Parent's, Purchaser's and Kathryn B. McQuade's Second Amended Complaint and the Counterclaim of the Company and CSX (dated December 5, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(6) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 6, 1996).

<u>Exhibit Number</u>	<u>Description</u>
(g)(5)	Preliminary Injunction Motion and related brief and proposed form of Order filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX <i>et al.</i> (dated December 13, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(8) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 16, 1996).
(g)(6)	Transcript of oral ruling of Judge VanArtsdalen (dated December 17, 1996, United States District Court for the Eastern District of Pennsylvania).
(g)(7)	Order of Judge VanArtsdalen (dated December 17, 1996, United States District Court for the Eastern District of Pennsylvania).
(g)(8)	Motion for Leave to Amend the Complaint filed by Parent, Purchaser and Kathryn B. McQuade, including as an exhibit thereto, Parent's, Purchaser's and Kathryn B. McQuade's Fourth Amended Complaint (dated December 20, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(9) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 23, 1996).
(g)(9)	Motion to Dismiss Counterclaim of the Company, CSX <i>et al.</i> , filed by Parent, Purchaser and Kathryn B. McQuade (dated December 20, 1996, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(10) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 23, 1996).
(g)(10)	Petition for Declaratory Order and Other Appropriate Relief, filed by Parent and Norfolk Southern Railway Company against the Company, CSX <i>et al.</i> (dated December 27, 1996, Surface Transportation Board and incorporated by reference to Exhibit (g)(11) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on December 30, 1996).
(g)(11)	Motion for Preliminary Injunction filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX <i>et al.</i> (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(12) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 2, 1997).
(g)(12)	Motion for Partial Summary Judgment filed by Parent, Purchaser and Kathryn B. McQuade against the Company, CSX <i>et al.</i> (dated January 2, 1997, United States District Court for the Eastern District of Pennsylvania and incorporated by reference to Exhibit (g)(13) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 2, 1997).
(g)(13)	Decision of Chairman Morgan and Vice Chairman Owen (dated January 8, 1997, Surface Transportation Board).
(g)(14)	Transcript of oral ruling of Judge VanArtsdalen (dated January 9, 1997, United States District Court for the Eastern District of Pennsylvania).
(g)(15)	Order of Judge VanArtsdalen (dated January 9, 1997, United States District Court for the Eastern District of Pennsylvania).
(g)(16)	Motion for Expedited Appeal filed by Parent, Purchaser and Kathryn B. McQuade (dated January 10, 1997, United States Court of Appeals for the Third Circuit and incorporated by reference to Exhibit (g)(14) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on January 10, 1997).
(g)(17)	Order of Judges Stapleton, Scirica and Nygaard (dated January 15, 1997, United States Court of Appeals for the Third Circuit).

Exhibit (a)(1)

**Offer to Purchase for Cash
All Outstanding 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
by
Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation**

THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

THE SECOND OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE SECOND OFFER A NUMBER OF COMMON SHARES AND ESOP PREFERRED SHARES WHICH, TOGETHER WITH THE 8,200,100 COMMON SHARES ALREADY OWNED BY NORFOLK SOUTHERN CORPORATION ("PARENT"), ATLANTIC ACQUISITION CORPORATION ("PURCHASER"), A WHOLLY OWNED SUBSIDIARY OF PARENT, OR ANY DIRECT OR INDIRECT SUBSIDIARY OF PARENT, CONSTITUTE AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (2) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F OF CHAPTER 25 OF THE PENNSYLVANIA BUSINESS CORPORATION LAW HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE SECOND OFFER AND THE PROPOSED MERGER, (3) THE COMMON STOCK PURCHASE RIGHTS HAVING BEEN REDEEMED BY THE BOARD OF DIRECTORS OF CONRAIL INC. (THE "COMPANY") OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUCH RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE SECOND OFFER AND THE PROPOSED MERGER, AND (4) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER, AS AMENDED, BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE. SEE SECTION 14.

The Dealer Managers for the Second Offer are:

J.P. Morgan & Co.

Merrill Lynch & Co.

February 12, 1997

IMPORTANT

Consistent with Parent's pledge that it will not be a party to any agreement with CSX Corporation ("CSX") or the Company that delivers anything less to Company shareholders than a \$115 per Share (as defined herein) all-cash transaction, Parent and Purchaser 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 should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, have such shareholder's signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal, mail or deliver the Letter of Transmittal (or such facsimile thereof) and any other required documents to the Depositary and either deliver the certificates for such Shares and, if separate, the certificates representing the associated Rights (as defined herein) to the Depositary along with the Letter 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 prior to the expiration of the Second Offer 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). Unless and until Purchaser declares that the Rights Condition (as defined herein) is satisfied, shareholders will be required to tender one Right for each Share tendered in order to effect a valid tender of such Share. The tender of Rights is also required for the valid tender of ESOP Preferred Shares (as defined herein).

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 Common Shares (as defined herein), if any, or the ESOP Preferred Shares allocated to their accounts, which ESOP Preferred Shares will be converted into Common Shares upon consummation of the Second 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 the Letter 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 this 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.

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 Offer to Purchase. Additional copies of this Offer to Purchase, the 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

Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), hereby offers 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., 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, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second Offer"). 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 inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

Promptly upon the purchase by Parent, Purchaser or their affiliates of Shares pursuant to the Second Offer, such Shares will be deposited in an independent voting trust (the "Voting Trust") in accordance with the terms of a Voting Trust Agreement (the "Voting Trust Agreement") dated as of February 10, 1997 among Parent, Purchaser and First American National Bank, as voting trustee (the "Voting Trustee"), pending approval by the Surface Transportation Board (the "STB") of the acquisition of control by Parent of the Company. The Second Offer is not conditioned upon such STB approval. The Proposed Merger (as defined below) would also not be conditioned on such STB approval. Immediately prior to consummation of the Proposed Merger, Parent would place all of the shares of common stock of Purchaser (which may become stock of the surviving corporation upon consummation of the Proposed Merger) into the Voting Trust. The 8,200,000 Common Shares acquired by Purchaser pursuant to its cash tender offer which was commenced on October 24, 1996 (the "First Offer", and together with the Second Offer, the "Offers") were deposited into the Voting Trust upon their purchase by Purchaser.

Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Second Offer. Purchaser will pay all charges and expenses of J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Dealer Managers (in such capacity, the "Dealer Managers"), The Bank of New York, as Depositary (the "Depositary"), and Georgeson & Company Inc., as Information Agent (the "Information Agent"), incurred in connection with the Second Offer. See Section 16.

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 Common Shares, if any, or the ESOP Preferred Shares allocated to their accounts, which ESOP Preferred Shares will be converted into Common Shares upon consummation of the Second 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 the Letter of Transmittal.

The purpose of the Second Offer is for Parent, through Purchaser, to acquire control of, and the entire equity interest in, the Company. Pursuant to the First Offer, which expired at 12:00 Midnight, New York City time, on February 4, 1997, Purchaser acquired an aggregate of 8,200,000 Common Shares. Consistent with Parent's pledge that it will not be a party to any agreement with CSX Corporation, a Virginia corporation ("CSX"), or the Company that delivers anything less to Company shareholders than a \$115 per share all-cash transaction, 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 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 Share paid pursuant to the Second Offer. If after consummation of the Second Offer, Parent (together with Purchaser and any direct or indirect subsidiary of Parent) owns 80% or more of the outstanding Shares, Purchaser intends to effect the Proposed Merger as a "short-form" merger under the Pennsylvania Business Corporation Law (the "PBCL"), without a vote of Company shareholders or the Board of Directors of the Company (the "Company Board"). See Section 11 and Section 12.

For a number of years, certain members of senior management of Parent, including David R. Goode, Chairman, President and Chief Executive Officer of Parent, have spoken numerous times with senior management of the Company concerning a possible business combination between Parent and the Company. On two occasions, in late September and again on October 4, 1996, Mr. Goode contacted David M. LeVan, the Company's Chairman, President and Chief Executive Officer, to reiterate Parent's strong interest in acquiring the Company and to request a meeting at which he could present a concrete proposal. In each case, Mr. Goode emphasized that he wished to communicate Parent's proposal so that the Company Board would be aware of it during their next meeting. Also in each case, Mr. LeVan stated that it was unnecessary for Mr. Goode to do so.

On October 15, 1996, the Company and CSX announced that they had entered into a definitive merger agreement (the "Original CSX Merger Agreement" and, as amended on November 5, 1996 and December 18, 1996, the "CSX Merger Agreement") pursuant to which control of the Company would be swiftly sold to CSX pursuant to the CSX Offers (as defined below) and then the Proposed CSX Merger (as defined below) would be consummated following satisfaction of certain conditions thereto. The CSX Offers and the Proposed CSX Merger are sometimes referred to collectively herein as the "Proposed CSX Transaction".

Integral to the Proposed CSX Transaction are covenants substantially increasing Mr. LeVan's compensation and severance benefits and guaranteeing that he will succeed John Snow, the Chairman and Chief Executive Officer of CSX, as the combined company's Chairman and Chief Executive Officer. The Proposed CSX Transaction also includes covenants that, subject to certain limited exceptions, prohibit the Company, CSX and their respective subsidiaries and representatives from participating in discussions or negotiations or entering into any agreement or taking any other action to facilitate any third party acquisition proposal for the Company (such as a proposal by Parent) or any acquisition by any other company engaged in the operation of railroads (including Parent) of any securities or assets of the Company or CSX or any trackage rights or other concessions relating to the assets or operations of the Company or CSX. See Section 11.

In connection with the execution of the Original CSX Merger Agreement, the Company and CSX entered into an option agreement (the "CSX Lockup Option Agreement") pursuant to which the Company granted to CSX an option (the "CSX Lockup Option"), exercisable in certain events, to purchase 15,955,477 Common Shares at an exercise price of \$92.50 per Common Share, subject to adjustment as set forth therein.

On October 23, 1996, Parent submitted to the Company Board a written proposal for the acquisition of the Company by Purchaser pursuant to the First Offer and the Proposed Merger and the following day commenced the First Offer. Also on October 23, 1996, Parent, Purchaser and a shareholder of the Company commenced litigation against the Company, the members of the Company Board and CSX (the "Pennsylvania Litigation") in the United States District Court for the Eastern District of Pennsylvania (the "District Court") seeking relief relating to various matters, including the Company Board's approval of the CSX Merger Agreement and actions taken by the Company Board in furtherance of the Proposed CSX Transaction. See Section 15.

On November 21, 1996, CSX announced that Green Acquisition Corp., a wholly owned subsidiary of CSX, had accepted for payment 17,860,124 Shares, purportedly representing 19.9% of the Company's then outstanding Shares, at a price of \$110 in cash per Share pursuant to its cash tender offer commenced on October 16, 1996 (the "CSX First Offer"). CSX subsequently announced that it had sold 85,000 of such Shares.

On December 6, 1996, CSX commenced a second tender offer (the "CSX Second Offer") to purchase for cash an aggregate of up to 18,344,845 Shares of the Company at a price of \$110 in cash per Share. The CSX Second Offer is currently scheduled to expire at 5 p.m., New York City time, on February 14, 1997, unless further extended. Under the CSX Merger Agreement, the 60% of the Shares expected to be outstanding at the time of the consummation of the proposed merger of the Company with a subsidiary of CSX (the "Proposed CSX Merger") (assuming the Proposed CSX Merger is consummated) and not owned by CSX would 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 Proposed CSX Merger so that such securities would trade at par on a fully distributed basis. As of February 11, 1997, the value of such consideration in the Proposed CSX Merger (assuming that the CSX convertible preferred stock is worth its purported \$16 per Share) was \$101.62 per Share. As of February 11, 1997, the blended value of the consideration which would be received by Company shareholders (other than CSX) in the CSX Second Offer and the Proposed CSX Merger for their Shares was \$103.76 per Share.

On January 13, 1997, Parent announced its pledge that, if Company shareholders defeated the Company's proposal to amend the Company's Articles of Incorporation (the "Articles Amendment") to "opt out" of Subchapter E of Chapter 25 of the PBCL (the "Pennsylvania Control Transaction Law") at the special meeting of Company shareholders called for such purpose (the "Pennsylvania Special Meeting"), Parent and Purchaser would promptly amend the First Offer to eliminate all of the conditions thereto and to reduce the number of Shares sought in the First Offer to 8,200,000 Shares, approximately the maximum number of Shares (based on then available information as to the number of outstanding Common Shares) that Purchaser could acquire without becoming an "Acquiring Person" under the Rights Agreement. See Section 12.

At the Pennsylvania Special Meeting which was held on January 17, 1997, Company shareholders overwhelmingly defeated the Articles Amendment. Accordingly, the First Offer was amended consistent with Parent's pledge and, following expiration of the First Offer at Midnight, New York City time, on February 4, 1997, the Purchaser accepted 8,200,000 Shares for payment at a price of \$115 per Share. A total of approximately 65,000,000 Shares were validly tendered under the First Offer, which represented more than 90% of the Company's then outstanding Shares, excluding Shares held by CSX. Payment for the 8,200,000 Shares purchased under the First Offer commenced on February 11, 1997.

The Company has stated that it may call another special meeting of Company shareholders to consider the Articles Amendment. However, the Company has not stated whether or when such meeting would be held. Company shareholders need not approve the Articles Amendment to facilitate the Second Offer because, unlike CSX's coercive front-end loaded proposal, Purchaser is willing to pay the same \$115 in cash per Share for all outstanding Shares and, therefore, the Articles Amendment is not needed.

In connection with the Second Offer and during its pendency, or in the event the Second Offer is terminated or not consummated, or after the expiration of the Second Offer and pending the consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent (alone or through affiliates) may explore any and all options which may be available to it in connection with the acquisition of the Company. In this regard, Parent intends to solicit proxies against the adoption of the Articles Amendment and the Proposed CSX Merger at any meeting of Company shareholders convened for such purpose. In addition, as required by the Company's Amended and Restated By-Laws (the "Company By-Laws"), Parent notified the Company of its intention to conduct a proxy contest in connection with the Company's 1997 annual meeting of shareholders currently scheduled for December 19, 1997 (the "Annual Meeting") seeking, among other things, to remove certain of the current members of the Company Board and elect a new slate of directors designated by Parent. See Section 12.

After expiration or termination of the Second Offer, Parent may seek to acquire additional Shares, through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the price to be paid per Share pursuant to the Second Offer and could be for cash or other consideration.

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

Certain Conditions to the Second Offer

Consummation of the Second Offer is subject to the fulfillment of a number of conditions, including the following:

The Minimum Condition. Consummation of the Second Offer is conditioned upon there being validly tendered and not withdrawn prior to the expiration of the Second Offer a number of Common Shares and ESOP Preferred Shares which, together with the 8,200,100 Common Shares already owned by Parent, Purchaser or any direct or indirect subsidiary of Parent, constitute at least a majority of the Shares outstanding on a fully diluted basis (the "Minimum Condition").

According to 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, 82,244,475 Common Shares were issued and outstanding and 7,303,920 ESOP Preferred Shares were issued and outstanding, which shares are convertible into Common Shares on a one-for-one basis. According to the Tender Offer Statement on Schedule 14D-1, dated December 6, 1996, as amended, filed by CSX in connection with the Second CSX Offer (the "CSX Schedule 14D-1"), and based on information provided to CSX by the Company, on November 27, 1996, 8,263,682 Common Shares were reserved for issuance pursuant to the Company's stock-based incentive plans ("Incentive Shares") or upon conversion of the ESOP Preferred Shares. Also according to the CSX Schedule 14D-1, 15,955,477 Common Shares have been reserved for issuance pursuant to the CSX Lockup Option Agreement. An aggregate of approximately 904,128 ESOP Preferred Shares were accepted for payment in the First Offer. Upon the transfer of any ESOP Preferred Shares to Purchaser at the time of acceptance for payment of the ESOP Preferred Shares tendered pursuant to the Offers, such ESOP Preferred Shares were or will be automatically converted into Common Shares. Accordingly, as a result of the conversion of 904,128 ESOP Preferred Shares into 904,128 Common Shares following the acceptance for payment of such ESOP Preferred Shares in the First Offer and based on the foregoing information, Purchaser believes that approximately 83,148,603 Common Shares and 6,399,792 ESOP Preferred Shares are presently outstanding.

Based on the foregoing and disregarding for such purposes the 15,955,477 Common Shares purportedly issuable pursuant to the CSX Lockup Option Agreement, Purchaser believes there are presently 90,508,157 Shares outstanding on a fully diluted basis. Accordingly, Purchaser believes that, after giving effect to the 8,200,100 Common Shares already owned by Parent, the Minimum Condition would be satisfied if at least an aggregate of 37,053,979 Common Shares and ESOP Preferred Shares are validly tendered pursuant to the Second Offer if no Common Shares are then issued or validly issuable under the CSX Lockup Option Agreement, or if at least an aggregate of 45,031,718 Common Shares and ESOP Preferred Shares are validly tendered pursuant to the Second Offer if all 15,955,477 Common Shares issuable under the CSX Lockup Option Agreement have then been issued or are then validly issuable. For purposes of the Second Offer, "fully diluted basis" assumes (i) no dilution due to Rights, (ii) the issuance of all of the Incentive Shares, (iii) the conversion of the ESOP Preferred Shares into Common Shares, (iv) that no Shares were issued or acquired by the Company after December 5, 1996 (other than Common Shares issued pursuant to clauses (ii) and (iii) above) and no options, warrants, rights or other securities convertible into or exercisable or exchangeable for Shares were issued or granted after November 27, 1996, and (v) as of the date of purchase the Company has no other obligations to issue Shares or other securities convertible into or exercisable for Shares.

The Subchapter F Condition. Consummation of the Second Offer is conditioned upon Purchaser being satisfied, in its sole discretion, that Subchapter F of Chapter 25 of the PBCL has been complied with or is invalid or otherwise inapplicable to the Second Offer and the Proposed Merger (the "Subchapter F Condition").

The Proposed Merger, including the timing and details thereof, is subject to, among other things, the provisions of the PBCL, including Subchapter F of Chapter 25 thereof ("Subchapter F"). In general, Subchapter F purports to prohibit a Pennsylvania corporation such as the Company from engaging in a "Business Combination" (defined to include a variety of transactions including mergers) with an "Interested Shareholder" (defined generally as a person owning shares entitled to cast at least 20% of the voting power of a corporation) for a period of five years following the date such person became an Interested Shareholder, unless, among other exceptions described in Section 15, (i) before such person became an Interested Shareholder, the board of directors of the corporation approved either the Business Combination or the transaction in which the Interested Shareholder became an Interested Shareholder, or (ii) the Business Combination is approved by a majority of the corporation's voting shares, other than shares held by the Interested Shareholder, no earlier than three months after the Interested Shareholder became, and provided that at the time of such vote the Interested Shareholder is, the beneficial owner of shares entitled to cast at least 80% of votes of the corporation, and the Business Combination satisfies certain fair price criteria.

The Subchapter F Condition would be satisfied if, prior to the purchase of Shares pursuant to the Second Offer, (i) the Company Board approves either the Proposed Merger or the purchase of Shares pursuant to the Second Offer, or (ii) Purchaser, in its sole discretion, were satisfied that Subchapter F was invalid or otherwise inapplicable to the Proposed Merger for any reason, including, without limitation, those specified in Subchapter F. See Section 15.

Purchaser believes that, under applicable law and under the circumstances of the Second Offer including the Company Board's approval of the CSX Merger Agreement, the Company Board is obligated by its fiduciary responsibilities to approve the Second Offer and the Proposed Merger for purposes of Subchapter F and that its failure to do so would be a violation of law. Purchaser is hereby requesting that the Company Board adopt a resolution approving the Second Offer and the Proposed Merger for purposes of Subchapter F as promptly as it may do so without violating its obligations under the CSX Merger Agreement. In the Pennsylvania Litigation, Purchaser is seeking, among other things, an order requiring the Company Board to approve the Second Offer and the Proposed Merger and thereby render Subchapter F inapplicable. See Section 15.

The Rights Condition. Consummation of the Second Offer is conditioned upon the Rights having been redeemed by the Company Board or Purchaser being satisfied, in its sole discretion, that the Rights are invalid or otherwise inapplicable to the Second Offer and the Proposed Merger (the "Rights Condition").

The following is based upon the Form 8-K, dated July 31, 1989, filed by Consolidated Rail Corporation ("CRC"), which is the Company's current operating subsidiary and which prior to the Company's adoption of a holding company structure on February 17, 1993 operated on a stand alone basis (the "July 1989 Form 8-K"), the Company's Form 8-B, dated as of September 25, 1995, and other information filed with the Securities and Exchange Commission (the "SEC").

On July 19, 1989, the Board of Directors of CRC declared a dividend distribution of one Right for each share of common stock of CRC and executed the Rights Agreement. Upon adoption by the Company of a holding company structure on February 17, 1993, CRC assigned all of CRC's title and interest under the Rights Agreement to the Company. On October 2, 1995, one Right was distributed with respect to each outstanding ESOP Preferred Share. Under the Rights Agreement, each Right entitles the holder to purchase one Common Share at an exercise price of \$205.00, subject to adjustment.

Under the Rights Agreement, until the close of business on the Distribution Date (which, as modified by the Company Board on November 4, 1996 under pressure from Parent, is defined as the tenth business day after the acquisition by a person or group of affiliated or associated persons (the "Acquiring Person")

of beneficial ownership of 10% or more of the outstanding Shares), the Rights will be evidenced by the certificates evidencing Shares (the "Share Certificates") and will be transferred with and only with Share Certificates. As soon as practicable after the Distribution Date, certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of the Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire at the close of business on September 20, 2005 unless earlier redeemed by the Company as described below.

At any time prior to the Distribution Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.005 per Right (the "Redemption Price"). Immediately upon the action of the Company Board ordering redemption of the Rights, the Rights will terminate, and the only right to which the holders of Rights will be entitled will be the right to receive the Redemption Price.

Pursuant to the CSX Merger Agreement, the Company amended the Rights Agreement to render the Rights Agreement inapplicable to the CSX Offer, the Proposed CSX Merger and the other transactions contemplated by the CSX Merger Agreement and the CSX Lockup Option Agreement and to ensure, among other things, that CSX is not deemed to be an Acquiring Person and that a Distribution Date does not occur by reason of such agreements or transactions. The Company also agreed in the CSX Merger Agreement that it may not further amend the Rights Agreement or otherwise take action thereunder without the prior consent of CSX in its sole discretion.

Based on publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights were not exercisable, Rights Certificates had not been issued and the Rights were evidenced by the Share Certificates.

Purchaser believes that, under applicable law and under the circumstances of the Second Offer, including the Company Board's approval of the CSX Merger Agreement and the transactions contemplated thereby, the Company Board is obligated by its fiduciary responsibilities not to redeem the Rights or render the Rights Agreement inapplicable to any offer by CSX without, at the same time, taking the same action as to Parent, the Second Offer and the Proposed Merger, and that the Company Board's failure to do so would be a violation of law. In the Pennsylvania Litigation, Purchaser is seeking, among other things, to enjoin the Company Board from taking any such action or to invalidate the provision of the Rights Agreement that was added in September 1995 and which limits the power of the Company Board to redeem the Rights without the approval of a majority of the members of the Company Board who were members as of September 1995 or their nominated successors. See Section 15.

CSX Termination Condition. Consummation of the Second Offer is conditioned upon Purchaser being satisfied, in its sole discretion, that the CSX Merger Agreement has been terminated in accordance with its terms or otherwise (the "CSX Termination Condition").

Purchaser does not intend to consummate the Second Offer if at the time of such consummation the Company is obligated to consummate the Proposed CSX Merger. If Company shareholders vote to approve the Proposed CSX Merger and the CSX Merger Agreement remains in effect, Purchaser will determine what action to take, which might include withdrawal of the Second Offer. In the event that the CSX Merger Agreement has not been terminated and the Company is believed by Purchaser to be taking steps to seek shareholder approval of the CSX Merger Agreement, Parent and Purchaser intend to solicit proxies in opposition to the Proposed CSX Merger.

Certain other conditions to consummation of the Second Offer are described in Section 14. Purchaser expressly reserves the right in its sole discretion to waive any one or more of the conditions to the Second Offer. See Section 14.

This Offer to Purchase and the related Letter of Transmittal contain important information which should be read carefully before any decision is made with respect to the Second Offer.

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

The Second Offer is conditioned upon, among other things, satisfaction of the Minimum Condition, the Subchapter F Condition, the Rights Condition and the CSX Termination Condition. If any or all of such conditions are not satisfied or if any or all of the other events set forth in Section 14 shall have occurred prior to the Expiration Date, Purchaser reserves the right (but shall not be obligated) to (i) decline to purchase any of the Shares tendered in the Second Offer and terminate the Second Offer, and return all tendered Shares to the tendering shareholders, (ii) waive or reduce the Minimum Condition or waive or amend any or all other conditions to the Second Offer to the extent permitted by applicable law, and, subject to complying with applicable rules and regulations of the SEC, purchase all Shares validly tendered, or (iii) extend the Second Offer and the Expiration Date and, subject to the right of shareholders to withdraw Shares until the Expiration Date, retain the Shares which have been tendered during the period or periods for which the Second Offer is extended.

Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time, to extend for any reason the period of time during which the Second Offer is open, including the occurrence of any of the events specified in Section 14, by giving oral or written notice of such extension to the Depository. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Second Offer, subject to the rights of a tendering shareholder to withdraw its Shares in accordance with the procedures set forth in Section 4.

Subject to the applicable regulations of the SEC, Purchaser also expressly reserves the right, in its sole discretion, at any time and from time to time, (i) to delay acceptance for payment of, or, regardless of whether such Shares were theretofore accepted for payment, payment for, any Shares pending receipt of any regulatory approval specified in Section 15 (other than approval by the STB of the acquisition of control of the Company by Parent) or in order to comply in whole or in part with any other applicable law, (ii) to terminate the Second Offer and not accept for payment any Shares if any condition referred to in Section 14 has not been satisfied or upon the occurrence of any of the events specified in Section 14 and (iii) to waive any condition or otherwise amend the Second Offer in any respect by giving oral or written notice of such delay, termination, waiver or amendment to the Depository and by making a public announcement thereof.

Purchaser acknowledges that (i) Rule 14e-1(c) under the Exchange Act requires Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the Second Offer, and (ii) Purchaser may not delay acceptance for payment of, or payment for (except as provided in clause (i) of the first sentence of the preceding paragraph), any Shares upon the occurrence of any of the conditions specified in Section 14 without extending the period of time during which the Second Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, with such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If Purchaser makes a material change in the terms of the Second Offer or the information concerning the Second Offer, or if it waives a material condition of the Second Offer, Purchaser will disseminate additional tender offer materials and extend the Second Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Second Offer must remain open following material changes in the terms of the Second Offer or information concerning the Second Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the changed terms or information. In the SEC's view, an offer generally should remain open for a minimum of five business days from the date a material change is first published, sent or given to shareholders. With respect to a change in price or a change in percentage of securities sought, a minimum ten business day period is required to allow for adequate dissemination to shareholders and investor response. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1 under the Exchange Act. Accordingly, if, prior to the Expiration Date, Purchaser decreases the number of Shares being sought, or increases or decreases the consideration offered pursuant to the Second Offer, and if the Second Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from the date that notice of such increase or decrease is first published, sent or given to holders of Shares, the Second Offer will be extended at least until the expiration of such 10 business day period.

As of the date of this Offer to Purchase, the Rights are evidenced by the Share Certificates and do not trade separately. Accordingly, by tendering a Share Certificate, a shareholder is automatically tendering the associated Rights. If, however, pursuant to the Rights Agreement or for any other reason, the Rights detach and separate Rights Certificates are issued, shareholders will be required to tender one Right for each Share tendered in order to effect a valid tender of such Share.

A request is being made to the Company for the use of the Company's shareholder list and security position listing for the purpose of disseminating the Second Offer to shareholders. Upon compliance by the Company with such request, this Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and Rights and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list, and list of holders of Rights, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares or Rights. A request is also being made to the ESOP Trustee to transmit this Offer to Purchase and any required election materials to participants in the ESOP who are beneficial owners of any Shares owned of record by the ESOP Trustee.

2. Acceptance for Payment and Payment for Shares. Upon the terms and subject to the conditions of the Second Offer (including, if the Second 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, all Shares which are validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in Section 14. Purchaser expressly reserves the right, in its discretion, to delay acceptance for payment of, or, subject to applicable rules of the SEC, payment for, Shares in order to comply in whole or in part with any applicable law. In all cases, payment for Shares purchased pursuant to the Second Offer will be made only after timely receipt by the Depository of (i) the Share Certificates and Rights Certificates, if the Rights are at such time separately traded, or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Shares (and Rights, if applicable), if such procedure is available, into 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 procedures set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or, in the case of a book-entry transfer, an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

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 (and Rights, if applicable) that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

For purposes of the Second Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares (including the associated Rights) validly tendered and not properly withdrawn if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment. Payment for Shares (including the associated Rights) accepted pursuant to the Second Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payments from Purchaser and transmitting payments to such tendering shareholders. Under no circumstances will interest on the purchase price for Shares be paid by Purchaser, regardless of any delay in making such payment. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering shareholders, Purchaser's obligation to make such payment shall be satisfied and tendering shareholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Second Offer. 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 Letter of Transmittal, as well as any charges and expenses of the Depositary and the Information Agent.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Second Offer or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares tendered by book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited to an account maintained at such Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Second Offer.

If, prior to the Expiration Date, Purchaser increases the consideration to be paid per Share pursuant to the Second Offer, Purchaser will pay such increased consideration for all such Shares purchased pursuant to the Second Offer, whether or not such Shares were tendered prior to such increase in consideration.

Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to Parent or one or more direct or indirect wholly owned subsidiaries of Parent, the right to purchase all or any portion of the Shares tendered pursuant to the Second Offer, provided that any such transfer or assignment will not relieve Purchaser of its obligations under the Second 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 Second Offer.

3. Procedures for Tendering Shares.

Valid Tender of Shares. In order for Shares to be validly tendered pursuant to the Second Offer, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (in the case of any book-entry transfer) and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary at one of such addresses or Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case prior to the Expiration Date, or (ii) the tendering shareholder must comply with the guaranteed delivery procedures described below.

The method of delivery of Share 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 Depositary. 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.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at each Book-Entry Transfer Facility for purposes of the Second Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in either of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the tendering shareholder must comply with the guaranteed delivery procedures described 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 Depositary.**

Signature Guarantee. Signatures on all Letters 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"), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Share 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 on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Second Offer and such shareholder's Share Certificates are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all the following conditions are satisfied:

- (i) the tender is 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 herewith, is received by the Depositary as provided below prior to the Expiration Date; and
- (iii) in the case of a guarantee of Shares, the Share Certificates for all tendered Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depositary within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery.

Any Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares purchased pursuant to the Second Offer will, in all cases, be made only after timely receipt by the Depositary of (i) the Share Certificates evidencing such Shares, or a Book-Entry Confirmation of the delivery of such Shares, if available, (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) (or in the case of a book-entry transfer, an Agent's Message) and (iii) any other documents required by the Letter of Transmittal.

Distribution of Rights. Holders of Shares will be required to tender one Right for each Share tendered to effect a valid tender of such Share. Unless and until the Distribution Date of the Rights occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date of the Second Offer, a tender of Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred, certificates representing a number of Rights equal to the number of Shares being tendered must be delivered to the Depositary in order for such Shares to be validly tendered. If a Distribution Date has occurred, a tender of Shares without Rights constitutes an agreement by the tendering shareholder to deliver certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Second Offer to the Depositary within three NYSE trading days after the date such certificates are distributed. Purchaser reserves the right to require that it receive such certificates prior to accepting Shares for payment. Payment for Shares tendered and purchased pursuant to the Second Offer will be made only after timely receipt by the Depositary of, among other things, such 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 Second Offer.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tendered Shares pursuant to any of the procedures described above will be determined by Purchaser in its sole discretion, whose determination will be final and binding on all parties. Purchaser reserves the absolute right to reject any or all tenders of any Shares determined by it not to be in proper form or if the acceptance for payment of, or payment for, such Shares may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right, in its sole discretion, to waive any of the conditions of the Second Offer or any defect or irregularity in any tender with respect to Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived.

Purchaser's interpretation of the terms and conditions of the Second Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. None of Parent, Purchaser, the Dealer Managers, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

Appointment as Proxy. By executing a Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints 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 the date of this Offer to Purchase). 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 Second Offer. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares, Rights 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 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 Company shareholders, by written consent or otherwise, and 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.

To prevent backup Federal income tax withholding with respect to payment to certain shareholders of the purchase price for Shares purchased pursuant to the Second Offer, each such shareholder must provide the Depositary with such shareholder's correct Taxpayer Identification Number and certify that

such shareholder is not subject to backup Federal income tax withholding by completing the substitute Form W-9 in the Letter of Transmittal. If backup withholding applies with respect to a shareholder, the Depository is required to withhold 31% of any payments made to such shareholder. See Instruction 9 of the Letter of Transmittal.

ESOP Preferred Shares. According to documents filed by the Company with the SEC, all outstanding ESOP Preferred Shares are owned of record by the ESOP Trustee and, accordingly, only the ESOP Trustee can effect a valid tender of such shares. The ESOP Trustee is required to request instructions from each participant in the ESOP as to whether ESOP Preferred Shares and Common Shares, if any, allocated to such participant's account should be tendered pursuant to the Second Offer, and to tender such shares in accordance with such instructions. Pursuant to the organizational documents of the ESOP, the ESOP Trustee may not tender allocated ESOP Preferred Shares and Common Shares, if any, as to which no instructions are received. Unallocated shares are required to be tendered or not tendered in the same proportion as allocated shares for which instructions from participants are received.

Purchaser's acceptance for payment of Shares tendered pursuant to the Second Offer will constitute a binding agreement between the tendering shareholder and Purchaser upon the terms and subject to the conditions of the Second Offer.

4. Withdrawal Rights. Tenders of Shares made pursuant to the Second Offer are irrevocable except that such Shares may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Second Offer, may also be withdrawn at any time after April 12, 1997.

If Purchaser extends the Second Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Second Offer for any reason, then, without prejudice to Purchaser's rights under the Second Offer, the Depository may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Second Offer to the extent required by law.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depository at one of its addresses set forth on the back cover of this Second Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depository and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of Parent, Purchaser, the Dealer Managers, the Depository, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Second Offer. However, withdrawn Shares may be retendered at any time prior to the Expiration Date by following the procedures described in Section 3.

5. Certain Federal Income Tax Consequences. The receipt of cash pursuant to the Second Offer or the Proposed Merger will be a taxable transaction for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and may also be a taxable transaction under applicable state, local, foreign and other tax laws. Generally, for federal income tax purposes, a tendering

shareholder will recognize gain or loss equal to the difference, if any, between the amount of cash received by the shareholder pursuant to the Second Offer or Proposed Merger and the aggregate tax basis in the Shares tendered by the shareholder and purchased by Purchaser pursuant to the Second Offer or converted into cash in the Proposed Merger, as the case may be. Gain or loss will be computed separately for each block of Shares (i.e., Shares acquired at the same time and price) tendered and purchased pursuant to the Second Offer or converted in the Proposed Merger, as the case may be.

If Shares are held by a shareholder as capital assets, gain or loss recognized by the shareholder will be capital gain or loss, which will be long-term capital gain or loss if such shareholder's holding period for the Shares exceeds one year. Under present law, long-term capital gains recognized by an individual shareholder generally will be taxed at up to a maximum federal marginal tax rate of 28%, and long-term capital gains recognized by a corporate shareholder will be taxed at up to a maximum federal marginal tax rate of 35%.

THE FOREGOING DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE WITH RESPECT TO SHARES RECEIVED PURSUANT TO THE EXERCISE OF EMPLOYEE STOCK OPTIONS OR OTHERWISE AS COMPENSATION OR WITH RESPECT TO HOLDERS OF SHARES WHO ARE SUBJECT TO SPECIAL TAX TREATMENT UNDER THE CODE, SUCH AS NON-U.S. PERSONS, LIFE INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS AND FINANCIAL INSTITUTIONS, AND MAY NOT APPLY TO A HOLDER OF SHARES IN LIGHT OF INDIVIDUAL CIRCUMSTANCES. SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL OR OTHER TAX CONSEQUENCES) OF THE SECOND OFFER AND THE PROPOSED MERGER.

6. Price Range of Shares; Dividends. According to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "Company Form 10-K"), the Common Shares are listed and principally traded on the NYSE and are also listed and traded on the Philadelphia Stock Exchange. The Common Shares are quoted under the symbol "CRR". The following table sets forth, for the quarters indicated, the high and low sales prices per Common Share on the NYSE and the amount of cash dividends paid per Common Share, as reported in the Company Form 10-K for periods in 1995, and as reported by published financial sources with respect to periods in 1996 and 1997:

	<u>High</u>	<u>Low</u>	<u>Cash Dividends</u>
Year Ended December 31, 1995:			
First Quarter	57½	50½	.375
Second Quarter	56¼	51½	.375
Third Quarter	70¼	55½	.425
Fourth Quarter	74¾	65½	.425
Year Ending December 31, 1996:			
First Quarter	77¼	67½	.425
Second Quarter	73¼	66¼	.425
Third Quarter	74¾	63¼	.475
Fourth Quarter	100½	68½	.475
Year Ending December 31, 1997:			
First Quarter (through February 11, 1997)	107¾	98½	N.A.

On February 11, 1997, the last full trading day prior to the commencement of the Second Offer, the reported closing sales price of the Common Shares on the NYSE Composite Tape was \$106½ per Common Share. **Shareholders are urged to obtain a current market quotation for the Common Shares.**

All of the outstanding ESOP Preferred Shares are held of record by the ESOP Trustee. There is no trading market for the ESOP Preferred Shares. Since issuance of the ESOP Preferred Shares, the

Company has declared quarterly cash dividends on the ESOP Preferred Shares of \$.54125 per Share. Each ESOP Preferred Share is convertible under certain circumstances into one Common Share.

7. Effect of the Second Offer on the Market for the Common Shares; Exchange Listing and Exchange Act Registration; Margin Regulations. The purchase of Common Shares pursuant to the Second Offer will reduce the number of Common Shares that might otherwise trade publicly and could reduce the number of holders of Common Shares, which could adversely affect the liquidity and market value of the remaining Common Shares held by the public. Following consummation of the Second Offer, a large percentage of the outstanding Common Shares will be owned by Purchaser.

According to the NYSE's published guidelines, the NYSE would consider delisting the Common Shares if, among other things, the number of record holders of at least 100 Common Shares should fall below 1,200, the number of publicly held Common Shares (exclusive of holdings of officers, directors and their families and other concentrated holdings of 10% or more (the "NYSE Excluded Holdings")) should fall below 600,000 or the aggregate market value of publicly held Common Shares (exclusive of NYSE Excluded Holdings) should fall below \$5,000,000. If, as a result of the purchase of Common Shares pursuant to the Second Offer or otherwise, the Common Shares no longer meet the requirements of the NYSE for continued listing and the listing of the Common Shares is discontinued, the market for the Common Shares could be adversely affected.

If the NYSE were to delist the Common Shares, it is possible that the Common Shares would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of shareholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Common Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below and other factors. Purchaser cannot predict whether the reduction in the number of Common Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Common Shares or whether it would cause future market prices to be higher or lower than the Offer Price. The Common Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the SEC if the Common Shares are not listed on a national securities exchange and there are fewer than 300 record holders of the Common Shares. The termination of registration of the Common Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Common Shares and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with shareholders' meetings pursuant to Section 14(a), and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Common Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act").

If registration of the Common Shares under the Exchange Act were terminated, the Common Shares would no longer be eligible for NASDAQ reporting.

8. Certain Information Concerning the Company. The information concerning the Company contained in this Offer to Purchase, including financial information, has been taken from or based upon the Company Form 10-K and other publicly available documents and records on file with the SEC and other public sources. Neither Parent, Purchaser, the Dealer Managers nor the Information Agent assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Purchaser, the Dealer Managers or the Information Agent.

According to information filed by the Company with the SEC, the Company is a Pennsylvania corporation whose principal executive offices are located at 2001 Market Street, Two Commerce Square,

Philadelphia, Pennsylvania 19101. Through its wholly owned subsidiary, CRC, a Pennsylvania corporation, the Company provides freight transportation services within the northeast and midwest United States. The Company interchanges freight with other United States and Canadian railroads for transport to destinations within and outside the Company's service region. As of December 31, 1995, CRC (excluding its subsidiaries) maintained 17,715 miles of track on its 10,701 mile route system. Of total route miles, 8,860 are owned, 100 are leased or operated under contract and 1,741 are operated under trackage rights, including approximately 300 miles operated pursuant to an easement over Amtrak's Northeast Corridor. Also as of December 31, 1995, the Company had (owned or subject to capital lease) 2,023 locomotives and 51,404 freight cars (including 21,948 subject to operating leases), excluding locomotives and freight cars held by subsidiaries other than CRC, which have an immaterial number of locomotives and freight cars. The Company operates no significant line of business other than the freight railroad business and does not provide common carrier passenger or commuter train service.

According to information filed by the Company with the SEC, the Company serves a heavily industrial region that is marked by dense population centers which constitute a substantial market for consumer durable and non-durable goods, and a market for raw materials used in manufacturing and by electric utilities.

Financial Information. Set forth below is certain selected consolidated financial information relating to the Company and its subsidiaries which has been excerpted or derived from the financial statements contained in the Company Form 10-K, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996 (the "Company Form 10-Q") and other documents filed by the Company with the SEC. More comprehensive financial information is included in the Company Form 10-K, the Company Form 10-Q and such other documents filed by the Company with the SEC. The financial information that follows is qualified in its entirety by reference to the Company Form 10-K, the Company Form 10-Q and such other documents, including the financial statements and related notes contained therein. The Company Form 10-K, the Company Form 10-Q and such other documents may be examined at and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth below.

CONRAIL INC.

Selected Consolidated Financial Information (in millions, except per Common Share amounts)

	Nine Months Ended Ended September 30,		Year Ended December 31,		
	1996	1995	1995	1994	1993
Income Statement Data:					
Revenues	\$2,771	\$2,735	\$3,686	\$3,733	\$3,453
Operating expenses	2,413	2,233	3,230	3,127	2,862
Operating income	358	502	456	606	591
Net income to common shareholders	195	294	264	324	160

Income Per Common Share Information:

Net earnings per Common Share before the cumulative effect of changes in accounting principles					
Primary	\$ 2.39	\$ 3.61	\$ 3.19	\$ 3.90	\$ 2.74
Fully diluted	2.21	3.28	2.94	3.56	2.51
Net per Common Share cumulative effect of changes in accounting principles (1)					
Primary	—	—	—	—	(.92)
Fully diluted	—	—	—	—	(.81)
Net earnings per Common Share					
Primary	2.39	3.61	3.19	3.90	1.82
Fully diluted	2.21	3.28	2.94	3.56	1.70

	At September 30,		At December 31,		
	1996	1995	1995	1994	1993
Balance Sheet Data:					
Current assets	\$1,199	\$1,187	\$1,206	\$1,125	\$1,062
Property and equipment (net)	6,495	6,680	6,408	6,498	6,313
Total assets	8,387	8,683	8,424	8,322	7,948
Current liabilities	1,250	1,238	1,170	1,201	1,075
Long-term debt, excluding current portion	1,891	2,037	1,911	1,940	1,959
Total shareholders' equity	2,938	3,080	2,977	2,925	2,784

- (1) Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS 109, "Accounting for Income Taxes."

On January 22, 1997, the Company issued an earnings press release in which it reported the following results for the fiscal year ended December 31, 1996 as compared to the comparable period for 1995: revenues, \$3,714 million versus \$3,686 million; income from operations, \$601 million versus \$456 million; net income, \$342 million versus \$264 million; net income per Common Share, \$4.25 (primary) and \$3.89 (fully diluted) versus \$3.19 (primary) and \$2.94 (fully diluted).

The Company is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at prescribed rates at the following regional offices of the SEC: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains an Internet web site at <http://www.sec.gov> that contains reports, proxy statements and other information. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Certain Operating Relationships. Various subsidiaries of each of Parent, on the one hand, and the Company, on the other hand, have operating relationships with each other. The principal interchange points between railroads of Parent and the Company are located at Hagerstown, Maryland, Buffalo, New York, and Cincinnati, Cleveland and Toledo, Ohio. In 1993, 1994 and 1995, the percentage of total loads handled by Parent and interchanged to or from the Company was 6.6%, 6.2% and 6.3%, respectively. In connection with interchanges, either or both railroads of Parent and the Company may be the party billing the shipper of such interchange freight, and in cases where one of the parties bills for the entire shipment, such party periodically will remit to the other party the net amount of the proceeds due to such other carrier in accordance with standard industry practice. In addition, Parent and the Company, together with other railroads, cooperate in terminal switching operations at certain major locations and also have proprietary interests in various terminal companies in their service territories.

In addition to the foregoing, the railroads of Parent and the Company are parties to various trackage rights and haulage agreements. Haulage involves movement by the owning railroad, with its crews, of traffic in the account of the using railroad to and from points on the owning railroad. Under trackage rights agreements the using railroad operates its own trains with its employees carrying traffic in its account over the lines of the owning railroad. Among the various cooperative arrangements between Parent and the Company are: (i) Parent trackage rights on the Company's line between Cincinnati and Columbus, Ohio, (ii) haulage by Parent of the Company's automotive traffic from Bloomington, Illinois, to Lafayette, Indiana, and haulage by Parent of certain other Company traffic between Peoria, Illinois and Lafayette, Indiana, and (iii) Parent trackage rights on the Company's line at Cincinnati, Ohio. In addition to the foregoing, Parent and the Company (together with Union Pacific Railroad) operate a fleet of intermodal containers that are free to move over the lines of each participant.

Between 1993 and 1995, Parent purchased from the Company, for approximately \$11 million, approximately 120 miles of the Company's Fort Wayne line extending from Gary to Fort Wayne, Indiana. At various times during this period, Parent operated over the Company's lines under trackage rights agreements. Currently, the Company continues to serve several customers in the Fort Wayne area using trackage rights over former Company lines now owned by Parent.

Triple Crown Services Company. On April 1, 1993, Parent and the Company formed Triple Crown Services Company ("TCS"), a Delaware partnership, to provide intermodal services previously operated by a wholly owned subsidiary of Parent. The Company paid Parent \$15 million for a one-half interest in TCS. Since 1993 both Parent and the Company have made additional capital contributions to TCS and guaranteed financing of TCS equipment purchases. TCS provides intermodal services throughout the eastern United States. Intermodal services involve the movement of traffic both over the highway and on rail lines. Major TCS initiatives, policies, budgets, and other matters are subject to approval by a Management Committee consisting of equal numbers of Parent and Company senior officers. The TCS Management Committee establishes overall strategy for TCS. Relationships among TCS, Parent and the Company are governed by numerous bilateral and trilateral written agreements. TCS's revenues after April 1, 1993 were \$101.7 million; for 1994 and 1995, they were \$148.2 million and \$143.0 million, respectively.

Doublestack Clearances. In connection with the creation of the TCS partnership, Parent and the Company agreed to cooperate to eliminate doublestack clearance impediments between New Jersey on the Company's lines and Atlanta, Georgia, on lines of Parent's railroads. Doublestacking of intermodal containers permits one container to be placed on top of another container for movement in specialized railcars. However, because the height of doublestacked containers often is greater than that of a standard railcar, certain structures over rail lines, such as tunnels, overpasses and bridges, must be modified to permit doublestack service to be operated. Elimination of such clearance restrictions is costly. Parent's cost for clearance work between its connections with the Company at Hagerstown, Maryland, and Atlanta, Georgia, was approximately \$4 million.

9. Certain Information Concerning Purchaser and Parent.

Purchaser. Purchaser is a Pennsylvania corporation organized in October 1996 in connection with the Offers and the Proposed Merger and has not carried on any activities other than in connection with the Offers and the Proposed Merger. The principal offices of Purchaser are located at Three Commercial Place, Norfolk, Virginia 23510. The Purchaser is a wholly owned subsidiary of Parent. Other than the 8,200,000 Shares acquired in the First Offer, all of which are held in the Voting Trust, Purchaser does not have any significant assets or liabilities or engage in activities other than those incidental to its formation and capitalization and the transactions contemplated by the Offers and the Proposed Merger. Because Purchaser has no operating assets and minimal capitalization, no meaningful financial information regarding Purchaser is available.

Parent. Parent is a Virginia corporation with its principal executive offices located at Three Commercial Place, Norfolk, Virginia 23510. Parent is a holding company that owns all the common stock of and controls a major freight railroad, Norfolk Southern Railway Company; a motor carrier, North American Van Lines, Inc. ("North American"); and a natural resources company, Pocahontas Land Corporation ("Pocahontas Land"). The railroad system's lines extend over more than 14,300 miles of road in 20 states, primarily in the Southeast and Midwest, and the Province of Ontario, Canada. North American provides household moving and specialized freight handling services in the United States and Canada, and offers certain motor carrier services worldwide. Pocahontas Land manages approximately 900,000 acres of coal, natural gas and timber resources in Alabama, Illinois, Kentucky, Tennessee, Virginia and West Virginia.

Parent is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and officers, their remuneration, stock options granted to them, the principal holders of Parent's securities, any material interests of such persons in transactions with Parent and other matters is required to be disclosed in proxy statements distributed to Parent's shareholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection and copies may be obtained in the same manner as set forth for the Company in Section 8. Parent's common stock is listed on the NYSE, and reports, proxy statements and other information concerning Parent should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Set forth below is certain selected historical consolidated financial information relating to Parent and its subsidiaries which has been excerpted or derived from audited financial statements presented in Parent's 1995 Annual Report to Shareholders and from Parent's unaudited consolidated financial statements contained in Parent's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996. More comprehensive financial information is included in such reports and other documents filed by Parent with the SEC. The financial information summary set forth below is qualified in its entirety by reference to such reports and other documents which have been filed with the SEC, including the financial information and related notes contained therein, which are incorporated herein by reference. Such reports and other documents may be inspected at and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth above.

NORFOLK SOUTHERN CORPORATION

Selected Consolidated Financial Data (in millions, except per share amounts)

	Nine Months Ended September 30,		Year Ended December 31,		
	1996	1995	1995	1994	1993
	(unaudited)				
Income Statement Data:					
Operating revenues	\$ 3,590.1	\$ 3,512.8	\$ 4,668.0	\$ 4,581.3	\$ 4,460.1
Operating expenses	2,702.9	2,681.5	3,581.7	3,515.9	3,599.7
Operating income	887.2	831.3	1,086.3	1,065.4	860.4
Net income to common shareholders	569.9	535.8	712.7	667.8	772.0

Per Share Information:

Net earnings per common share before the cumulative effect of changes in accounting principles	4.49	4.07	5.44	4.90	3.94
Net per common share cumulative effect of changes in accounting principles for:					
Income taxes	—	—	—	—	3.34
Postretirement benefits other than pensions; and postemployment benefits	—	—	—	—	(1.74)
Net Earnings per Common Share	4.49	4.07	5.44	4.90	5.54

	At September 30,		At December 31,		
	1996	1995	1995	1994	1993
	(unaudited)				
Balance Sheet Data:					
Current assets	\$ 1,456.6	\$ 1,340.3	\$ 1,342.8	\$ 1,337.5	\$ 1,563.5
Property, less accumulated depreciation ...	9,460.2	9,233.1	9,258.8	8,987.1	8,730.7
Total assets	11,261.5	10,872.9	10,904.8	10,587.8	10,519.8
Current liabilities	1,208.4	1,180.9	1,205.8	1,131.8	1,197.9
Long-term debt, excluding current portion	1,811.2	1,588.3	1,553.3	1,547.8	1,481.5
Total shareholders' equity	4,854.6	4,808.1	4,829.0	4,684.8	4,620.7

On January 29, 1997, Parent issued an earnings press release in which it reported the following results for its fiscal year ended December 31, 1996 as compared to the comparable period for 1995: revenues, \$4,770 million versus \$4,668 million; income from operations, \$1,197.0 million versus \$1,086.3 million; net income, \$770.4 million versus \$712.7 million; and net income per common share, \$6.09 versus \$5.44.

Parent has identified a number of synergies related to the Proposed Merger which its management believes can be achieved that will yield aggregate annual contribution to operating income by the year 2000 (in year 2000 dollars) of approximately \$660 million, consisting of approximately \$515 million of operating savings and \$145 million of additional operating income from revenue enhancements. The operating savings are expected to result from reduced general and administrative expenses (\$170 million), improved equipment utilization and improved equipment maintenance (\$107 million) and improved use of rail yards and routes coupled with maintenance of way efficiencies (\$77 million), and from more efficient transportation operations (\$161 million). The net new business revenues totalling \$525 million which will yield the \$145 million of incremental operating income are expected to be comprised of increased revenues generated by improved single line service (\$215 million), revenues generated by new coal traffic (\$134 million) and revenues generated by diverting truck traffic from highways (\$316 million, of which \$126 million is expected to come from highway to carload growth and the balance from

conventional intermodal growth), decreased by \$140 million of lost revenue due to enhanced competition. Partially based on such synergies, Parent projects that the impact of the Offers and the Proposed Merger on its earnings per share will be modestly dilutive in the first year, modestly accretive in the second year and significantly accretive thereafter, and that on a pro forma basis for fiscal year 1998 it will have revenues of \$9.4 billion, EBITDA of \$3.5 billion, an EBITDA to interest coverage of 3.2 to 1 and a total debt to total capitalization ratio of 69%.

The foregoing estimates of cost savings, synergies, projected earnings per share and pro forma financial information are "forward-looking" and inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Parent and Purchaser, including: (a) future economic conditions in the markets in which Parent and the Company operate; (b) financial market conditions; (c) inflation rates; (d) changing competition; (e) changes in the economic regulatory climate in the United States railroad industry; (f) the ability to eliminate duplicative administrative functions; and (g) adverse changes in applicable laws, regulations or rules governing environmental, tax or accounting matters. There can be no assurance that the estimated savings, revenue increases, synergies, projected earnings per share and pro forma financial information will be achieved and actual savings, revenue increases, synergies, projected earnings per share and pro forma financial information may vary materially from those estimated. The inclusion of such estimates herein should not be regarded as an indication that Parent, Purchaser or any other party considers such estimates an accurate prediction of future events.

The name, citizenship, business address, principal occupation or employment and five-year employment history for each of the directors and executive officers of Purchaser and Parent are set forth in Schedule I hereto.

On October 18, 1996, Atlantic Investment Company, a wholly owned subsidiary of Parent ("Atlantic"), purchased in a market transaction 100 Common Shares at a price of \$86.00 per Share. On October 23, 1996 Atlantic transferred beneficial ownership of such shares to Purchaser, which Purchaser subsequently transferred back to Atlantic on February 4, 1997. In addition, L.I. Prillaman, the Executive Vice President-Marketing of Parent, owns 20 Common Shares, and Kathryn B. McQuade, Vice President-Internal Audit of Parent, owns 50 Common Shares. Further, the spouse of E.B. Leisenring, Jr., a director of Parent, is (i) the sole beneficiary of three trusts, the trustee of which is Mellon Bank, that hold 5,869 Common Shares and (ii) a one-fourth beneficiary of a trust (the "CSB Trust"), the trustee of which is CoreStates Bank, that holds 1,500 Common Shares. On October 18, 1996, the CSB Trust sold 500 Common Shares at \$85.625 per Share. Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto, or any associate or majority-owned subsidiary of such persons, beneficially owns any equity security of the Company, and none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the past 60 days.

Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, without limitation, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, none of Parent or Purchaser or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto has had any transactions with the Company, or any of its executive officers, directors or affiliates that would require reporting under the rules of the SEC.

Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or Purchaser, or their respective subsidiaries, or, to the best knowledge of Parent or Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, or a sale or other transfer of a material amount of assets. See Introduction and Section 11.

10. Source and Amount of Funds. Purchaser estimates that the total amount of funds required to purchase Shares pursuant to the Offers and the Proposed Merger, 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 approximately \$1.0 billion was expended in connection with the First Offer). See also Section 16.

Purchaser plans to obtain the necessary funds through capital contributions, loans or advances made, directly or indirectly, by Parent. Parent plans to obtain the funds for such capital contributions or advances from its available cash and working capital, and either through the issuance of long-term or short-term debt securities (including, without limitation, commercial paper notes) or under the Credit Facility, as defined and described below.

Parent's commercial paper program involves the private placement of unsecured, commercial paper notes with varying maturities of up to 270 days. The commercial paper issuances generally have an effective interest rate approximating the then market rate of interest for commercial paper of similar rating. Currently the weighted average interest rate for commercial paper outstanding is approximately 5.4%. Parent may refinance any commercial paper borrowings used to finance the purchase of Shares pursuant to the Offers through private placements of additional commercial paper, borrowings under the Credit Facility or, depending on market or business conditions and subject to certain restrictions on the incurrence of indebtedness set forth in the Credit Agreement (as defined below), through such other financing as Parent may deem appropriate.

To finance payment of the Offers, Parent issued and sold \$1.0 billion in commercial paper, supported by the Credit Agreement.

As of February 10, 1997, Parent entered into a Credit Agreement (the "Credit Agreement") with Morgan Guaranty Trust Company of New York, as administrative agent (the "Administrative Agent"), Merrill Lynch Capital Corporation, as documentation agent (in such capacity and together with the Administrative Agent, the "Arrangers"), and certain financial institutions (the "Lenders"), under which the Lenders agreed to provide Parent with a senior credit facility (the "Credit Facility") providing an aggregate principal amount not to exceed \$13 billion in loans to finance the Offers and the Proposed Merger, to pay related fees and expenses, to refinance Parent's and the Company's existing debt and for working capital purposes.

The Lenders' obligations to make loans to Parent to fund the purchase price of Shares purchased in the Second Offer are subject to the following conditions, among others: (i) all conditions to the Second Offer having been satisfied without waiver or amendment (unless consented to by Lenders holding at least 51% of the exposures under the Credit Facility), (ii) receipt of all material governmental and third party approvals (excluding STB approval) necessary in connection with the consummation of the Second Offer having been obtained and being in full force and effect, and (iii) the absence of material adverse change in the consolidated financial condition, operations, assets, business or prospects of Parent and its consolidated subsidiaries, taken as a whole.

On and after the Acquisition Date, certain "Significant Subsidiaries" (as such term is defined in the Credit Agreement, which in any event includes Purchaser) of Parent will provide an unconditional guarantee of all amounts payable by Parent under the Credit Agreement and the Credit Facility (the "Subsidiary Guarantee"). As security for Parent's obligations under the Credit Facility, Parent will, on the Acquisition Date and as a condition to borrowing of loans under the Credit Agreement to fund the purchase of Shares in the Second Offer, enter into a pledge agreement pursuant to which it will grant a security interest to the Administrative Agent (for the benefit of the Lenders) in and pledge over to the Administrative Agent (for the benefit of the Lenders) (i) all of the stock held by Parent in the Significant Subsidiaries, (ii) all debt owing by the Significant Subsidiaries to Parent and (iii) Parent's interest in the Voting Trust, unless Parent's senior unsecured long-term debt is rated BBB- or higher by Standard & Poor's Corporation and Baa3 or higher by Moody's Investors Services, Inc. (after giving effect to the Second Offer and the Proposed Merger) (the "Minimum Rating"), in which event no such pledge agreement is required. In addition, as security for its respective obligations under the Subsidiary Guarantee, each Significant Subsidiary will, on the Acquisition Date and as a condition to Parent's

borrowing of loans under the Credit Agreement to fund the purchase of Shares in the Second Offer, enter into a subsidiary pledge agreement pursuant to which it will grant a security interest to the Administrative Agent (for the benefit of the Lenders) in and pledge over to the Administrative Agent (for the benefit of the Lenders) (i) all stock which it owns of each other Significant Subsidiary, (ii) all debt owed to it by each other Significant Subsidiary and (iii) such Significant Subsidiary's interest in the Voting Trust, unless the Minimum Rating has been attained, in which event no such pledge agreement is required. Such pledge agreements will, in any event, be terminated once the Minimum Rating is obtained.

The Credit Facility consists of four facilities. Three of these facilities are term loan facilities. One term loan has a principal amount of \$3.5 billion, \$1 billion of which will be repayable on the first anniversary of the Acquisition Date and the remainder of which will be repayable on the date (the "Final Term Loan I Maturity Date") which is the earlier of (i) six months from the date on which the STB issues its final order with respect to the acquisition of control of the Company by Parent and (ii) February 10, 2000, the third anniversary of the date of the execution and delivery of the Credit Agreement (the "Closing Date"). The second term loan facility has a principal amount of \$3.5 billion repayable 24 months after the Final Term Loan I Maturity Date. The third term loan facility has a principal amount of \$3 billion repayable in unequal quarterly installments during the period from and including March 31, 1997 (subject to extension under certain circumstances) through and including June 30, 2003. Each of the term loans will bear interest at a rate per annum equal to, at the option of Parent and Purchaser, any of (i) the Eurodollar rate plus a margin (A) of 0.1% in the case of loans outstanding under the Credit Facility prior to the date on which the Borrower owns at least 51% of the Shares (the "Acquisition Date") and (B) between .875% and .225% depending upon Parent's senior unsecured long-term debt ratings in the case of loans outstanding under the Credit Facility on or after the Acquisition Date, (ii) an adjusted CD rate plus a margin of (A) 0.225% in the case of loans outstanding under the Credit Facility prior to the Acquisition Date and (B) between 0.350% and 1.00% depending upon Parent's senior unsecured long-term debt ratings in the case of loans outstanding under the Credit Facility on or after the Acquisition Date or (iii) the higher of Morgan's prime rate or the federal funds rate plus .50% (the "Base Rate") plus a margin of (A) 0% in the case of loans outstanding prior to the Acquisition Date and (B) 0.25% depending upon Parent's senior unsecured long-term debt ratings in the case of loans outstanding under the Credit Facility on or after the Acquisition Date (such rates together with the applicable margins, the "Variable Rate"). The fourth facility is a revolving credit facility of \$3 billion, which will bear interest at the Variable Rate or a money market rate, and will mature five years after the Closing Date. The Credit Facility also provides for a facility fee accruing on the total amount available or outstanding thereunder at a rate which will initially be .25% per annum and may be adjusted depending upon Parent's senior unsecured long-term debt ratings to between .125% and .375% per annum. In addition, 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 above that would otherwise be applicable to such loans plus an additional margin of .125%.

The Credit Agreement also contains certain financial covenants as well as certain restrictions on, among other things, (i) maturities or amortization of indebtedness prior to six months after the final maturity of the loans under the Credit Facility, (ii) indebtedness of subsidiaries, (iii) liens, (iv) mergers, consolidations, liquidations, dissolutions and sales of assets, (v) transactions with affiliates, and (vi) the ability of subsidiaries to pay dividends. The financial covenants require Parent to maintain specified (i) minimum interest coverage ratios, (ii) minimum consolidated net worth, and (iii) maximum leverage ratios. The covenants also restrict payments, transfers or other distributions from Parent to the Company prior to the later of the consummation of the Proposed Merger or the date on which the approval of the STB shall have been obtained.

The Credit Agreement contains certain representations and warranties regarding, among other things, corporate existence, power and authority, enforceability of the Credit Agreement and other loan documents, no conflicts, financial information, absence of material adverse change, absence of material litigation, compliance with certain laws and regulations, certain environmental matters, taxes, matters related to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and absence

of material misstatements. In addition, the Credit Agreement contains certain covenants regarding, among other things, maintenance of corporate existence, maintenance of the business, maintenance of insurance, payment of taxes, delivery of financial statements and reports, compliance with laws and use of proceeds.

Events of Default (as defined in the Credit Agreement) include, subject (in certain instances) to customary notice and cure periods, material breaches of representations or warranties, failure to pay principal or interest, breach of covenants, cross default to certain other debt, material judgments, bankruptcy, failures to make payments required to be made under ERISA, the acquisition of a 30% beneficial interest in the common stock of Parent by any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act) and, commencing after the Acquisition Date, quarterly dividends received by Parent in respect to Company stock being less than \$0.40375 per share in any calendar quarter. Upon the occurrence of an Event of Default, the Lenders with a majority of the exposures under the Credit Facility can cause the Administrative Agent to terminate the commitments and declare all outstanding loans immediately due and payable. If a bankruptcy Event of Default occurs, the commitments will terminate automatically and the loans will become due and payable immediately without any action by the Administrative Agent or the Lenders.

In connection with the Credit Agreement, Parent has agreed to pay the Arrangers and the Lenders certain fees, to reimburse the Arrangers and the Lenders for certain expenses and to provide certain indemnities, as is customary for commitments of the type described herein.

It is anticipated that the indebtedness incurred by Parent and Purchaser under the Credit Facility will be repaid from funds generated internally by Parent and its subsidiaries (including, after the Proposed Merger, if consummated, funds generated by the Company and its subsidiaries), through additional borrowings, or through a combination of such sources. No final decisions have been made concerning the method Parent will employ to repay such indebtedness. Such decisions when made will be based on Parent's review from time to time of the advisability of particular actions, as well as on prevailing interest rates and financial and other economic conditions.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which has been included as an exhibit to the Tender Offer Statement on Schedule 14D-1, dated February 12, 1997, filed by Parent and Purchaser in connection with the Second Offer.

11. Background of the Second Offer; Contacts with the Company. For a number of years, certain members of senior management of Parent, including David R. Goode, Chairman, President and Chief Executive Officer of Parent, have spoken numerous times with senior management of the Company, including the Company's former Chairman and Chief Executive Officer, James A. Hagen, and the Company's current Chairman and Chief Executive Officer, David M. LeVan, concerning a possible business combination between Parent and the Company. The Company's management encouraged such discussions prior to Mr. Hagen's retirement as Chief Executive Officer of the Company. The Company discontinued such discussions in September 1994, when the Company announced that Mr. LeVan would succeed Mr. Hagen.

Prior to 1994, senior management of Parent and the Company discussed, from time to time, opportunities for business cooperation between the companies, and, in some of those discussions, the general concept of a business combination. While the companies determined to proceed with certain business cooperation opportunities, including TCS, no decisions were reached concerning a business combination at that time.

In March 1994, Mr. Hagen approached Mr. Goode to suggest that, under the current regulatory environment, the Company's management now believed that a business combination between the Company and Parent could be accomplished, and that the companies should commence discussion of such a transaction. Mr. Goode agreed to schedule a meeting between legal counsel for Parent and the Company for the purpose of discussing regulatory issues. Following that meeting, Mr. Goode met with Mr. Hagen to discuss in general terms a combination of the Company and Parent. Thereafter, during the

period from April through August 1994, management and senior financial advisors of the respective companies met on numerous occasions to negotiate the terms of a combination of the Company and Parent. The parties entered into a confidentiality agreement on August 17, 1994. During these discussions, Mr. Hagen and other representatives of the Company pressed for a premium price to reflect the acquisition of control over the Company by Parent. Initially, Parent pressed instead for a stock-for-stock merger of equals in which no control premium would be paid to the Company's shareholders. The Company's management insisted on a control premium, however, and ultimately the negotiations turned toward a premium stock-for-stock acquisition of the Company.

By early September 1994, the negotiations were in an advanced stage. Parent had proposed an exchange ratio of 1-to-1, but the Company's management was still pressing for a higher premium. In a meeting in Philadelphia on September 23, 1994, Mr. Goode increased the proposed exchange ratio to 1.1-to-1, and left the door open to a higher ratio. Mr. Hagen then told Mr. Goode that they could not reach agreement because the Company Board had determined to remain independent and pursue the Company's stand alone policy. The meeting then concluded.

Following the termination of acquisition negotiations between Parent and the Company in September of 1994, Mr. Goode from time to time had conversations with Mr. LeVan. During virtually all of these conversations, Mr. Goode expressed Parent's strong interest in negotiating an acquisition of the Company. Mr. LeVan responded that the Company wished to remain independent. Nonetheless, Mr. Goode was led to believe that if and when the Company Board determined to pursue a sale of the Company, it would pursue such a transaction through a process in which Parent would have an opportunity to bid.

At its September 24, 1996 meeting, the Parent Board reviewed its strategic alternatives and determined that Parent should press for an acquisition of the Company. Accordingly, Mr. Goode contacted Mr. LeVan to reiterate Parent's strong interest in acquiring the Company and to request a meeting at which he could present a concrete proposal. Mr. LeVan responded that the Company Board would be holding a strategic planning meeting and that he and Mr. Goode would be in contact after that meeting. Mr. Goode emphasized that he wished to communicate Parent's proposal so that the Company Board would be aware of it during the strategic planning meeting. Mr. LeVan stated that it was unnecessary for Mr. Goode to do so. At this point, the conversation concluded.

Following September 24, Mr. LeVan did not contact Mr. Goode. Finally, on Friday, October 4, 1996, Mr. Goode telephoned Mr. LeVan. Mr. Goode again reiterated Parent's strong interest in making a proposal to acquire the Company. Mr. LeVan responded that the Company Board would be meeting on October 16, 1996, and that he assumed that he and Mr. Hagen would contact Mr. Goode following that meeting. Mr. Goode again stated that Parent wanted to make a proposal so that the Company Board would be aware of it. Mr. LeVan stated that it was unnecessary to do so.

On October 15, 1996, the Company and CSX announced that they had entered into the CSX Merger Agreement contemplating the Proposed CSX Transaction. Integral to the Proposed CSX Transaction are covenants substantially increasing Mr. LeVan's compensation and severance benefits and guaranteeing that he will succeed John Snow, the Chairman and Chief Executive Officer of CSX, as the combined company's Chairman and Chief Executive Officer.

On October 16, 1996, Mr. Goode met in Washington, D.C. with Mr. Snow at Mr. Snow's invitation to discuss the Proposed CSX Transaction and certain regulatory issues it raised. Mr. Snow advised Mr. Goode during that meeting that the Company's counsel and investment bankers had ensured that the Proposed CSX Transaction is "bulletproof," implying that the sale of control of the Company to CSX is now a fait accompli. Mr. Snow added that the Pennsylvania statute, referring to the PBCL, was "great", adding that the Company's directors have almost no fiduciary duties. Parent believes that Mr. Snow's comments were intended to discourage Parent from making a competing offer for control of the Company and to suggest that Parent had no choice but to negotiate with CSX for access to such portions of the Company's rail system as would be necessary to address the regulatory concerns that would be raised by consummation of the Proposed CSX Transaction. After Mr. Snow told Mr. Goode what CSX was willing to offer to Parent in this regard, the meeting concluded.

On October 22, the Parent's Board of Directors (the "Parent Board") met to review its strategic options in light of announcement of the Proposed CSX Transaction. Because the Parent Board believes that a combination of Parent and the Company would offer compelling benefits to both companies, their shareholders, and their other constituencies, it determined that Parent should make a competing bid for the Company. On October 23, 1996, Parent publicly announced its intention to commence the First Offer, to be followed by the Proposed Merger. On the same day, Mr. Goode sent the following letter to Mr. LeVan:

October 23, 1996

Board of Directors
Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

Attention: David M. LeVan, Chairman

Dear Members of the Board:

For a number of years, other members of our senior management and I have spoken numerous times with Mr. LeVan, your current Chairman, and with Mr. Hagen, your former Chairman, and with other senior officers of your company. During many of these conversations, we at Norfolk Southern expressed a desire to join our companies together.

On two recent occasions, in late September and again on October 4, I contacted Mr. LeVan to reiterate our strong interest in acquiring Conrail and request a meeting at which I could present a concrete proposal. In each case, I emphasized that I wished to communicate our proposal so that the Conrail Board would be aware of it during their next meeting. Also in each case, Mr. LeVan stated that it was unnecessary for me to do so. In view of this background, it came as a disappointment to me when it was announced on October 15 that you had agreed to the proposed acquisition of Conrail by CSX Corporation. We regret that, despite knowing our long-term interest in joining Conrail with Norfolk Southern, your Chairman ignored our long-standing offer to submit a business combination proposal to you.

Since October 15, we have been analyzing the proposed CSX transaction and have been considering the possibility of making a proposal that would be demonstrably superior to your proposed transaction with CSX. We now have completed that process and are using this letter to communicate our conclusions to you.

On behalf of Norfolk Southern, I am hereby making the following proposal. Our proposal is that Norfolk Southern would acquire all of the outstanding shares of Conrail common stock for cash at a price of \$100.00 per share. This would be accomplished by a "first step" cash tender offer for all outstanding shares of Conrail, followed by a "second step" merger in which Conrail's remaining shareholders would receive the same cash purchase price per share paid in the offer. This offer represents a premium of \$11.49 (13%) over the blended value of CSX's proposal based on yesterday's closing price of CSX shares. Our offer will provide for a voting trust to hold the Conrail shares acquired in the tender offer and merger and thereby allow Conrail shareholders to receive immediate payment for all their shares in the tender offer and merger.

To underscore the seriousness of our intentions, we are commencing promptly a cash tender offer, which can serve as the "first step" tender offer contemplated by our proposal. On the other hand, unless and until you terminate your pending proposed transaction with CSX in a manner permitted under the terms of your merger agreement with CSX and enter into an agreement with us, our cash tender offer will stand on its own as an offer made directly to your shareholders.

Subject to your Board's favorable response to our proposal, we are prepared to negotiate a merger agreement on substantially the same terms and conditions as your proposed transaction with CSX, except as it would be modified to reflect the all-cash consideration that we are offering. In addition, we are prepared to offer significant representation of Conrail directors on the Norfolk Southern Board, to consider locating the corporate headquarters of the combined company in Philadelphia and to discuss an appropriate position for your Chairman following a transaction with us. We believe that we offer your senior management opportunities for continued career growth that appear to us not to exist with CSX. Although we determined that it was appropriate, under the circumstances, to commence our cash tender offer, our strong preference would be to negotiate a merger agreement with you.

The price we are offering in our proposal, \$100 per share, clearly provides significantly greater and more certain value to your shareholders than the proposed transaction with CSX. In addition, we believe our proposed transaction can be completed on a more timely basis than the proposed CSX transaction. Accordingly, we strongly believe that, pursuant to Section 4.2 of your agreement with CSX, you should promptly request and obtain from your counsel their advice confirming that you are obligated by principles of fiduciary duty to consider our proposal. Also, we expect that, upon your receipt of such advice and consistent with your clear fiduciary duties, you will give us access to at least all the same information you furnished to CSX in the course of your discussions and negotiations with them and that you will discuss and negotiate with us the details of our proposal. In addition, you should take whatever other actions are reasonably necessary or appropriate so that we may operate on a level playing field with CSX and any other companies which may be interested in acquiring Conrail.

Besides the benefits for your shareholder constituency, we are confident that Conrail's employees, suppliers, customers, creditors and the communities in which Conrail is located will be better served by the combination of Norfolk Southern and Conrail as compared with the CSX proposal. Moreover, because a Norfolk Southern merger presents a substantially more favorable competitive and regulatory picture, our proposal is more consistent with both the long and short-term interests of Conrail. We look forward to the opportunity to directly discuss these matters with you in the manner they would have been communicated before the hasty attempt to lock-up a deal with CSX. To ensure that your Board fulfills its fiduciary obligations and to resolve certain other issues, we have today commenced litigation in the Federal District Court for the Eastern District of Pennsylvania. Our Board of Directors is fully supportive of our proposal and has authorized and approved it. Consistent with our Board's action, we and our advisors stand ready, willing and able to meet with you and your advisors at your earliest convenience. I want to stress that we are flexible as to all aspects of our proposal, including the possibility of substituting a substantial equity component to our present offer so that your shareholders could have a continuing interest in the combined enterprise, and are anxious to proceed to discuss and negotiate it with you as soon as possible.

Personally and on behalf of my colleagues at Norfolk Southern, I look forward to hearing from you soon and working with you on our proposal.

Sincerely,

David R. Goode

cc: All Directors

During the weekend of November 2 and November 3, 1996, representatives of Parent and CSX met to discuss matters related to their respective offers to acquire the Company. Such discussions were commenced at the suggestion of CSX, were represented by CSX to have been held with the knowledge of the Company and were pursued by Parent consistent with Parent's previously announced position of

favoring a balanced competitive structure for Eastern railroad service. These discussions included an exchange of term sheets, first from CSX to Parent and then from Parent to CSX. Parent announced on November 4, 1996 that it had terminated such discussions and reaffirmed its \$100 per Share offer for all Shares.

On November 4, 1996, Parent filed its definitive proxy statement with the SEC relating to its solicitation of proxies against the adoption of the Articles Amendment at the Pennsylvania Special Meeting and provided copies of the proxy statement to the Company for dissemination to Company shareholders. Also on November 4, 1996, the Company provided a shareholder list and a substantial portion of the other information requested by Parent and Purchaser pursuant to Pennsylvania law.

On November 7, 1996, the Company issued a news release in the form of a letter purportedly from the "Independent Directors" of the Company and ostensibly addressed to the Parent Board. The letter reiterated such directors' publicized commitment to the Proposed CSX Transaction and to Mr. LeVan. Also on November 7, 1996, the Parent Board met to review events surrounding the Offer and the revised CSX Offer and authorized the increase in the Offer Price to \$110 per Share. On November 8, 1996, Parent publicly announced the increased Offer Price.

On December 8, 1996, Parent announced its 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 \$110 all-cash, all-Shares offer—with prompt payment through use of a voting trust—so long as Company shareholders reject the maneuvering by CSX and the Company's management to pay shareholders less than what Parent believes Company shareholders deserve for their Shares.

On December 11, 1996, Parent delivered the following letter to the Company Board:

December 11, 1996

BY FAX

Board of Directors
Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101
Attn: Chairman

Gentlemen:

As you know, both in a press release and in newspaper advertisements earlier this week, Norfolk Southern issued the following pledge to Conrail shareholders:

"Norfolk Southern will not be a party to any agreement with CSX or Conrail that delivers anything less to Conrail shareholders than a \$110 all-cash, all-shares offer—with prompt payment through use of a voting trust—so long as Conrail shareholders reject the maneuvering by CSX and Conrail's management to pay you less than you deserve for your shares."

I am writing to underscore the seriousness of Norfolk Southern's pledge. We intend that the foregoing pledge be treated as a binding commitment to the Conrail shareholders. However, should you deem it necessary or otherwise appropriate, Norfolk Southern stands ready to enter into a written agreement with Conrail, on behalf of the Conrail shareholders, confirming this pledge.

Our attorneys are available to work with your attorneys to promptly work out the language of such an agreement. We look forward to your response.

Very truly yours,

David R. Goode

On December 17, 1996, the District Court issued an order enjoining the Company from failing to convene, and/or from postponing, and/or from adjourning the Pennsylvania Special Meeting which was then scheduled for Monday, December 23, 1996, by reason of the Company or its nominees not having received sufficient proxies to assure approval of the proposal set forth in the Company's "Notice of Special Meeting of Shareholders" and in the Company's proxy materials to "opt-out" of Subchapter E of Chapter 25 of the PBCL.

On December 19, 1996, the Company and CSX announced that an amendment to the CSX Merger Agreement had been entered into pursuant to which CSX increased the consideration to be paid in the Proposed CSX Merger. Also on December 19, 1996, the Company announced that the date of the Pennsylvania Special Meeting had been changed to January 17, 1997.

On December 20, 1996, Parent increased the consideration offered in the First Offer to \$115 per Share and extended its December 8, 1996 pledge to its \$115 per Share offer.

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 First Offer to eliminate all of the conditions thereto and to reduce the aggregate number of Shares sought in the First Offer to approximately 8,200,000 Shares, the maximum number of Shares (based on then currently available information as to the number of outstanding Common Shares) that Purchaser could 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 First 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 First Offer as in effect before January 13, 1997.

On January 17, 1997, the Pennsylvania Special Meeting was held and Company shareholders overwhelmingly defeated the Articles Amendment.

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

On January 22, 1997, Messrs. LeVan and Snow sent a letter to Mr. Goode, responding to Mr. Goode's letter dated January 21, 1997. In their letter, Messrs. LeVan and Snow indicated their willingness to meet with Mr. Goode to begin meaningful and candid discussions without any preconditions that would limit discussions or otherwise prejudice each other's respective positions.

On January 22, 1997, the First Offer was amended consistent with Parent's pledge and, following expiration of the First Offer, Purchaser accepted 8,200,000 Shares for payment at a price of \$115 per Share. A total of approximately 65,000,000 Shares were validly tendered under the First Offer, which represented more than 90% of the Company's then outstanding Shares, excluding Shares held by CSX. Payment for the 8,200,000 Shares purchased under the First Offer commenced on February 11, 1997.

On January 31, 1997, representatives of Parent, CSX and the Company had a meeting to discuss matters relating to the Offers and the CSX Offers. Following such meeting, the three companies issued the following press release:

FOR IMMEDIATE RELEASE:

WASHINGTON, DC—Jan. 31, 1997—Conrail Inc. (NYSE: CRR), CSX Corp. (NYSE: CSX) and Norfolk Southern Corporation (NYSE: NSC) today released the following statement following the initial meeting between the parties:

"Conrail, CSX and Norfolk Southern have concluded their meeting and have agreed that no further details on this meeting or timing of future meetings will be announced."

On January 31, 1997, the Company announced that it had set December 19, 1997 as the date of the Annual Meeting.

On February 10, 1997, Parent notified the Company, pursuant to the requirements of the Company By-Laws, of its intention at the Annual Meeting to conduct a proxy contest in connection with the Annual Meeting seeking to elect a slate of directors designated by Parent, to remove certain incumbent directors, to declassify the Company Board and to decrease the size of the Company Board (collectively, the "Company Business"). See Section 12. Each of Parent's nominees to the Company Board has committed to seek the most advantageous transaction for holders of Shares and to evaluate fairly and impartially all acquisition or other proposals received by the Company, whether made by Parent, CSX or by any other potential acquiror, and has delivered to Parent an undertaking, if elected, to use his or her best efforts to cause the Company to place all of the shares of CRC into a voting trust promptly following election to the Company Board. Based on the transactions proposed by each of Parent and CSX pending as of the date of this Offer to Purchase, it is currently contemplated that Parent's nominees to the Company Board will support Parent's proposal.

On February 10, 1997, the Company issued a statement asserting that Parent's nomination of a slate of directors to the Company Board appears to violate federal transportation law and that Parent's efforts to remove incumbent directors from the Company Board before their terms expire and to reduce the size of the Company Board were invalid under Pennsylvania law.

The CSX Merger Agreement. The following is a description of certain provisions of the CSX Merger Agreement as it has been amended to the date of this Offer to Purchase.

In the CSX Merger Agreement, the Company agreed to a provision (the "No Negotiation Provision") providing that neither the Company nor any of its subsidiaries, officers, directors, employees or representatives will, directly or indirectly through another person, solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, directly or indirectly, any inquiries or the making of any proposal relating to the acquisition or purchase of more than 50% of the assets of the Company and its subsidiaries or more than 50% of the equity securities of the Company entitled to vote generally in the election of directors, any tender offer or exchange offer that if consummated would result in any person beneficially owning more than 50% of the equity securities of the Company entitled to vote generally in the election of directors, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company (a

"Takeover Proposal"), other than the transactions contemplated by the CSX Merger Agreement or the CSX Lockup Option Agreement. The No Negotiation Provision also provides that neither the Company nor any of its subsidiaries, officers, directors, employees or representatives will participate in any discussions or negotiations regarding any Takeover Proposal. Notwithstanding the No Negotiation Provision, the CSX Merger Agreement provides that if, at any time after December 31, 1998, the Board of Directors of the Company or CSX, as applicable, determined in good faith, based on the advice of outside counsel, that it was necessary to do so to avoid a breach of its fiduciary duties to the Company under applicable law, the Company or CSX, as applicable, may, in response to a Takeover Proposal which was not solicited by it or which did not otherwise result from a breach of the terms of the CSX Merger Agreement described in this paragraph, and subject to compliance with certain notice provisions of the CSX Merger Agreement, (x) furnish information with respect to it and its subsidiaries to any person pursuant to a customary confidentiality agreement (as determined by the party receiving such Takeover Proposal after consultation with its outside counsel) the benefits of the terms of which, if more favorable to the other party to such confidentiality agreement than those in place with the other party to the CSX Merger Agreement, shall be extended to the other party to the CSX Merger Agreement, and (y) participate in negotiations regarding such Takeover Proposal.

Except as permitted by the CSX Merger Agreement, the Company and CSX agreed that neither the Board of Directors of the Company or CSX, as applicable, nor any committee thereof will (i) withdraw or modify (or propose publicly to do so), in a manner adverse to the other party, its approval or recommendation of the CSX Offers or its adoption and approval of the matters to be considered at the respective shareholders meetings of the Company or CSX, (ii) approve or recommend (or propose publicly to do so), any Takeover Proposal, or (iii) cause the Company or CSX, as applicable, to enter into any agreement (the "Acquisition Agreement") related to a Takeover Proposal. However, the CSX Merger Agreement provides that if at any time following December 31, 1998 and prior to the earlier of (a) the time that at least 40% of the outstanding Shares on a fully diluted basis had been deposited in the voting trust contemplated by the CSX Merger Agreement and (b) the obtaining of Company Shareholder Approval (as defined below) (in the case of the Company) or CSX Shareholder Approval (as defined below) (in the case of CSX) (such earlier date referred to in clause (a) or (b) being the "Approval Date") there existed a Superior Proposal (as defined below), and such Board of Directors determined that (x) in the case of the Board of Directors of the Company, there was no substantial probability that CSX would succeed in acquiring 40% of the Shares in the CSX Offers or otherwise (or if the approval by Company shareholders of an amendment to the Company's Articles to "opt out" of the Pennsylvania Control Transaction Law has not been obtained, there was no substantial probability that the Company Shareholder Approval would be obtained), in either case due to the existence of such Superior Proposal with respect to the Company or (y) in the case of the Board of Directors of CSX, there was no substantial probability that the CSX Shareholder Approval would be obtained due to the existence of such Superior Proposal with respect to CSX, the Board of Directors of the Company or CSX, as applicable, may (subject to this and the following sentence) withdraw or modify its approval or recommendation of the CSX Offers, the Proposed CSX Merger or the adoption and approval of the matters to be considered at their respective shareholder meetings and approve or recommend such Superior Proposal or terminate the CSX Merger Agreement (and concurrently, if it so chose, cause the Company or CSX, as applicable, to enter into an Acquisition Agreement with respect to such Superior Proposal), but only after giving the notice required by the CSX Merger Agreement. As used in the CSX Merger Agreement, a "Superior Proposal" means any proposal made by a third party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the voting equity securities of the Company or CSX, as the case may be, or all or substantially all the assets of the Company or CSX, as the case may be, and otherwise on terms which the Board of Directors of such party determines in its good faith judgment (x) (based on the written opinion of a nationally recognized financial advisor) to be more favorable from a financial point of view to its shareholders than the CSX Offers and the Proposed CSX Merger and for which any required financing is then committed and (y) to be more favorable to such party than the CSX Offers and the Proposed CSX Merger after taking into account all constituencies (including shareholders) and pertinent factors permitted under applicable Pennsylvania or Virginia law, as the case may be.

The CSX Merger Agreement provides that, in the event that (i) a Takeover Proposal in respect of the Company shall have been made known to the Company or any of its subsidiaries or has been made directly to its shareholders generally or any person shall have publicly announced an intention (whether or not conditional) to make such a Takeover Proposal and thereafter the CSX Merger Agreement is terminated by either CSX or the Company as a result of the CSX Merger not having been consummated by December 31, 1998, or if the Company Shareholder Approval is not obtained in a meeting of Company shareholders duly convened therefor or at any adjournment or postponement thereof, to the extent such meeting was held after the earlier of (x) December 31, 1998 or (y) the purchase of an aggregate of 40% of the fully diluted Shares under the CSX Offers, or (ii) the CSX Merger Agreement is terminated (x) by the Company pursuant to the No Negotiation Provision of the Merger Agreement or (y) by CSX if (I) the Company Board or, if applicable, any committee thereof, withdraws or modifies in a manner adverse to CSX its approval or recommendation of the CSX Offers or the Proposed CSX Merger or the matters to be considered at the meetings of Company shareholders called to approve the Proposed CSX Merger and the other transactions contemplated by the CSX Merger Agreement or fails to reconfirm its recommendation within 15 business days after a written request to do so, or approves or recommends any Takeover Proposal in respect of the Company or (II) the Company Board or any committee thereof has resolved to take any of the foregoing actions; then the Company will (A) promptly, but in no event later than two days after the date of the termination, pay CSX a cash fee of \$300 million (the "Termination Fee") (except that no Termination Fee will be payable pursuant to clause (i) of this sentence unless and until within 24 months of such termination the Company or any of its subsidiaries enters into an Acquisition Agreement or consummates a Takeover Proposal). 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 acquiror of the Company by reason of the CSX Lockup Option Agreement and the CSX Termination Fee will amount to approximately \$660 million (assuming an acquisition of the Company at \$115 per Share). In the Pennsylvania Litigation, Parent and Purchaser are contesting the validity of both the CSX Lockup Option Agreement and the CSX Termination Fee. See Section 11 and Section 15.

Pursuant to the CSX Merger Agreement, the Company and CSX also agreed, among other things, to a provision (the "No Discussions Provision") providing that, subject to certain exceptions, neither the Company 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 or understanding, with any other company engaged in the operation of railroads (including Parent) with respect to the acquisition by any such other company (including Parent) of any securities or assets of the Company and its subsidiaries or CSX and its subsidiaries, or any trackage rights or other concessions relating to the assets or operations of the Company 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.

The obligations of CSX and the Company to effect the Proposed CSX Merger are subject to various conditions, including the approval of Company shareholders of the Proposed CSX Merger (the "Company Shareholder Approval") and the approval of the shareholders of CSX with respect to, among other things, the issuance of shares of CSX Common Stock in the Proposed CSX Merger (the "CSX Shareholder Approval").

The foregoing description of the CSX Merger Agreement is qualified in its entirety by reference to the full text of the CSX Merger Agreement, and the amendments thereto, copies of which have been included or incorporated by reference as exhibits to the CSX Schedule 14D-1.

12. Purpose of the Second Offer and the Merger; Plans for the Company; Certain Considerations.

General. The purpose of the Offers is for Parent to acquire control of, and the entire equity interest in, the Company. The Second Offer, as the second step in the acquisition of the Company, is intended to facilitate the acquisition of all Shares. Purchaser is seeking to consummate the Proposed Merger with the Company as promptly as practicable following consummation of the Second Offer. The purpose of the Proposed Merger is to acquire all Shares not beneficially owned by Purchaser following consummation of the Second Offer.

Pursuant to the Proposed Merger, each Share 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 Share paid pursuant to the Second Offer. Although it is the current intention of Parent and Purchaser to seek to enter into a definitive merger agreement pursuant to which the Proposed Merger would be consummated as promptly as practicable following consummation of the Second Offer, such consummation depends upon a number of factors and circumstances, and there can be no assurance that the Proposed Merger will be consummated, or, if consummated, the timing thereof.

Consummation of the Proposed Merger will require approval by the Company Board and the affirmative vote of the holders of a majority of the votes cast by all outstanding Common Shares and ESOP Preferred Shares, voting as a single class. The Voting Trust Agreement provides, among other things, that the Voting Trustee will seek to vote all Shares held in the Voting Trust in favor of the Proposed Merger, in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Proposed Merger and in favor of a slate of nominees to the Company Board which favors the Proposed Merger and against any other acquisition transaction involving the Company but not involving Parent or any of its subsidiaries or affiliates. Accordingly, it is expected that the Shares held in the Voting Trust will be voted against the Articles Amendment and the Proposed CSX Merger at any meeting of Company shareholders convened for such purpose and will be voted for the Company Business at the Annual Meeting.

If Purchaser purchases Shares pursuant to the Second Offer and the Minimum Condition is satisfied, the Voting Trustee would have a sufficient number of Shares to approve the Proposed Merger without the affirmative vote of any other holder of Shares and to elect directors as described above. Although consummation of the Proposed Merger would be sought as soon as practicable following the purchase of Shares pursuant to the Second Offer, the exact timing and details of the Proposed Merger would depend on a variety of factors and legal requirements. As described below, certain provisions of the Company's Articles of Incorporation (the "Company Articles") and the Company By-Laws may impair and delay the ability of the Voting Trustee to elect a majority of the Company Board and to approve consummation of the Proposed Merger.

Alternatively, the "short-form" merger provisions of the PBCL provide that if, following completion of the Second Offer, Purchaser owns 80% or more of the Shares, the Voting Trustee would have the power to consummate the Proposed Merger without any action by the Company Board and without the vote of any of the Company's other shareholders.

Although Parent has sought to enter into negotiations with the Company with respect to the Proposed Merger and continues to pursue such negotiations, there can be no assurance that such negotiations will occur or, if such negotiations occur, as to the outcome thereof. 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 per Share all-cash transaction, Parent and Purchaser reserve the right to amend the Second Offer (including amending the number of Shares to be purchased, the purchase price and the proposed second-step merger consideration) if Parent enters into a definitive merger agreement with the Company with respect to the Proposed Merger or to negotiate a merger agreement with the Company not involving a tender offer pursuant to which Purchaser would terminate the Second Offer.

Parent believes that the Offers and the Proposed Merger will ensure balanced competition among railroads in the Eastern portion of the United States with the least disruption to operations and service. In order to continue to ensure balanced competition, Parent intends to hold discussions with other railroads (including CSX) to address regulatory requirements and other competition issues arising from the Offers and the Proposed Merger. Such discussions are expected to lead to various concessions, such as the grant of trackage rights or other dispositions of assets, by the post-merger combined company.

Plans for the Company. In connection with the Second Offer and during its pendency, or in the event the Second Offer is terminated or not consummated, or after the expiration of the Second Offer and

pending the consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent (alone or through affiliates) may explore any and all options which may be available to it in connection with the acquisition of the Company. In this regard, Parent intends to solicit proxies against the adoption of the Articles Amendment and the Proposed CSX Merger at any meeting of Company shareholders convened for such purpose. In addition, on February 10, 1997, Parent notified the Company, pursuant to the requirements of the Company By-Laws, of its intention at the Annual Meeting to (i) nominate George A. Butler, Stephen P. Lamb, Mary Patterson McPherson, Bernard C. Watson and J. Roger Williams, Jr. for election as directors of the Company, (ii) introduce a proposal to amend Section 3.01 of the Company By-Laws to declassify the Company Board, (iii) introduce a proposal which would effect the removal of all of the directors of the Company from the Company Board, other than the individuals nominated to the Company Board by Parent and Daniel B. Burke, David B. Lewis and John C. Marous, and (iv) introduce a proposal to amend Section 3.01 of the Company By-Laws to decrease the size of the Company Board to a total of eight directors.

Except as indicated in this Offer to Purchase, neither Parent nor Purchaser has any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or any material change in the Company's capitalization or dividend policy or any other material changes in the Company's corporate structure or business, or the composition of the Company Board or management.

Dissenters' Rights and Other Matters. No appraisal rights are available in connection with the Second Offer. In accordance with the United States Supreme Court decision, *Schwabacher v. United States*, 334 U.S. 192 (1948), if the Proposed Merger were approved by the STB in connection with Parent's acquisition of control of the Company, Company shareholders would not have any dissenters' rights under state law, unless the STB (or any successor agency) or a court of competent jurisdiction determines that state-law dissenters' rights are available to holders of Shares. Parent considers it unlikely that the STB or a court would determine that state-law dissenters' rights are available to holders of Shares.

Although the Proposed Merger is to be effected prior to an STB decision, Parent believes that this doctrine may be a bar to the assertion of dissenters' rights under state law and may assert such position in respect of any claims of dissenters' rights. In the event that there is an STB denial, dissenters' rights may be available if the STB or a court of competent jurisdiction provides for such rights. In such event, any issued and outstanding Shares held by persons who object to the Proposed Merger and comply with all the provisions of the PBCL concerning the right of holders of Shares to dissent from the Proposed Merger and require valuation of their Shares (a "Dissenting Shareholder") will not be converted into the right to receive the consideration to be paid pursuant to the Proposed Merger but will become the right to receive payment of the "fair value" of their Shares (exclusive of any element of appreciation or depreciation in anticipation of the Proposed Merger); provided, however, that the Shares outstanding immediately prior to the effective time of the Proposed Merger and held by a Dissenting Shareholder who will, after such time, withdraw his demand for payment or lose his right to dissent, in either case pursuant to the PBCL, will be deemed to be converted as of the effective time of the Proposed Merger into the right to receive the consideration to be paid pursuant to the Proposed Merger without interest. Dissenters' rights cannot be exercised at this time. Shareholders who will be entitled to dissenters' rights, if any, in connection with the Proposed Merger (or similar business combination) will receive additional information concerning any available dissenters' rights and the procedures to be followed in connection therewith before such shareholders have to take any action relating thereto.

Shareholders who sell shares in the Second Offer will not be entitled to exercise any dissenters' rights with respect to Shares purchased but, rather, will receive the Offer Price.

The Proposed Merger would have to comply with any applicable federal law operative at the time of its consummation. The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Proposed Merger. However, Rule 13e-3 would be inapplicable if (i) the Shares are deregistered under the

Exchange Act prior to the Proposed Merger or other business combination or (ii) the Proposed Merger or other business combination is consummated within one year after the purchase of the Shares pursuant to the Second Offer and the amount paid per Share in the Proposed Merger or other business combination is at least equal to the amount paid per Share in the Second Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the fairness of the proposed transaction and the consideration offered to minority shareholders in such transaction be filed with the SEC and disclosed to shareholders prior to consummation of the transaction.

The Company Articles and the Company By-Laws. The Company Articles and the Company By-Laws contain several provisions that may delay a change in control of the Company following the purchase of Shares by Purchaser pursuant to the Second Offer, including, among others, (i) a provision that provides that the Company Board shall be classified, with each class elected for a term of three years and one class elected each year at the Company's annual meeting of shareholders, (ii) a provision requiring advance notice to the Company of any shareholder nominations for directors at, or shareholder proposals or business to be brought before, an annual meeting of shareholders, and (iii) a provision that special meetings of shareholders may be called only by the Chairman of the Company Board, the Company Board or an Interested Shareholder.

Pursuant to Article III of the Company By-Laws, the Company Board is divided into three classes, one of which consists of five members, and two of which consists of four members each, with each class elected for a term of three years and one class elected at the Company's annual meeting of shareholders each year. The number of members of the Company Board is currently limited to 13 members pursuant to Article III of the Company By-Laws. Amendment of the foregoing provisions of the Company Articles requires a majority vote of all shareholders entitled to vote. Amendment of the foregoing provisions of the Company By-Laws requires a majority vote of directors present at a meeting at which at least a majority of the directors is present or a majority vote of all shareholders entitled to vote at a regular or special meeting.

If, following consummation of the Second Offer, the members of the Company Board in office at such time were to refuse to approve the Proposed Merger (or any other transaction or corporate action proposed by Purchaser to effectuate the Proposed Merger), Parent or the Voting Trustee, in order to consummate the Proposed Merger (or any such other transaction or corporate action), would first have to replace at least a majority of the Company Board with either of their own designees. Parent believes that in such event the entire Company Board could be removed with or without cause at the next Annual Meeting. Parent intends, whether or not the Second Offer is then pending, to conduct a proxy contest in connection with the Annual Meeting seeking, among other things, to remove certain of the current members of the Company Board and elect a new slate of directors designated by Parent. To this end, Parent has notified the Company of its intention, at the Annual Meeting, to introduce proposals to take such action as well as to introduce proposals to amend the Company By-Laws to declassify the Company Board and to reduce the size of the Company Board to eight. See "—Plans for the Company." In the Pennsylvania Litigation, Parent and Purchaser are seeking a declaratory judgment that the members of the Company Board can be removed and replaced with a new slate of directors proposed by Parent. See "—Certain Litigation" below.

Pursuant to the terms of the Voting Trust Agreement, the Voting Trustee has agreed to vote all Shares held in the Voting Trust at any meeting of Company shareholders in favor of the Proposed Merger, in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Proposed Merger and in favor of a slate of nominees for director of the Company which favors the Proposed Merger and against any other acquisition transaction involving the Company but not involving Parent or one of its subsidiaries or affiliates. Accordingly, it is expected that the Shares held in the Voting Trust will be voted for the Company Business at the Annual Meeting. See Section 15.

The Second Offer does not constitute a solicitation of such proxies at any meeting of the Company's shareholders. Any such solicitation which Parent or Purchaser may make will be made only pursuant to separate proxy materials in compliance with the requirements of Section 14(a) of the Exchange Act.

The foregoing description of the Company Articles and the Company By-Laws is qualified in its entirety by reference to the full text of the Company Articles and the Company By-Laws, copies of which have been filed by the Company as exhibits to documents filed with the SEC and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

The Rights. The following is based upon the July 1989 Form 8-K, the Company's Form 8-B, dated as of September 25, 1995, and other information filed with the SEC.

On July 19, 1989, the Board of Directors of CRC declared a dividend distribution of one Right for each share of common stock of CRC and executed the Rights Agreement. Upon adoption by the Company of a holding company structure on February 17, 1993, CRC assigned all of CRC's title and interest under the Rights Agreement to the Company. On October 2, 1995, one Right was distributed with respect to each outstanding ESOP Preferred Share. Under the Rights Agreement, each Right entitles the holder to purchase one Common Share at an exercise price of \$205.00, subject to adjustment. Based on publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights were not exercisable. Rights Certificates have not been issued and the Rights were evidenced solely by the Share Certificates. A general summary of certain provisions of the Rights and the Rights Agreement appears below.

Under the Rights Agreement, as amended, until the close of business on the Distribution Date (which, as modified by the Company Board on November 4, 1996 under pressure from Parent, is defined as the tenth business day after an Acquiring Person has acquired beneficial ownership of 10% or more of the outstanding Shares), the Rights will be evidenced by the Share Certificates and will be transferred with and only with such Share Certificates. As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire at the close of business on September 20, 2005 unless earlier redeemed by the Company as described below.

In the event that the Company is acquired in a merger or consolidation in which the Company is not the surviving corporation or 50% or more of the Company's consolidated assets or earning power is sold or transferred, each holder of a Right will thereafter have the right to receive, upon the exercise thereof at then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a value equal to two times the exercise price of the Right.

In the event that an Acquiring Person becomes the beneficial owner of 10% or more of the outstanding Shares, each holder of a Right will thereafter have the right to receive, upon exercise, Common Shares (or, in certain circumstances, cash, property or other securities of the Company), having a value equal to two times the exercise price of the Right.

At any time prior to the Distribution Date, the Company may redeem the Rights in whole, but not in part, at the Redemption Price of \$205 per Right. Immediately upon the action of the Company Board ordering redemption of the Rights, the Rights will terminate, and the only right to which the holders of Rights will be entitled will be the right to receive the Redemption Price. Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends.

The terms of the Rights may be amended by the Company Board without the consent of the holders of the Rights; provided that from and after such time that an Acquiring Person becomes such, the Rights may not be amended in any manner which would adversely affect the interests of holders of Rights or to shorten or lengthen any time period under the Rights Agreement.

Actions or determinations made by the Company Board in the administration of the Rights Agreement require the concurrence of a majority of (and at least two) Continuing Directors. A "Continuing Director" is a director who is not an Acquiring Person (or a representative or nominee

thereof), and who either (i) was a member of the Company Board prior to September 20, 1995 or (ii) subsequently became a director of the Company and whose election or nomination for election is approved or recommended by a majority of the then Continuing Directors.

Pursuant to the CSX Merger Agreement, the Company has amended the Rights Agreement to render the Rights Agreement inapplicable to the CSX Offers, the Proposed CSX Merger and the other transactions contemplated by the CSX Merger Agreement and the CSX Lockup Option Agreement and to ensure, among other things, that CSX is not deemed to be an Acquiring Person and that a Distribution Date does not occur by reason of such agreements or transactions. The Company has also agreed in the CSX Merger Agreement that it may not further amend the Rights Agreement without the prior consent of CSX in its sole discretion.

The foregoing summary of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the July 1989 Form 8-K, the full text of the Rights Agreement as an exhibit thereto filed with the SEC, the Assignment, and subsequent amendments to the Rights Agreement as filed with the SEC. Copies of these documents may be obtained in the manner set forth above.

Purchaser believes that, under applicable law and under the circumstances of the Second Offer, including the Company Board's approval of the CSX Merger Agreement and the transactions contemplated thereby, the Company Board is obligated by its fiduciary responsibilities not to redeem the Rights or render the Rights Agreement inapplicable to any offer by CSX without, at the same time, taking such action as to Parent, the Second Offer and the Proposed Merger, and that its failure to do so would be a violation of law. In the Pennsylvania Litigation, Purchaser is seeking, among other things, to enjoin the Company Board from taking any such action or to invalidate the provision of the Rights Agreement that was added in September 1995 and which limits the power of the Company Board to redeem the Rights without the approval of a majority of the Continuing Directors. See Section 15.

If the Rights Condition is not satisfied and Purchaser elects, in its sole discretion, to waive such condition and consummate the Second Offer, and if there are outstanding Rights which have not been acquired by Purchaser, Purchaser will evaluate its alternatives. Such alternatives could include purchasing additional Rights in the open market, in privately negotiated transactions, in another tender or exchange offer or otherwise. Any such additional purchase of Rights could be for cash or other consideration. Under such circumstances, the Proposed Merger might be delayed or abandoned as impracticable. The form and amount of consideration to be received by the holders of Shares in the Proposed Merger, if consummated, might be subject to adjustment to compensate Purchaser for, among other things, the costs of acquiring Rights and a portion of the potential dilution cost of Rights not owned by Purchaser and its affiliates at the time of Proposed Merger. In such event, the value of the consideration to be exchanged for Shares in Proposed Merger could be substantially less than the consideration paid in the Second Offer. In addition, Purchaser may elect under such circumstances not to consummate the Proposed Merger.

Unless the Rights are redeemed, shareholders will be required to tender one Right for each Common Share and ESOP Preferred Share tendered in order to effect a valid tender of such Common Shares and ESOP Preferred Shares in accordance with the procedures set forth in Section 3. If separate certificates for the Rights are not issued, a tender of Common Shares and ESOP Preferred Shares will also constitute a tender of the associated Rights. See Sections 1 and 3.

Consummation of the Second Offer is conditioned upon the Rights having been redeemed by the Company Board or Purchaser otherwise being satisfied, in its sole discretion, that the Rights are invalid or otherwise inapplicable to the Second Offer and to the Proposed Merger.

13. Dividends and Distributions. If, on or after the date of this Offer to Purchase, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) issue or sell any additional securities of the Company or otherwise cause an increase in the number of outstanding securities of the Company or (iii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares, then, without prejudice to Purchaser's rights under Sections 1 and 14, Purchaser, in its sole discretion, may make such adjustments as it deems appropriate in the purchase price and other terms of the Second Offer, including, without limitation, the amount and type of securities offered to be purchased.

If, on or after the date of this Offer to Purchase, the Company should declare or pay any dividend on the Shares, other than regular quarterly dividends, or make any distribution (including, without limitation, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) 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 purchased pursuant to the Second Offer, then, without prejudice to Purchaser's rights under Sections 1 and 14, (i) the purchase price per Share payable by Purchaser pursuant to the Second 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 shareholders will be received and held by such tendering shareholders for the account of Purchaser and will be required to be promptly remitted and transferred by each such tendering shareholder to the Depositary for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, 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.

14. Conditions of the Second Offer. Notwithstanding any other provisions of the Second Offer, and in addition to (and not in limitation of) Purchaser's rights to extend and amend the Second Offer at any time in its sole discretion, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Second Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and may terminate the Second Offer as to any Shares not then paid for, if, in the sole judgment of Purchaser (1) at or prior to the expiration of the Second Offer any one or more of the Minimum Condition, the Subchapter F Condition, the Rights Condition or the CSX Termination Condition has not been satisfied, or (2) at any time on or after February 12, 1997 and prior to the acceptance for payment of Shares, any of the following events shall occur:

(a) there shall have been threatened, instituted or pending any action, proceeding, application or counterclaim before any court or governmental regulatory or administrative agency, authority, tribunal or commission, domestic or foreign, by any government or governmental authority or agency or commission, domestic or foreign, or by any other person, domestic or foreign (whether brought by the Company, an affiliate of the Company or any other person), which (i) challenges or seeks to challenge the acquisition by Parent or Purchaser or any affiliate of either of them of the Shares, restrains, delays or prohibits or seeks to restrain, delay or prohibit the making of the Second Offer, consummation of the transactions contemplated by the Second Offer or any other subsequent business combination, restrains or prohibits or seeks to restrain or prohibit the performance of any of the contracts or other arrangements entered into by Purchaser or any of its affiliates in connection with the acquisition of the Company or obtains or seeks to obtain any material damages or otherwise directly or indirectly relating to the transactions contemplated by the Second Offer, the Proposed Merger or any other subsequent business combination, (ii) prohibits or limits or seeks to prohibit or limit Parent's or Purchaser's ownership or operation of all or any portion of their or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries) or to compel or seeks to compel Parent or Purchaser to dispose of or hold separate all or any portion of their own or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries) or imposes or seeks to impose any limitation on the ability of Parent, Purchaser or any affiliate of either of them to conduct its own business or own such assets as a result of the transactions contemplated by the Second Offer or any other subsequent business combination, (iii) makes or seeks to make the acceptance for payment, purchase of, or payment for, some or all of the Shares pursuant to the Second Offer or the Proposed Merger illegal or results in a delay in, or restricts, the ability of Parent or Purchaser, or renders Parent or Purchaser unable, to accept for payment, purchase or pay for some or all of the Shares or to consummate the Proposed Merger, (iv) imposes or seeks to impose limitations on the ability of

Parent or Purchaser or any affiliate of either of them effectively to acquire or hold or to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by them on an equal basis with all other Shares on all matters properly presented to the shareholders of the Company, (v) in the sole judgment of Parent or Purchaser, might adversely affect the Company or any of its subsidiaries or affiliates or Parent, Purchaser, or any of their respective affiliates or subsidiaries, (vi) in the sole judgment of Parent or Purchaser, might result in a diminution in the value of the Shares or the benefits expected to be derived by Parent or Purchaser as a result of the transactions contemplated by the Second Offer, (vii) in the sole judgment of Parent or Purchaser, imposes or seeks to impose any material condition to the Second Offer unacceptable to Parent or Purchaser or (viii) otherwise directly or indirectly relates to the Second Offer, the Proposed Merger or any other business combination with the Company;

(b) there shall be any action taken, or any statute, rule, regulation or order or injunction shall be sought, proposed, enacted, promulgated, entered, enforced or deemed or become applicable to the Second Offer, the Proposed Merger or other subsequent business combination between Purchaser or any affiliate of Purchaser and the Company or any affiliate of the Company or any other action shall have been taken, proposed or threatened, by any government, governmental authority or other regulatory or administrative agency or commission or court, domestic, foreign or supranational, that, in the sole judgment of Parent or Purchaser, might, directly or indirectly, result in any of the consequences referred to in clauses (i) through (vii) of paragraph (a) above;

(c) any change (or any condition, event or development involving a prospective change) shall have occurred or been threatened in the business, properties, assets, liabilities, capitalization, shareholders' equity, condition (financial or otherwise), operations, licenses, franchises, permits, permit applications, results of operations or prospects of the Company or any of its subsidiaries or affiliates which, in the sole judgment of Parent or Purchaser, is or may be materially adverse to the Company or any of its subsidiaries or affiliates, or Parent or Purchaser shall have become aware of any fact which, in the sole judgment of Parent or Purchaser, has or may have material adverse significance with respect to either the value of the Company or any of its subsidiaries or the value of the Shares to Parent or Purchaser;

(d) there shall have occurred (i) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (ii) any limitation (whether or not mandatory) by any governmental authority or agency on, or other event which, in the sole judgment of Parent or Purchaser, might affect the extension of credit by banks or other lending institutions, (iii) a commencement of a war, armed hostilities or other national or international crisis directly or indirectly involving the United States, (iv) any significant change in United States or any other currency exchange rates or any suspension of, or limitation on, the markets therefor (whether or not mandatory), (v) any significant adverse change in the market price of the Shares or in the securities or financial markets of the United States, or (vi) in the case of any of the foregoing existing at the time of the commencement of the Second Offer, in the sole judgment of Parent or Purchaser, a material acceleration or worsening thereof;

(e) other than the redemption of the Rights at the Redemption Price, the Company or any subsidiary of the Company shall have, at any time after February 12, 1997, (i) issued, distributed, pledged, sold or authorized, proposed or announced the issuance of or sale, distribution or pledge to any person of (A) any shares of its capital stock (other than sales or issuances pursuant to options outstanding on February 12, 1997 in accordance with their terms as disclosed on such date or conversions of the ESOP Preferred Shares in accordance with their terms) of any class (including without limitation the Common Shares and the ESOP Preferred Shares) or securities convertible into any such shares of capital stock, or any rights, warrants or options to acquire any such shares or convertible securities or any other securities of the Company, or (B) any other securities in respect of, in lieu of or in substitution for Common Shares and ESOP Preferred Shares outstanding on February 12, 1997, (ii) purchased, acquired or otherwise caused a reduction in the number of, or proposed or offered to purchase, acquire or otherwise reduce the number of, any outstanding Common Shares, ESOP Preferred Shares or other securities, (iii) declared, paid or proposed to

declare or pay any dividend or distribution on any Shares (other than the regular quarterly dividend on the Common Shares not in excess of the amount per share, and with record and payment dates, in accordance with recent practice) or on any ESOP Preferred Shares (other than the regular semi-annual dividend on the ESOP Preferred Shares not in excess of the amount per share payable in accordance with recent practice) or on any other security or issued, authorized, recommended or proposed the issuance or payment of any other distribution in respect of the Common Shares or the ESOP Preferred Shares, whether payable in cash, securities or other property, (iv) altered or proposed to alter any material term of any outstanding security, (v) incurred any debt other than in the ordinary course of business and consistent with past practice or any debt containing burdensome covenants, (vi) issued, sold or authorized or announced or proposed the issuance of or sale to any person of any debt securities or any securities convertible into or exchangeable for debt securities or any rights, warrants or options entitling the holder thereof to purchase or otherwise acquire any debt securities or incurred or announced its intention to incur any debt other than in the ordinary course of business and consistent with past practice, (vii) split, combined or otherwise changed, or authorized or proposed the split, combination or other change of the Common Shares, the ESOP Preferred Shares or its capitalization, (viii) authorized, recommended, proposed or entered into or publicly announced its intent to enter into any merger, consolidation, liquidation, dissolution, business combination, acquisition or disposition of a material amount of assets or securities, any material change in its capitalization, any waiver, release or relinquishment of any material contract rights or comparable right of the Company or any of its subsidiaries or any agreement contemplating any of the foregoing or any comparable event not in the ordinary course of business, or taken any action to implement any such transaction previously authorized, recommended, proposed or publicly announced, (ix) transferred into escrow any amounts required to fund any existing benefit, employment or severance agreements with any of its employees or entered into any employment, severance or similar agreement, arrangement or plan with any of its employees other than in the ordinary course of business and consistent with past practice or entered into or amended any agreements, arrangements or plans so as to provide for increased benefits to the employees as a result of or in connection with the transactions contemplated by the Second Offer or any other change in control of the Company, (x) except as may be required by law, taken any action to terminate or amend any employee benefit plan (as defined in Section 3(2) of ERISA) of the Company or any of its subsidiaries, or Parent or Purchaser shall have become aware of any such action which was not previously disclosed in publicly available filings, (xi) amended or proposed or authorized any amendment to its articles of incorporation or bylaws or similar organizational documents, (xii) authorized, recommended, proposed or entered into any other transaction that in the sole judgment of Parent or Purchaser could, individually or in the aggregate, adversely affect the value of the Shares to Parent or Purchaser or (xiii) agreed in writing or otherwise to take any of the foregoing actions or Parent or Purchaser shall have learned about any such action which has not previously been publicly disclosed by the Company and also set forth in filings with the SEC;

(f) the Company and Parent or Purchaser shall have reached an agreement or understanding that the Second Offer be terminated or amended or Parent or Purchaser (or one of their respective affiliates) shall have entered into a definitive agreement or an agreement in principle to acquire the Company by merger or similar business combination, or purchase of Shares or assets of the Company;

(g) Parent or Purchaser shall become aware (i) that any material contractual right of the Company or any of its subsidiaries or affiliates shall be impaired or otherwise adversely affected or that any material amount of indebtedness of the Company or any of its subsidiaries shall become accelerated or otherwise become due prior to its stated due date, in either case with or without notice or the lapse of time or both, as a result of the transactions contemplated by the Second Offer or the Proposed Merger, or (ii) of any covenant, term or condition in any of the Company's or any of its subsidiaries' instruments or agreements that are or may be materially adverse to the value of the Shares in the hands of the Purchaser or any other affiliate of Parent (including, but not limited to, any event of default that may ensue as a result of the consummation of the Second Offer, consummation of the Proposed Merger or any other business combination or the acquisition of control of the Company); or

(h) Parent or Purchaser shall not have obtained any waiver, consent, extension, approval, action or non-action from any governmental authority or agency (other than approval by the STB of the acquisition of control of the Company) which in its judgment is necessary to consummate the Second Offer;

which, in the sole judgment of Parent or Purchaser in any such case, and regardless of the circumstances (including any action or inaction by Parent or Purchaser or any of their affiliates), giving rise to any such condition, makes it inadvisable to proceed with the Second Offer and/or with such acceptance for payment or payment. Parent and Purchaser have the right to rely on any condition set forth in the immediately preceding sentence being satisfied in determining whether to consummate the Second Offer; however, if Parent or Purchaser asserts the failure of any such condition without relying on the exercise of its reasonable judgment or some other objective criteria, Parent and Purchaser shall promptly disclose such assertion and the Expiration Date will be (and, if necessary, will be extended to be) at least five business days after the date of such disclosure.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be asserted by Parent or Purchaser in their sole discretion regardless of the circumstances (including any action or omission by Parent or Purchaser) giving rise to any such conditions or may be waived by Parent or Purchaser in their sole discretion in whole or in part at any time and from time to time. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Parent or Purchaser concerning any condition or event described in this Section 14 shall be final and binding upon all parties.

15. Certain Legal Matters; Regulatory Approvals; Certain Litigation.

General. Except as otherwise disclosed herein, based on a review of publicly available information by the Company with the SEC, neither Purchaser nor Parent is aware of (i) any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by Parent or Purchaser pursuant to the Second Offer or the Proposed Merger, respectively, or (ii) any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required for the acquisition or ownership of Shares by Parent or Purchaser as contemplated herein. Should any such approval or other action be required, Parent and Purchaser currently contemplate that such approval or action would be sought. While Purchaser does not currently intend to delay the acceptance for payment of Shares tendered pursuant to the Second Offer pending the outcome of any such matter, there can be no assurance that any such approval or action, if needed, would be obtained or would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company, Purchaser or Parent or that certain parts of the businesses of the Company, Purchaser or Parent might not have to be disposed of in the event that such approvals were not obtained or any other actions were not taken. Purchaser's obligation under the Second Offer to accept for payment and pay for Shares is subject to certain conditions.

Antitrust. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and to the FTC and certain waiting period requirements have been satisfied. The notice and waiting period requirements of the HSR Act do not apply to the Second Offer and the Proposed Merger, provided that information and documentary material filed with the STB in connection with the seeking of STB approval of the acquisition by Parent of control of the Company and its subsidiaries are contemporaneously filed with the Antitrust Division and the FTC. Parent intends to comply with these contemporaneous filing requirements and therefore believes that the notice and waiting period requirements of the HSR Act do not apply to the Second Offer and the Proposed Merger.

STB Matters; The Voting Trust. Certain activities of subsidiaries of the Company are regulated by the STB. Provisions of subtitle IV, title 49 of the United States Code require approval of, or the granting

of an exemption from approval by the STB for the acquisition of control of two or more carriers subject to the jurisdiction of the STB ("Carriers") by a person that is not a Carrier and for the acquisition or control of a Carrier by a person that is not a Carrier but that controls any number of Carriers. STB approval or exemption is required for, among other things, Purchaser's acquisition of control of the Company. Purchaser intends, simultaneous with the acquisition of the Shares pursuant to the Second Offer, to deposit the Shares purchased pursuant to the Second Offer in the Voting Trust in order to ensure that Parent and its affiliates do not acquire and directly or indirectly exercise control over the Company and its affiliates prior to obtaining necessary STB approvals or exemptions. STB approval of the acquisition by Parent of control of the Company and its subsidiaries is not a condition to the Second Offer. On November 18, 1996, the staff of the STB issued an informal, nonbinding opinion that the use of a voting trust substantially in the form of the Voting Trust is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. Under STB regulations that have been in effect since 1979, the STB staff has the power to issue such opinions.

Pursuant to the terms of the Voting Trust Agreement, the Voting Trustee will hold such Shares until (i) the receipt of STB approval or (ii) the Shares are sold to a third party or otherwise disposed of or (iii) the Voting Trust is otherwise terminated. The Voting Trust Agreement provides that the Voting Trustee will have sole power to vote the Shares in the Trust, will vote those Shares in favor of the Proposed Merger, in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Proposed Merger and in favor of a slate of nominees for director of the Company which favors the Proposed Merger, and against any other acquisition transaction involving the Company but not involving Parent or one of its subsidiaries or affiliates, will vote the Shares in favor of any permitted disposition of the Shares and, on all other matters, will vote the Shares in accordance with its best judgement concerning the interests of the Company. The Voting Trust Agreement contains certain other terms and conditions designed to ensure that neither Purchaser nor Parent will control the Company during the pendency of the STB proceedings. In addition, the Voting Trust Agreement provides that Purchaser or its successor in interest will be entitled to receive any cash dividends paid by the Company.

Parent has requested that the staff of the STB issue an informal written opinion that (i) certain amendments to the Voting Trust Agreement, which would permit the Voting Trustee to vote the Shares held in the Voting Trust to elect as directors of the Company persons (other than officers, directors or employees of Parent or Purchaser) nominated or sponsored by Parent or Purchaser if such persons have agreed to use their best efforts to cause the Company to place all of the shares of CRC into a separate voting trust (the "CRC Voting Trust") as promptly following their election as possible, and (ii) the use of the CRC Voting Trust in connection with the election of Parent nominees to the Company Board is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. Each of Parent's nominees to the Company Board has agreed, if elected, to use his or her best efforts to cause the Company to place all of the shares of CRC into the CRC Voting Trust promptly following election to the Company Board.

Pursuant to the terms of the proposed agreement creating the CRC Voting Trust (the "CRC Voting Trust Agreement"), it is expected that the voting trustee would hold the CRC shares until (i) the receipt of STB approval, (ii) the STB issues an order denying, or approving subject to conditions unacceptable to Parent, the STB Application (as defined below), in which case Parent's nominees on the Company Board have agreed to resign, or (iii) the CRC Voting Trust is otherwise terminated. The proposed CRC Voting Trust Agreement provides that the voting trustee thereunder will have sole power to vote the CRC shares in the CRC Voting Trust in accordance with its best judgment concerning the interests of CRC. The proposed CRC Voting Trust Agreement contains certain other terms and conditions designed to ensure that neither Parent nor Purchaser will control CRC during the pendency of the STB proceedings. In addition, the proposed CRC Voting Trust provides that the Company will be entitled to receive any cash dividends paid by CRC. There can be no assurance that the STB will not seek changes in, or request public comment regarding, the proposed CRC Voting Trust Agreement.

STB Matters: Acquisition of Control. Set forth below is information relating to approval by the STB of the acquisition of control over the Company by Parent and Purchaser. Parent plans to file an application (the "STB Application") seeking approval of the STB for the acquisition of control over the

Company and its affiliates by Parent and its affiliates. Under applicable law and regulations, the STB will hold a public hearing on such application, unless it determines that a public hearing is not necessary in the public interest. In ruling on the STB Application, the STB is expected to consider at least the following: (a) the effect of the proposed control transaction on the adequacy of transportation to the public; (b) the effect on the public interest of including, or failing to include, other rail carriers in the area involved in the proposed transaction; (c) the total fixed charges that result from the proposed transaction; (d) the interest of rail carrier employees affected by the proposed transaction; and (e) whether the proposed transaction would have an adverse effect on competition among rail carriers in the affected region or in the national rail system. The STB has the authority to impose conditions on its approval of a control transaction to alleviate competitive or other concerns. If such conditions are imposed, Parent can elect to consummate the control transaction subject to the conditions or can elect not to consummate the transaction.

Three of the five factors listed above are, in Parent's view, unlikely to affect whether the STB Application is approved by the STB. As to factor (b)—inclusion of other carriers—in past rail merger proceedings, requests for inclusion have rarely been made. As to factor (c)—effect on fixed charges—the capital structure of the resulting company will be sufficiently strong that this factor is unlikely, in Parent's view, to be given weight by the STB in deciding whether to approve a combination of the Company and Parent. As to factor (d)—the interest of affected carrier employees—the STB has adopted a standard set of labor protective conditions which it imposes in rail merger and control transactions, and Parent expects that those conditions would be imposed upon the acquisition by Parent of control of the Company and that this would not affect approval of the transaction.

As to factor (a)—effect on the adequacy of transportation—and factor (e)—effect on rail competition—the STB applies a public interest balancing test in reviewing railroad mergers like the proposed combination of Parent and the Company. On the one hand, the STB considers the public benefits of the transaction in terms of better service to shippers, efficiencies, cost savings and the like. On the other hand, the STB considers any public harms from the transaction. The principal harm of concern to the STB, and the principal issue that is likely to be raised by parties opposing approval of a merger of Purchaser and the Company or seeking the imposition of conditions thereto, is reduction in competition. In applying the public interest balancing test, the STB is guided by Congress' intent to encourage mergers, consolidations and joint use of facilities that tend to rationalize and improve the nation's rail system.

Parent is willing to provide competitive access to another railroad in appropriate situations. Such access may take various forms, any of which could diminish the value to Parent or the Company of its rail properties. The identity of the railroad or railroads that will be provided such competitive access, the forms it will take, and the terms and conditions that would apply thereto have not been determined and will be subject to negotiations. The STB may impose and enforce those arrangements, when reached, as conditions to its approval of the Proposed Merger and may require the modification of such arrangements or require other arrangements regarding rail competition or other aspects of the public interest, which could be more burdensome, as conditions to its approval of the acquisition by Parent of control of the Company.

Parent intends to present to the STB its case that the acquisition of control of the Company by Parent satisfies the public interest balancing test. First, Parent will seek to show that a combination of the Company and Parent has significant public benefits. Second, Parent will seek to show that a combination of the Company and Parent, especially with competition-preserving conditions that Parent is prepared to agree to, will create a more balanced competitive rail structure in the East, will have no significant adverse effect on rail competition, and indeed will strengthen such competition. While Parent will seek to present a highly persuasive case, there can be no assurance that the STB Application will not be denied, or will not be granted subject to conditions that are so onerous that the acquisition by Parent of control of the Company is not consummated.

On November 6, 1996, Parent and Purchaser filed with the STB a Notice of Intent to File Railroad Control Application. On or before May 1, 1997, Parent and various of its affiliates plan to file an application seeking approval of the STB for the acquisition of control over the Company and its affiliates by Parent and its affiliates.

On December 27, 1996, Parent filed a petition with the STB, which on January 9, 1997 was denied as premature, alleging that the No Negotiation Provision, as in effect after the second amendment to the CSX Merger Agreement, constituted 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 was in violation of such federal law by reason of the No Negotiation Provision and that such provision was unlawful and unenforceable.

In denying the petition, the STB stated that the No Negotiation Provision would not preclude the STB from approving the 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 the 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 or delay consummation of a STB-approved transaction by entering into a contract that purports to prevent all alternatives to their own preferred outcome.

Under existing law, the STB is required to enter a final order with respect to the STB Application within approximately 15 months after such application is accepted. However, the STB can process such cases more quickly. Parent asked the STB to adopt a more expedited schedule. On January 30, 1997, the STB, after a public comment process, issued a final procedural schedule under which the STB would issue a final order 365 days from the filing of the STB Application. Parent has not yet filed the STB Application. The STB also announced it would have a single proceeding for determining the control or merger of the Company and reserved the right to modify the procedural process should circumstances warrant.

Under existing law, other railroads and other interested parties may seek to intervene to oppose the STB Application or to seek protective conditions in the event approval by the STB is granted. In addition, any appeals from the STB final order might not be resolved for a substantial period of time after the entry of such order by the STB.

Pending receipt of the STB approval, it is expected that the business and operations of the Company will be conducted in the usual and ordinary course of business, and the Company's employees and management will continue in their present positions.

Receipt of STB approval is not a condition to consummation of the Second Offer or the Proposed Merger. If the STB approval is not obtained or the STB imposes unacceptable conditions, Purchaser will be required to use its best efforts to sell or otherwise dispose of the Shares deposited in the Voting Trust after the STB order denying such approval becomes final or Parent determines not to consummate the proposed control transaction because of unacceptable conditions. In such case, Purchaser would be entitled to any proceeds of such sale or other disposition.

State Takeover Statutes. Various states throughout the United States have enacted takeover statutes that purport, in varying degrees, to be applicable to attempts to acquire securities of corporations that are incorporated or have assets, shareholders, executive offices or places of business in such states. In *Edgar v. Mite Corp.*, the Supreme Court of the United States held that the Illinois Business Takeover Act, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and therefore was unconstitutional. In *CTS Corp. v. Dynamics Corp. of America*, however, the Supreme Court of the United States held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining shareholders, provided that such laws were applicable only under certain conditions.

The Pennsylvania Takeover Disclosure Law (the "PTDL") purports to regulate certain attempts to acquire a corporation which (1) is organized under the laws of Pennsylvania or (2) has its principal place of business and substantial assets located in Pennsylvania. The PTDL requires, among other things, that the offeror, 20 days prior to any takeover offer, file a registration statement for the takeover offer with the

Pennsylvania Securities Commission and publicly disclose the offering price of the disclosed offer. However, in *Crane Co. v. Lam*, 509 F. Supp. 782 (E.D. Pa. 1981), the District Court preliminarily enjoined, on grounds arising under the United States Constitution, enforcement of at least the portion of the PTDL involving the pre-offer waiting period thereunder.

On November 8, 1996, the District Court approved and entered a Consent Order, agreed to by Parent, Purchaser, the Commissioners of the Pennsylvania Securities Commission, the Attorney General of Pennsylvania and the Company, enjoining enforcement of the Pennsylvania Takeover Disclosure Law as it would relate to the First Offer. It is anticipated that the November 8 Consent Order will be supplemented by consent of such parties to apply to the Second Offer.

Chapter 25 of the PBCL contains other provisions relating generally to takeovers and acquisitions of certain publicly owned Pennsylvania corporations such as the Company that have a class or series of shares entitled to vote generally in the election of directors registered under the Exchange Act (a "registered corporation"). The following discussion is a general and highly abbreviated summary of certain features of such chapter, is not intended to be complete or to completely address potentially applicable exceptions or exemptions, and is qualified in its entirety by reference to the full text of Chapter 25 of the PBCL.

In addition to other provisions not applicable to the Second Offer or the Proposed Merger, Subchapter D of Chapter 25 of the PBCL ("Subchapter D") includes provisions requiring approval of a merger of a Registered Corporation with an "interested shareholder" in which the "interested shareholder" is treated differently from other shareholders, by the affirmative vote of the shareholders entitled to cast at least a majority of the votes that all shareholders other than the interested shareholder are entitled to cast with respect to the transaction without counting the votes of the interested shareholders. This disinterested shareholder approval requirement is not applicable to a transaction (i) approved by a vote of the board of directors, without counting the votes of directors who are directors or officers of, or who have a material equity interest in, the interested shareholder, (ii) in which the consideration to be received by shareholders is not less than the highest amount paid by the interested shareholder in acquiring his shares, or (iii) effected without submitting the proposed merger to a vote of shareholders as permitted in Section 1924(b)(1)(ii) of the PBCL. Purchaser believes that the approval requirements under Subchapter D would not apply to the Proposed Merger because, among other things, Purchaser expects that the value of the consideration offered to Company shareholders pursuant to the Proposed Merger would not be less than the highest amount paid by Purchaser in acquiring Shares pursuant to the Offers. If the approval requirements under Subchapter D were applicable to the Proposed Merger, the Proposed Merger would have to be approved by the affirmative vote of the holders of a majority of the votes which all shareholders other than Purchaser are entitled to cast. Purchaser reserves the right to challenge the applicability and validity of Subchapter D.

Subchapter E of Chapter 25 of the PBCL ("Subchapter E"), among other things, governs "control transactions" (defined generally as a transaction in which a person acquires at least 20% of the voting power of a corporation) involving a "registered corporation" and provides that the shareholders of such corporation are entitled to demand that they be paid the fair value of their shares. Pursuant to Subchapter E, the minimum value the shareholders can receive may not be less than the highest price paid per share by the control person within the 90-day period ending on and including the date of the control transaction. Purchaser expects that the value of the consideration offered to Company shareholders pursuant to the Proposed Merger would not be less than the highest amount paid by Purchaser in acquiring Shares pursuant to the Offers.

Subchapter F purports to prohibit under certain circumstances a "registered corporation" from engaging in a "Business Combination" with an "Interested Shareholder" for a period of five years following the date such person became an "Interested Shareholder" unless: (i) before such person became an Interested Shareholder, the board of directors of the corporation approved either the Business Combination or the transaction in which the Interested Shareholder became an Interested Shareholder; (ii) the Business Combination is approved by a majority vote of the corporation's voting shares, other than shares held by the Interested Shareholder, no earlier than three months after the Interested Shareholder

became, and provided that at the time of such vote the Interested Shareholder is, the beneficial owner of shares entitled to cast at least 80% of votes of the corporation, and the Business Combination satisfies the "fair price" criteria (generally, the higher of (a) the highest price per share paid by the Interested Shareholder at a time when the Interested Shareholder was the beneficial owner of at least five percent of the voting power of the corporation and (b) the market value per share on the announcement date with respect to the Business Combination or on the Interested Shareholder's acquisition date, whichever is higher, plus, in any case, interest and less the value of any distributions on the shares); (iii) the Business Combination is approved by all of the holders of the corporation's outstanding common shares; (iv) the Business Combination is approved by a majority vote of the corporation's voting shares, other than shares held by the Interested Shareholder, no earlier than five years after the Interested Shareholder became an Interested Shareholder; or (v) the Business Combination is approved by a majority vote of the corporation's voting shares no earlier than five years after the Interested Shareholder became an Interested Shareholder and the Business Combination satisfies the "fair price" criteria described above.

Subchapter F provides that during such five-year period the corporation may not engage in certain business transactions with the Interested Shareholder or any affiliate or associate thereof, including, without limitation, (i) any merger, consolidation, share exchange or division of the corporation or any subsidiary of the corporation (a) with the Interested Shareholder or (b) with, involving or resulting in any other corporation which is, or after the merger, consolidation, share exchange or division would be, an affiliate or associate of the Interested Shareholder, (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with an Interested Shareholder or any affiliate or associate thereof of assets having an aggregate market value equal to at least 10% of the aggregate market value of all assets on a consolidated basis or all outstanding shares, or representing at least 10% of the net income on a consolidated basis, in each case of such business corporation, and (iii) other specified self-dealing transactions between the corporation and an Interested Shareholder or any affiliate or associate thereof.

Under Subchapter F, the restrictions described above do not apply if, among other things, (i) the corporation's original certificate of incorporation contains a provision expressly electing not to be governed by Subchapter F, (ii) the board of directors of a corporation adopted an amendment to its by-laws by June 21, 1988 (and not subsequently rescinded by an amendment to the certificate of incorporation or by-laws) expressly electing not to be governed by Subchapter F, or (iii) the corporation, by action of its shareholders, adopts an amendment to its certificate of incorporation expressly electing not to be governed by Subchapter F, provided that, in addition to any other vote required by law, such amendment to the certificate of incorporation must be approved by a majority of the corporation's voting shares, other than shares held by the Interested Shareholders, which amendment would not be effective until 18 months after the vote of such shareholders and would not apply to any Business Combination between the corporation and any person who became an Interested Shareholder prior to the effective date of the amendment. The Company is not exempt from operation of Subchapter F by reason of any of the foregoing exceptions.

Purchaser believes that, under applicable law and under circumstances of the Second Offer including the Company Board's approval of the CSX Merger Agreement, the Company Board is obligated by its fiduciary responsibilities to approve the Second Offer and the Proposed Merger for purposes of Subchapter F and that its failure to do so would be a violation of law. Purchaser is hereby requesting that the Company Board adopt a resolution approving the Second Offer and the Proposed Merger for purposes of Subchapter F as promptly as it may do so without violating its obligations under the CSX Merger Agreement. In the Pennsylvania Litigation, Purchaser is seeking, among other things, an order requiring the Company Board to approve the Second Offer and the Proposed Merger and thereby render Subchapter F inapplicable. See "—Certain Litigation" below.

If Subchapter F applies to the Company, and if Subchapter F is not invalid on its face or as applied to the Proposed Merger (by action of the Company Board or otherwise), Subchapter F would prohibit, among other transactions, consummation of the Proposed Merger for a period of five years after consummation of the Second Offer.

Consummation of the Second Offer is conditioned upon Purchaser being satisfied, in its sole discretion, that Subchapter F has been complied with or is invalid or otherwise inapplicable to the Second Offer and the Proposed Merger.

Subchapter G of Chapter 25 of the PBCL ("Subchapter G"), relating to "control-share acquisitions," prevents under certain circumstances the owner of a control-share block of shares of a registered corporation from voting such shares unless a majority of the "disinterested" shares approve such voting rights. Failure to obtain such approval may result in a forced sale by the control-share owner of the control-share block to the corporation at a possible loss. The Company Articles specifically provide that Subchapter G does not apply to the Company.

Subchapter H of Chapter 25 of the PBCL ("Subchapter H"), relating to disgorgement by certain controlling shareholders of a registered corporation, provides that under certain circumstances any profit realized by a controlling person from the disposition of shares of the corporation to any person (including to the corporation under Subchapter G or otherwise) will be recoverable by the corporation. The Company Articles specifically provide that Subchapter H does not apply to the Company.

Subchapter I of Chapter 25 of the PBCL ("Subchapter I") entitles "eligible employees" of a registered corporation to a lump sum payment of severance compensation under certain circumstances if the employee is terminated, other than for willful misconduct, within two years after voting rights lost as a result of a control-share acquisition are restored by a vote of disinterested shareholders ("Control-share Approval") or, in the event the termination was accomplished pursuant to an agreement, arrangement or understanding with the acquiring person, within 90 days prior to Control-share Approval. Subchapter J of Chapter 25 of the PBCL ("Subchapter J") provides protection against termination or impairment under certain circumstances of "covered labor contracts" of a registered corporation as a result of a "business combination" transaction if the business operation to which the covered labor contract relates was owned by the registered corporation at the time voting rights are restored by shareholder vote after a control-share acquisition. Subchapters I and J apply only in the event of a "control-share acquisition" specified in Subchapter G. The Company Articles specifically provide that Subchapter G does not apply to the Company.

Section 2504 of the PBCL provides that the applicability of Chapter 25 of the PBCL to a registered corporation having a class or series of shares entitled to vote generally in the election of directors registered under the Exchange Act or otherwise satisfying the definition of a registered corporation under Section 2502(1) of the PBCL shall terminate immediately upon the termination of the status of the corporation as a registered corporation. Purchaser intends to seek to cause the Company to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Proposed Merger as the requirements for termination of the registration of the Shares are met.

Neither Purchaser nor Parent has currently complied with any state takeover statute or regulation. Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Second Offer or the Proposed Merger and nothing in this Offer to Purchase or any action taken in connection with the Offers or the Proposed Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Second Offer or the Proposed Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Second Offer or the Proposed Merger, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Second Offer, or be delayed in consummating the Second Offer or the Proposed Merger. In such case, Purchaser may not be obliged to accept for payment or pay for any Shares tendered pursuant to the Second Offer.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, shareholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. Purchaser does not know whether any of these laws will, by their terms, apply to the Second Offer and has not complied with any such laws. Should any person seek to apply any state takeover law, Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws are applicable, and an appropriate court does not determine that such law is, or such laws are inapplicable or invalid as applied to the Second Offer,

Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Purchaser might be unable to accept for payment any Shares tendered pursuant to the Second Offer, or be delayed in continuing or consummating the Second Offer. In such case, Purchaser may not be obligated to accept for payment any Shares tendered. See Section 14.

Certain Litigation. On October 23, 1996, Parent, Purchaser and Kathryn B. McQuade, a shareholder of the Company (collectively, the "Plaintiffs"), filed a Complaint for Declaratory and Injunctive Relief (the "Complaint") against the Company, its directors and CSX (collectively, the "Defendants") in the District Court. The Plaintiffs have amended their Complaint on several occasions to update the facts and to add certain additional allegations and claims. The Complaint, as amended, alleges, among other things, that the Defendants have breached their fiduciary duties with respect to the coercive nature of the Proposed CSX Transaction, the Rights Agreement, Subchapter F, the No Negotiation Provision and certain lock-up provisions contained in the CSX Merger Agreement; that the "Continuing Director" requirement of the Rights Agreement is void under Pennsylvania law and under the Company Articles and Company By-Laws and constitutes a breach of the director defendants' duty of loyalty; that the provisions in the CSX Merger Agreement which prohibit the Company Board from redeeming the Rights, and amending or otherwise taking further action with respect to the Rights Agreement, are ultra vires under Pennsylvania law and constitute a breach of the Company directors' fiduciary duties of loyalty and care; that the Defendants have violated Sections 14 (a), (d) and (e) of the Exchange Act and the rules and regulations promulgated thereunder; that the Company and its directors are estopped from effectuating a sale of the Company without giving Parent an adequate opportunity to present its competing offer; that Section 5.1(b) of the CSX Merger Agreement ("Section 5.1(b)"), constitutes a breach of fiduciary duty in that it purports to delegate the Company directors' fiduciary responsibilities relating to the processes of corporate democracy, and, alternatively, that Section 5.1(b) is void and ultra vires; that the entire Company Board, or one or more Company directors, can be removed without cause; and that consummation of the CSX First Offer caused a "control transaction" to occur with respect to the Company pursuant to Subchapter E, thus obligating the group consisting of CSX, the Company directors and certain executive officers of the Company to pay to each demanding Company shareholder at least \$110 cash per share.

Plaintiffs seek declaratory relief and an order 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, among other things, commencing or continuing a tender offer for Shares or other securities of the Company; seeking the approval by Company shareholders of the Articles Amendment, or, in the event it has been approved by Company shareholders, from taking any steps to make the Articles Amendment effective; taking any action to redeem the Rights or render the Rights Agreement inapplicable as to any offer by CSX without, at the same time, taking the same action as to the Offers; taking any action to enforce the "Continuing Director" requirement of the Rights Agreement; taking any action to enforce the CSX Termination Fee granted to CSX by the Company, the CSX Lockup Option Agreement or other lock-up or lock-out provisions contained in the CSX Merger Agreement; failing to take such action as is necessary to exempt Parent's proposed acquisition of the Company from the provisions of Subchapter F; and holding any Pennsylvania Special Meeting until all necessary corrective disclosures have been made and adequately disseminated to Company shareholders. Plaintiffs also seek declaratory relief concerning certain of the other claims summarized in the preceding paragraph.

On November 1, 1996, Plaintiffs filed a motion, supporting brief and proposed form of order with the District Court seeking a temporary restraining order in the Pennsylvania Litigation (the "TRO Motion"). In the TRO Motion, Plaintiffs requested that the District Court temporarily enjoin Defendants and all persons acting on their behalf or in concert with them from taking any action to enforce Sections 3.1(n) and 5.13 of the CSX Merger Agreement and any other provisions of the CSX Merger Agreement which purport to limit the ability of the Company Board to take action or make any determination with regard to the Rights Agreement and temporarily enjoin Defendants and all persons acting on their behalf or in concert with them from distributing any Rights pursuant to the Rights Agreement. Plaintiffs also requested that the District Court require Defendants to take such action as necessary to prevent a

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"Distribution Date" from occurring pursuant to the Rights Agreement. At the hearing on November 4, 1996 to hear arguments concerning the TRO Motion, counsel to the Company advised the District Court that the Company Board had on that date adopted a resolution deferring the "Distribution Date" under the Rights Agreement until such date as the Rights become exercisable (i.e., ten days after a party other than CSX acquires more than 10% of the Shares). Counsel to CSX advised the District Court that CSX had consented to the terms of such resolution. In view of the fact that the Company and CSX had taken the action that Plaintiffs requested be ordered by the District Court, the District Court stated that it was not necessary for the District Court to take further action and therefore denied the TRO Motion as moot.

On November 19, 1996, the District Court issued an oral ruling denying Plaintiffs' motion for preliminary injunctive relief concerning the CSX First Offer and the No Negotiation Provision after two days of hearings. After the ruling, Plaintiffs asked the District Court for an injunction pending appeal which was denied. On the same date, Plaintiffs filed an emergency motion for an injunction pending appeal and a motion seeking an expedited appeal to the United States Court of Appeals for the Third Circuit (the "Third Circuit"), which was denied on November 20, 1996. Plaintiffs continue to pursue their appeal on an unexpedited basis.

On December 5, 1996, Defendants filed their answer and defenses generally denying, and asserting various defenses to, the allegations contained in the Complaint, as it then existed, and requesting judgment on all claims and an award of costs and attorneys' fees. The Company and CSX also filed a Counterclaim (the "Counterclaim"), naming Plaintiffs as counterclaim defendants, alleging that David R. Goode and another executive officer of Parent are co-conspirators/aiders and abettors, and purporting to state the following claims: tortious interference with current and prospective contractual relationships; intentional infliction of harm; unfair competition; and civil conspiracy. Further, the Counterclaim alleges that Parent and certain of its executive officers have engaged in (i) dissemination of materially false and misleading information, (ii) promotion of an illusory tender offer, (iii) purportedly improper commencement of a lawsuit, (iv) false and misleading solicitation of proxies for the Company shareholder vote at the Pennsylvania Special Meeting and (v) efforts to manipulate the market through unfair, tortious conduct, in violation of the federal securities laws. The Counterclaim requests a jury trial and an award of damages, punitive damages, costs and attorneys' fees. Parent believes that the Counterclaim is without merit and intends to defend it vigorously. 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.

On December 17, 1996, the District Court held a hearing to consider Plaintiffs' Motion for a Preliminary Injunction as to Plaintiffs' claims (i) that Defendants' stated intention not to convene the special meeting of the Company's shareholders scheduled for December 23, 1996 constitutes a breach of fiduciary duty; and (ii) that Defendants' stated intention to successively postpone the vote of Company shareholders scheduled for December 23, 1996 until such shareholders submit to Defendants' will constitutes fraudulent and fundamentally unfair conduct. At the conclusion of the hearing, the District Court issued an order enjoining Defendants from failing to convene, and/or from postponing, and/or from adjourning the Pennsylvania Special Meeting scheduled for Monday, December 23, 1996, by reason of the Company or its nominees not having received sufficient proxies to assure approval of the proposal set forth in the Company's "Notice of Special Meeting of Shareholders" and in the Company's proxy materials to "opt-out" of Subchapter E.

On January 2, 1997, Plaintiffs 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 First 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 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 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 Company shareholders receive notice of the District Court's final judgment on the Pennsylvania Control Transaction Law issue. Such motions were denied on January 9, 1997.

On January 10, 1997, Plaintiffs filed a motion for expedited appeal or, in the alternative, an injunction pending appeal with the Third Circuit which was denied on January 15, 1997.

On January 28, 1997, the Third Circuit issued an order consolidating the pending appeals and setting a briefing schedule and an oral argument for February 25, 1997.

16. Fees and Expenses. Except as set forth below, neither Parent nor Purchaser will pay any fees or commissions to any broker, dealer or other Person for soliciting tenders of Shares pursuant to the Second Offer. The Dealer Managers are acting in such capacity in connection with the Offers and are acting as financial advisors to Parent in connection with its effort to acquire the Company. Parent paid each of the Dealer Managers an advisory fee of \$2,500,000 upon the commencement of the First Offer. Upon the earliest to occur of (i) the successful closing of any tender offer by Parent for securities of the Company (defined as the acceptance for payment by Parent of a majority of the Company's outstanding capital stock), (ii) the execution of a definitive agreement providing for (a) any merger, consolidation, reorganization or other business combination pursuant to which the business of the Company is combined with that of Parent or one or more persons formed by or affiliated with Parent, including, without limitation, any joint venture (a "Business Combination"), (b) the acquisition by Parent by way of a tender or exchange offer, negotiated purchase or other means of a majority of the then outstanding capital stock of the Company, or (c) the acquisition by Parent of all or a substantial portion of the assets, revenues or income of the Company (an "Asset Acquisition"), and (iii) the acquisition by Parent of control of the Company through a proxy contest (a "Successful Proxy Contest"), Parent has agreed to pay each of the Dealer Managers an additional advisory fee of \$2,500,000. In addition, Parent has agreed to pay each of the Dealer Managers a success fee of .125% of the aggregate transaction value (less the amount of any previously paid advisory fees) upon the consummation of a Business Combination or Asset Acquisition. Parent has also agreed to reimburse the Dealer Managers (in their capacities as Dealer Managers and financial advisors) for their reasonable out-of-pocket expenses, including the reasonable fees and expenses of their legal counsel, incurred in connection with their engagement, and to indemnify such firms and certain related persons against certain liabilities and expenses in connection with their engagement, including certain liabilities under the federal securities laws. The Dealer Managers have rendered various investment banking and other advisory services to Parent and its affiliates in the past and are expected to continue to render such services, for which they have received and will continue to receive customary compensation from Parent and its affiliates. The Dealer Managers and/or their affiliates, in their capacity as Arrangers and/or Lenders, will also be receiving fees from Parent as described in Section 10.

Purchaser has retained *Georgeson & Company Inc.* to act as the Information Agent in connection with the Offers and to assist Parent and Purchaser in its communications with Company shareholders with respect to, and to provide other services in connection with the Annual Meeting or any Special Meeting of Company shareholders. The Information Agent may contact holders of Shares and participants in the ESOP by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee shareholders to forward materials relating to the Second Offer or any meeting of Company shareholders to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws.

In addition, The Bank of New York has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection

therewith, including certain liabilities under the federal securities laws. Brokers, dealers, commercial banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding offering material to their customers.

17. Miscellaneous. Purchaser is not aware of any jurisdiction where the making of the Second Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Second Offer or the acceptance of the 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 any such state statute, the Second 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 Second Offer to be made by a licensed broker or dealer, the Second Offer shall be deemed to be made on behalf of Purchaser by J.P. Morgan Securities Inc. or Merrill Lynch & Co. or by one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of Parent or Purchaser not contained in this Offer to Purchase or in the related Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

Parent and Purchaser have filed with the SEC 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 Second 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 (except that they may not be available at the regional offices of the SEC).

ATLANTIC ACQUISITION CORPORATION

February 12, 1997

SCHEDULE I

INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

1. *Directors and Executive Officers of Parent.* Set forth below is the name, current business address, citizenship and the present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each director and executive officer of Parent. Unless otherwise indicated, each person identified below is employed by Parent. The principal address of Parent and, unless otherwise indicated below, the current business address for each individual listed below is Three Commercial Place, Norfolk, Virginia 23510. Directors are identified by an asterisk. Each such person is a citizen of the United States.

Name and Principal Business Address	Present Principal Occupation or Employment and Five-Year Employment History
David R. Goode*	Chairman, President and Chief Executive Officer (since September 1992); President (from October 1991 to September 1992); and prior thereto was Executive Vice President-Administration; Director, Caterpillar, Inc. (since June 1993); Director, Georgia-Pacific Corporation (since July 1992); Director, TRINOVA Corporation (since January 1993); Director, Texas Instruments (since February 1996).
James C. Bishop, Jr.	Executive Vice President-Law (since March 1996); and prior thereto was Vice President-Law.
R. Alan Brogan P.O. Box 988 Fort Wayne, IN 46801-0988	Executive Vice President-Transportation Logistics and President, North American Van Lines, Inc. (since December 1992); Vice President-Quality Management (from April 1991 to December 1992); and prior thereto was Vice President-Material Management and Property Services.
L. I. Prillaman	Executive Vice President-Marketing (since October 1995); Vice President-Properties (from December 1992 to October 1995); and prior thereto was Vice President and Controller.
Stephen C. Tobias	Executive Vice President-Operations (since July 1994); Senior Vice President-Operations (from October 1993 to July 1994); Vice President-Strategic Planning (from December 1992 to October 1993); and prior thereto was Vice President-Transportation; Director, TTX Company (since January 1993).
Henry C. Wolf	Executive Vice President-Finance (since June 1993); and prior thereto was Vice President-Taxation; Director, Greater Norfolk Corporation (since May 1994); Director, Shenandoah Life (since November 1995).
William B. Bales 110 Franklin Rd., S.E. Roanoke, VA 24012	Senior Vice President-International (since October 1995); Vice President-Coal Marketing (from August 1993 to October 1995); and prior thereto was Vice President-Coal and Ore Traffic.
Paul N. Austin	Vice President-Personnel (since June 1994); Assistant Vice President-Personnel (from February 1993 to June 1994); and prior thereto was Director-Compensation.
John F. Corcoran 1500 K Street, N.W., Suite 375 Washington, DC 20005	Vice President-Public Affairs (since March 1992); and prior thereto was Assistant Vice President-Public Affairs.

Name and Principal Business Address	Present Principal Occupation or Employment and Five-Year Employment History
David A. Cox	Vice President-Properties (since December 1993); and prior thereto was Assistant Vice President-Industrial Development.
Thomas L. Finkbiner	Vice President-Intermodal (since August 1993); Senior Assistant Vice President-International and Intermodal (from April to August 1993); and prior thereto was Assistant Vice President-International and Intermodal.
Robert C. Fort	Vice President-Public Relations (since December 1996); and prior thereto was Assistant Vice President-Public Relations.
John W. Fox, Jr 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Coal Marketing (since October 1995); Assistant Vice President-Coal Marketing (from August 1993 to October 1995); and prior thereto was General Manager Eastern Region.
Thomas J. Golian	Vice President (since October 1995); Executive Assistant to the Chairman, President and Chief Executive Officer (from April 1993 to October 1995); and prior thereto was Special Assistant to the President.
James L. Granum 1500 K Street, N.W. Suite 375 Washington, DC 20005	Vice President-Public Affairs (since March 1992); and prior thereto was Assistant Vice President-Public Affairs.
James A. Hixon	Vice President-Taxation (since June 1993); and prior thereto was Assistant Vice President-Tax Counsel.
Jon L. Manetta	Vice President-Transportation & Mechanical (since December 1995); Vice President-Transportation (from June 1994 to December 1995); Assistant Vice President-Transportation (from October 1993 to June 1994); Assistant Vice President-Strategic Planning (from January 1993 to October 1993); Director Joint Facilities and Budget (from March 1992 to January 1993); and prior thereto was Assistant Terminal Superintendent-Transportation; Director, Beaver Street Tower Company (since July 1994); Director, Norfolk and Portsmouth Belt Line Railroad Company (since July 1994); Director, Belt Railway Company of Chicago (since September 1994).
Harold C. Mauney, Jr.	Vice President-Operations Planning and Budget (since December 1996); Vice President-Quality Management (from December 1992 to December 1996); Assistant Vice President-Quality Management (from April 1991 to December 1992); and prior thereto was General Manager-Intermodal Transportation Services.
Donald W. Mayberry 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Research and Tests (since December 1995); and prior thereto was Vice President-Mechanical.
James W. McClellan	Vice President-Strategic Planning (since October 1993); Assistant Vice President-Corporate Planning (from March 1992 to October 1993); and prior thereto was Director-Corporate Development.

Name and Principal Business Address	Present Principal Occupation or Employment and Five-Year Employment History
Kathryn B. McQuade 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Internal Audit (since December 1992); Director-Income Tax Administration (from May 1991 to December 1992); and prior thereto was Director-Federal Income Tax Administration.
Charles W. Moorman	Vice President-Information Technology (since October 1993); Vice President-Employee Relations (from December 1992 to October 1993); Vice President-Personnel and Labor Relations (from February to December 1992); Assistant Vice President-Stations, Terminals and Transportation Planning (from March 1991 to February 1992); and prior thereto was Senior Director Transportation Planning.
Phillip R. Ogden 99 Spring Street, SW Atlanta, GA 30303	Vice President-Engineering (since December 1992); and prior thereto was Assistant Vice President-Maintenance; Director, Norfolk and Portsmouth Belt Line Railroad Company (since December 1993).
John P. Rathbone	Vice President and Controller (since December 1992); and prior thereto was Assistant Vice President-Internal Audit.
William J. Romig	Vice President and Treasurer (since April 1992); and prior thereto was Assistant Vice President-Finance.
Donald W. Seale	Vice President-Merchandise Marketing (since August 1993); Assistant Vice President-Sales and Service (from May 1992 to August 1993); and prior thereto was Director-Metals, Waste and Construction.
Robert S. Spenski	Vice President-Labor Relations (since June 1994); and prior thereto was Senior Assistant Vice President-Labor Relations.
Rashe W. Stephens	Vice President-Quality Management (since December 1996); and prior thereto was Assistant Vice President-Public Affairs.
William C. Wooldridge	Vice President-Law (since March 1996); prior thereto was General Counsel-Corporate.
Dezora M. Martin	Corporate Secretary (since April 1995); Assistant Corporate Secretary (from October 1993 to April 1995); and prior thereto was Assistant Corporate Secretary-Planning.
Gerald L. Baliles* Hunton & Williams 951 E. Byrd St. Riverfront Plaza, East Tower Richmond, VA 23219-4074	Director (since 1990); Partner, Hunton & Williams (since 1990); Director, Dibrell Brothers, Inc. (from March 1992 to March 1995).
Carroll A. Campbell, Jr.* American Council of Life Insurance 1001 Pennsylvania Ave., N.W. Washington, D.C. 20004	Director (since July 1996); President and Chief Executive Officer, American Council of Life Insurance (since January 1995); Governor of South Carolina (from January 1987 to January 1995); Director, AVX (since July 1995), Director, FLUOR (since January 1995).

Name and Principal Business Address	Present Principal Occupation or Employment and Five-Year Employment History
Gene R. Carter* Association for Supervision and Curriculum Development 1250 N. Pitt Street Alexandria, VA 22314-1403	Director (since 1992); Executive Director, Association for Supervision and Curriculum Development (since July 1992); Superintendent of Schools, Norfolk, Virginia (from July 1983 to June 1992).
L. E. Coleman* 14849 Trappers Trail Novelty, OH 44072	Director (since 1982); Chairman, The Lubrizol Corporation (from January 1996 to March 1996); Chairman of the Board and CEO (from April 1982 to December 1995); Director, Harris Corporation (since January 1985).
T. Marshall Hahn, Jr.* Georgia-Pacific Corporation P. O. Box 105605 Atlanta, GA 30348-5605	Director (since 1985); Honorary Chairman of the Board, Georgia-Pacific Corporation (since December 1993), Chairman of the Board (from May 1993 to December 1993), Chairman of the Board and Chief Executive Officer (from February 1985 to May 1993); Director, SunTrust Banks, Inc. (since July 1984); Director, Coca-Cola Enterprises (since 1987).
Landon Hilliard* Brown Brothers Harriman & Co. 59 Wall Street New York, NY 10005	Director (since 1992); Partner, Brown Brothers Harriman & Co. (since January 1979); Director, Owens-Corning Fiberglass Corporation (since April 1989).
E. B. Leisenring, Jr.* Philadelphia Contributionship One Tower Bridge, Suite 501 Philadelphia, PA 19428	Director (since 1982); Chairman of the Philadelphia Contributionship (since January 1996); Chairman and Chief Executive Officer, Penn Virginia Corporation (from December 1988 to April 1992); Director, Penn Virginia Corporation (from September 1952 to October 1992); Director, Westmoreland Coal Company (from September 1952 to June 1996); Director, Fidelity Bank, N.A. (a wholly-owned subsidiary of First Fidelity Bancorporation) (from 1960 to January 1994); Director, PICO Products, Inc. (since November 1994); Director, SKF USA Inc. (a controlled subsidiary of Aktiebolaget SKF, Swedish corporation) (from January 1966 to March 1996).
Arnold B. McKinnon*	Director (since 1986); Chairman and Chief Executive Officer, Norfolk Southern Corporation (from September 1991 to August 1992); Chairman, President and Chief Executive Officer, Norfolk Southern Corporation (from March 1987 to September 1991).
Jane Margaret O'Brien* St. Mary's College of Maryland St. Mary's City, MD 20686	Director (since 1994); President, St. Mary's College of Maryland (since July 1996); President, Hollins College (from July 1991 to June 1996); Dean of the Faculty, Middlebury College (from 1989 to 1990); Director, Landmark Communications, Inc. (since 1994).
Harold W. Pote* The Beacon Group 399 Park Ave. New York, NY 10022	Director (since 1988); Partner, The Beacon Group (since April 1993); President, PBS Properties, Inc. (since November 1990), President and Chief Executive Officer, First Fidelity Bancorporation (from April 1984 to December 1988); Director, Turecamo Maritime, Inc. (from June 1990 to June 1996).

2. *Directors and Executive Officers of Purchaser.* Set forth below is the name, current business address, citizenship and the present principal occupation or employment and material occupations, positions, offices or employments for the past five years of each director and officer of Purchaser. Unless otherwise indicated, each person identified below is employed by Purchaser and has held such position since the formation of Purchaser on October 23, 1996. The principal address of Purchaser and, unless otherwise indicated below, the current business address for each individual listed below is Three Commercial Place, Norfolk, Virginia 23510. Directors are identified by an asterisk. Each such person is a citizen of the United States.

<u>Name and Principal Business Address</u>	<u>Present Principal Occupation or Employment and Five-Year Employment History</u>
David R. Goode*	President; see part 1 above for five-year employment history.
James C. Bishop, Jr.*	Vice President and General Counsel; see part 1 above for five-year employment history.
L.I. Prillaman	Vice President; see part 1 above for five-year employment history.
Henry C. Wolf*	Vice President and Treasurer; see part 1 above for five-year employment history.
Dezora M. Martin	Corporate Secretary; see part 1 above for five-year employment history.

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The 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 Depositary as follows:

The Depositary for the Second 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 Letter of Transmittal and the 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 Second Offer.

The Information Agent for the Second 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 Second 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)(2)

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 February 12, 1997
by
Atlantic Acquisition Corporation,
a wholly owned subsidiary
of
Norfolk Southern Corporation

THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

The Depositary for the Second 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 TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL WHERE INDICATED BELOW AND COMPLETE 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 Letter of Transmittal 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 Depositary's account at The Depositary Trust Company or the Philadelphia Depositary 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 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 Depositary.

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 Offer to Purchase) occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date (as defined in the Offer to Purchase), a tender of Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred and (i) Purchaser (as defined below) has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) 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 to Purchase. Rights Certificates representing a number of Rights equal to the number of Shares being tendered must be delivered to the Depositary in order for such Shares to be validly tendered. If a Distribution Date has occurred and (i) Purchaser has waived any portion of the Rights Condition (as defined in the Offer to Purchase) and (ii) Rights Certificates have not been distributed prior to the time Shares are tendered pursuant to the Offer to Purchase, 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 Second Offer (as defined in the Offer to Purchase) to the Depositary within three business days after the date Rights Certificates are distributed. Purchaser 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 Depositary 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 to Purchase.

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 Depositary 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. See Instruction 2.

- ☐ **CHECK HERE IF TENDERED SHARES 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 Depositary Trust Company
☐ Philadelphia Depositary 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 Depositary Trust Company
☐ Philadelphia Depositary 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 all outstanding 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 February 12, 1997 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended from time to time, together constitute the "Second 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 Second Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Second 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 Second Offer.

Subject to, and effective upon, acceptance for payment of the Shares and Rights tendered herewith, in accordance with the terms of the Second Offer (including, if the Second 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 February 12, 1997 (collectively, "Distributions")), and irrevocably appoints the Depositary 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 Second Offer.

If, on or after February 12, 1997, 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 Second 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 Second 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 Depositary 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 Distributions). 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 Second 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 Company 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 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 Depositary 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 Depositary 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 Second 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 and in the Instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Second Offer. Purchaser's acceptance for payment of Shares and Rights tendered pursuant to the Second Offer will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Second Offer. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, 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 Second 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 Depositary'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 Depositary at one of its addresses set forth on the reverse hereof prior to the Expiration Date (as defined in "Terms of the Second Offer; Expiration Date" of the Offer to Purchase). If Certificates are forwarded to the Depositary 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 Depositary 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 herewith, must be received by the Depositary 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 Depositary'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 Depositary 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. The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by the Depositary 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 Depositary. 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 Depositary 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 Depositary 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 Second Offer. All Shares or Rights evidenced by Certificates delivered to the Depositary 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 Certificate(s) evidencing such Shares or Rights without alteration, enlargement or any other change whatsoever.

If any Shares or Rights tendered hereby are 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 Second 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, this Letter of Transmittal, the 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 Depositary 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 Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price to such shareholder until a TIN is provided to the Depositary.

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 Depositary. 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 Depositary prior to the Expiration Date (as defined in the Offer to Purchase).

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 Depositary (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 Depositary 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 Second 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 Depositary. 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 Depositary 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 Second Offer, the shareholder is required to notify the Depositary 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 Depositary

The shareholder is required to give the Depositary 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 Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price to such shareholder until a TIN is provided to the Depositary.

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 SECOND 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, 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 Second 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 (call collect)

The Dealer Managers for the Second 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)(3)

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 Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Second 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 Depositary (the "Depositary"), prior to the Expiration Date (as defined in the Offer to Purchase) 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 shall include the associated Rights. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary. See "Procedures for Tendering Shares" of the Offer to Purchase.

The Depositary for the Second 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, dated February 12, 1997 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second Offer"), receipt of each of which is hereby acknowledged, the number of Shares specified below pursuant to the guaranteed delivery procedures described in "Procedures for Tendering Shares" of the Offer to Purchase.

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 guarantees delivery to the Depositary, 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 Depositary's accounts at The Depositary Trust Company or the Philadelphia Depositary Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or 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 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 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 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 Depositary and must deliver the Letter of Transmittal and certificates for Shares and Rights to the Depositary 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: _____

Dated: _____, 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)(4)

**Offer to Purchase for Cash
All Outstanding 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
by
Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation**

THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

February 12, 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 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., 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, 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 to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second Offer") enclosed herewith.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Offer to Purchase) of the Second Offer, 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 Second Offer for the tender of Shares. If the Distribution Date (as defined in the Offer to Purchase) 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 Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have 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 Second 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 Depositary (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 Depositary with respect thereto. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Second 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 Second Offer to the Depositary within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depositary 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 Second Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Second 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 and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depositary 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 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 Depositary.

THE SECOND OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE SECOND OFFER A NUMBER OF COMMON SHARES AND ESOP PREFERRED SHARES WHICH, TOGETHER, WITH THE 8,200,100 COMMON SHARES ALREADY OWNED BY PARENT, PURCHASER OR ANY DIRECT OR INDIRECT SUBSIDIARY OF PARENT, CONSTITUTE AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (2) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F OF CHAPTER 25 OF THE PENNSYLVANIA BUSINESS CORPORATION LAW HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE SECOND OFFER AND THE PROPOSED MERGER, (3) THE RIGHTS HAVING BEEN REDEEMED BY THE BOARD OF DIRECTORS OF THE COMPANY OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUCH RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE SECOND OFFER AND THE PROPOSED MERGER, AND (4) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER, AS AMENDED, BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE.

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. Offer to Purchase, dated February 12, 1997;
2. Letter of Transmittal to be used by holders of shares in accepting the Second Offer and tendering Shares and Rights;
3. Notice of Guaranteed Delivery to be used to accept the Second Offer if the certificates evidencing such Shares and Rights are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis;
4. A letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Second 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 Depositary.

Upon the terms and subject to the conditions of the Second Offer (including, if the Second 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, all 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 Second Offer" of the Offer to Purchase. For purposes of the Second 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 Depositary of Purchaser's acceptance of such Shares and Rights for payment. In all cases, payment for Shares and Rights purchased pursuant to the Second Offer will be made only after timely receipt by the Depositary 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 Depositary's account at The Depositary Trust Company or the Philadelphia Depositary Trust Company pursuant to the procedures set forth in "Procedures for Tendering Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), 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 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 Second 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 Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

In order to take advantage of the Second 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 Depositary, and certificates evidencing the tendered Shares should be delivered or such Shares and Rights should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares and 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.

Any inquiries you may have with respect to the Second 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.

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 (call collect) or by calling the Information Agent, Georgeson & Company Inc., at Wall Street Plaza, New York, New York 10005, telephone (800) 223-2064 (toll free), or from brokers, dealers, commercial banks or trust companies.

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 SECOND OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

Exhibit (a)(5)

**Offer to Purchase for Cash
All Outstanding 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
by
Atlantic Acquisition Corporation,
a wholly owned subsidiary of
Norfolk Southern Corporation**

THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

February 12, 1997

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second 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 all of the 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., 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 Second 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 Offer to Purchase), 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 Second Offer for the tender of Shares. If the Distribution Date (as defined in the Offer to Purchase) 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 (i) Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) 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 Second 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 (i) Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and (ii) Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Second 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 Second Offer to the Depositary within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depositary 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 Second Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Second Offer and such shareholder's Share Certificate (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depositary 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 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 Depositary.

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 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 your account, upon the terms and subject to the conditions set forth in the Second Offer.

Your attention is invited to the following:

1. The tender price is \$115 per Share, net to the seller in cash.
2. The Second Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Wednesday, March 12, 1997, unless the Second Offer is extended.
3. The Second Offer is being made for all of the outstanding Shares.
4. The Second Offer is conditioned upon, among other things, (1) there being validly tendered and not properly withdrawn prior to the expiration of the Second Offer a number of Common Shares and ESOP Preferred Shares which, together with the 8,200,100 Common Shares already owned by Parent, Purchaser or any direct or indirect subsidiary of Parent, constitute at least a majority of the Shares outstanding on a fully diluted basis, (2) Purchaser being satisfied, in its sole discretion, that Subchapter F of Chapter 25 of the Pennsylvania Business Corporation Law has been complied with or is invalid or otherwise inapplicable to the Second Offer and the Proposed Merger, (3) the Rights having been redeemed by the Board of Directors of the Company or Purchaser being satisfied, in its sole discretion, that such Rights are invalid or otherwise inapplicable to the Second Offer and the Proposed Merger, and (4) Purchaser being satisfied, in its sole discretion, that the previously announced Agreement and Plan of Merger, as amended, between the Company and CSX Corporation has been terminated in accordance with its terms or otherwise.
5. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Second Offer.

The Second Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Shares. Purchaser is not aware of any state where the making of the Second 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 Second 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 Second 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 Second Offer to be made by a licensed broker or dealer, the Second 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 SECOND OFFER.**

**INSTRUCTIONS WITH RESPECT TO THE OFFER.
TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
OF
CONRAIL INC.**

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated February 12, 1997, and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second 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 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., 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, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent. All references herein to the Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights.

This will instruct you to tender to Purchaser the number of Shares and Rights indicated below (or, if no number is indicated in either appropriate space below, all Shares and Rights) held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Second Offer.

**NUMBER OF SHARES AND RIGHTS
TO BE TENDERED:***

SIGN HERE

_____ Shares and Rights _____

Account Number: _____
Signature(s)

Dated: _____, 199__

Please Type or Print Name(s)

Please Type or Print Address(es) Here

Area Code and Telephone Number

Taxpayer Identification or Social Security Number(s)

* Unless otherwise indicated, it will be assumed that all Shares and Rights held by us for your account are to be tendered.

Exhibit (a)(6)

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9**

Guidelines for Determining the Proper Identification Number to Give the Payer—Social Security numbers have nine digits separated by two hyphens: *i.e.* 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: *i.e.*, 00-0000000. The table below will help determine the number to give the payer.

For this type of account:	Give the TAXPAYER IDENTIFICATION number of—	For this type of account:	Give the TAXPAYER IDENTIFICATION number of—
1. An individual's account	The individual	9. A valid trust, estate or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.) ⁵
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals ¹	10. Corporate account	The corporation
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person ¹	11. Religious, charitable, or educational organization account	The organization
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²	12. Partnership account held in the name of the business	The partnership
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor ¹	13. Association, club, or other tax-exempt organization	The organization
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person ³	The ward, minor, or incompetent	14. A broker or registered nominee	The broker or nominee
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee ¹	15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity
b. So-called trust account that is not a legal or valid trust under State law	The actual owner ¹		
8. Sole proprietorship account	The owner ⁴		

¹ List first and circle the name of the person whose number you furnish.

² Circle the minor's name and furnish the minor's social security number.

³ Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

⁴ Show the name of the owner.

⁵ List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9**

PAGE 2

Obtaining a Number

If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.
Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.

- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments of mortgage interest to you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. **FILE THIS FORM WITH THE PAYER. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.**

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

Privacy Act Notice—Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Penalty for Failure to Furnish Taxpayer Identification Number—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Failure to Report Certain Dividend and Interest Payments—If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 20% on any portion of an underpayment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) Civil Penalty for False Information with Respect to Withholding—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(4) Criminal Penalty for Falsifying Information—Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

Exhibit (a)(7)

FOR IMMEDIATE RELEASE
February 12, 1997

Media Contact: Robert C. Fort
(757) 629-2710

**NORFOLK SOUTHERN COMMENCES SECOND TENDER OFFER TO ACQUIRE
CONRAIL SHARES FOR \$115 PER SHARE**

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) announced today that a wholly owned subsidiary is commencing its previously announced all-cash tender offer for all of the outstanding Common Shares and Series A ESOP Convertible Junior Preferred Shares of Conrail Inc. (NYSE: CRR) not already owned by Norfolk Southern at a price of \$115 per share. The tender offer will expire on Wednesday, March 12, 1997, at 12:00 Midnight, New York City time, unless the offer is extended. On February 11, 1997, Norfolk Southern commenced payment for the 8,200,000 Conrail shares acquired pursuant to Norfolk Southern's prior tender offer.

Following completion of the tender offer, which is subject to certain minimum tender and other conditions, Norfolk Southern intends to consummate a merger in which all remaining Conrail shares would be converted into the right to receive the same cash price per share paid in Norfolk Southern's tender offers.

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 about 14,300 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.

###

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

Exhibit (a)(8)

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Second Offer is made solely by the Offer to Purchase, dated February 12, 1997, and the related Letter of Transmittal and is being made to all holders of Shares. The Second Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Second Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Second Offer to be made by a licensed broker or dealer, the Second Offer shall be deemed to be made on behalf of Atlantic Acquisition Corporation by J.P. Morgan Securities Inc., Merrill Lynch & Co., or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash

All Outstanding 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

by

Atlantic Acquisition Corporation,

a wholly owned subsidiary of

Norfolk Southern Corporation

Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), hereby offers to purchase all of the 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., 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, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "Second Offer"). 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 inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

THE SECOND OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, MARCH 12, 1997, UNLESS THE SECOND OFFER IS EXTENDED.

The Second Offer is conditioned upon, among other things, (1) there being validly tendered and not properly withdrawn prior to the expiration of the Second Offer a number of Common Shares and ESOP Preferred Shares which, together with the 8,200,100 Common Shares already owned by Parent, Purchaser or any direct or indirect subsidiary of Parent, constitute at least a majority of the Shares outstanding on a fully diluted basis, (2) Purchaser being satisfied, in its sole discretion, that Subchapter F of Chapter 25 of the Pennsylvania Business Corporation Law has been complied with or is invalid or otherwise inapplicable to the Second Offer and the Proposed Merger, (3) the Rights having been redeemed by the Board of Directors of the Company or Purchaser being satisfied, in its sole discretion, that such Rights are invalid or otherwise inapplicable to the Second Offer and the Proposed Merger, and (4) Purchaser being satisfied, in its sole discretion, that the previously announced Agreement and Plan of Merger, as amended, between the Company and CSX Corporation ("CSX") has been terminated in accordance with its terms or otherwise.

The purpose of the Second Offer is for Parent 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 \$115 per Share all-cash transaction, Parent is seeking to negotiate with the Company a definitive merger agreement pursuant to which the Company would, as soon as practicable following consummation of 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 Share paid pursuant to the Second Offer.

Purchaser expressly reserves the right, in its sole judgment, at any time and from time to time and regardless of whether any of the events set forth in Section 14 of the Offer to Purchase shall have occurred or shall have been determined by Purchaser to have occurred, (i) to extend the period of time during which the Second Offer is open and thereby delay acceptance for payment of, and the

payment for, any Shares, by giving oral or written notice of such extension to the Depositary (as defined in the Offer to Purchase) and (ii) to amend the Second Offer in any respect by giving oral or written notice of such amendment to the Depositary. Any such extension or amendment will be followed as promptly as practicable by a public announcement thereof, such announcement in the case of an extension, to be issued not later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date (as defined in the Offer to Purchase). During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Second Offer, subject to the right of a tendering shareholder to withdraw such shareholder's Shares.

For purposes of the Second Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment pursuant to the Second Offer. In all cases, upon the terms and subject to the conditions of the Second Offer, payment for Shares purchased pursuant to the Second Offer will be made by deposit of the aggregate purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from Purchaser and transmitting payment to validly tendering shareholders. Under no circumstances will interest on the purchase price for Shares be paid by Purchaser by reason of any delay in making such payment.

In all cases, payment for Shares purchased pursuant to the Second Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares ("Certificates") or a book-entry confirmation of the book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof) properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal.

If, for any reason whatsoever, acceptance for payment of any Shares tendered pursuant to the Second Offer is delayed, or if Purchaser is unable to accept for payment or pay for Shares tendered pursuant to the Second Offer, then, without prejudice to Purchaser's rights set forth in the Offer to Purchase, the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares and such Shares may not be withdrawn except to the extent that the tendering shareholder is entitled to and duly exercises withdrawal rights as described in Section 4 of the Offer to Purchase. Any such delay will be followed by an extension of the Second Offer to the extent required by law.

Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Second Offer are irrevocable. Shares tendered pursuant to the Second Offer may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Wednesday, March 12, 1997 (or if Purchaser shall have extended the period of time for which the Second Offer is open, at the latest time and date at which the Second Offer, as so extended by Purchaser, shall expire) and unless theretofore accepted for payment and paid for by Purchaser pursuant to the Second Offer, may also be withdrawn at any time after April 12, 1997. In order for a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn, and, if Certificates for Shares have been tendered, the name of the registered holder

of the Shares as set forth in the tendered Certificate, if different from that of the person who tendered such Shares. If Certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depository, then prior to the physical release of such Certificates, the serial numbers shown on such Certificates evidencing the Shares to be withdrawn must be submitted to the Depository and the signature on the notice of withdrawal 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 Agent's Medallion Program (an "Eligible Institution"), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawal of tenders of Shares may not be rescinded, and any Shares properly withdrawn will be deemed not to be validly tendered for purposes of the Second Offer. Withdrawn Shares may, however, be re-tendered by repeating one of the procedures set forth in Section 3 of the Offer to Purchase at any time before the Expiration Date. Purchaser, in its sole judgment, will determine all questions as to the form and validity (including time of receipt) of notices of withdrawal, and such determination will be final and binding.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is contained in the Offer to Purchase and is incorporated herein by reference.

A request is being made to the Company pursuant to Rule 14d-5 of the Exchange Act for the use of the Company's shareholder list, its list of holders of Rights, if any, and security position listings for the purpose of disseminating the Second Offer to the holders of Shares. The Offer to Purchase and the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and Rights and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder lists and list of holders of Rights or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information which should be read carefully before any decision is made with respect to the Second Offer.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective addresses and telephone numbers as set forth below. Additional copies of the Offer to Purchase, the Letter of Transmittal or other tender offer materials may be obtained from the Information Agent. Such copies will be furnished promptly at Purchaser's expense. No fees or commissions will be paid to brokers, dealers or other persons (other than the Information Agent and the Dealer Managers) for soliciting tenders of Shares pursuant to the Second Offer.

The Information Agent for the Second Offer is:

**GEORGESON
& COMPANY INC.**

Wall Street Plaza
New York, New York 10005

Banks and Bankers Call Collect: (212) 440-9800
All Others Call Toll Free: (800) 223-2064

The Dealer Managers for the Second 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 10251-1305
(212) 449-8211 (call collect)

February 12, 1997

Exhibit (b)(1)

\$13,000,000,000

CREDIT AGREEMENT

dated as of

February 10, 1997

among

Norfolk Southern Corporation.

The Banks From Time to Time Parties Hereto,

Morgan Guaranty Trust Company of New York,
as Administrative Agent

and

Merrill Lynch Capital Corporation,
as Documentation Agent

J.P. Morgan Securities Inc.
and
Merrill Lynch & Co.,
Arrangers

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CREDIT AGREEMENT

AGREEMENT dated as of February 10, 1997, among NORFOLK SOUTHERN CORPORATION, the BANKS from time to time parties hereto, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent and MERRILL LYNCH CAPITAL CORPORATION, as Documentation Agent.

The parties hereto agree as follows:

ARTICLE 1

DEFINITION

SECTION 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

"Acquisition" means the acquisition by the Borrower, directly or indirectly (including without limitation through the Voting Trust), of Conrail pursuant to the Second Offer and the Merger.

"Acquisition Date" means the date of the first Borrowing of the Term Loans hereunder. The Acquisition Date may occur on or after the First Borrowing Date.

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"Adjusted CD Rate" has the meaning set forth in Section 2.06(b).

"Administrative Agent" means Morgan Guaranty Trust Company of New York in its capacity as Administrative Agent for the Banks under the Loan Documents, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any

Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "**control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means the Administrative Agent or the Documentation Agent, and "Agents" means both of them.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Applicable Margin" means, with respect to Loans of any Type at any time, the applicable percentage rate per annum set forth in the Pricing Schedule with respect to Loans of such Type which is applicable at such time in accordance with the Pricing Schedule; *provided* that (i) the Applicable Margin on any date with respect to any Loan shall be the sum of the percentage so determined in accordance with the Pricing Schedule plus 2.00%, if on such date a Default exists under Section 6.01(a) with respect to such Loan and (ii) the Applicable Margin on any date with respect to all Loans shall be the sum of the percentage so determined in accordance with the Pricing Schedule plus 2.00%, if on such date an Event of Default exists under Section 6.01(a).

"Assessment Rate" has the meaning set forth in Section 2.06(b).

"Asset Sale" means any sale, lease or other disposition (including any such transaction effected by way of merger or consolidation) by the Borrower or any of its Subsidiaries of any asset (including without limitation any capital stock held by the Borrower or such Subsidiary), including without limitation any sale-leaseback transaction, whether or not involving a capital lease, but excluding (i) dispositions to the Borrower or a Consolidated Subsidiary of the Borrower, (ii) any sale, transfer or other disposition of inventory or obsolete equipment in the ordinary course of business, (iii) any sale, lease or other disposition (or series of related sales, leases or other dispositions) the Net Cash Proceeds of which do not exceed \$40,000,000 on an individual basis, (iv) leases with respect to tangible property entered into in the ordinary course of business, (v) any sale, transfer or other disposition of temporary cash investments in the ordinary course of business, (vi) any sale, transfer or other disposition of any assets if the Borrower notifies the Administrative Agent promptly after the receipt of the proceeds thereof that such proceeds will be committed by the Borrower and its Subsidiaries to be used to purchase similar assets within three months of the date of such notice and will be so used within twelve months of the date

of such notice, but only to the extent such proceeds are actually so used, (vii) any sale, transfer or other disposition of any "margin stock" (within the meaning of the Margin Regulations) for fair value, (viii) any dispositions resulting in Major Property Insurance Proceeds and (ix) any transfer to the Voting Trust of securities of Conrail or of a Subsidiary intended to be merged with Conrail.

"Assignee" has the meaning set forth in Section 9.06(c).

"Bank" means each financial institution listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of $\frac{1}{2}$ of 1% plus Federal Funds Rate for such day.

"Base Rate Loan" means a Committed Loan which bears interest at a rate per annum based upon the Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or the provisions of Section 2.06(e) or Article 8.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by the Borrower.

"Borrower" means Norfolk Southern Corporation, a Virginia corporation, its successors, and any Person with which the Borrower merges or consolidates, or to which it sells substantially all of its assets, in accordance with Section 5.09.

"Borrower's 1995 Form 10-K" means the Borrower's annual report on Form 10-K for 1995, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Borrower Pledge Agreement" means the Pledge Agreement to be entered into between the Borrower and the Administrative Agent for the benefit of the Secured Parties named therein, in substantially the form of Exhibit A-1, in respect of the Trust Certificates (as defined in the Voting Trust Agreement), if any, held by the Borrower, the capital stock of any Significant Subsidiary owned directly by the Borrower and certain Debt held by the Borrower.

"Borrowing" has the meaning set forth in Section 1.03.

"CD Base Rate" has the meaning set forth in Section 2.06(b).

"CD Loan" means a Committed Loan which bears interest at a CD Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election.

"CD Rate" means a rate of interest determined pursuant to Section 2.06(b) on the basis of an Adjusted CD Rate.

"CD Reference Banks" means The First Bank of Chicago, Wachovia Bank of North Carolina and Morgan Guaranty Trust Company of New York.

"Class" has the meaning set forth in Section 1.03.

"Closing Date" means the date this Agreement becomes effective in accordance with Section 9.08(b).

"Collateral" means the collateral purported to be subject to the Liens of the Collateral Documents.

"Collateral Documents" means the Pledge Agreements, any additional pledges required to be delivered pursuant to the Loan Documents and any instruments of assignment or other instruments or agreements executed pursuant to the foregoing.

"Commitment" means any Term Loan Commitment or Revolving Credit Commitment, and "Commitments" means any or all of the foregoing, as the context may require.

"Commitment Schedule" means the Schedule attached hereto and identified as such.

"Committed Loan" means a loan made by a Bank pursuant to Section 2.01.

"Conrail" means Conrail Inc., a Pennsylvania corporation, and its successors (including, without limitation, the survivor of the Merger, whether or not Conrail, Inc.).

"Consolidated Capital Expenditures" means, for any period, the expenditures for additions to property, plant and equipment and other capital expenditures of the Borrower and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of the Borrower and its Consolidated Subsidiaries for such period.

"Consolidated EBITDA" means, for any fiscal period, Consolidated Net Income for such period plus, to the extent deducted in determining such Consolidated Net Income for such period, the aggregate amount of (i) Consolidated Interest

Expense, (ii) consolidated income tax expense, (iii) consolidated depreciation and amortization expense and (iv) special charges, restructuring charges and charges taken in connection with unusual or infrequent accounting adjustments and minus, to the extent reflected in Consolidated Net Income, non-recurring items of gain (it being understood that gains realized by the Borrower and its Consolidated Subsidiaries upon sales of assets consistent with past practices are not non-recurring for this purpose). On the basis set forth in the immediately preceding sentence, (x) Consolidated EBITDA for the fiscal quarter ended June 30, 1996 was \$731,000,000 and (y) Consolidated EBITDA for the fiscal quarter ended September 30, 1996 was \$780,000,000.

"Consolidated Interest Expense" means, for any period, the aggregate interest expense of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period; *provided* that if any determination of Consolidated Interest Expense is required to be made for any period commencing prior to the Consummation Date, such determination shall be made on a pro forma basis as if all Debt outstanding at the date of determination had been outstanding since the first day of the relevant period. On the basis set forth in the immediately preceding sentence, Consolidated Interest Expense for the fiscal quarters ended June 30, 1996 and September 30, 1996, respectively, was \$265,000,000.

"Consolidated Net Income" means, for any fiscal period, the net income of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis for such period, exclusive, solely for purposes of the definition of Consolidated EBITDA, of the effect of any extraordinary gain or loss.

"Consolidated Net Worth" means at any date the consolidated stockholders' equity of the Borrower and its Consolidated Subsidiaries as of such date.

"Consolidated Subsidiary" means at any date with respect to any Person, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date. Unless otherwise specified, a "Consolidated Subsidiary" shall be a Consolidated Subsidiary of the Borrower, provided that, for purposes of Article 3 and Sections 4.04(c) and 5.07 and related definitions as used for purposes thereof, on any date prior to the Consummation Date, Conrail shall be deemed to be (and to have at all times been) a wholly-owned Consolidated Subsidiary of the Borrower.

"Consummation Date" means the later of the Merger Date and the STB Approval Date.

"Continuing Director" has the meaning set forth in Section 6.01(l).

"Debt" of any Person means at any date, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) all indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) any obligation (whether fixed or contingent) to reimburse any bank or other Person in respect of amounts paid or payable under a standby letter of credit, (vi) any capital stock of such Person which is redeemable otherwise than at the sole option of such Person, (vii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (viii) all Debt of others Guaranteed by such Person.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Documentation Agent" means Merrill Lynch Capital Corporation in its capacity as Documentation Agent for the Banks hereunder.

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

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent; *provided* that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.06(b).

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment, to the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the transport, manufacture, processing, distribution, use, treatment, storage, disposal or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, any Consolidated Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Consolidated Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"Euro-Dollar Loan" means a Committed Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election.

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.06(c) on the basis of a London Interbank Offered Rate.

"Euro-Dollar Reference Banks" means the principal London offices of The First National Bank of Chicago, Wachovia Bank of North Carolina and Morgan Guaranty Trust Company of New York.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.07.

"Event of Default" has the meaning set forth in Section 6.01.

"Existing Credit Agreement" means the Credit Agreement dated as of March 29, 1994, and amended and restated as of July 31, 1996, among the Borrower, the banks parties thereto and Morgan Guaranty Trust Company of New York, as agent for such banks.

"Exposure" means, at any time as to any Bank, the sum of (i) such Bank's Term Loan Commitment(s), *plus* (ii) the outstanding principal amount of such Bank's Term Loans *plus* (iii) such Bank's Revolving Credit Commitment, if still in existence, or the outstanding principal amount of such Bank's Revolving Credit Loans and Money Market Loans, if its Revolving Credit Commitment is no longer in existence.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Administrative Agent.

"First Borrowing Date" means the date of the first Borrowing hereunder. The First Borrowing Date may occur on or prior to the Acquisition Date.

"First Offer" means the offer by the Offeror to purchase up to 9.9% of the outstanding shares of Common Stock and Series A ESOP Convertible Junior Preferred Stock of Conrail at \$115 net per share pursuant to the First Offer to Purchase.

"First Offer to Purchase" means the Offer to Purchase dated October 24, 1996 by the Offeror to the stockholders of Conrail, as supplemented as of January 22, 1997, and as further amended from time to time in accordance with its terms.

"Fixed Rate Loans" means CD Loans or Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01(a)) or any combination of the foregoing.

"Group of Loans" means at any time a group of Loans of any Class consisting of (i) all Loans of such Class which are Base Rate Loans at such time or (ii) all Loans of such Class which are Euro-Dollar Loans or CD Loans having the same Interest Period at such time, *provided* that, if a Loan of any particular Bank is converted to or made as a Base Rate Loan pursuant to Article 8, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Indemnatee" has the meaning set forth in Section 9.03(b).

"Information Memorandum" means the Information Memorandum dated October 28, 1996 furnished to the Banks in connection with this Agreement.

"Initial Conrail Investment" means the purchase by the Borrower, directly or indirectly (including without limitation through the Voting Trust), of up to (but not in excess of) 9.9% in the aggregate of the outstanding shares of Common Stock and Series A ESOP Convertible Junior Preferred Stock of Conrail pursuant to the First Offer.

"Interest Coverage Ratio" means, at any date, the ratio of (i) Consolidated EBITDA less Net Consolidated Capital Expenditures to (ii) Consolidated Interest Expense, in each case for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

"Interest Period" means: (1) with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clauses (c) and (d) below, end on the last Euro-Dollar Business Day of a calendar month;

(c) no Interest Period for any Revolving Credit Loan shall extend beyond the Revolving Credit Termination Date; and

(d) no Interest Period applicable to any Term Loan of any Class shall extend beyond any date upon which is due any scheduled principal payment in respect of the Term Loans of such Class unless the aggregate principal amount of Term Loans of such Class represented by Base Rate Loans, or by Fixed Rate Loans having Interest Periods that will expire on or before such date, equals or exceeds the amount of such principal payment.

(2) with respect to each CD Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending 30, 60, 90 or 180 days thereafter, as the Borrower may elect in the applicable notice; *provided that*:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) or (c) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day;

(b) no Interest Period for any Revolving Credit Loan shall extend beyond the Revolving Credit Termination Date; and

(c) no Interest Period applicable to any Term Loan of any Class shall extend beyond any date upon which is due any scheduled principal payment in respect of the Term Loans of such Class unless the aggregate principal amount of Term Loans of such Class represented by Base Rate Loans, or by Fixed Rate Loans having Interest Periods that will expire on or before such date, equals or exceeds the amount of such principal payment.

(3) with respect to each Money Market LIBOR Borrowing, the period commencing on the date of such Borrowing and ending such whole number of months thereafter as the Borrower may elect in accordance with Section 2.03; *provided that*:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date.

(4) with respect to each Money Market Absolute Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but not less than 14 days) as the Borrower may elect in accordance with Section 2.03; *provided that*:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise.

"Leverage Ratio" means, at any date, the ratio of Total Debt at such date to Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

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"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan, a CD Loan, a Euro-Dollar Loan or a Money Market Loan and "Loans" means any combination of the foregoing, as the context may require; *provided* that, if any such Loan or Loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"Loan Documents" means this Agreement, the Collateral Documents, the Subsidiary Guarantee Agreement and any Notes delivered pursuant hereto.

"London Interbank Offered Rate" has the meaning set forth in Section 2.06(c).

"Major Property Insurance Proceeds" means:

(i) the aggregate insurance proceeds from third parties in excess of \$25,000,000 received in connection with one or more related events by the Borrower or any of its Subsidiaries under any insurance policy maintained by the Borrower or any of its Subsidiaries covering losses with respect to tangible real or personal property or improvements or

(ii) any award or other compensation in excess of \$25,000,000 received with respect to any condemnation of property (or, in the case of any transfer or disposition of property in lieu of condemnation, the book value of such property) by the Borrower or any of its Subsidiaries,

provided that such proceeds, award or other compensation shall not constitute Major Property Insurance Proceeds if the Borrower notifies the Administrative Agent promptly after the receipt thereof that such proceeds, award or other compensation will be committed by the Borrower and its Subsidiaries to be used to repair or replace the asset so affected within three months of the date of such notice and will be so used

within twelve months of the date of such notice, but only to the extent such proceeds, award or other compensation is actually so used.

"Margin Regulations" means Regulations G, T, U and X of the Board of Governors of the Federal Reserve System, as amended and in effect from time to time.

"Material Adverse Change" has the meaning specified in Section 4.04(c).

"Material Debt" means Debt (other than under the Loan Documents) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding \$50,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$100,000,000.

"Merger" means the "Proposed Merger" between Conrail and the Offeror (or any other wholly-owned Subsidiary of the Borrower party to the Subsidiary Pledge Agreement) as described and defined in the First Offer to Purchase, pursuant to which Conrail shall become a wholly-owned Subsidiary of the Borrower and its outstanding stock shall cease to be "margin stock" within the meaning of the Margin Regulations.

"Merger Date" means the date of consummation of the Merger.

"Moody's" means Moody's Investors Service, Inc.

"Money Market Absolute Rate" has the meaning set forth in Section 2.03(d).

"Money Market Absolute Rate Loan" means a loan to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Borrower and the Administrative Agent; *provided* that any Bank may from time to time by notice to the Borrower and the Administrative Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Loan" means a loan to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.01(a)).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.03(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.03.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Net Cash Proceeds" means, with respect to any Reduction Event, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries from or in respect of such Reduction Event (including any cash proceeds received as interest or similar income or other proceeds of any noncash proceeds of any Asset Sale), less (a) any fees, costs and expenses reasonably incurred by such Person in respect of such Reduction Event and (b) if such Reduction Event is an Asset Sale, (i) the amount of any Debt secured by a Lien on any asset disposed of in such Asset Sale and discharged from the proceeds thereof, (ii) any taxes actually paid or to be payable by such Person (as estimated by a senior financial or accounting officer of the Borrower, giving effect to the overall tax position of the Borrower) in respect of such Asset Sale, (iii) all payments made with respect to liabilities associated with the assets which are the subject of the Asset Sale, including, without limitation, trade payables and other accrued liabilities, (iv) appropriate amounts to be provided by such Person or any Subsidiary thereof, as the case may be, as a reserve in accordance with generally accepted accounting principles against any liabilities associated with such assets and retained by such Person or any Subsidiary thereof, as the case may be, after such Asset Sale, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Sale, until such time as such amounts are no longer reserved or such reserve is no longer necessary (at which time any remaining amounts will become Net Cash Proceeds); and (v) all distributions and other payments required to be made (or made on a pro rata basis) to minority interest holders in Subsidiaries of such Person as a result of such Reduction Event.

"Net Consolidated Capital Expenditures" means, for any period with respect to the Borrower and its Consolidated Subsidiaries, (i) Consolidated Capital Expenditures for such period plus (ii) to the extent not included in such Consolidated Capital Expenditures, the aggregate amount of expenditures or additions to property, plant and equipment and other capital expenditures financed with the proceeds of capital leases or other Debt minus (iii) the Net Cash Proceeds of any sale, transfer or other disposition of assets described in clause (iii) or (vi) of the definition of "Asset Sale" and consummated during such period or any prior period or (y) insurance proceeds received during such period or any prior period. On the basis set forth in the immediately preceding sentence, (x) Net Consolidated Capital Expenditures for the fiscal quarter ended June 30, 1996 were \$306,000,000 and (y) Net Consolidated Capital Expenditures for the fiscal quarter ended September 30, 1996 were \$238,000,000.

"Notes" has the meaning set forth in Section 2.16(b).

"Notice of Borrowing" means a Notice of Committed Borrowing (as defined in Section 2.02) or a Notice of Money Market Borrowing (as defined in Section 2.03(f)).

"Notice of Interest Rate Election" has the meaning set forth in Section 2.10.

"Obligor" means the Borrower or any Subsidiary Guarantor, and "Obligors" means all of the foregoing.

"Offeror" means Atlantic Acquisition Corporation, a Pennsylvania corporation and a wholly-owned Subsidiary of the Borrower, and its successors.

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for

employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pledge Agreement" means the Borrower Pledge Agreement or the Subsidiary Pledge Agreement, and "Pledge Agreements" means both of them.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Quarterly Dates" means each March 31, June 30, September 30 and December 31.

"Reduction Event" means (i) any Asset Sale, (ii) the incurrence of any Debt by the Borrower or any of its Subsidiaries in reliance on subsection (c) or (j) of Section 5.11, (iii) the incurrence of any Debt by the Borrower or a Subsidiary in reliance on subsection (i) of Section 5.11 ("CP Debt") if, and solely to the extent that, (A) such CP Debt is incurred after the Acquisition Date ("Post Acquisition CP Debt"), (B) after giving effect thereto and the application of the proceeds thereof, the aggregate outstanding principal amount of CP Debt (whenever incurred) is increased and (C) after giving effect thereto and the application of the proceeds thereof, the aggregate outstanding principal amount of Post Acquisition CP Debt exceeds the aggregate principal amount of Post Acquisition CP Debt which has previously given rise to a Reduction Event pursuant to this clause (iii), (iv) the issuance of any equity securities by the Borrower or any of its Subsidiaries (other than (w) equity securities issued in consideration for the acquisition of any assets (including, without limitation, any equity interests of any other Person), (x) equity securities issued to the Borrower or any of its Subsidiaries, (y) directors' qualifying shares and (z) equity securities issued in the ordinary course of business in connection with now or hereafter existing employee stock purchase plans and other employee compensation arrangements (but excluding from this clause (z) any equity securities issued or sold to Conrail's Matched Savings Plan (or any successor plan) and purchased by such Plan (or any successor plan), (v) receipt of Major Property Insurance Proceeds, (vi) any Extraordinary Distribution (as defined in either Pledge Agreement) by the Voting Trust or (vii) receipt by the Borrower or any of its Subsidiaries at any time on or after the Consummation Date of any payment with respect to amounts outstanding under the loan between Conrail and the trust under Conrail's Matched Savings Plan (other than repayments in an amount not exceeding the sum of (a) any amounts contributed by the Borrower or any of its Subsidiaries to such trust and (b) any dividends received

by such trust with respect to stock of the Borrower or any of its Subsidiaries). The description of any transaction as falling within the above definition does not affect any limitation on such transaction imposed by Article 5 of this Agreement.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Release Event" means that the Borrower's senior unsecured long-term debt is rated BBB- or higher by S&P and Baa3 or higher by Moody's. The credit ratings to be utilized for purposes of this definition shall be the new (or confirmed) ratings of the Borrower's senior unsecured long-term debt announced (either before or after the Acquisition) by Moody's and S&P giving effect to the Acquisition (and, if applicable, giving effect to the termination of the Collateral Documents as a consequence of such rating).

"Required Banks" means at any time Banks having at least 51% of the aggregate amount of the Exposures at such time.

"Restricted Investment" means any Investment in Conrail or any of its Subsidiaries, including without limitation any purchase of any shares of Common Stock, Series A ESOP Convertible Junior Preferred Stock or any other capital stock of Conrail, other than (i) the Acquisition itself and (ii) the Initial Conrail Investment.

"Revolving Credit Bank" means each Bank identified in the Commitment Schedule as having a Revolving Credit Commitment and each Assignee which acquires a Revolving Credit Commitment and/or Revolving Credit Loans pursuant to Section 9.06(c), and their respective successors.

"Revolving Credit Commitment" means,

(i) with respect to each Revolving Credit Bank listed on the signature pages hereof, the amount set forth opposite the name of such Bank under the heading "Revolving Credit Commitment" in the Commitment Schedule, or

(ii) with respect to each Assignee which becomes a Revolving Credit Bank pursuant to Section 9.06(c), the amount of the Revolving Credit Commitment thereby assumed by it,

in each case as such amount may be reduced from time to time pursuant to Section 2.09 or 2.12 or increased or reduced by reason of an assignment to or by such Bank in accordance with Section 9.06(c).

"Revolving Credit Loan" means a loan made by a Revolving Credit Bank pursuant to Section 2.01(d).

"Revolving Credit Period" means the period from and including the Closing Date to but not including the Revolving Credit Termination Date.

"Revolving Credit Termination Date" means August 1, 1997; *provided* that the Revolving Credit Termination Date shall be extended to the date which is the fifth anniversary of the Closing Date if on or prior to August 1, 1997 the Acquisition Date shall have occurred (or, if such fifth anniversary date is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the Revolving Credit Termination Date shall be the next preceding Euro-Dollar Business Day).

"Second Offer" means the offer by the Offeror to purchase all the outstanding shares of Common Stock and Series A ESOP Convertible Junior Preferred Stock of Conrail at \$115 net per share pursuant to the Second Offer to Purchase.

"Second Offer to Purchase" means an Offer to Purchase by the Offeror to the stockholders of Conrail, the terms and conditions of which Offer to Purchase shall be substantially identical to those of the First Offer to Purchase as supplemented as of December 20, 1996, as amended from time to time in accordance with its terms; *provided* that no such amendment (other than (i) any amendment effecting an extension of the expiration date of the Second Offer and (ii) any amendments not affecting the conditions to or any material term of the Second Offer) shall be effective for purposes of references thereto in this Agreement unless approved in writing by the Required Banks.

"Significant Subsidiary" means, at any time, (i) Norfolk Southern Railway Company, (ii) Norfolk and Western Railway Company, (iii) the Offeror, (iv) solely on and after the Consummation Date, Conrail and (v) each other Subsidiary (x) whose assets (or, in the case of a Subsidiary which has subsidiaries, consolidated assets) as shown on the latest financial statements delivered by the Borrower pursuant to, prior to the Consummation Date, Section 5.01(a)(ii) or (b)(y) and, on or after the Consummation Date, Section 5.01(a)(i) or (b)(x), as the case may be, are (A) at least 5% of the consolidated assets of the Borrower and its Consolidated Subsidiaries (including for such purpose Conrail and its Subsidiaries, all as shown on such financial statements) at such time and (B) at least \$1,500,000,000 or (y) whose operating income (or, in the case of a Subsidiary which has subsidiaries, consolidated operating income) as shown on the latest financial statements delivered by the Borrower pursuant to, prior to the Consummation Date, Section 5.01(a)(ii) or (b)(y) and, on or after the Consummation Date, Section 5.01(a)(i) or (b)(x), as the case may be, is (A) at least 5% of the consolidated operating income of the Borrower and its

Consolidated Subsidiaries (including for such purpose Conrail and its Subsidiaries, all as shown on such financial statements) at such time and (B) at least \$150,000,000.

"STB" means the Surface Transportation Board, an agency of the Federal Government of the United States of America.

"STB Approval Date" means the date on which the STB approves the acquisition of control of Conrail by the Borrower, without any terms or conditions not satisfactory to the Borrower.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, a "Subsidiary" means a Subsidiary of the Borrower. Except as otherwise specified, the Voting Trust and Conrail and its Subsidiaries shall not be deemed Subsidiaries of the Borrower prior to the Consummation Date.

"Subsidiary Guarantee Agreement" means a Subsidiary Guarantee Agreement by the Subsidiary Guarantors in favor of the Administrative Agent in substantially the form of Exhibit B.

"Subsidiary Guarantors" means the Significant Subsidiaries from time to time parties to the Subsidiary Guarantee Agreement.

"Subsidiary Pledge Agreement" means the Pledge Agreement to be entered into between the Significant Subsidiaries and the Administrative Agent for the benefit of the Secured Parties named therein, in substantially the form of Exhibit A-2, in respect of the Trust Certificates (as defined in the Voting Trust Agreement) held by Offeror and the capital stock and indebtedness of any Significant Subsidiary owned directly by any such Significant Subsidiary.

"Term Availability Period" means the period from and including the Closing Date to and including the Merger Date.

"Term Loan" means a Term Loan-I, a Term Loan-II or a Term Loan-III.

"Term Loan Bank" means a Term Loan-I Bank, a Term Loan-II Bank or a Term Loan-III Bank.

"Term Loan Commitment" means a Term Loan-I Commitment, a Term Loan-II Commitment or a Term Loan-III Commitment.

"Term Loan-I" means a loan made by a Term Loan-I Bank pursuant to Section 2.01(a).

"Term Loan-I Bank" means each Bank identified in the Commitment Schedule as having a Term Loan-I Commitment and each Assignee which acquires a Term Loan-I Commitment and/or Term Loan-I pursuant to Section 9.06(c), and their respective successors.

"Term Loan-I Commitment" means,

(i) with respect to each Term Loan-I Bank listed on the signature pages hereof, the amount set forth opposite the name of such Bank under the heading "Term Loan-I Commitment" in the Commitment Schedule, or

(ii) with respect to each Assignee which becomes a Term Loan-I Bank pursuant to Section 9.06(c), the amount of the Term Loan-I Commitment thereby assumed by it,

in each case as such amount may be reduced from time to time pursuant to Section 2.09 or 2.12 or increased or reduced by reason of an assignment to or by such Bank in accordance with Section 9.06(c).

"Term Loan-II" means a loan made by a Term Loan-II Bank pursuant to Section 2.01(b).

"Term Loan-II Bank" means each Bank identified in the Commitment Schedule as having a Term Loan-II Commitment and each Assignee which acquires a Term Loan-II Commitment and/or Term Loan-II pursuant to Section 9.06(c), and their respective successors.

"Term Loan-II Commitment" means,

(i) with respect to each Term Loan-II Bank listed on the signature pages hereof, the amount set forth opposite the name of such Bank under the heading "Term Loan-II Commitment" in the Commitment Schedule, or

(ii) with respect to each Assignee which becomes a Term Loan-II Bank pursuant to Section 9.06(c), the amount of the Term Loan-II Commitment thereby assumed by it,

in each case as such amount may be reduced from time to time pursuant to Section 2.09 or 2.12 or increased or reduced by reason of an assignment to or by such Bank in accordance with Section 9.06(c).

"Term Loan-III" means a loan made by a Term Loan-III Bank pursuant to Section 2.01(c).

"Term Loan-III Bank" means each Bank identified in the Commitment Schedule as having a Term Loan-III Commitment and each Assignee which acquires a Term Loan-III Commitment and/or Term Loan-III pursuant to Section 9.06(c), and their respective successors.

"Term Loan-III Commitment" means,

(i) with respect to each Term Loan-III Bank listed on the signature pages hereof, the amount set forth opposite the name of such Bank under the heading "Term Loan-III Commitment" in the Commitment Schedule, or

(ii) with respect to each Assignee which becomes a Term Loan-III Bank pursuant to Section 9.06(c), the amount of the Term Loan-III Commitment thereby assumed by it,

in each case as such amount may be reduced from time to time pursuant to Section 2.09 or 2.12 or increased or reduced by reason of an assignment to or by such Bank in accordance with Section 9.06(c).

"Total Debt" means at any date the aggregate amount of Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Type" has the meaning set forth in Section 1.03.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefit liabilities under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefit liabilities (excluding any accrued but unpaid contributions), but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Voting Trust" means the voting trust established pursuant to the Voting Trust Agreement.

"Voting Trust Agreement" means the Voting Trust Agreement contemplated by the First Offer to Purchase, as amended and in effect on the Acquisition Date and

as the same may be further amended from time to time in accordance with the provisions thereof and hereof.

SECTION 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the then most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks; *provided that*, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article 5 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Banks wish to amend Article 5 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks. The pro forma condensed financial statements to be delivered by the Borrower pursuant to Sections 5.01(a)(ii) or 5.01(b)(y)(A) shall be prepared on a basis consistent with the pro forma condensed financial information presented in the Information Memorandum.

SECTION 1.03. *Classes and Types of Loans and Borrowings.* The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on the same date, all of which Loans are of the same Class and Type (subject to Article 8) and, except in the case of Base Rate Loans, have the same initial Interest Period. Loans hereunder are distinguished by "Class" and by "Type". The "Class" of a Loan (or of a Commitment to make such a Loan or of a Borrowing comprised of such Loans) refers to the determination whether such Loan is a Term Loan-I, Term Loan-II, Term Loan-III or Revolving Credit Loan, each of which constitutes a Class. The "Type" of a Loan refers to the determination whether such Loan is a Euro-Dollar Loan, a CD Loan, a Base Rate Loan or a Money Market Loan, each of which constitutes a "Type". Identification of a Loan (or a Borrowing) by both Class and Type (e.g., a "Euro-Dollar Term Loan-I") indicates that such Loan is both a Term Loan-I and a Euro-Dollar Loan (or that such Borrowing is comprised of such Loans).

ARTICLE 2

THE CREDIT

SECTION 2.01. *Commitments to Lend.* (a) Term Loan-I Facility. During the Term Availability Period each Term Loan-I Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a Term Loan-I to the Borrower on each of the Acquisition Date and the Merger Date in amounts not to exceed in the aggregate the amount of its Term Loan-I Commitment. The Term Loan-I Commitments are not revolving in nature, and amounts repaid or prepaid pursuant to Section 2.11 or Section 2.12 shall not be reborrowed.

(b) Term Loan-II Facility. During the Term Availability Period each Term Loan-II Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a Term Loan-II to the Borrower on each of the Acquisition Date and the Merger Date in amounts not to exceed in the aggregate the amount of its Term Loan-II Commitment. The Term Loan-II Commitments are not revolving in nature, and amounts repaid or prepaid pursuant to Section 2.11 or Section 2.12 shall not be reborrowed.

(c) Term Loan-III Facility. During the Term Availability Period each Term Loan-III Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a Term Loan-III to the Borrower on each of the Acquisition Date and the Merger Date in amounts not to exceed in the aggregate the amount of its Term Loan-III Commitment. The Term Loan-III Commitments are not revolving in nature, and amounts repaid or prepaid pursuant to Section 2.11 or Section 2.12 shall not be reborrowed.

(d) Revolving Credit Facility. During the Revolving Credit Period, each Revolving Credit Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Credit Loans to the Borrower from time to time in an aggregate amount at any time outstanding not to exceed the amount of its Revolving Credit Commitment. Within the limits specified in this Agreement, the Borrower may borrow under this Section 2.01(d), prepay Revolving Credit Loans to the extent permitted by Section 2.11 and reborrow at any time during the Revolving Credit Period pursuant to this Section 2.01(d).

(e) Minimum Amount. Each Borrowing under this Section 2.01 shall be in the aggregate principal amount of \$25,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Commitments of the relevant Class) and shall be made from the several Banks ratably in proportion to their respective Commitments of the relevant Class.

SECTION 2.02. *Notice of Committed Borrowings.* The Borrower shall give the Administrative Agent notice (a "Notice of Committed Borrowing") not later than 10:30 A.M. (New York City time) on (x) the date of each Base Rate Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) the Class and initial Type of Loans comprising such Borrowing; and

(d) in the case of a Fixed Rate Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

SECTION 2.03. *Money Market Borrowings.*

(a) *The Money Market Option.* In addition to Revolving Credit Borrowings pursuant to Section 2.01, but within the limitations of the Revolving Credit Commitments as contemplated by Sections 3.04(b) and (c), the Borrower may, as set forth in this Section, request (but is not obligated to request) the Banks from time to time prior to the Revolving Credit Termination Date to make offers to make Money Market Loans to the Borrower. The Banks may make, but shall have no obligation to make, such offers and the Borrower may accept, but shall have no obligation to accept, any such offers in the manner set forth in this Section.

(b) *Money Market Quote Request.* When the Borrower wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Administrative Agent by telex or facsimile transmission a Money Market Quote Request substantially in the form of Exhibit G hereto so as to be received no later than 10:30 A.M. (New York City time) on (x) the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the proposed aggregate amount of such Borrowing, which shall be \$25,000,000 or a larger multiple of \$1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Borrower may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Borrower and the Administrative Agent may agree) of any other Money Market Quote Request.

(c) *Invitation for Money Market Quotes.* Promptly upon receipt of a Money Market Quote Request, the Administrative Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes substantially in the form of Exhibit H hereto, which shall constitute an invitation by the Borrower to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) *Submission and Contents of Money Market Quotes.* (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.01 not later than (x) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:30 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); *provided* that Money Market Quotes submitted by the Administrative Agent (or any affiliate of the Administrative Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Administrative Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the

other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Articles 3 and 6, any Money Market Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Borrower.

(ii) Each Money Market Quote shall be in substantially the form of Exhibit I hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be \$5,000,000 or a larger multiple of \$1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit I hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) *Notice to Borrower.* The Administrative Agent shall promptly notify the Borrower of the terms (x) of any Money Market Quote submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Administrative Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Administrative Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) *Acceptance and Notice by Borrower.* Not later than 10:30 A.M. (New York City time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; *provided that:*

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the aggregate principal amount of each Money Market Borrowing must be \$25,000,000 or a larger multiple of \$1,000,000.

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be, and

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) *Allocation by Administrative Agent.* If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in such multiples, not greater than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

SECTION 2.04. *Notice to Banks; Funding of Loans.*

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank participating therein of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 12:00 Noon (New York City time) on the date of each Borrowing, each Bank participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address specified in or pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Borrower at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.04 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the

Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.05. *Maturity of Loans.* (a) Each Term Loan-I shall mature, and the principal amount thereof shall be due and payable in full together with accrued interest thereon, on the earlier of (i) the date which falls six months after the date on which the STB issues its final order with respect to the acquisition of control of Conrail by the Borrower (regardless of whether such date is the STB Approval Date) and (ii) the third anniversary of the Closing Date; *provided* that, in any event, \$1,000,000,000 of the principal amount of Term Loan - I shall be payable on the date which is 12 months after the Acquisition Date.

(b) Each Term Loan-II shall mature, and the principal amount thereof shall be due and payable in full together with accrued interest thereon, on the earlier of the date falling thirty months after the date on which the STB issues its final order with respect to the acquisition of control of Conrail by the Borrower (regardless of whether such date is the STB Approval Date) and the fifth anniversary of the Closing Date.

(c) Each Term Loan-III shall mature, and the principal thereof shall be payable, in installments as set forth below; *provided* that (i) solely with respect to the installments of the Term Loan-III payable on March 31, 1997, if the Merger Date shall not have occurred on or prior to such date, (x) the amount of the installment to be repaid on such date shall be \$0 and (y) the amount of the installment payable on the last date set forth below shall be increased by \$75,000,000 and (ii) solely with respect to the installments of the Term Loan-III payable on June 30, 1997, if the Merger Date shall not have occurred on or prior to such date, (x) the amount of the installment to be repaid on such date shall be \$0 and (y) the amount of the installment payable on the last date set forth below shall be further increased by \$75,000,000:

<i>Date</i>	<i>Amount Due</i>
3/31/97	75,000,000

6/30/97	75,000,000
9/30/97	75,000,000
12/31/97	75,000,000
3/31/98	75,000,000
6/30/98	75,000,000
9/31/98	75,000,000
12/31/98	75,000,000
3/31/99	125,000,000
6/30/99	125,000,000
9/30/99	125,000,000
12/31/99	125,000,000
3/31/00	125,000,000
6/30/00	125,000,000
9/30/00	125,000,000
12/31/00	125,000,000
3/31/01	125,000,000
6/30/01	125,000,000
9/30/01	125,000,000
12/31/01	125,000,000
3/31/02	125,000,000
6/30/02	125,000,000
9/30/02	125,000,000
12/31/02	125,000,000
3/31/03	100,000,000
6/30/03	300,000,000

(d) Each Revolving Credit Loan shall mature, and the principal amount thereof shall be payable in full together with accrued interest thereon, on the Revolving Credit Termination Date.

(e) Each Money Market Loan included in any Money Market Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.06. *Interest Rates.* (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the day such Loan is made to but excluding the day it becomes due, at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate for such day. Such interest shall be payable at maturity, quarterly in arrears on each Quarterly Date prior to maturity and, with respect to the principal amount of any Base Rate Loan converted to a Fixed Rate Loan, on the date such Loan is so converted.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin for such day plus the Adjusted CD Rate applicable to such Interest Period; *provided* that if any CD Loan or any portion thereof shall, as a result of the definition of Interest Period, have an Interest Period of less than 30 days, such portion shall bear interest for each day during such Interest Period at the rate applicable to Base Rate Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, 90 days after the first day thereof.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ACDR} = \frac{[\text{CDBR}]}{[1.00 - \text{DRP}]} * + \text{AR}$$

ACDR = Adjusted CD Rate

CDBR = CD Base Rate

DRP = Domestic Reserve Percentage

AR = Assessment Rate

*
The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Administrative Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of such CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of \$100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. § 327.4(a) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin for such day plus the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(d) Subject to Section 8.01(a), each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.06(c) as if the related Money Market LIBOR Borrowing were a Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in

accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

(e) Any overdue principal of or interest on any Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of the Applicable Margin for Base Rate Loans plus the Base Rate for such day.

(f) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

SECTION 2.07. *Regulation D Compensation.* Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one *minus* the Euro-Dollar Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall notify the Borrower at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of

"Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The compensation payable pursuant to this Section shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

SECTION 2.08. *Facility Fees.* The Borrower shall pay to the Administrative Agent, for the account of the Banks ratably in accordance with their respective Exposures, a facility fee for each day at a rate per annum equal to the Facility Fee Rate for such day (determined in accordance with the Pricing Schedule), on the aggregate amount of the Exposures on such day. Such facility fees shall accrue for each day from and including the Closing Date to but excluding the date on which no Bank has any Exposure (the "Termination Date"). Accrued fees under this Section shall be payable quarterly in arrears on each Quarterly Date and on the Termination Date.

SECTION 2.09. *Optional Termination or Reduction of Commitments.* The Borrower may, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments of any Class at any time, if no Loans of such Class are outstanding at such time (after giving effect to any mandatory or optional prepayments to be made at such time) or (ii) ratably reduce from time to time by an aggregate amount of \$10,000,000 or a larger multiple of \$1,000,000, the aggregate amount of the Commitments of any Class in excess of the aggregate outstanding amount of the Loans of such Class.

SECTION 2.10. *Method of Electing Interest Rates.* (a) The Committed Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Term Loans and Revolving Credit Loans (subject in each case to the provisions of Article 8 and the last sentence of this subsection (a)), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to CD Loans as of any Domestic Business Day or to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii) if such Loans are CD Loans, the Borrower may elect to convert such Loans to Base Rate Loans or Euro-Dollar Loans or elect to continue such Loans as CD Loans for an additional Interest Period, in either case effective on the last day of the then current Interest Period applicable to such Loans; and

(iii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or CD Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in either case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Administrative Agent not later than 10:30 A.M. (New York City time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided that* (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each \$25,000,000 or any larger multiple of \$1,000,000. If no such notice is timely received prior to the end of an Interest Period, the Borrower shall be deemed to have elected that all Loans having such Interest Period be converted to Base Rate Loans. Notwithstanding the foregoing, the Borrower may not elect to convert any Loan to, or continue any Loan as, a Fixed Rate Loan pursuant to any Notice of Interest Rate Election if at the time such notice is delivered a Default shall have occurred and be continuing.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new Type of Loans and, if the Loans being converted are to be Fixed Rate Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Fixed Rate Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each

Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Group of Loans pursuant to this Section shall not constitute a "Borrowing" subject to the provisions of Section 3.04.

SECTION 2.11. *Optional Prepayments.* (a) The Borrower may, (i) upon at least one Domestic Business Day's notice to the Administrative Agent, prepay the Group of Base Rate Loans of any Class (or any Money Market Borrowing bearing interest at the Base Rate pursuant to Section 8.01(a)) or (ii) upon at least (x) in the case of CD Loans, one Domestic Business Day's notice to the Administrative Agent and (y) in the case of Euro-Dollar Loans, three Euro-Dollar Business Days' notice to the Administrative Agent, and subject, in each case, to Section 2.14, prepay any Group of Fixed Rate Loans of any Class, in each case in whole at any time, or from time to time in part in amounts aggregating \$25,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment of a Group of Loans shall be applied to prepay ratably the Loans of the Banks included in such Group.

(b) Except as provided in subsection (a) of this Section 2.11, the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof without the consent of the Bank holding such Loan.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.12. *Mandatory Reduction and Termination of Commitments; Mandatory Prepayments.* (a) Subject to subsection (b) below, the Term Commitments shall terminate at the close of business on the last day of the Term Availability Period and the Revolving Credit Commitments shall terminate on the Revolving Credit Termination Date.

(b) If the Acquisition Date shall not have occurred on or prior to August 1, 1997, all Term Commitments shall terminate on such date.

(c) Each Term Commitment shall be reduced on the date of and by the principal amount of each Term Loan made pursuant thereto.

(d) If a Reduction Event shall occur, an amount equal to the Net Cash Proceeds thereof shall be applied in the following order of priority until such amount has been fully applied:

First, to the reduction of the unused portion of the Term Loan-I Commitments until such unused portion shall have been reduced to zero;

Second, to the reduction of the unused portion of the Term Loan-II Commitments until such unused portion shall have been reduced to zero;

Third, to the reduction of the unused portion of the Term Loan-III Commitments until such unused portion shall have been reduced to zero;

Fourth, to the prepayment of Term Loans-I, until the Term Loans-I shall have been prepaid in full;

Fifth, to the prepayment of Term Loans-II, until the Term Loans-II shall have been prepaid in full; and

Sixth, to the prepayment of Term Loans-III, until the Term Loans-III shall have been prepaid in full.

Each such reduction and/or prepayment shall be made within five Euro-Dollar Business Days receipt by the Borrower or any of its Subsidiaries, as the case may be, of such Net Cash Proceeds, *provided that*

(i) if the Net Cash Proceeds in respect of any Reduction Event are less than \$5,000,000, such reduction and/or prepayment shall be effective upon receipt of proceeds such that, together with all other such amounts not previously applied, the Net Cash Proceeds are equal to at least \$5,000,000; and

(ii) if any prepayment would otherwise require prepayment of Fixed Rate Loans or portions thereof prior to the last day of the then current Interest Period, then such prepayment shall, unless the Administrative Agent otherwise notifies the Borrower upon the instructions of the Required Banks, be deferred to the last day of such Interest Period.

The Borrower shall give the Administrative Agent at least five Euro-Dollar Business Days' notice of each prepayment required to be made pursuant to this subsection (d).

(e) *Applications of Reductions and Prepayments.*

(i) Each reduction of the Term Commitments and/or prepayment of Term Loans shall be applied ratably to the respective Term Commitments and/or Term Loans of the relevant Class of all Term Loan Banks.

(ii) The amount of any reduction of the Term Loan-I Commitments and/or prepayments of Term Loans-I pursuant to Sections 2.09, this Section 2.12 or Section 2.11 shall be applied to reduce the amount of the scheduled prepayments of the Term Loans-I required pursuant to the proviso set forth in Section 2.05(a) until such amount is reduced to zero.

(iii) The amount of any reduction of the Term Loan-III Commitments and/or prepayment of Term Loans-III pursuant to Section 2.09, this Section 2.12 or Section 2.11 shall be applied to reduce ratably by amount the then remaining amounts of subsequent scheduled payments of the Term Loans-III required pursuant to Section 2.05.

(iv) Each payment of principal of the Term Loans of any Class shall be made together with interest accrued and unpaid on the amount repaid to the date of payment.

(v) Each payment of the Term Loans of any Class shall be applied to such Group or Groups of Loans of such Class as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

SECTION 2.13. *General Provisions as to Payments.* (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Bank, for the account of its Applicable Lending Office, its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Money Market Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be

extended to the next succeeding Euro-Dollar Business Day, unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

SECTION 2.14. *Funding Losses.* If the Borrower makes any payment of principal with respect to any Fixed Rate Loan or any Fixed Rate Loan is converted (pursuant to Article 6 or 8 or otherwise) on any day other than the last day of the Interest Period applicable thereto, or if the Borrower fails to borrow, prepay, convert or continue any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.04(a), 2.10(c) or 2.11(c), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, *provided* that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense indicating in reasonable detail the computation thereof, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.15. *Computation of Interest and Fees.* Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.16. *Registry.* (a) The Administrative Agent shall maintain a register (the "Register") on which it will record the Commitment(s) of each Bank, each Loan made by such Bank and each repayment of any Loan made by such Bank.

Any such recordation by the Administrative Agent on the Register shall be conclusive, absent manifest error. With respect to any Bank, the assignment or other transfer of the Commitments of such Bank and the rights to the principal of, and interest on, any Loan made and Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and otherwise complies with Section 9.06(c). The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Bank shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement referred to in Section 9.06(c). The Register shall be available at the offices where kept by the Administrative Agent for inspection by the Borrower and any Bank at any reasonable time upon reasonable prior notice to the Administrative Agent. The Borrower may not replace any Bank pursuant to Section 8.06 unless, with respect to any Notes held by such Bank, the requirements of this subsection have been satisfied. Each Bank shall record on its internal records (including computerized systems) the foregoing information as to its own Commitment(s) and Loans. Failure to make any such recordation, or any error in such recordation, shall not affect the obligations of any Obligor under the Loan Documents in respect of the Loans.

(b) The Borrower hereby agrees that, upon the request of any Bank at any time, such Bank's Loans shall be evidenced by a promissory note or notes of the Borrower (each a "Note"), substantially in the form of Exhibit C hereto, payable to the order of such Bank and representing the obligation of the Borrower to pay the unpaid principal amount of the Loans made by such Bank, with interest as provided herein on the unpaid principal amount from time to time outstanding.

ARTICLE 3

CONDITIONS TO BORROWING

The obligation of each Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

SECTION 3.01. *First Borrowing Date.* In the case of the Borrowing on the First Borrowing Date:

(a) receipt by the Administrative Agent, to the extent requested by any Bank not less than five Domestic Business Days prior to the First Borrowing Date, of any Notes so requested duly executed by the Borrower;

(b) the fact that all fees and expenses payable on or before the First Borrowing Date by the Borrower for the account of the Banks and their affiliates in connection with this Agreement shall have been paid in full on or before such date in the amounts previously agreed upon in writing;

(c) receipt by the Administrative Agent of opinions of (i) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Borrower and (ii) Gary Lane, General Counsel-Corporate of the Borrower (or another counsel for the Borrower reasonably satisfactory to the Administrative Agent) substantially in the respective forms of Exhibits D-1 and D-2 hereto;

(d) receipt by the Administrative Agent of an opinion of Davis Polk & Wardwell, special counsel for the Agents, substantially in the form of Exhibit E hereto;

(e) receipt by the Lenders of the financial statements referred to in Section 4.04(b);

(f) the fact that the Borrower shall have (i) terminated the commitments of the banks under the Existing Credit Agreement, (ii) repaid in full all loans (if any) outstanding thereunder and all interest (if any) accrued thereon and (iii) paid all facility fees accrued thereunder to but not including the date on which such commitments terminated;

(g) the fact that, immediately after giving effect to such Borrowing and the application of the proceeds of the Loans included therein, the Borrower shall be in compliance, on a pro forma basis, on the First Borrowing Date with the provisions of subsection (b) of Section 5.07; and

(h) receipt by the Administrative Agent of all documents it may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and any other matters relevant thereto, all in form and substance satisfactory to the Administrative Agent.

SECTION 3.02. Acquisition Date. In the case of the Borrowing on the Acquisition Date:

(a) receipt by the Administrative Agent of counterparts of the Subsidiary Guarantee Agreement, duly executed by the Borrower and by each Subsidiary of the Borrower which is a Significant Subsidiary as of the Acquisition Date and, solely if a Release Event shall not have occurred prior to the Acquisition Date, duly executed counterparts of each Pledge Agreement together with certificates for the Pledged

Stock (as defined in each Pledge Agreement) and the Pledged Certificates (as defined in each Pledge Agreement);

(b) the fact that all material governmental and third party approvals (including approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and other consents, but excluding STB approval) necessary in connection with the Acquisition shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken by any governmental authority which has restrained, prevented or otherwise imposed materially adverse conditions on the Acquisition, and the Administrative Agent shall have received copies, certified by the Secretary or an Assistant Secretary of the Borrower, of all filings made with any governmental authority in connection with the Acquisition which the Agent shall have requested;

(c) the fact that all fees and expenses payable on or before the Acquisition Date by the Borrower for the account of the Banks and their affiliates in connection with this Agreement shall have been paid in full on or before such date in the amounts previously agreed upon in writing;

(d) receipt by the Administrative Agent of a certificate of the chief executive officer or the chief financial officer of the Borrower that the Second Offer has been consummated in accordance with the Second Offer to Purchase, without, unless consented to in writing by the Required Banks, waiver of any of the conditions thereof other than the financing condition;

(e) the fact that the Administrative Agent shall not have received notice from the Required Banks that, in their reasonable determination, any of the conditions of the Second Offer has not been fulfilled other than the financing condition;

(f) receipt by the Administrative Agent of opinions of (i) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Borrower, (ii) Gary Lane, General Counsel-Corporate of the Borrower (or another counsel for the Borrower reasonably satisfactory to the Administrative Agent) and (iii) Williams Kelly & Greer, special Virginia counsel to the Borrower, substantially in the respective forms of Exhibits D-3, D-4 and D-5 hereto;

(g) the fact that, immediately after giving effect to such Borrowing and the application of the proceeds of the Loans included therein, the Borrower shall be in compliance, on a pro forma basis, on the Acquisition Date with the provisions of each subsection of Section 5.07 (it being understood that with respect to subsections (a) and (c) of such Section the Borrower shall be required to be in compliance on the Acquisition Date with the ratio set forth in each such subsection opposite the period in which the Acquisition Date occurs);

(h) the fact that the Voting Trust Agreement shall have been executed and delivered and shall be substantially in the form distributed to the Banks prior to the date hereof; and

(i) receipt by the Administrative Agent of all documents it may reasonably request relating to the existence of the Obligors, the corporate authority for and the validity of this Loan Documents and any other matters relevant thereto, all in form and substance satisfactory to the Administrative Agent.

SECTION 3.03. *Merger Date.* In the case of the Borrowing on the Merger Date:

(a) the fact that substantially simultaneously therewith, the Merger shall be consummated and all capital stock of Conrail, after giving effect thereto, shall be held by the Voting Trust (if the Merger Date occurs prior to the STB Approval Date) or by the Borrower or a Significant Subsidiary party to a Pledge Agreement (if the Merger Date occurs on or after the STB Approval Date); and

(b) the fact that, immediately after giving effect to such Borrowing and the application of the proceeds of the Loans included therein, the Borrower shall be in compliance on a pro forma basis on the Merger Date with the provisions of each subsection of Section 5.07 (it being understood that with respect to subsections (a) and (c) of such Section the Borrower shall be required to be in compliance on the Merger Date with the ratio set forth in each such subsection opposite the period in which the Merger Date occurs).

SECTION 3.04. *Borrowings.* The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, as the case may be;

(b) in the case of a Revolving Credit Borrowing or a Money Market Borrowing, the fact that, immediately after such Borrowing and application of the proceeds thereof, the aggregate outstanding principal amount of the Revolving Credit Loans and the Money Market Loans will not exceed the aggregate amount of the Revolving Credit Commitments;

(c) in the case of a Revolving Credit Borrowing or a Money Market Borrowing made prior to the Acquisition Date, the fact that, immediately after such Borrowing and application of the proceeds thereof, the aggregate

outstanding principal amount of the Revolving Credit Loans and the Money Market Loans will not exceed \$1,650,000,000;

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing; and

(e) the fact that the representations and warranties of the Borrower contained in each Loan Document shall be true in all material respects on and as of the date of such Borrowing.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (b), (c), (d) and (e) of this Section.

SECTION 3.05. *Waiver by Banks.* In order to facilitate the satisfaction of the condition set forth in Section 3.01(f) above, each of the parties hereto which is a party to the Existing Credit Agreement waives (i) the requirement in Section 2.09 thereof that a notice terminating the commitments of the banks thereunder must be given at least three Domestic Business Days prior to such termination, (ii) to the extent necessary, the requirement in Section 2.11(a) thereof that a notice of prepayment of any Base Rate Borrowing (as defined in the Existing Credit Agreement) must be given at least one Domestic Business Day prior to such termination and (iii) to the extent necessary, the prohibition in Section 2.11 thereof on the prepayment of Fixed Rate Loans (as defined in the Existing Credit Agreement) prior to the maturity thereof (subject to the obligations of the Borrower to pay to each bank party to the Existing Credit Agreement all amounts payable by the Borrower to such bank pursuant to Section 2.13 of the Existing Credit Agreement as a result of any such prepayment).

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants on the date hereof that:

SECTION 4.01. *Corporate Existence and Power.* The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Virginia (or, if another corporation has become the Borrower as permitted by Section 5.09, the laws of its jurisdiction of incorporation). The Borrower has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure

to have such licenses, authorizations, consents and approvals could not be reasonably expected to result in a Material Adverse Change.

SECTION 4.02. *Corporate and Governmental Authorization; No Contravention.* The execution, delivery and performance by the Borrower of the Loan Documents are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (except for (i) the filing of UCC-1 financing statements referred to in the Pledge Agreement and (ii) filings with governmental agencies (x) which filings are necessary or desirable in order for the Borrower to comply with disclosure obligations under applicable laws or with Section 5.18 and (y) which filings, if not made, would not have any effect on the validity or enforceability of the Loan Documents and the obligations of the Borrower thereunder) and do not contravene, or constitute a default under, any provision of law or regulation applicable to the Borrower (including without limitation the Margin Regulations) or of the articles of incorporation or by-laws of the Borrower, or of any agreement under which Debt may be incurred or any other material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Consolidated Subsidiaries or result in the creation or imposition of any Lien (other than the Liens of the Pledge Agreements) on any asset of the Borrower or any of its Consolidated Subsidiaries.

SECTION 4.03. *Binding Effect.* This Agreement constitutes, and when executed and delivered in accordance with this Agreement, each other Loan Document will constitute, a valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally from time to time in effect and (ii) equitable principles of general applicability.

SECTION 4.04. *Financial Information.*

(a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1995 and the related consolidated statements of income, cash flows and changes in stockholders' equity for the fiscal year then ended, reported on by KPMG Peat Marwick and set forth in the Borrower's 1995 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations, cash flows and changes in stockholders' equity for such fiscal year.

(b) The unaudited pro forma condensed balance sheet of the Borrower and Conrail as of December 31, 1996 set forth in the Information Memorandum has been prepared on the basis described therein and otherwise in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section and shows the combined financial position of the Borrower and Conrail as if the Consummation Date had occurred on December 31, 1996.

(c) Except as reflected in the pro forma condensed balance sheet referred to in subsection (b) or elsewhere in the Information Memorandum, since the respective dates as of which information is stated in the Information Memorandum, there has been no material adverse change in the consolidated financial condition, operations, assets, business or prospects of the Borrower and its Consolidated Subsidiaries (including for this purpose Conrail and its Consolidated Subsidiaries), taken as a whole (a "Material Adverse Change").

SECTION 4.05. *Litigation.* There is no action, suit or proceeding (including any rate-setting hearing) pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Consolidated Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Change or which in any manner draws into question the validity or enforceability of this Agreement or (prior to a Release Event) the Collateral Documents.

SECTION 4.06. *Compliance with Laws.* (a) The Borrower and its Consolidated Subsidiaries are in compliance in all material respects with all applicable provisions of the United States Interstate Commerce Act, as amended, and all regulations, orders, rulings and interpretations thereunder, except where the failure to so comply could not reasonably be expected to result in a Material Adverse Change.

(b) Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any material contribution or payment due under any Multiemployer Plan in which more than 100 employees of members of the ERISA Group participate or under any Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, any of which has resulted in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or Section 302(f) of ERISA or could reasonably be expected to result in the posting of a bond or other security

under Section 401(a)(29) of the Internal Revenue Code or Section 307 of ERISA or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.07. *Environmental Matters.* In the ordinary course of its business, the Borrower reviews the effect of applicable Environmental Laws on the business and operations and properties of the Borrower and its Consolidated Subsidiaries, in the course of which it identifies and evaluates actual and potential associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned or as a result of accidents or occurrences involving property or employees of the Borrower and its Consolidated Subsidiaries, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility, restriction on transportation of any substance or reduction in the level of or change in the nature of operations and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of its review, the Borrower has reasonably concluded that applicable Environmental Laws, as they relate to matters known to the Borrower, cannot reasonably be expected to result in a Material Adverse Change.

SECTION 4.08. *Taxes.* United States consolidated Federal income tax returns of the Borrower and its Subsidiaries as of the First Borrowing Date have been examined and revenue agent reports have been received for all years up to and including the fiscal year ended December 31, 1992. United States consolidated Federal income tax returns of (i) Norfolk and Western Railway Company and its consolidated subsidiaries have been examined and revenue agent reports have been received through the fiscal year ended December 31, 1981 and (ii) Southern Railway Company and its consolidated subsidiaries have been examined and closed through the fiscal year ended May 31, 1982. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary or are contesting such assessment in good faith by appropriate proceedings, except where the failure to so pay or file could not be reasonably expected to result in a Material Adverse Change. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

SECTION 4.09. *Significant Subsidiaries.* (a) Each of the Borrower's Significant Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate

powers and all material governmental licenses, authorizations, franchises, consents and approvals required to carry on its business as now conducted, except where the failure to have such licenses, authorizations, franchises, consents and approvals could not be reasonably expected to result in a Material Adverse Change.

(b) As of the date hereof the Borrower owns, and as of the Acquisition Date the Borrower will own, directly or indirectly, all of the shares of capital stock or other ownership interests of Norfolk Southern Railway Company (or the successor thereto by merger, consolidation or share exchange or the Person, if any, who has acquired substantially all of such corporation's assets) except (i) directors' qualifying shares and (ii) not more than 1,100,000 shares of such corporation's \$2.60 Cumulative Preferred Stock, Series A. As of the date hereof the Borrower owns, and as of the Acquisition Date the Borrower will own, directly or indirectly, all of the shares of capital stock or other ownership interests of Norfolk and Western Railway Company (or the successor thereto by merger, consolidation or share exchange or the Person, if any, who has acquired substantially all of such corporation's assets) except directors' qualifying shares.

SECTION 4.10. *Not an Investment Company or a Holding Company.* The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not a "holding company", a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.11. *Full Disclosure.* All written information, taken as a whole, heretofore furnished by the Borrower to any Agent or Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified, it being understood that any such representation and warranty as to the accuracy of information in respect of Conrail and its Subsidiaries with respect to any period ending, or at any time, prior to the Consummation Date is limited to the Borrower's having no actual knowledge that such information is not accurate. The Borrower has disclosed to the Banks or to the Administrative Agent for circulation to the Banks pursuant to Section 5.01 in writing any and all facts known to the Borrower which materially and adversely affect the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement.

SECTION 4.12. *Representations in Other Loan Documents True and Correct.* Each of the representations and warranties of each Obligor contained in the other Loan Documents is true and correct in all material respects.

SECTION 4.13. *Ownership of Property, Liens.* The Borrower and its Subsidiaries have good and marketable title (subject only to Liens permitted by the Loan Documents) to or have valid leasehold interests in, and are in lawful possession of, or, in the case of intellectual property, have valid rights to use, all material properties and other material assets (real or personal, tangible, intangible or mixed) necessary for the continued operation of their businesses, taken as a whole.

SECTION 4.14. *No Default.* No Default has occurred and is continuing and neither the Borrower nor any of its Subsidiaries is in default under or with respect to any material contract, agreement, lease or other instrument to which it is a party or by which its property is bound or affected where such default could reasonably be expected to result in a Material Adverse Change.

ARTICLE 5

COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder or any principal of or interest on any Loan remains unpaid:

SECTION 5.01. *Information.* The Borrower will deliver to the Administrative Agent for circulation to each of the Banks:

(a) promptly after they are publicly available, and in any event within 105 days after the end of each fiscal year of the Borrower, (i) a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows and changes in stockholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in accordance with regulations of the Securities and Exchange Commission by KPMG Peat Marwick or other independent public accountants of nationally recognized standing, (ii) solely if such fiscal year ended on or prior to the Consummation Date, a pro forma condensed balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related pro forma condensed statements of income, cash flows and changes in stockholders' equity for such fiscal year, prepared in each case on the basis of the assumption that Conrail is a wholly-owned Consolidated Subsidiary of the Borrower at the end of such fiscal year and at all times during such fiscal year and setting forth in each case in comparative form the figures for the previous fiscal year and certified in each case by the chief financial officer or the chief accounting officer of the Borrower as to

having been prepared on a basis consistent with the pro forma financial information in the Information Memorandum and (iii) solely if such fiscal year ended on or prior to the Consummation Date, a consolidated balance sheet of Conrail and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows and changes in stockholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year;

(b) promptly after they are publicly available, and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (x) (i) a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter, setting forth in comparative form the figures at the end of the Borrower's previous fiscal year, (ii) the related consolidated statement of income for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, and (iii) the related consolidated statement of cash flows for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in comparative form the figures for the corresponding portion of the Borrower's previous fiscal year, and (y) solely if such fiscal quarter ended on or prior to the Consummation Date, (A) (i) a pro forma condensed balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter, setting forth in comparative form the figures at the end of the Borrower's previous fiscal year, (ii) the related pro forma condensed statement of income for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, and (iii) the related pro forma condensed statement of cash flows for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in comparative form the figures for the corresponding portion of the Borrower's previous fiscal year and prepared in each case on the basis of the assumption that Conrail is a wholly-owned Consolidated Subsidiary of the Borrower at the end of such fiscal quarter and at all times during the portion of such fiscal year ended on the last day of such fiscal quarter and (B)(i) a consolidated balance sheet of Conrail and its Consolidated Subsidiaries as of the end of such quarter, setting forth in comparative form the figures at the end of Conrail's previous fiscal year, (ii) the related consolidated statement of income for such quarter and for the portion of Conrail's fiscal year ended at the end of such quarter, setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of Conrail's previous fiscal year, and (iii) the related consolidated statement of cash flows for the portion of Conrail's fiscal year

ended at the end of such quarter, setting forth in comparative form the figures for the corresponding portion of Conrail's previous fiscal year, certified by the chief financial officer or the chief accounting officer of the Borrower (m) in the case of information delivered by the Borrower pursuant to clause (x) of this subsection (b) (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency (except for changes in generally accepted accounting principles concurred in by the Borrower's independent public accountants) and (n) in the case of information delivered by the Borrower pursuant to clause (y)(A) of this subsection (b), as to having been prepared on a basis consistent with the pro forma financial information in the Information Memorandum;

(c) simultaneously with the delivery of the financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer, the chief accounting officer, treasurer or any assistant treasurer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Section 5.07 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) within ten days after any officer of the Borrower obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(e) promptly after the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(f) promptly after the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(g) if and within ten days after the date any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which could reasonably be expected to constitute grounds for a termination of such Plan under Title IV of ERISA or knows that the plan administrator of any

Plan has given or is required to give notice of any such reportable event, in each case which could, when considered together with all other such reportable events which have occurred after the date hereof, reasonably be expected to give rise in the aggregate to a liability of members of the ERISA Group in excess of \$50,000,000, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan in which more than 100 employees of members of the ERISA Group participate is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution due under any Multiemployer Plan in which more than 100 employees of members of the ERISA Group participate or any Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement, any of which has resulted in the imposition of a Lien under Section 412(n) of the Internal Revenue Code or Section 302(f) of ERISA or could reasonably be expected to result in the posting of a bond or other security under Section 401(a)(29) of the Internal Revenue Code or Section 307 of ERISA, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(h) as soon as reasonably practicable after any officer of the Borrower obtains knowledge of the commencement of, or of a threat of the commencement of, any actions, suits or proceedings against the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to result in a Material Adverse Change or which in any manner questions the validity or enforceability of the Loan Documents, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the nature of such pending or threatened action, suit or proceeding and such additional information with respect thereto as may be reasonably requested by any Bank; and

(i) from time to time such additional publicly available information regarding the financial position or business of the Borrower and its Consolidated Subsidiaries as any Bank through the Administrative Agent may reasonably request.

SECTION 5.02. *Maintenance of Property; Insurance.*

(a) The Borrower will keep, and will cause each Consolidated Subsidiary to keep, all property deemed by the Borrower to be useful and necessary to its business in such order and condition as the Borrower shall consider prudent.

(b) The Borrower will maintain purchased insurance and self-insurance consistent with prudent industry and financial practice, covering (without limitation) the risk of (i) physical damage to real and personal property of the Borrower and each of its Subsidiaries on an all risks basis and (ii) public liability of the Borrower and each of its Subsidiaries. The Borrower will maintain sufficient purchased insurance to prevent a material increase in the Leverage Ratio as a result of a property or casualty loss or as a result of the imposition of any reasonably foreseeable liability.

SECTION 5.03. *Conduct of Business and Maintenance of Existence.* The Borrower will preserve, renew and keep in full force and effect its corporate existence, except as permitted by Section 5.09, and its rights, privileges and franchises reasonably deemed by the Borrower to be necessary or desirable in the normal conduct of business, except where the failure to maintain such rights, privileges and franchises could not be reasonably expected to result in a Material Adverse Change. The Borrower will cause each of its Significant Subsidiaries to continue to engage in business of the same general type as now conducted by it, and will cause each of them to preserve, renew and keep in full force and effect their respective corporate existence and their respective rights, privileges and franchises reasonably deemed by the Borrower to be necessary or desirable in the normal conduct of business, except where the failure to maintain such rights, privileges and franchises could not be reasonably expected to result in a Material Adverse Change. Nothing in this Section 5.03 shall prohibit a merger, consolidation or share exchange pursuant to which any two corporations shall be combined into a single corporation or the acquisition by any corporation of substantially all of the assets of another corporation.

SECTION 5.04. *Compliance with Laws.* The Borrower will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, the Interstate Commerce Act, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith

is contested in good faith by appropriate proceedings or where such failure could not be reasonably expected to result in a Material Adverse Change.

SECTION 5.05. *Payment of Obligations.* The Borrower will pay and discharge, and will cause each Significant Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid would by law give rise to a Lien not permitted by this Agreement), except where the same may be contested in good faith by appropriate proceedings or could not be reasonably expected to result in a Material Adverse Change, and will maintain, and will cause each Significant Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

SECTION 5.06. *Inspection of Property, Books and Records.* The Borrower will keep, and will cause each Significant Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives designated in writing by any Bank at such Bank's expense, and subject to such limitations as the Borrower may reasonably impose to insure safety or compliance with any applicable legal or contractual restrictions, to visit and inspect any of their respective properties, to examine and make abstracts from any of their corporate books and financial records and to discuss their respective affairs, finances and accounts with their respective principal officers, all at such reasonable times during normal business hours, after reasonable prior notice and as often as may reasonably be desired.

SECTION 5.07. *Financial Covenants.* (a) Interest Coverage Ratio. As of the last day of each fiscal quarter of the Borrower ended on or after the Acquisition Date and ending during each period set forth below, the Interest Coverage Ratio will not be less than the ratio set forth below opposite such period:

Period	Ratio
3/31/97-6/29/98	1.45
6/30/98-12/30/98	1.70
12/31/98-12/30/99	1.95
12/31/99-12/30/00	2.35
12/31/00-12/30/01	2.85
Thereafter	3.40

(b) Minimum Consolidated Net Worth. At the last day of any fiscal quarter ended on or after the First Borrowing Date, Consolidated Net Worth of the Borrower

plus the Net Worth Add Back, in each case at such date, will not be less than an amount equal to the sum of (i) \$4,000,000,000 plus (ii) an amount equal to 50% of Adjusted Consolidated Net Income for each fiscal quarter of the Borrower commencing on or after the First Borrowing Date and ending on or prior to the date of determination, in each case, for which Adjusted Consolidated Net Income is positive (but with no deduction on account of negative Adjusted Consolidated Net Income for any fiscal quarter of the Borrower) plus (iii) 100% of the aggregate net proceeds, including the fair market value of property other than cash (as determined in good faith by the Board of Directors of the Borrower), received by the Borrower from the issuance and sale after the First Borrowing Date of any capital stock of the Borrower (other than the proceeds of any issuance and sale of any capital stock (w) to a Subsidiary of the Borrower, (x) to directors as qualifying shares, (y) in the ordinary course of business in connection with now or hereafter existing employee stock purchase plans and other employee compensation arrangements or (z) which is required to be redeemed, or is redeemable at the option of the holder, at any time) or in connection with the conversion or exchange of any Debt of the Borrower into capital stock of the Borrower after the date hereof. For purposes of this subsection (b), the following terms have the following meanings:

"Net Worth Add Back" means, at any date, an amount equal to the lesser of (A) \$600,000,000 and (B) the aggregate amount of Adjustment Amounts for all fiscal quarters of the Borrower commencing on or after the First Borrowing Date and ending on or prior to the date of determination.

"Adjustment Amount" means, for any fiscal quarter, an amount equal to the absolute amount by which Consolidated Net Income for such quarter was reduced by reason of special charges taken by the Borrower and its Consolidated Subsidiaries in connection with the Acquisition and the Initial Conrail Investment.

"Adjusted Consolidated Net Income" means, for any fiscal quarter, an amount equal to Consolidated Net Income for such fiscal quarter plus the Adjustment Amount, if any, for such fiscal quarter; provided that the aggregate amount of the Adjustment Amounts added to Consolidated Net Income for purposes of such computations hereunder shall not exceed \$600,000,000.

(c) Leverage Ratio. The Leverage Ratio will not exceed, at any time on or after the Acquisition Date during any period set forth below, the applicable ratio set forth below for such period:

Period	Ratio
3/31/97-6/29/98	5.50
6/30/98-12/30/98	5.10
12/31/98-12/30/99	4.75
12/31/99-12/30/00	4.00
12/31/00-12/30/01	3.30
12/31/01-12/30/02	2.75
Thereafter	2.35

SECTION 5.08. *Negative Pledge.* The Borrower will not create, assume or suffer to exist any Lien on any Investment in a Subsidiary now directly owned or hereafter directly acquired by the Borrower, except Liens created by the Collateral Documents and Liens described in clause (i) below. Neither the Borrower nor any Subsidiary will create, assume or suffer to exist any Lien on any other asset now owned or hereafter acquired by it except:

- (a) Liens created by the Collateral Documents;
- (b) Liens existing on the date of this Agreement that have attached (or that hereafter attach, pursuant to agreements in effect on the date hereof, to assets not owned by Persons subject to such agreements on the date hereof) securing Debt in an aggregate principal amount not exceeding \$900,000,000;
- (c) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;
- (d) any Lien (created pursuant to an equipment trust agreement, conditional sale agreement, chattel mortgage or lease or otherwise) on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring, constructing or rebuilding such asset;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Subsidiary and not created in contemplation of such event;

(f) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

(g) Liens created, assumed or existing on assets associated with real estate development projects or development joint ventures;

(h) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, *provided* that such Debt is not increased and is not secured by any additional assets;

(i) inchoate tax Liens;

(j) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure any obligation in an amount exceeding \$600,000,000 and (iii) do not in the aggregate materially detract from the value of its material assets or materially impair the use thereof in the operation of its business;

(k) Liens on "margin stock" (as defined in the Margin Regulations), if and to the extent that the value of such margin stock exceeds 25% of the total assets of the Borrower and its Subsidiaries subject to this Section; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal amount at any time outstanding not in excess of \$600,000,000.

SECTION 5.09. Consolidations, Mergers and Sales of Assets. (a) The Borrower will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its assets to any other Person; *provided* that the Borrower may merge or consolidate with another Person or sell all or substantially all of its assets to another Person if:

(A) the Person surviving such merger or consolidation, or the Person that acquires substantially all of the Borrower's assets, is a business corporation incorporated under the laws of a State of the United States of America;

(B) the Person surviving such merger or consolidation, if not the Borrower, or the Person that acquires substantially all of the Borrower's assets, (i) executes and

delivers to the Administrative Agent and each of the Banks an instrument in form reasonably satisfactory to the Administrative Agent pursuant to which such Person assumes all of the Borrower's obligations under the Loan Documents as theretofore amended or modified, including the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of the principal of and interest on each Loan made to the Borrower pursuant to this Agreement, the full and punctual payment of all other amounts payable hereunder and the performance of all of the other covenants and agreements contained herein and (ii) if requested by the Required Banks, delivers an opinion of counsel satisfactory to the Required Banks covering the matters set forth in Exhibits D-1 through D-5, in each case after giving effect to such merger, consolidation or sale of assets, as the case may be; and

(C) immediately after giving effect to such merger, consolidation or sale of assets, no Default shall have occurred and be continuing and the representations and warranties of the Borrower contained in this Agreement shall be true in all material respects as if made immediately after such merger, consolidation or sale of assets.

It is understood that: (i) the reference in Section 4.04(c) to changes in respect of the Borrower and its Consolidated Subsidiaries refers to changes from the business and consolidated financial position of Norfolk Southern Corporation and its Consolidated Subsidiaries at such date, including changes that occur as a result of another Person becoming the Borrower pursuant to such a merger, consolidation or sale of assets and (ii) the references in Section 6.01(1) to individuals who were directors of the Borrower at any time before such a merger, consolidation or sale of assets refers only to individuals who were directors of the Person who was the Borrower at that time. No Person who was the Borrower shall be released from any of its obligations hereunder upon the assumption of such obligations by another Person. For purposes of this Section, the term "consolidate with" means a transaction in which the Borrower and another corporation consolidate to form a new corporation pursuant to the laws of their jurisdictions of incorporation and in which the Borrower and such other corporation cease to exist as separate corporate entities.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, make any Asset Sale (i) unless the consideration therefor is not less than the fair market value of the related asset (as determined in good faith by the chief financial officer of the Borrower) and (ii) unless, after giving effect thereto, (a) the aggregate fair market value of the assets disposed of in all Asset Sales (other than Acquisition Asset Sales) (1) during any fiscal year of the Borrower ended after the Closing Date would not exceed \$350,000,000 and (2) from and after the Closing Date would not exceed \$1,000,000,000 and (b) the aggregate fair market value of the assets disposed of in all Acquisition Asset Sales from and after the Closing Date would not exceed \$1,500,000,000; provided that (x) the consideration for any Asset Sale shall consist solely of (A) cash payable at closing or (B) instruments obligating the purchaser (or

an affiliate) to make cash payments at a subsequent date, in an aggregate amount not to exceed 50% of the purchase price with respect to such Asset Sale and (y) the aggregate principal amount of instruments described in clause (x) (B) of this proviso at any one time held by the Borrower and its Subsidiaries will not exceed \$200,000,000 with respect to all Asset Sales (other than Acquisition Asset Sales) and will not exceed \$0 with respect to all Acquisition Asset Sales. For purposes of this subsection, "Acquisition Asset Sale" means any Asset Sale (i) the consummation of which is an express condition (either precedent or subsequent) to the approval by the STB of the direct or indirect acquisition of control of Conrail by the Borrower or (ii) which is consummated in connection with, or as a condition precedent to, the consummation of a merger or other business combination between the Borrower or any of its Subsidiaries and Conrail (including without limitation the Merger).

SECTION 5.10. *Use of Proceeds.* The proceeds of the Term Loans will be used by the Borrower to finance the Acquisition, to pay related fees and expenses and, at the option of the Borrower, to refinance Debt of the Borrower or any Subsidiary incurred in reliance on Section 5.11(i), Revolving Credit Loans or Money Market Loans outstanding on the Acquisition Date. The proceeds of the Revolving Credit Loans and Money Market Loans made prior to the Acquisition Date will be used by the Borrower to make the Initial Conrail Investment, to refinance a portion of the existing bank debt of the Borrower (including the Existing Credit Agreement), and for other general corporate purposes and may be used by the Borrower to repay maturing commercial paper. The proceeds of the Revolving Credit Loans and Money Market Loans made on or after the Acquisition Date will be used by the Borrower to finance the Acquisition, to pay related fees and expenses, and for other general corporate purposes (including without limitation, at the option of the Borrower, to refinance Debt of the Borrower or any Subsidiary incurred in reliance on Section 5.11(i), Revolving Credit Loans or Money Market Loans outstanding on the Acquisition Date).

SECTION 5.11. *Limitation on Debt.* The Borrower will not, and will not permit any of its Subsidiaries to, incur or at any time be liable with respect to any Debt except:

- (a) Debt under the Loan Documents;
- (b) Debt owing to the Borrower or a Subsidiary all of the outstanding common stock of which (other than directors' qualifying shares) is owned directly or indirectly by the Borrower;
- (c) Debt of Subsidiaries not otherwise permitted by this Section in an aggregate principal amount at any time outstanding not exceeding \$500,000,000;

(d) Debt of the Borrower (and not of any Subsidiary) not otherwise permitted by this Section in an aggregate principal amount at any time outstanding not exceeding \$100,000,000;

(e) Guarantees (i) by the Borrower of the Debt of a Subsidiary, (ii) by any Significant Subsidiary of Debt of the Borrower and (iii) by any Subsidiary of Debt of its own Subsidiaries, provided that the Guaranteed Debt is permitted under this Section;

(f) Debt of any Person at the time such Person becomes a Subsidiary and not incurred in contemplation of such event;

(g) Debt of the Borrower or a Subsidiary in existence on the Closing Date and extensions, renewals and refinancings thereof (it being understood that any Debt under the Existing Credit Agreement shall be refinanced on the First Borrowing Date solely with Loans);

(h) Debt of Subsidiaries incurred or assumed (in connection with an equipment trust agreement, conditional sale agreement, chattel mortgage or lease or otherwise) for the purpose of directly or indirectly financing all or any part of the cost of acquiring, constructing or rebuilding any asset and any renewal, extension or refinancing thereof; provided that the aggregate principal amount of such Debt (other than extensions, renewals and refinancings) incurred or assumed in any fiscal year of the Borrower pursuant to this clause (h) shall not exceed \$350,000,000;

(i) short-term Debt of the Borrower (and not of any Subsidiary) evidenced by commercial paper or similar instruments; and

(j) Debt of the Borrower (and not of any Subsidiary) which matures not earlier than six months after the final maturity date of the Term Loans.

SECTION 5.12. *Transactions with Affiliates.* The Borrower will not, and will not permit any Subsidiary to, directly or indirectly, pay any funds to or for the account of, make any Investment in, lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to, or participate in, or effect, any transaction with, any Affiliate except on an arm's-length basis on terms no less favorable in any material respect to the Borrower or such Subsidiary than could have been obtained from a third party who was not an Affiliate; provided that the foregoing provisions of this Section shall not prohibit (i) the declaration or payment of any lawful dividend or other payment ratably in respect of all of its capital stock of the relevant class or (ii) transactions entered into in the ordinary course of business with joint ventures in which the Borrower has a direct or indirect interest to the extent the Borrower has determined

in its reasonable judgment that the business purpose achieved by such transactions renders the terms thereof reasonable.

SECTION 5.13. *No Modification of the Voting Trust Agreement Without Bank Consent.* The Borrower will not, and will not permit any of its Subsidiaries to, consent to or solicit any amendment or supplement to, or any waiver or other modification of, the Voting Trust Agreement in any manner which could reasonably be expected to materially adversely affect the rights of the Banks under the Loan Documents or their ability to enforce the same.

SECTION 5.14. *Limitation on Restrictions Affecting Subsidiaries.* Neither the Borrower nor any of its Subsidiaries will enter into, or suffer to exist, any agreement with any Person, other than the Loan Documents, which prohibits or limits the ability of any Subsidiary to (a) pay dividends or make other distributions or pay any Debt owed to the Borrower or any Subsidiary, (b) make loans or advances to the Borrower or any Subsidiary, (c) transfer any of its properties or assets to Borrower or any Subsidiary or (d) create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired as security for the obligations of the Borrower under the Loan Documents; provided that the foregoing shall not apply to (i) restrictions in effect on the date of this Agreement contained in agreements governing Debt outstanding on the date of this Agreement (or in the case of Debt of a Person which hereafter becomes a Subsidiary, outstanding on the date such Person becomes a Subsidiary and not created in contemplation of that event) and, if such Debt is renewed, extended or refinanced, restrictions in the agreements governing the renewed, extended or refinancing Debt (and successive renewals, extensions and refinancings thereof) if such restrictions are no more restrictive in any material respect than those contained in the agreements governing the Debt being renewed, extended or refinanced, (ii) restrictions contained in agreements governing Debt incurred pursuant to Section 5.11(c), (d), (e) and (j) provided that such restrictions are no more restrictive in any material respect than those contained in the Loan Documents, (iii) customary non-assignment provisions in leases, licenses and other contracts, (iv) restrictions contained in agreements governing Debt incurred by special purpose Subsidiaries in connection with the financing of equipment and other asset acquisitions, provided that such restrictions only apply to such special purpose Subsidiaries and their respective assets, (v) in the case of non-wholly-owned Subsidiaries, customary restrictions contained in joint venture or similar agreements, (vi) restrictions required by applicable law and (vii) restrictions in agreements establishing consensual Liens permitted under Section 5.08 with respect to the assets subject to such Liens.

SECTION 5.15. *Fiscal Year.* The Borrower will not change its fiscal year from a fiscal year ending December 31.

SECTION 5.16. *Hedging Facilities.* The Borrower will, at its sole cost and expense not later than 60 days following the Acquisition Date, enter into and thereafter maintain in full force and effect interest rate cap or swap agreements or similar agreements on such terms as shall be reasonably acceptable to the Administrative Agent and that shall result in the interest rate payable on not less than (i) at any time prior to the Consummation Date, 30% of Total Debt at such time and (ii) at any time on and after the Consummation Date, 40% of Total Debt at such time, being effectively (or in fact) fixed.

SECTION 5.17. *Restricted Investments.* The Borrower will not, and will not permit any Subsidiary to, make any Restricted Investments prior to the Consummation Date.

SECTION 5.18. *Consummation.* The Borrower will use its commercially reasonable best efforts to cause the Consummation Date to occur at the earliest practicable time.

SECTION 5.19. *Additional Guarantors.* The Borrower will cause each Person which becomes a Significant Subsidiary after the Acquisition Date to become a Subsidiary Guarantor as promptly as practicable after (but in any event within 30 days of) the date it becomes a Significant Subsidiary.

ARTICLE 6

DEFAULT

SECTION 6.01. *Events of Default.* If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall default in the payment when due of any principal of any Loan, or shall default in the payment, within five days of the due date thereof, of any interest, fees or other amount payable hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.07 to 5.19, inclusive;

(c) any Obligor shall fail to observe or perform any covenant or agreement contained in any Loan Document (other than those covered by clause (a) or (b) above) for 10 Domestic Business Days after written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Bank;

(d) any representation, warranty or certification made (or deemed made) by any Obligor in any Loan Document or in any certificate, financial statement or other document delivered pursuant to any Loan Document shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any Subsidiary shall fail to make any payment in respect of any Material Debt when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) the Borrower or any Significant Subsidiary (including for purposes of this subsection Conrail and, to the extent they would meet the criteria specified in the definition of Significant Subsidiary, its Subsidiaries) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Significant Subsidiary (including for purposes of this subsection Conrail and, to the extent they would meet the criteria specified in the definition of Significant Subsidiary, its Subsidiaries) seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which, in any such case, could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$100,000,000;

(j) a judgment or order for the payment of money in excess of \$50,000,000 shall be rendered against the Borrower or any Significant Subsidiary and such judgment or order shall continue unsatisfied, unreversed, unvacated, undischarged and unstayed for a period of 30 days;

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more of the outstanding shares of common stock of the Borrower;

(l) at any time Continuing Directors shall not constitute a majority of the board of directors of the Borrower ("Continuing Director" means at any time each (i) individual who was a director of the Borrower 24 months before such time or (ii) individuals who were nominated or elected to be a director of the Borrower by at least two-thirds of the Continuing Directors at the time of such nomination or election);

(m) any Lien created by any of the Collateral Documents shall at any time fail to constitute a valid and (to the extent required by the Collateral Documents) perfected Lien on any material portion of the Collateral purported to be subject thereto, securing the obligations purported to be secured thereby, with the priority required by the Loan Documents, or any Obligor shall so assert in writing;

(n) the Guarantee of any Subsidiary Guarantor under the Subsidiary Guarantee Agreement shall be invalid or unenforceable, or any Obligor shall so assert in writing; or

(o) for any calendar quarter commencing after the Acquisition Date (or if the record date with respect to Conrail dividends or distributions payable during the first such quarter shall have been prior to the Acquisition Date, for any calendar quarter after the first such quarter) the aggregate amount of dividends or distributions received by the Borrower in respect of shares of capital stock of Conrail (either directly, through a dividend or distribution made by the trustee under the Voting Trust or through a dividend or distribution made by the Offeror to the Borrower with respect to a dividend or distribution made by the trustee under the Voting Trust to the Offeror or otherwise) shall be less than \$0.40375 per share;

then, and in every such event, the Administrative Agent shall (i) if requested by the Required Banks by notice to the Borrower terminate the Commitments and they shall thereupon terminate, and (ii) if requested by the Required Banks, by notice to the Borrower declare the Loans (together with accrued interest thereon) to be, and the Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided* that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to any Obligor, without any notice to any Obligor or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 6.02. *Notice of Default.* The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE 7

THE AGENT

SECTION 7.01. *Appointment and Authorization.* Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the

Administrative Agent by the terms thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. *Agents and Affiliates.* Morgan Guaranty Trust Company of New York and Merrill Lynch Capital Corporation shall have the same rights and powers under the Loan Documents as any other Bank and may exercise or refrain from exercising the same as though it were not an Agent, and Morgan Guaranty Trust Company of New York and Merrill Lynch Capital Corporation and their respective affiliates may engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if each of them were not an Agent hereunder.

SECTION 7.03. *Action by Administrative Agent.* The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in the Loan Documents.

SECTION 7.04. *Consultation with Experts.* The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. *Liability of Agents.* Neither Agent nor any of their respective affiliates nor any of the respective directors, officers, agents or employees of the foregoing shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither Agent nor any of their respective affiliates nor any of the respective directors, officers, agents or employees of the foregoing shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article 3, except, in the case of the Administrative Agent, receipt of items required to be delivered to it; or (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.06. *Indemnification.* Each Bank shall, ratably in accordance with its Commitment, indemnify each Agent, its affiliates and their respective directors,

officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitee's gross negligence or willful misconduct) that such indemnitee may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitee hereunder.

SECTION 7.07. *Credit Decision.* Each Bank acknowledges that it has, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.08. *Successor Agent.* The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent reasonably acceptable to the Borrower. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

SECTION 7.09. *Agents' Fees.* The Borrower shall pay to each Agent for its own account fees in the amounts and at the times previously agreed upon between the Borrower and the Agents.

ARTICLE 8
CHANGE IN CIRCUMSTANCE

SECTION 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.* If on or prior to the first day of any Interest Period for any Fixed Rate Loan:

(a) the Administrative Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of a Committed Borrowing, Banks having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the Adjusted CD Rate or the London Interbank Offered Rate, as the case may be, as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist (which notice the Administrative Agent shall deliver forthwith upon its becoming aware thereof), (i) the obligations of the Banks to make CD Loans or Euro-Dollar Loans, as the case may be, or to continue or convert outstanding Loans as or into CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended and (ii) each outstanding CD Loan or Euro-Dollar Loan, as the case may be, shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Committed Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.02. *Illegality.* If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it

unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist (which notice such Bank shall give forthwith upon its becoming aware thereof), the obligation of such Bank to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 8.03. *Increased Cost and Reduced Return.* (a) If on or after (x) the date hereof, in the case of any Committed Loan or any obligation to make Committed Loans or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve, special deposit, insurance assessment or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage or Assessment Rate and (ii) with respect to any Euro-Dollar Loan, any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 2.07) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans or its obligation to make Fixed Rate Loans, and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement with respect thereto, by an amount deemed by such Bank to be material, then, within 15

days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event, past or prospective, of which it has knowledge which will entitle such Bank to compensation pursuant to this Section, or which such Bank believes is reasonably likely to entitle such Bank to compensation pursuant to this Section, and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section (for itself or for a Participant) and setting forth the additional amount or amounts to be paid to it hereunder and indicating in reasonable detail the computation thereof shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) The Borrower shall not be liable pursuant to this Section to any Bank to compensate it for any cost or reduction incurred or suffered more than 45 days before receipt by the Borrower of a notice from such Bank referring to the event that gave rise to such cost or reduction.

(e) This Section 8.03 shall not require the Borrower to reimburse any Bank for any Taxes or Other Taxes which are otherwise covered by the payment of additional amounts or the indemnity set forth in Section 8.04(b) or (c), respectively.

SECTION 8.04. *Taxes.* (a) For the purposes of this Section 8.04 the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower pursuant to this Agreement or under any Note, and all liabilities with respect thereto, excluding (i) in the case of each Bank and the Administrative Agent, taxes imposed on its income, and franchise, branch profits or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments but only to the extent that such Bank is subject to United States withholding tax at the time such Bank first becomes a party to this Agreement.

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by the Borrower to or for the account of any Bank or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; provided that, if the Borrower shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that the Borrower shall not be required to indemnify any Bank or the Administrative Agent under this Section 8.04 for any liability arising as a result of such Bank's or Administrative Agent's willful misconduct or gross negligence. This indemnification shall be paid within 30 days

after such Bank or the Administrative Agent (as the case may be) makes written demand therefor (which demand shall identify the nature and the amount of Taxes and Other Taxes for which indemnification is being sought).

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with true, accurate and complete (i) Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, executed in duplicate, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States or (ii) if the interest payments made to a Bank constitute "portfolio interest" as defined under Section 881(c) of the Internal Revenue Code, Internal Revenue Service form W-8, or any successor form prescribed by the Internal Revenue Service, executed in duplicate, and a certificate representing that such Bank is not a bank for purposes of Section 881(c) of the Internal Revenue Code, is not a 10 percent shareholder of the Borrower (within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) and is not a "controlled foreign corporation" related to the Borrower (within the meaning of Section 864(d)(4) of the Internal Revenue Code). Each such Bank further agrees (but only so long as such Bank is lawfully able to do so) to deliver to the Borrower and the Administrative Agent duly completed copies of the above-mentioned Internal Revenue Service forms on or before the earlier of (i) the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from withholding of U.S. federal income tax and (ii) 30 days after the occurrence of any event which would require a change in the most recent form previously delivered to the Borrower and the Administrative Agent.

(e) For any period with respect to which a Bank has failed to provide the Borrower or the Administrative Agent with the appropriate form or certificate pursuant to Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form or certificate originally was required to be provided), or with respect to which any representation or certification on any such form or certificate is, or proves to be, materially incorrect, false or misleading when so made such Bank shall not be entitled to receive additional amounts or indemnification under Section 8.04(b) or (c), respectively with respect to Taxes imposed by the United States and such Bank shall indemnify and reimburse the

Borrower for any Taxes or Other Taxes which were required to be withheld but which were not withheld as a result of such Bank's failure to provide the appropriate form or certificate or such Bank's materially incorrect, false or misleading representations or certifications; provided that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps (at such Bank's cost and expense) as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section, then (i) such Bank will change the jurisdiction of its Applicable Lending Office if, in the judgment of such Bank, such change (x) will eliminate or reduce any such additional payment which may thereafter accrue and (y) is not otherwise disadvantageous to such Bank or (ii) if such Bank does not change the jurisdiction of its Applicable Lending Office pursuant to (i), the Borrower shall have the right to designate a substitute bank or banks pursuant to Section 8.06 hereof.

(g) Upon the reasonable request of the Borrower, and at the Borrower's expense, each Bank shall use reasonable efforts to cooperate with the Borrower with a view to obtain a refund of any Taxes which were not correctly or legally imposed and for which the Borrower has indemnified such Bank under this Section 8.04 if obtaining such refund would not, in the sole judgment of such Bank, be disadvantageous to such Bank; provided that nothing in this Section 8.04(g) shall be construed to require any Bank to institute any administrative proceeding (other than the filing of a claim for any such refund) or judicial proceeding to obtain any such refund. If a Bank shall receive a refund from a taxing authority (as a result of any error in the imposition of Taxes by such taxing authority) of any Taxes paid by the Borrower pursuant to subsection (b) or (c) above, such Bank shall promptly pay to the Borrower the amount so received without interest (other than interest received from the taxing authority with respect to such refund) and net of out-of-pocket expenses; provided that such Bank shall only be required to pay to the Borrower such amounts as such Bank in its sole discretion determines are attributable to Taxes paid by the Borrower. In the event such Bank or the Administrative Agent is required to repay the amount of such refund (including interest, if any), the Borrower, upon the request of such Bank or the Administrative Agent (as the case may be), agrees to promptly return to such Bank or the Administrative Agent the amount of such refund and interest, if any (plus penalties, interest and other charges imposed in connection with the repayment of such amounts by such Bank or the Administrative Agent).

(h) Notwithstanding the foregoing, nothing in this Section 8.04 shall be construed to (i) entitle the Borrower or any other Persons to any information determined by any Bank or the Administrative Agent, in its sole discretion, to be

confidential or proprietary information of such Bank or the Administrative Agent, to any tax or financial information of any Bank or the Administrative Agent or to inspect or review any books and records of any Bank or the Administrative Agent, or (ii) interfere with the rights of any Bank or the Administrative Agent to conduct its fiscal or tax affairs in such manner as it deems fit.

SECTION 8.05. *Base Rate Loans Substituted for Affected Fixed Rate.* If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03(a) or 8.04, or the Borrower is required to make any additional payments under Section 8.04 in respect of any payments to any Bank, in either case with respect to its Euro-Dollar Loans or its CD Loans, and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) CD Loans or Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks), and

(b) after each of its CD Loans or Euro-Dollar Loans, as the case may be, has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a CD Loan or Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related CD Loans or Euro-Dollar Loans of the other Banks.

SECTION 8.06. *Substitution of Bank.* If any Bank has demanded compensation under Section 8.03 or 8.04, the Borrower is required to make any additional payments under Section 8.04 in respect of any payment to any Bank or any Bank defaults in any of its obligations to make any Loan, the Borrower shall have the right to designate a substitute bank or banks reasonably acceptable to the Administrative Agent (which may be one or more of the Banks) to purchase the Loans and assume the Commitments of such Bank and each Bank agrees in such event, if the Borrower so designates a substitute or substitutes, it will sell its Loans and assign its rights under this Agreement to such a substitute or substitutes as soon

as reasonably possible (and in any event within 30 days) after such designation on substantially the terms set forth in Exhibit F for a payment equal to the principal amount of its Loans plus all interest on such Loans and all facility fees accrued but unpaid to but excluding the date of such payment plus any loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), in connection with such payment, including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment, as reasonably determined by it.

ARTICLE 9

MISCELLANEOUS

SECTION 9.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address set forth on the signature pages hereof, (y) in the case of any Bank, at its address set forth in its Administrative Questionnaire or (z) in the case of any party, such other address as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent under Article 2 or Article 8 shall not be effective until received.

SECTION 9.02. *No Waivers.* No failure or delay by any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.03. *Expenses; Indemnification.* (a) The Borrower shall pay (i) all reasonably incurred out-of-pocket expenses of the Agents, including fees and disbursements of special counsel for the Agents, in connection with the preparation and administration of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including fees and disbursements of counsel, in connection with such

Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify each Agent and Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided* that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's gross negligence or willful misconduct.

SECTION 9.04. *Sharing of Set-Offs.* Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan payable to it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Loan payable to such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans payable to the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans shall be shared by the Banks pro rata; *provided* that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have against any Obligor and to apply the amount subject to such exercise to the payment of indebtedness of such Obligor other than its indebtedness under the Loan Documents. Each Obligor agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan acquired pursuant to the foregoing arrangements may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of such Obligor in the amount of such participation.

SECTION 9.05. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of any Agent are affected thereby, by such Agent); *provided* that no such amendment or waiver shall, unless signed by all the Banks having Exposures in respect of the affected Class, (i) increase any Commitment of any Bank or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for the termination of any