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Commitment; and provided further that no such amendment or waiver shall, unless signed by all Banks, (x) change the percentage of the Exposures which shall be required for the Banks to take any action under this Section or any other provision of the Loan Documents, (y) permit termination of the Subsidiary Guarantee Agreement (except, as to any Guarantor, as provided in Section 16 thereof) or (z) permit the release of all or substantially all of the Collateral (except as provided in Section 9.05(b)); and provided further that no such amendment or waiver shall reduce the principal of or rate of interest on any Money Market Loan or postpone the date fixed for any payment of principal of or interest on any Money Market Loan unless signed by the Bank which has made such Money Market Loan.

(b) Any provision of the Collateral Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the relevant Obligor and the Administrative Agent with the consent of the Required Banks; *provided* that no such amendment or waiver shall, unless signed by all the Banks, effect or permit a release of all or substantially all of the Collateral. Notwithstanding the foregoing, Collateral shall be released from the Lien of the Collateral Documents (i) from time to time as necessary to effect any sale of assets permitted by the Loan Documents and (ii) promptly upon the occurrence of a Release Event, and in either such case the Administrative Agent shall, at the expense of the Borrower, execute and deliver all documents reasonably requested to evidence such release.

SECTION 9.06. *Successors and Assigns.* (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, *provided* that the Borrower may not assign or otherwise transfer any of its rights under this Agreement except as contemplated by Section 5.09 or with the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in any or all of its Commitments or Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) or (x), (y) or (z) of Section 9.05(a) without the consent of the Participant. The Borrower agrees that each

Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Section 2.07 and Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all or a portion of its rights and obligations under this Agreement, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit F hereto executed by such Assignee and such transferor Bank; *provided* that no Bank may so assign to one Assignee an Exposure less than \$10,000,000; and *provided further* that after giving effect to such assignment, the Exposure of the assignor Bank (together with its affiliates) shall be either zero or \$25,000,000 or more. Each such assignment shall be made with (and subject to) the subscribed consent of the Borrower and the Administrative Agent (which shall not, in either case, be unreasonably withheld); *provided* that if an Assignee is an affiliate of such transferor Bank or is a Bank immediately prior to such assignment, or if at the time an Event of Default shall have occurred and be continuing, no such consent shall be required. Upon execution and delivery of such instrument, recording of such instrument as provided in Section 2.16(a), obtainment of the foregoing required consents (if any) and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with Commitment(s) and/or Loan(s) as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of \$3,000. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04, (and the Borrower shall not incur any greater liability for Taxes or Other Taxes pursuant to

Section 8.04), than such Bank would have been entitled to receive with respect to the rights transferred (or than the Borrower was liable for with respect to the transferor Bank), unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.07. *Governing Law; Submission to Jurisdiction, WAIVER OF JURY TRIAL.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. **EACH OF THE BORROWER, THE AGENTS AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

SECTION 9.08. *Counterparts; Integration; Effectiveness.* (a) This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. The Loan Documents constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(b) This Agreement shall become effective on the date that the Administrative Agent shall have received counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party); provided that this Agreement shall not become effective unless the Closing Date is on or prior to March 1, 1997.

SECTION 9.09. *Confidentiality.* Each Agent and each Bank agrees to keep any information delivered or made available by any Obligor pursuant to the Loan Documents confidential from anyone other than persons employed or retained by such Bank and its affiliates who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby; provided that nothing herein shall prevent either Agent or any Bank from disclosing such information (a) to any

other Bank or to any Agent, (b) to any other Person if reasonably incidental to the administration of the credit facility contemplated hereby, (c) upon the order of any court or administrative agency, (d) upon the request or demand of any regulatory agency or authority, (e) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Bank prohibited by this Agreement, (f) in connection with any litigation to which any Agent, any Bank or its subsidiaries or Parent may be a party, (g) to the extent necessary in connection with the exercise of any remedy hereunder, (h) to such Bank's or Agent's legal counsel and independent auditors and (i) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee.

SECTION 9.10. Termination. This Agreement shall terminate upon the termination of all Commitments and repayment in full of the aggregate outstanding principal amount of the Loans, accrued interest thereon, and all fees and expenses and other amounts due and payable at such time; *provided* that the provisions of Sections 7.06, 8.03, 8.04 and 9.03 shall survive such termination.

SECTION 9.11. Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in the Margin Regulations) as collateral in the extension or maintenance of the credit provided for in this Agreement. Each of the Banks acknowledges that the proceeds of the Loans hereunder will be used as described in Section 5.10.

SECTION 9.12. Representations of Banks. (a) Each of the Banks represents and warrants to the Borrower that it is a corporation or association duly incorporated or organized and validly existing under the laws of its jurisdiction of incorporation or organization, as the case may be.

(b) Each of the Banks represents and warrants to the Borrower that this Agreement constitutes a valid and binding agreement of it enforceable against it in accordance with the terms hereof subject to (i) applicable receivership, insolvency, reorganization, moratorium and other laws affecting the rights of creditors of banks or other institutions generally from time to time in effect and (ii) equitable principles of general applicability.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NORFOLK SOUTHERN CORPORATION

By /s/ William I. Romig
Title: Vice President and Treasurer
Three Commercial Place
Norfolk, Virginia 23510-2191
Attention: William J. Romig
Vice President and Treasurer
Facsimile number: 804-629-2798

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By /s/ Douglas A. Cruikshank
Title: Vice President

MERRILL LYNCH CAPITAL
CORPORATION

By /s/ Christopher Birosak
Title: Vice President

BANK OF MONTREAL

By /s/ R.J. McClorey

Title: Director

THE BANK OF NEW YORK

By /s/ Gregory P. Shefrin

Title: Vice President

BANKERS TRUST COMPANY

By /s/ Mary Zadroga

Title: Vice President

CANADIAN IMPERIAL BANK OF
COMMERCE

By /s/ Brian E. O'Callahan

Title: Director, CIBC Wood Gundy Securities
Corp., as Agent

CREDIT LYONNAIS ATLANTA AGENCY

By /s/ David M. Cawrse

Title: First Vice President

THE DAI-ICHI KANGYO BANK, LTD.,
NEW YORK BRANCH

By /s/ Robert P. Gallagher
Title: Assistant Vice President

DRESDNER BANK AG, NEW YORK AND
GRAND CAYMAN BRANCHES

By /s/ Andrew K. Mittag
Title: Vice President

By /s/ Anthony Berti
Title: Assistant Treasurer

THE FIRST NATIONAL BANK OF
CHICAGO

By /s/ Greg Sullie
Title: Assistant Vice President

FIRST UNION NATIONAL BANK OF
NORTH CAROLINA

By /s/ Henry R. Biedrzycki
Title: Vice President

THE FUJI BANK, LTD.

By /s/ Masanobu Kobayashi

Title: Vice President and Manager

THE INDUSTRIAL BANK OF JAPAN,
LIMITED - NEW YORK BRANCH

By /s/ John V. Veltri

Title: Senior Vice President

LTCB TRUST COMPANY

By /s/ John J. Sullivan

Title: Executive Vice President

THE MITSUBISHI TRUST AND BANKING
CORPORATION

By /s/ Patricia Loret de Mola

Title: Senior Vice President

ROYAL BANK OF CANADA

By /s/ Michael J. Madnick

Title: Manager

THE SANWA BANK, LIMITED

By /s/ William M. Plough

Title: Vice President

By /s/ Andrew N. Hammond

Title: Vice President

SOCIETE GENERALE

By /s/ Ralph Saheb

Title: Vice President, Manager

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By /s/ John C. Kissinger

Title: Joint General Manager

THE TOKAI BANK, LIMITED, NEW YORK
BRANCH

By /s/ Stuart M. Schulman

Title: Deputy General Manager

TORONTO DOMINION (NEW YORK), INC.

By /s/ Debbie A. Greene

Title: Vice President

UNION BANK OF SWITZERLAND,
NEW YORK BRANCH

By /s/ Dieter Hoeppli

Title: Vice President

By /s/ Samuel Azizo

Title: Vice President

WACHOVIA BANK OF NORTH
CAROLINA, N.A.

By /s/ W. Charles Blocker, Jr.

Title: Vice President

ABN AMRO BANK N.V., NEW YORK
BRANCH

By /s/ Parker H. Douglas

Title: Group Vice President

By /s/ Thomas T. Rogers

Title: Assistant Vice President

BANCA COMMERCIALE ITALIANA,
NEW YORK BRANCH

By /s/ C. Dougherty

Title: Vice President

By /s/ B. Carlson

Title: Assistant Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.

By /s/ William L. Otott, Jr.

Title: Vice President

BANQUE PARIBAS

By /s/ Mary T. Finnegan

Title: Group Vice President

By /s/ John J. McCormick

Title: Vice President

COMMERZBANK AG, NEW YORK
BRANCH

By /s/ Juergen Schmieding

Title: Vice President

By /s/ Subash R. Viswanathan

Title: Vice President

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENNE

By /s/ Brian O'Leary

Title: Vice President

By /s/ Dora DeBlasi-Hyduk

Title: Vice President

COOPERATIEVE CENTRALE
RAIFFEISEN-BOERENLEENBANK B.A.,
RABOBANK NEDERLAND

By /s/ Ian Reece

Title: Vice President and Manager

By /s/ Angela R. Reilly

Title: Vice President

CREDIT SUISSE FIRST BOSTON

By /s/ Christopher J. Eldin
Title: Director

By /s/ Steven E. Janaushek
Title: Associate

DG BANK DEUTSCHE
GENOSSENSCHAFTSBANK

By /s/ Norah McCann
Title: Senior Vice President

By /s/ Karen A. Brinkman
Title: Vice President

FLEET NATIONAL BANK

By /s/ Robert J. Lord
Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By /s/ Michael J. Landini
Title: Assistant Vice President

THE ASAHI BANK, LTD.

By /s/ Tatsuo Kase

Title: Manager

THE ROYAL BANK OF SCOTLAND PLC

By /s/ Derek Bonnar

Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yasuhiro Terada

Title: Senior Vice President

THE TOYO TRUST & BANKING
COMPANY, LIMITED

By /s/ T. Mitsumo

Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ Cynthia M. Niesen
Title: Managing Director

By /s/ Karen E. Hoplock
Title: Vice President

BAYERISCHE LANDESBANK

By /s/ Wilfried Freudenberger
Title: Executive Vice President and
General Manager

By /s/ Peter Obermann
Title: Senior Vice President
Manager Lending Division

DEUTSCHE BANK AG, NEW YORK
AND/OR CAYMAN ISLANDS BRANCH

By /s/ Angela Bozorgmir
Title: Assistant Vice President

By /s/ Robert M. Wood, Jr.
Title: Vice President

LLOYDS BANK PLC

By /s/ Michael J. Gilligan

Title: Vice President (G311)

By /s/ Paul D. Briamonte

Title: Vice President (B374)

THE NIPPON CREDIT BANK, LTD.

By /s/ Yoshihide Watanabe

Title: Vice President and Manager

THE YASUDA TRUST & BANKING
CO., LIMITED

By /s/ Morikazu Kimura

Title: Chief Representative

BAYERISCHE HYPOTHEKEN-UND
WECHSEL-BANK A.G, NEW YORK
BRANCH

By /s/ Steve Atwell

Title: Vice President

By /s/ Une Roeder

Title: Vice President

**BAYERISCHE VEREINSBANK AG,
NEW YORK BRANCH**

By /s/ Marianne Weinzinger
Title: Vice President

By /s/ Walter H. Eckmeier
Title: Vice President

BHF - BANK AKTIENGESELLSCHAFT

By /s/ John Sykes
Title: Assistant Vice President

By /s/ Maria V. Busby
Title: Assistant Vice President

**CAISSE NATIONALE DE CREDIT
AGRICOLE**

By /s/ Dean Balice
Title: Senior Vice President
Branch Manager

CREDIT LOCAL DE FRANCE

By /s/ Philippe Ducos
Title: Deputy General Manager

By /s/ Mary Power
Title: Vice President

THE MITSUI TRUST AND BANKING
COMPANY, LIMITED NEW YORK
BRANCH

By /s/ William W. Hunter
Title: Vice President

SUNTRUST BANK, ATLANTA

By /s/ Ruth E. Whitner
Title: Assistant Vice President

By /s/ Frank R. Callison
Title: Vice President

**BANCA NAZIONALE DEL LAVORO
SPA - NEW YORK BRANCH**

By /s/ Giuliano Violetta
Title: First Vice President

By /s/ Giulio Giovine
Title: Vice President

**BANQUE FRANCAISE DU
COMMERCE EXTERIEUR**

By /s/ Kevin Dooley
Title: Vice President

By /s/ Frederick K. Kammler
Title: Vice President

CREDITANSTALT-BANKVEREIN

By /s/ Christina T. Schoen
Title: Vice President

By /s/ Richard P. Buckanavage
Title: Vice President

CRESTAR BANK

By /s/ Sigor E. Whitaker
Title: Senior Vice President

THE SUMITOMO TRUST & BANKING
CO., LTD., NEW YORK BRANCH

By /s/ Suraj P. Bhatia
Title: Senior Vice President
Manager, Corporate Finance

CHIAO TUNG BANK CO., LTD.

By /s/ Liang Yuh Tseng
Title: Senior Vice President and
General Manager

NATIONAL BANK OF KUWAIT SAK

By /s/ Muhannad Kamal
Title: Executive Manager

By /s/ Stephen A. Larson
Title: Executive Manager

STAR BANK, N.A.

By /s/ Richard W. Neltner
Title: Vice President

PER PRO BROWN BROTHERS
HARRIMAN & CO.

By /s/ Richard J. Ragoza
Title: Senior Credit Officer

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as
Administrative Agent

By /s/ Douglas A. Cruikshank

Title: Vice President

60 Wall Street

New York, New York 10260

Attention: Loan Department

Facsimile number: (212) 648-5336

Telex number: 177615

MERRILL LYNCH CAPITAL
CORPORATION, as Documentation
Agent

By /s/ Christopher Birosak

Title: Vice President

World Financial Center

North Tower

250 Vesey Street

New York, New York 10281

Attention:

Facsimile number: 212-449-8230

Commitment Schedule

<u>Bank Name</u>	<u>Revolving Credit Commitment</u>	<u>Term Loan III Commitment</u>	<u>Term Loan II Commitment</u>	<u>Term Loan I Commitment</u>
Morgan Guaranty Trust Company of New York	\$108,692,307.69	\$108,692,307.69	\$126,807,692.31	\$126,807,692.31
Merrill Lynch Capital Corporation	\$108,692,307.69	\$108,692,307.69	\$126,807,692.31	\$126,807,692.31
Bank of Montreal	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Bank of New York	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Bankers Trust Company	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Canadian Imperial Bank of Commerce	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Credit Lyonnais Atlanta Agency	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Dai-Ichi Kangyo Bank, Ltd., New York Branch	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Dresdner Bank AG, New York and Grand Cayman Branches	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The First National Bank of Chicago	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Union National Bank of North Carolina	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Fuji Bank, Ltd.	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Industrial Bank of Japan, Limited - New York Branch	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
LTCB Trust Company	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Mitsubishi Trust and Banking Corporation	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Royal Bank of Canada	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Sanwa Bank, Limited	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Societe Generale	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Sumitomo Bank, Limited New York Branch	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
The Tokai Bank, Limited, New York Branch	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Toronto Dominion (New York), Inc.	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
Union Bank of Switzerland, New York Branch	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85

Bank Name	<u>Revolving Credit Commitment</u>	<u>Term Loan III Commitment</u>	<u>Term Loan II Commitment</u>	<u>Term Loan I Commitment</u>
Wachovia Bank of North Carolina, N.A.	\$73,153,846.15	\$73,153,846.15	\$85,346,153.85	\$85,346,153.85
ABN AMRO Bank N.V., New York Branch	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Banca Commerciale Italiana, New York Branch	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
The Bank of Tokyo-Mitsubishi, Ltd.	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Banque Paribas	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Commerzbank AG, New York Branch	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Compagnie Financiere de CIC et de L'Union Europeenne	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Credit Suisse First Boston	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
DG Bank Deutsche Genossenschaftsbank	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Fleet National Bank	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Bank National Association	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
The Asahi Bank, Ltd.	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
The Royal Bank of Scotland plc	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
The Sakura Bank, Limited	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
The Toyo Trust & Banking Company, Limited	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Westdeutsche Landesbank Girozentrale, New York Branch	\$52,153,846.15	\$52,153,846.15	\$60,846,153.85	\$60,846,153.85
Bayerische Landesbank	\$34,615,384.62	\$34,615,384.62	\$40,384,615.38	\$40,384,615.38
Deutsche Bank AG, New York and/or Cayman Islands Branch	\$34,615,384.62	\$34,615,384.62	\$40,384,615.38	\$40,384,615.38
Lloyds Bank plc	\$34,615,384.62	\$34,615,384.62	\$40,384,615.38	\$40,384,615.38
The Nippon Credit Bank, Ltd.	\$34,615,384.62	\$34,615,384.62	\$40,384,615.38	\$40,384,615.38
The Yasuda Trust & Banking Co., Limited	\$34,615,384.62	\$34,615,384.62	\$40,384,615.38	\$40,384,615.38
Bayerische Hypotheken-und Wechsel-Bank AG, New York Branch	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92

<u>Bank Name</u>	<u>Revolving Credit Commitment</u>	<u>Term Loan III Commitment</u>	<u>Term Loan II Commitment</u>	<u>Term Loan I Commitment</u>
Bayerische Vereinsbank AG, New York Branch	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92
BHF-Bank Aktiengesellschaft	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92
Caisse Nationale de Credit Agricole	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92
Credit Local de France	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92
The Mitsui Trust and Banking Company, Limited, New York Branch	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.921
Suntrust Bank, Atlanta	\$23,076,923.08	\$23,076,923.08	\$26,923,076.92	\$26,923,076.92
Banca Nazionale del Lavoro S.p.A. - New York Branch	\$11,538,461.54	\$11,538,461.54	\$13,461,538.46	\$13,461,538.46
Banque Francaise du Commerce Exterieur	\$11,538,461.54	\$11,538,461.54	\$13,461,538.46	\$13,461,538.46
Creditanstalt-Bankverein	\$11,538,461.54	\$11,538,461.54	\$13,461,538.46	\$13,461,538.46
Crestar Bank	\$11,538,461.54	\$11,538,461.54	\$13,461,538.46	\$13,461,538.46
The Sumitomo Trust & Banking Co., Ltd., New York Branch	\$11,538,461.54	\$11,538,461.54	\$13,461,538.46	\$13,461,538.46
Chiao Tung Bank Co., Ltd.	\$5,769,230.77	\$5,769,230.77	\$6,730,769.23	\$6,730,769.23
National Bank of Kuwait SAK	\$5,769,230.77	\$5,769,230.77	\$6,730,769.23	\$6,730,769.23
Star Bank, N.A.	\$5,769,230.77	\$5,769,230.77	\$6,730,769.23	\$6,730,769.23
Per Pro Brown Brothers Harriman & Co.	\$2,307,692.31	\$2,307,692.31	\$2,692,307.69	\$2,692,307.69

PRICING SCHEDULE

"Base Rate Margin" means (x) for any day prior to the Acquisition Date, 0% and (y) for any day on or after the Acquisition Date, the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day; *provided* that in the event that (i) Level IV Status or Level V Status exists on such day and (ii) the Loans are rated BB+ or lower by S&P or Ba1 or lower by Moody's, 0.125% shall be added to the Base Rate Margin for such day.

"CD Margin" means (x) for any day prior to the Acquisition Date, 0.225% and (y) for any day on or after the Acquisition Date, the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day; *provided* that in the event that (i) Level IV Status or Level V Status exists on such day and (ii) the Loans are rated BB+ or lower by S&P or Ba1 or lower by Moody's, 0.125% shall be added to the CD Margin for such day.

"Euro-Dollar Margin" means (x) for any day prior to the Acquisition Date, 0.1% and (y) for any day on or after the Acquisition Date, the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day; *provided* that in the event that (i) Level IV Status or Level V Status exists on such day and (ii) the Loans are rated BB+ or lower by S&P or Ba1 or lower by Moody's, 0.125% shall be added to the Euro-Dollar Margin for such day.

"Facility Fee Rate" means (x) for any day prior to the Acquisition Date, 0.25% and (y) for any day on or after the Acquisition Date, the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day.

Status	Level I	Level II	Level III	Level IV	Level V
Base Rate Margin	0.00%	0.00%	0.00%	0.00%	0.250%
Euro-Dollar Margin	0.225%	0.350%	0.475%	0.750%	0.875%
CD Margin	0.350%	0.475%	0.600%	0.875%	1.00%
Facility Fee Rate	0.125%	0.150%	0.175%	0.250%	0.375%

For purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Level I Status" exists at any date if, at such date, the Borrower's senior unsecured long-term debt is rated BBB+/Baa1 or higher.

"Level II Status" exists at any date if, at such date, the Borrower's senior unsecured long-term debt is rated BBB/Baa2.

"Level III Status" exists at any date if, at such date, the Borrower's senior unsecured long-term debt is rated BBB-/Baa3.

"Level IV Status" exists at any date if, at such date, the Borrower's senior unsecured long-term debt is rated BB+/Ba1.

"Level V Status" exists at any date if, at such date, no other Status exists.

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

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Status" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement, and any rating assigned to any other debt security of the Borrower shall be disregarded *provided* that unless and until Moody's and S&P shall have announced new ratings giving effect to the Acquisition, Level IV Status shall exist. The

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).

Exhibit (g)(3)

THE COURT: First I want to thank all counsel very much for the very excellent briefs that have been submitted, the pleadings that have been submitted in this matter, the very fine presentations that have been made on behalf of their respective clients. I'm sorry that we are pressed for time and have been throughout this whole proceeding. That's the way preliminary injunction applications always seem to have to operate.

This is an important matter. As I said, I think that even though I won't be citing a lot of cases or anything of that sort, I think that it's more important that I make the decision now so that the parties will have whatever appellate rights they may have and have them promptly.

I say it is an important matter. Wasn't it Everett Dirksen who used to say "a billion dollars here and a billion dollars there and pretty soon you're talking about real money"? Well, that's what this case seems to be.

First it's here in Federal Court because of claimed Williams Act violations. The purpose of the Williams Act as to tender offer, as I understand it at least, is to assure that there is adequate and fair and full information provided to shareholders so that they will be able to have an informed basis upon which to decide whether to tender their shares, hold their shares or perhaps sell them on the open market.

Plaintiffs have presented evidence and arguments that certain of the information constituted either misstatements of fact or omitted information that it was necessary to make in order that the information that was provided was not misleading.

Most of those contentions, quite frankly, appear to me to be what is generally called nitpicking or insignificant matters. Even if there were questions about the original tender offer, I am convinced that the amendments that were provided were clearly adequate to correct any deficiencies. Certainly all of the shareholders have been literally deluged in the last few weeks with information about the proposed CSX Conrail merger agreement and the CSX and competing Norfolk Southern tender offers.

In addition there has been significant coverage in the financial and news sections of many of the newspapers. Obviously I would concede of course that even though other information was provided in the papers and news media that the Williams Act does require that the tender offeror and the responding target corporation provide full and adequate information. And therefore if there were incorrect statements made in the tender offer or in the responding information by the target corporation, it would not necessarily be corrected because there was other public information to the contrary or that would have corrected those statements.

However it is hard for me to conceive of any interested shareholder being misled in any way by the information provided by either CSX or Conrail in their respective public disclosures or lack of information.

Although I agree that the persistent and repeated reference by both CSX and Conrail that the proposed merger will be a merger of equals is somewhat indefinite in its meaning, certainly any reasonable shareholder would recognize this terminology as being a statement of opinion and that the assertion could be made in good faith notwithstanding the rather obvious fact that if this merger proposal as contemplated in the merger agreement goes through, Conrail shareholders will have in aggregate less than a controlling interest and it apparently would be approximately one-third stake in the newly-merged corporation.

Some of the information that plaintiffs contend must be included would indeed make the information so voluminous that shareholders would be inundated, and that has also been held to be improper. The tender offers that have been provided to the shareholders with the accompanying documents already take several hours of careful study to read, and that's without any of the attached exhibits.

The only relief that ordinarily would be granted or could be granted would be to enjoin the tender offer going forward until and unless proper amendments were provided to the

shareholders, and to extend the period of time that the tender offer should remain open.

Of course that is one of the primary things and that is what the plaintiffs seek by way of this preliminary injunction. To do that, it seems to me, that such preliminary injunction would have to spell out in detail exactly what deficiencies would need to be corrected. And as I understand it, at least the primary contentions now are that it did not sufficiently spell out how Lazard & Freres and the other financial institution that provided an opinion as to a fair valuation or fair pricing reached their conclusions and that it did not contain sufficient information as to all of the factors that were taken into consideration and how they arrived at what the synergies, what savings will be brought about by the synergies.

I don't think that those details, since they do state in the information given what those total savings will be or what they are projected to be, it seems to me that going into further detail as to that would be certainly not required under the Williams Act.

I am not convinced that the plaintiffs have established that they are likely to succeed on any of their Williams Act claims, particularly in light of all of the disclosures that have been made to the shareholders.

Therefore, the motions for preliminary injunction for violations of the Williams Act against the CSX tender offer going forward will be denied.

I might add, of course, that most of the complaints about the information that has been given is the information that was provided by Conrail in its -- as a target in its responses, whereas the tender offer is actually being made by CSX. I'm not suggesting that that makes any particular difference, but I think that it may have some significance as to whether or not the information provided by CSX complies with the Williams Act.

There is also a question of irreparable harm. Now, it is my understanding that in Williams Act cases where there is a Williams Act violation that it is appropriate under certain conditions to enjoin the tender offer going forward. So I don't think there need be shown any further irreparable harm ordinarily in an injunction based on Williams Act violations other than the violation itself. As I say, however, it is my conclusion that on the basis of all of the evidence that's been presented that there is no Williams Act violation and certainly it's not so clear that a preliminary injunction should be entered.

Plaintiffs also seek to jettison the merger agreement proceeding because they claim that the board of directors of Conrail have violated their fiduciary duties to Conrail shareholders. Defendants counter by contending that all actions

they have taken and intend to take are strictly in accordance with the law. These claims of course are all based on state law and because Conrail's incorporated in and has its principal place of business in Pennsylvania, it seems clear and I believe everyone agrees that Pennsylvania corporate law applies as to the duties of corporate directors and the rights of the shareholders in this particular case.

In substance, as I understand it, plaintiff's primary arguments are founded on the contention that the so-called two-tiered back-ended merger is illegal under Pennsylvania law because it unfairly coerces the shareholders to tender their shares to CSX -- or rather I believe it's actually Green Acquisition Corporation, but I'm using those two corporations interchangeably. It coerces them to do so in fear that if they fail to tender their shares they will receive less consideration in the later exchange of CSX stock for Conrail stock. That is, that the back end portion or the 60 percent stock that would be exchanged -- of Conrail stock that would be exchanged in the back end of the deal would not be worth the amount that is presently offered for the front end which is \$110 a share.

Until the merger actually goes through, if it does, the actual amount or valuation of the back end cannot be accurately determined. CSX stock has apparently -- may advance or it may decline in the open market prior to the time that the exchange actually takes place. And we really have no way of knowing what that is. There are ways of valuing it as of

today's market value, and it would seem clear that if you apply today's market value and using the formulas that economists like to use of the value of money and so on, reducing it and so on, it would appear that the back end would not be worth the \$110.

That, however, as I see it does not make the matter inherently unfair, unlawful or coercive as that term is being used. By statute under the so-called Pennsylvania business corporation law that was enacted, most recently enacted or amended in 1990, the general duties of directors is set forth in Section 1712 which imposes a fiduciary obligation on directors to perform their duties in a good-faith manner as directors believed to be in the best interests of the corporation. I note that this duty is to the corporation; not necessarily to the shareholders. These duties must be performed with such care including reasonable inquiry, skill and diligence as a person of ordinary prudence under similar circumstances would exercise.

In doing this, directors by statute may rely on information from officers and employees of the corporation which the directors reasonably believe to be competent and reliable, including also attorneys, CPAs and corporate committees.

The express fiduciary duties are further spelled out in subchapter B. Section 1715 expressly and perhaps uniquely provides that directors may consider all groups that may be

affected by their actions, including shareholders, employees, customers, communities in which the corporate offices and facilities are located and may consider both the short-term and the long-term interests of the corporation. I note in this regard that under the merger agreement and/or probably the Norfolk Southern which I'll refer to as NS tender offer Conrail will probably no longer exist as an independent stand-alone corporate enterprise.

In addition, directors may consider the resources, intent and conduct, both past and potential, of any party seeking to acquire control. Section 1715(b) expressly provides that in considering the best interests of the corporation or the effects of any action, the directors are not required to consider the interests of any group, obviously including shareholders, as a dominant or controlling factor, nor does it specify how those interests shall be quantified or weighed by the corporate directors.

Section 1715(c) further qualifies directors' obligations by expressly providing that the director's fiduciary duties shall not be deemed to require directors to, one, redeem any rights under or to modify or render inapplicable any shareholders' rights plans. I understand that as meaning that the directors cannot be compelled under the rubric of performing their fiduciary duties to redeem the so-called poison pill plan that will become applicable in this case if NS acquires more than 10 percent of Conrail stock.

This section to me says that the Court may not through a mandatory injunction compel a redemption of the poison pill as to Norfolk Southern. Notwithstanding that under the merger agreement the poison pill will not become applicable to CSX acquisition when it acquires more than 10 percent of the Conrail stock.

Section 1715(c)2 provides that the directors' fiduciary duties shall not be deemed to require them to render inapplicable or make determinations under subchapter E relating to control transactions. In this case, the proposed opt-out of subchapter E insofar as applicable to the CSX-Conrail merger. In other words, the directors shall not be deemed to require them to render inapplicable the proposed opt-out of subchapter E insofar as applicable to this merger, and that would, I believe, include also the proposed tender offer by -- or the tender offer rather by NS.

Subchapter F relating to business combinations between an acquiring party and the corporation acquired; again, one of the things that the plaintiffs want to have the Court enjoin. And also it does not require that subchapter F not be applicable to NS because the merger agreement will make inapplicable subchapter F as to CSX. In other words, as I read the statute, they could make it applicable to their merger partner -- or they could make it inapplicable rather to their merger partner and not applicable to any other potential acquirer.

Section 1715(c)3 further provides that fiduciary duties do not require directors to act solely because of the effect such action might have on an acquisition or potential acquisition of control, or the consideration that might be offered or paid to shareholders in such an acquisition.

And finally, Section 1715(d) states that absent breach of fiduciary duty, lack of good faith or self-dealing, any act by the board of directors shall be presumed to be in the best interests of the corporation. In determining whether the general standard of care of Section 1712 has been satisfied, there shall be no greater obligation to justify or a higher burden of proof by a board of directors or individual directors relating to or affecting an acquisition or attempted acquisition of control than is applied to any other act by the board of directors.

The statute goes on to say notwithstanding anything above, any act relating to an acquisition to which a majority of the disinterested directors shall have assented shall be presumed to satisfy the general standards of fiduciary care set forth in Section 1712, unless it is proven by clear and convincing evidence that the disinterested directors did not assent to such act in good faith after reasonable investigation.

I note that in this case the board of directors consists of 12 persons and all except one, Mr. LeVan, are under

and by statutory definition disinterested directors, and obviously therefore that section of the statute is applicable in this case.

Section 1716 reiterates that in considering the effects of any action, directors may consider the effects on stockholders, employees, suppliers, customers and the communities in which the officers and/or facilities are located and all pertinent factors, and that no factor need be predominant.

In this case there has not been shown any type of lack of good faith after a reasonable investigation by any director so far as I have been able to determine from the evidence that has been presented, including any of the exhibits that have been presented, and clearly if there is any evidence at all of such of which I say I find absolutely none on the present record, it has not been proven by clear and convincing evidence. Although there may be some argument that the directors should have made some further inquiry, they have the right to rely on recommendations of corporate officers and those who negotiate on their behalf and by their committees by statute.

For this reason alone, the grant of preliminary injunction as I see it may not be granted. Basically it seems to me that the plaintiffs are contending that the sole or at least the primary consideration by a board of directors in considering a competing offer by potential acquirers of the control of a corporation should be which competitor offers the best short-range price or profit for shareholders. Clearly

Pennsylvania statutory law is expressly against such a contention.

There have been allegations suggesting that the whole CSX-Conrail merger is being motivated by Mr. LeVan or because it would assure him by contract of certain higher personal income. I see nothing wrong with the merger agreement providing who will be the main executive officers for the first few years after the completion of the merger, and I think the witnesses who testified explained very clearly why it was really important that they have this assurance in order that the merger should succeed.

I can see why the directors of Conrail might very well want to be sure that their existing top executive officer would continue in top management in the merged corporation, and that the first board of directors at least will consist equally of former CSX and former Conrail board members.

It seems clear that the Pennsylvania statutes to which I have referred were enacted with the decisions of the Delaware State Courts and particularly Unicol Corporation v. Mesa Petroleum Corporation, and Revlon, Incorporated v. MacAndrews and Forbes Holdings, Incorporated, that they had that clearly in mind and in order to exclude those in similar decisions that seem to mandate or suggest that the primary or perhaps only consideration in a situation where there is an attempted takeover or a rival competition for a takeover or a merger between corporations is what is the best financial deal

for the stockholders in the short term. And most of the evidence that has been presented in this case is based on the contention that somehow the offer that has been made by NS is a superior offer financially.

Although those decisions may be fine for the shareholders whose only interest is that of a short-term financial investment to maximize their profits, it completely ignores the economic utility and value of corporations as a form of business enterprise that produces goods and services for the public and the national economy, in this case railroad services.

Directors have the right to consider these matters, and by statute in Pennsylvania they have the right to consider all matters including not only the rights of shareholders and the financial interests of shareholders, but these other so-called constituencies.

It also has not been established certainly by clear and convincing evidence that the financial deal for the Conrail shareholders under the merger agreement will inevitably or in the long run prove less valuable than the offer by NS, assuming that the NS offer could go through.

There are practical problems with the Unicol and Revlon line of cases as I see it, aside from their myopic view that because stockholders are at least in theory the owners of the corporation that only their interests should be considered

or at a minimum must be given the highest priority and importance. The primary practical problem is that it replaces the discretion of a corporate board of directors who hopefully are sophisticated practical business managers, and eventually under Unicol and those decisions place it in the hands of judges whose business judgment, however altruistic, is certainly apt to be less reliable than that of business managers.

Other provisions of the Pennsylvania business corporate law further confirm that the board of directors have wide discretion in how to react to so-called takeover bids, such as that of NS. Section 1502(a)18 provides that directors may accept, reject, respond to or take no action in respect of an actual or proposed acquisition, tender offer, takeover or other fundamental change or otherwise.

The committee notes to this section say in part that this section is intended to make clear in conjunction with Section 1721(a) that in the first instance the decision to accept or reject the merger or other similar proposal rests with the directors. It is not intended that there be a mandatory obligation to respond to a takeover proposal. It is intended to include among other things whether to adopt a poison pill plan and if a plan is or has been adopted, whether to redeem rights subject only to the general applicable business judgment rule.

Section 2513 also provides that securities issued, such as stock, may limit the rights of shareholders who own or

offer to acquire a specified number or percentage of shares. The comment to Section 2513 states that the section intends to expressly validate the adoption of poison pills including flip-in and flip-over plans such as are apparent in the poison pill plan applicable to Conrail. I also note in this case that the so-called poison pill plan was adopted in 1989, long before the present situation came into being.

Also the CSX-Conrail merger agreement was entered into before there was any NS proposal outstanding except that there had been some informal discussions, and it was known that NS might be interested.

There is also a contention that somehow the CSX-Conrail merger unlawfully and unfairly coerces Conrail shareholders to tender their shares to Green Acquisition and to not offer the shares to Norfolk Southern's tender offer. So far as I can find, there is no case law, at least involving Pennsylvania state law, to support the so-called coercion theory of the type of merger proposed here.

Stockholders of Conrail do have multiple options, and that is clear from the evidence. They may of course tender their shares and support the CSX-Conrail merger. If all tender their shares and the deal goes through as contemplated, shareholders would receive \$110 in cash for 40 percent of their stock, and 1.85617 shares of CSX stock for each remaining share of Conrail stock. They could also tender their shares and sell 19.9 percent of their stock, if all tendered, at \$110 per share

and then all or a majority of the shareholders could vote against the proposed opt-out of subchapter E. In the event I don't know what NS would do with the shares of stock which everyone agrees would be at a premium price based on the premium of acquiring control.

The evidence is clear that no one can really predict what will be the outcome of the proposed vote on opting out of subchapter E. It has been suggested somehow that it is illegal or unlawful or unfair, I'm not sure what, that the new acquirer, CSX, be allowed to vote on that opting out of chapter E. It seems to me that all shareholders, if they are shareholders of record on the record date have the right under the law to vote on that matter and therefore I can see nothing wrong with them being allowed to do so if they at that time have acquired shares of stock in Conrail.

Shareholders have other options. They can do nothing, as the board of directors and some of the witnesses who testified do not intend to do, and could retain their shares. If all did so, then the initial acquisition would fail utterly. Of course it is generally believed, although there is no evidence to establish this, but I would assume that it is probably a correct prognostication that there will be enough shares tendered to make the 19.9 percent.

Conrail shareholders may also tender their shares to NS and hope that NS would be able to get their contingencies finally met by reason perhaps of insufficient tenders to the

CSX offer. And if so, they might eventually receive \$110 for all of their shares.

Shareholders can also, of course, sell their shares on the open market and let others decide what is to the best financial advantage. With all of these options, some of which may be more profitable to them than others in the short term while others may, as some of the board of directors of both CSX and Conrail apparently hope and predict and anticipate may be more profitable in the long run.

I do not see any coercion, but only several options, any of which will undoubtedly end up being a net return to most shareholders far in excess of whatever their original investment may have been.

Under our laws, ordinarily corporations are operated by a board of directors. And the board of directors have rights to enter into certain contracts subject to limitations in their charter and in the charter of the corporation, to the extent that they are within their corporate powers and pursuant to the corporate business. There is nothing that has been called to my attention that is alleged to be beyond the board of directors' rights in entering into the CSX-Conrail merger agreement, despite arguments to the contrary.

Under doctrines of ordinary contract law where a lawful contract is entered into there is a duty of fair dealing between the parties to carry out the terms of the agreement.

Although a breach of contract is not in itself unlawful in the sense of constituting a civil tort, a breach does make that breaching party subject to damages. In this case a break-up fee has been stipulated to, which may be analogous to an agreement for liquidated damages; that may or may not be too high, but that is certainly at this point purely a hypothetical situation as I see it until someone attempts to assert the right to claim a break-up fee, and then it conceivably could be litigated as to whether that was excessive or so unreasonable as to not be a proper term in the agreement.

Although a breach of contract is not a tort, there is a tort of interference with contract. I am troubled that everyone seems to assume that Conrail would have the right, in fact it is contended that it has a duty to breach the essential terms of the contract of merger, which as I see it was properly entered into and contains no terms that are prohibited by Pennsylvania law, and that somehow they have the further right to sabotage the contract, that is that somehow the board of directors have not only a right, but a duty to somehow sabotage the contract by supporting the NS proposal. As I see it, they would have this right and perhaps duty only if the terms of the agreement are illegal or contrary to public policy. And, as I pointed out, each of the alleged illegalities appear to be authorized or at least not prohibited under Pennsylvania statutory law.

I can find no principle difference between this and any other contract. I won't go into any examples that might be given, but it has been suggested that perhaps some different law should be applied to a merger situation because shareholders are affected. Obviously any contract that is entered into by a corporation that extends into the future may affect the corporation's net profits or losses and also, thereby, have effects; sometimes very disastrous effects, sometimes very fine effects for the shareholders' financial well being.

Basically the law of Pennsylvania leaves decisions such as what is best for the corporation to be that of the duly elected board of directors rather than by second guessing by the courts. In this case I am sure that the board of directors of Conrail are in fact in a far better position than the courts to decide what is the best interest of the corporation, which is the test in Pennsylvania. The shareholders themselves are in the best position to decide which of the several options are best for them.

Finally, it has been suggested that the Pennsylvania statutes that provide board of directors with broad discretion in deciding mergers and how to react to takeover bids were enacted to prevent two-tier, back-end mergers and takeovers of the type that are here contemplated. That argument of course is a possible argument, but I think that I am bound to follow what are the clear wording of the statutes. I think that it is clear from the Pennsylvania statutes, which are not ambiguous

and have not been argued to be ambiguous, that it is up to the board of directors and they alone, so long as they act in good faith after reasonable investigation, as to what is in the best interest of the corporation. And that the directors have every right to favor one competing bid over another and particularly have the right to resist hostile takeovers by such methods as poison pills, shareholders' rights, making recommendations to shareholders, favoring one proposed corporate party over the other, and using stock options in favor of one corporation over another, and include extensive so-called break-up fees. And certainly it seems to me that it can agree not to stop their proposal after signing a merger agreement, which is essentially what as I see it is the arguments made that somehow this merger should be enjoined at this stage of the proceeding.

Again, let me repeat I am unable to find that the plaintiffs are likely to succeed on any of the claims for which they seek preliminary injunctive relief. I do not find that the grant of a preliminary injunction would be in the best interest of the public. A preliminary injunction would not maintain the status quo, which is one of the things it is supposed to do, but would radically alter the position of the parties. I do not find that there has been irreparable harm; as I pointed out before, that probably would not be required if there was a Williams Act violation, but I do not find that they have shown the probability of success on any of the Williams Act claims.

One other feature, of course, of this action, so far as the state law claims are filed, it is said that they are filed as representative actions on behalf of the corporation. I think it's very questionable whether injunctive relief would be appropriate in any event, because it seems to me that in the normal situation where there is a claim that the directors have violated their fiduciary duties it's a claim for monetary damages and not for equitable relief. That has not been argued in this case and I don't want to go into that at this time, but it is certainly a matter that would make it seem to me that it would be questionable whether equitable relief should be given.

Therefore, for the reasons that I have stated, all requests and all present motions for preliminary injunctive relief will be and are denied.

Exhibit (g)(6)

THE COURT: Please be seated, everybody. Again it seems to me that it is important that I decide these issues very promptly, so whatever litigants may feel that they may have some appellate rights and an immediate application for an appeal might be taken, and conceivably some further relief could be obtained before the deadline date which at least at the present time would be 5:00 o'clock on December the 23rd, which is next Monday.

The plaintiffs have sought to obtain what amounts to a mandatory preliminary injunction to preclude the nonconvening, the postponing or the adjourning of a special meeting of the shareholders of Conrail which has been set and notice has gone out for Monday, December the 23rd at 5:00 p.m., I believe. They seek to prevent any of the defendants, but primarily of course this would be Conrail acting as a corporation, and its board of directors from postponing or not convening or adjourning the special meeting.

It is clear from the arguments that have been given and it is clear from what is contained in the proxy materials that were sent out and in the notice of the shareholders-special shareholders meeting that the corporation, Conrail, does not intend to have a vote on the proposal until and unless it is assured in its own mind that it has sufficient votes to get an affirmative vote in favor of the proposition.

The notice that went out for the special meeting, the proposal was and I presume that it will be submitted following resolution, and the notice said that the following resolution be directed that it be submitted to a vote of the shareholders at a special meeting, and that resolution is as follows:

"An amendment of the articles of incorporation of Conrail is hereby approved and adopted by which upon the effectiveness of such amendment, Article 10 thereof will be amended to and restated in its entirety as follows:

'Subchapter E, subchapter G and subchapter N of chapter 25, Pennsylvania Business Corporation Law of 1988 as amended shall not be applicable to the corporation.' "

In the proxy materials that were sent out among other things it was stated that "under the merger agreement Conrail has agreed not to convene, adjourn or postpone the special meeting without the prior consent of CSX, which consent will not be unreasonably withheld. As a result, it is expected that the special meeting will not be convened if Conrail has not received sufficient proxies to assure approval of the proposal."

Now, before of course a preliminary injunction may be granted there must be a showing of irreparable, likelihood of success, take into consideration the public interest that is involved in this case. There is of course a continuing issue as to the standing of the plaintiffs Norfolk and Southern Corporation, Atlantic Acquisition Corporation and Kathryn B. McQuade to bring this action and particularly as to this motion before the Court.

However, there are allegations which I think are not disputed -they may be disputed, I'm not sure of that -that Norfolk and Southern Corporation is a shareholder of Conrail and that Kathryn B. McQuade is a shareholder of Conrail. Of course the major suit was brought on the theory that they were acting in a representative capacity on behalf of the corporation against the board of directors for breaches of fiduciary duties. In this motion, however, it seems to me that they are acting, and the only way I can consider them as being properly before the Court is as shareholders.

In any event, the other related action -- I always get that one mixed up, too, -- of Peter D. Ferrara, et al. against David Levan and others, Civil Action 96-7350, are shareholders and therefore it seems to me that they would have a proper interest in bringing this particular action.

Under Pennsylvania law shareholders do have certain rights and if they are aggrieved by action of the corporation under certain conditions they may bring an action for relief.

Now, as I have stated at the oral argument, it seems to me that no matter what I decide it may not make very much difference in the final outcome. I think everybody agrees that if there is a vote held and

the vote goes against the proposal, there is nothing to preclude Conrail and the board of directors from proceeding with further elections on the same proposal or calling special meetings for the same proposal which would be a little different than simply adjourning the meeting or postponing the meeting.

On the other hand, if the meeting goes ahead, if Conrail is satisfied and the vote proceeds and is not postponed, then of course the proposal would be approved.

The harm as I see it is that it effectively disenfranchises those shareholders who may be opposed to the proposal because it says to them that even though a vote is required, an approval is required, we will not allow the vote to go ahead if there is any -if in our judgment it is likely that the proposal will not be approved.

So that that as far as I can see makes practically a sham election, except to the extent of course that eventually if there is a vote held -- I say an election, an election to opt out of the subchapter E of Chapter 25 of the business corporation law, that it says to them that it's merely going to be a formality and we're not going to have a vote unless we're assured of it. I do not think that that is a proper way to hold an election or a vote on this particular proposal.

As to irreparable harm, I think it effectively disenfranchises those shareholders who do not approve or will not approve of the proposal.

As to the likelihood of success, it seems to me that this goes to the issue whether or not this procedure is proper under Pennsylvania law. Now, neither side has cited any case that to my way of thinking is reasonably analogous to the situation at hand in this case, except for general fundamental principles that when a vote is to be taken it should be a fair and open vote, and that the shareholders should be treated fairly and properly.

Ordinarily of course a Court should not interfere with the corporate affairs of a corporation absent fraud or some fundamental unfairness. And to me the way this vote is to be held is fundamentally unfair to those who may be opposed to the transaction.

As I see it, the granting of a preliminary injunction will cause no harm to Conrail. The general argument has been made, well, it may present some sort of bad publicity. I don't see how it could provide any type of bad publicity or even whether that would be a cognizable harm in any event.

If the injunction is not granted, if the election -- if the meeting is postponed or adjourned because Conrail is not satisfied that it has sufficient votes, then it seems to me that it's going to cause harm to those shareholders who are opposed to the proposal that could not be in any effective way corrected at a later time. If, however, an injunction is granted in this case and it is later held that that should not have been granted, then certainly it would seem that Conrail would have the option of saying, well, absent such an injunction from the Court we would have gone ahead and adjourned or postponed the meeting, and it might be then that any vote that would be taken at the meeting would thereby become a nullity.

As I see it, therefore, the balance of harms and balance of advantages favor that of the plaintiffs in this particular case.

Another matter that must be taken into consideration is the matter of public interest. Now, it's a little hard to say what's in the public interest when we're talking about actions taken by private corporations certainly as to all of the parties at interest in this case. The shareholders, Conrail, CSX, Norfolk and Southern, any other persons that have some interest in it. Certainly it would be in the general interest of everyone to know exactly what the view is or the sentiment is among the shareholders of Conrail.

I have concluded, therefore, that a limited injunction should be granted, and that the defendants should be enjoined from not convening, postponing or adjourning the special meeting set for December 23rd, 1996 to vote on the proposal that has been submitted in the notice to the shareholders which I'll reiterate again. "An amendment of the Articles of Incorporation of Conrail is hereby approved and adopted, by which upon the effectiveness of such amendment article 10 thereof will be amended and restated in its entirety as follows:

'Subchapter E, subchapter G and subchapter H of Chapter 25 of the Pennsylvania Business Corporation Law of 1988 as amended shall not be applicable to the corporation, and they will be enjoined from postponing, not convening or adjourning that special meeting by reason of Conrail not having received sufficient proxies to assure approval of the proposal.' "

And that will be the limit of the injunction. It may well be in fact that there may be other reasons that will arise that would permit an adjournment or a postponement such as some change in the law -- not change in the law, I mean some legal impediment to the proceeding, if there be other offers or something of that sort. All I'm enjoining them from doing is to not proceed because they -- when I say they I'm speaking of Conrail and its officers -- being assured in their own minds that they have sufficient proxies to assure approval of the proposal.

So an order to that effect will be entered as soon as we can get it typed up.

Now, as to the question of the bond, I see no need for any bond to be imposed on either party here. For the preliminary injunction bond I can think of no monetary injury or harm that would result to any of the parties by reason of this injunction. If counsel have any thoughts as to any bond, I'll be glad to hear you on that however. I think as a practical matter it would make no difference. All right then, no bond will be required.

All right, I guess that's all the further we can go then this afternoon. Thank you very much, ladies and gentlemen.

(Proceedings concluded at 1:05 o'clock p.m.)

Exhibit (g)(7)

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

NORFOLK SOUTHERN CORPORATION,
ET AL.,
Plaintiffs

CIVIL ACTION

v.

CONRAIL INC., ET AL.,
Defendants

No. 96-7167

PETER D. FERRARA, ET AL.,
Plaintiffs

v.

DAVID M. LEVAN, ET AL.,
Defendants

No. 96-7350

O R D E R

Plaintiffs in the above-captioned cases have moved for a preliminary injunction, oral argument on the plaintiffs' motions has been held, and upon consideration of plaintiffs' motions, defendants' response thereto, and for the reasons stated on the record in open court, it is ORDERED that defendants are enjoined from failing to convene, and/or from postponing, and/or from adjourning the Special Meeting of Conrail Shareholders scheduled for Monday, December 23, 1996, by reason of Conrail or its nominees not having received sufficient proxies to assure approval of the proposal set forth in the "Notice of Special Meeting of Shareholders" and in the Proxy Materials to "opt-out" of Subchapters E, G, and H of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended.

It is FURTHER ORDERED, for the reasons set forth on the record in open court, that no bond shall be required.

BY THE COURT:

/s/ Donald W. VanArtsdalen, S.J.

Donald W. VanArtsdalen, S.J.

December 17, 1996

Exhibit (g)(13)

SERVICE DATE - JANUARY 9, 1997

SURFACE TRANSPORTATION BOARD

DECISION

STB Finance Docket No. 33220

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

[Decision No. 5]

Decided: January 8, 1997

BACKGROUND

On October 18, 1996, CSX Corporation (CSXC), CSX Transportation, Inc. (CSXT),¹ Conrail Inc. (CRI), and Consolidated Rail Corporation (CRC)² (collectively, applicants) filed a notice of intent (CSX/CR-1) to file an application (hereinafter referred to as the primary application) seeking Board authorization under 49 U.S.C. 11323-25 for: (1) the acquisition of control of CRI by Green Acquisition Corp. (Acquisition), a wholly owned subsidiary of CSXC; (2) the merger of CRI into Acquisition; and (3) the resulting common control of CSXT and CRC by CSXC. Applicants indicate that they expect to file their primary application, and any related applications, on or before March 1, 1997.³

1 CSXC and CSXT are referred to collectively as CSX.

2 CRI and CRC are referred to collectively as Conrail.

3 Decision No. 1, served October 25, 1996, granted applicants' request for a protective order. Decision No. 2, served and published in the Federal Register (61 FR 58613) on November 15, 1996, gave notice to the public of applicants' CSX/CR-1 pre-filing notification, and found that the transaction proposed by applicants is a "major" transaction, as defined at 49 CFR 1180.2(a). Decision No. 3, served and published in the Federal Register (61 FR 58611) on November 15, 1996, invited comments from interested persons on a proposed procedural schedule. Decision No. 4, served December 13, 1996, assigned this proceeding to Administrative Law Judge Jacob Leventhal for the handling of all discovery matters and the ini-

(continued...)

CSXC, Acquisition, and CRI entered into an Agreement and Plan of Merger (the Merger Agreement) dated October 14, 1996, which they amended on November 5, 1996, and further amended on December 18, 1996.4 On December 27, 1996, Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively, NS) filed a petition for declaratory order that CSXC, CSXT, and Acquisition are in violation of 49 U.S.C. 11323 by reason of a "lock-out provision" in Section 4.2 of the Merger Agreement, as amended on December 18, 1996, and that the amendment to Section 4.2 is void and unenforceable.5

3(continued...)

tial resolution of all discovery disputes.

We will address, in a separate decision, applicants' CSX/CR-6 petition for waiver or clarification of certain railroad consolidation procedures, and for related relief, filed on December 27, 1996.

4 The Merger Agreement, as first entered into, envisioned: (1) the acquisition by Acquisition of approximately 19.9% of the common stock of CRI; (2) the acquisition by Acquisition of an additional approximately 20.1% of the common stock of CRI; and (3) after Board approval of the primary application, the merger of CRI with and into Acquisition. As amended, however, the Merger Agreement now envisions that the merger of CRI with and into Acquisition will occur prior to Board approval of the primary application. This change means that applicants no longer seek Board authorization for the acquisition of control of CRI by Acquisition, or for the merger of CRI into Acquisition. Applicants, however, continue to seek Board authorization for the common control, by CSXC, of CSXT and CRC. Applicants continue to indicate that they expect to file their primary application, and any related applications, on or before March 1, 1997.

5 NS requests expedited consideration of its petition for declaratory order. NS alternatively requests that, if the Board is unable to reach a decision on the question of unlawful control substantially before January 17, 1997, it should issue a temporary cease and desist order barring Conrail from holding the shareholder meeting now scheduled for January 17, 1997, or barring CSX from requiring the trustee under CSX's voting trust to vote any Conrail shares held in the voting trust in favor of opting out of Subchapter 25E of the Pennsylvania Business Corporation Act or in favor of a CSX/Conrail merger, until the

(continued...)

On December 30, 1996, CSX and Conrail respectively filed letters notifying the Board of their objection to NS' request for expedited consideration, and of their intent to file responses to NS' petition for declaratory order within the time provided by the Board's rules.

We are granting NS' request for expedited consideration, and will deny its petition for declaratory order at this time, as we discuss further below.

DISCUSSION AND CONCLUSIONS

Section 4.2 of the Merger Agreement. Section 4.2 of the Merger Agreement (hereinafter, the "lock-out provision") prohibits Conrail's management for a specified period from taking various actions with respect to any proposal by any entity other than CSX to acquire more than 50 percent of the assets or voting stock of Conrail (defined in the agreement as a "Takeover Proposal"). Section 4.2(a) provides that Conrail may not "(i) solicit, initiate or encourage (including by way of furnishing information) or take any other action designed to facilitate, directly and indirectly, any inquiries or the making of any proposal which constitutes any Takeover Proposal or (ii) participate in any discussions or negotiations regarding any Takeover Proposal" Section 4.2(b) prohibits Conrail's board of directors for a specified period from (1) withdrawing or modifying its approval or recommendation that shareholders approve the CSX/Conrail merger agreement, (2) approving or recommending any merger agreement with any party other than CSX, or (3) entering into any letter of intent or merger agreement related to any Takeover Proposal.

5(continued...)

Board is able to decide the question. See Pa. Stat. Ann., tit. 15, Sections 2541 through 2548 (West 1995). Without such opt-out, CSX would be required to purchase all Conrail shares for the same cash price as it paid for the first 19.9 percent (Merger Agreement, Section 5.1(b)). Because we are issuing this decision in advance of the January 17, 1997 shareholder meeting, this alternative request for relief is moot.

Under the original Merger Agreement, Conrail was permitted to negotiate with respect to other unsolicited takeover proposals after April 12, 1997, if Conrail's board concluded, on advice of counsel, that their fiduciary duties required them to do so. The original Merger Agreement also permitted Conrail to enter into a letter of intent or agreement with another party after April 12, 1997, if Conrail's board concluded that the other party's proposal was superior to CSX's and that CSX was unlikely to acquire 40% of Conrail's stock. In the first amendment (November 5, 1996), the lock-out period was extended 90 days to July 12, 1997. The second amendment (December 18, 1996) extends the lock-out period to December 31, 1998. (Second Amendment at 18.)

NS' Arguments. NS states that it wishes to acquire Conrail and is prepared to pay Conrail's shareholders substantially more than CSX is willing to pay; however, provisions of the Merger Agreement have prevented NS from reaching an agreement, or even discussing NS' proposal, with Conrail's management.⁶ NS challenges the second amendment to the extent that it prohibits Conrail, without CSX's consent, from entering into a merger agreement with any other company, or even discussing such an agreement with any other company, until 1999, even if Conrail shareholders vote in the next few months to disapprove the proposed CSX merger and even if the Board issues a decision in 1997 refusing to approve that merger.

NS makes three main arguments: (1) by the amended lock-out provision, CSX has acquired unlawful control of Conrail in violation of 49 U.S.C. 11323; (2) the lock-out

⁶ On December 19, 1996, NS increased its all-cash offer for all of Conrail's outstanding shares to \$115 per share. According to NS, its offer would provide Conrail shareholders other than CSX almost \$16 per share more than the blended value of cash and securities that CSX is offering current Conrail shareholders for their shares, based on the market price of CSX common stock at closing on December 26, 1996. On that basis, NS estimates that the total amount it is offering to Conrail shareholders other than CSX is approximately \$1.16 billion more than what CSX is offering.

⁷ Under 49 U.S.C. 11323 (formerly 49 U.S.C. 11343), certain transactions may be carried out only with the prior approval and authorization of this Board. These include "[a]cquisition of control of a rail carrier by any number of rail carriers," "[a]cquisition of control of at least two carriers by a person that is not a rail carrier," and "[a]cquisition of control of a
(continued...)

restraint cannot be justified as reasonably related to CSX's desire to preserve the status quo pending corporate and regulatory approval; and (3) CSX's unlawful control threatens NS and Conrail's stockholders with immediate irreparable injury which the Board must act to prevent. NS also asserts that, to the extent the lock-out provision precludes Conrail from developing more competitive and innovative services through a combination with NS, the provision shields CSX from increased competition from its two main competitors.⁸

Our Analysis. We note that NS has challenged the legality of the amended lock-out provision, as well as other provisions of the CSX/Conrail merger agreement, in an action pending in the United States District Court for the Eastern District of Pennsylvania with claims based on the Pennsylvania corporation laws and the fiduciary duties of Conrail's board of directors. Contrary to NS' assertion that the amended lock-out provision involves an issue of illegal control under 49 U.S.C. 11323 that the Board must address and enforce independently of any issue of state law, we do not find that NS' request is ripe for our consideration, as discussed further below.

NS argues that CSX will unlawfully control Conrail because the lock-out will remain in effect until December 31, 1998, even if the Conrail stockholders vote not to approve the proposed CSX/Conrail merger,⁹ and even if the Board disapproves the CSX/Conrail merger before the lock-out period expires or imposes conditions unacceptable to the applicants. Conrail has pointed out, however, in its December 30 letter, that NS' case is founded on the uncertainty of future events, rather than on any actual controversy or complaint, and we agree.

7(continued...)

rail carrier by a person that is not a rail carrier but that controls any number of rail carriers." 49 U.S.C. 11323(a)(3), (4) and (5).

⁸ CSX and Conrail compete throughout large areas of the Northeast and Midwest, and NS and CSX compete throughout the Southeast and Midwest.

⁹ CSX and Conrail expect that vote to take place before March 31, 1997.

NS acknowledges that a rationale for permitting such an agreement (prior to Board approval) would be to provide a reasonable period of time for parties to an agreement to determine whether their shareholders and their regulators will approve the transaction. NS argues, however, that the lock-out period here is too long because it goes beyond what may be reasonably expected for the Board to consider and act upon the consolidation application of the two railroads themselves, and because it may extend beyond other actions (such as a shareholder vote rejecting the merger) that effectively foreclose the possibility of the transaction taking place as proposed. NS' argument that the amendment increases CSX's control over Conrail is based on the extension of the termination date of the lock-out period by an additional 18 months -- from July 12, 1997, to December 11, 1998. While the now 2-year lock-out period appears excessive on the face, we do not find the extended termination date, in and of itself, to be unreasonable at this time, given the complicated and controversial matters facing the parties concerning the proposed control transaction, and given that provision's lack of any meaningful constraint on our jurisdiction as discussed below.

As for NS' concern that CSX will be able to use unlawful control afforded by the lock-out provision to coerce a critical vote of Conrail shareholders scheduled for January 17, 1997, by portraying CSX as the only choice available to them, and effectively preclude the possibility of NS' offer from being realized, we believe that the Conrail shareholders are aware of their choices in this highly public controversy, and can pursue legal remedies if they believe that their board of directors breached its fiduciary duty. NS protests the agreement between CSX and Conrail's board of directors to amend the Merger Agreement to preclude Conrail and CSX from pursuing other transactions without the consent of the other through December 31, 1998. We find that voiding or overriding the amendment at this time is premature.

As discussed above, we find that NS' petition for relief is premature and unwarranted at this time. We advise the parties, however, that, if a CSX/Conrail merger application is filed, we may exercise our 49 U.S.C. 11324(e) conditioning power to impose certain conditions and/or grant any inconsistent or responsive applications that are found to be in the public interest. We emphasize that, under those circumstances, the preemptive immunizing force of 49 U.S.C. 11321(a) can preempt contractual rights, including those resulting from the lock-out provision, if necessary to permit a Board-approved transaction to go forward. See *Norfolk & Western R. Co. v. Train Dispatchers*, 499 U.S. 117 (1991) (*Dispatchers*) (the immunity provision, which provides that a carrier, corporation,

or person participating in a transaction that is approved under 49 U.S.C. 11324 (old 49 U.S.C. 11344) is "exempt from the anti-trust laws and from all other law, including State and municipal law, as necessary to let that person carry out the transaction," extends not only to laws but also to contracts). A person cannot effectively preclude our approval of a transaction from going forward simply by entering into a contract that purports to prevent all alternatives to its own preferred outcome. Thus, the lock-out provision would in no way preclude Board approval, as appropriate, of an NS/Conrail merger proposal, or any other Conrail merger proposal, or the consummation of such a merger, if approved.

This decision will not significantly affect either the quality or the human environment or the conservation of energy resources.

It is ordered:

1. NS' petition for declaratory order is denied.
2. This decision is effective on the date of service.

By the Board, Chairman Morgan and Vice Chairman Owen.

Vernon A. Williams
Secretary

Exhibit (g)(14)

1 (The following occurred in open court at 2:00 p.m.)

2 THE COURT: Good afternoon. I hope all of you had a
3 long and pleasant lunch hour.

4 As I've always said in these matters, I think it's
5 important that they be decided promptly. I never won any
6 contest in extemporaneous speaking. I try to explain the
7 reasons for whatever decision I make in this case as best I
8 can on such limited time to decide just exactly what's to be
9 done here.

10 In these two cases, there is as we all know a
11 shareholders meeting of Conrail scheduled for January the
12 17th, 1997 which is next week. And that meeting is to decide
13 whether Conrail should, as I call it, opt-out of subchapter
14 25E of the Pennsylvania business corporation law whereby CSX
15 may thereafter proceed by tender offer to acquire
16 approximately 20.1 percent more of Conrail voting stock in
17 order to proceed with the next step of the merger agreement
18 between CSX and Conrail.

19 Plaintiffs in Civil Action 96-7167, which I will
20 call the Norfolk Southern or the NS Corporation plaintiffs,
21 alleging that they are Conrail shareholders seek by a
22 preliminary injunction to prohibit the shareholders meeting
23 from going ahead until a partial summary judgment motion is
24 decided that seeks a declaration that a controlled
25 transaction has occurred by reason of CSX's purchase of 19.9

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1 percent of Conrail outstanding stock pursuant to the original
2 tender offer and along with aggregating with various
3 directors and officers stock control alleging that they have
4 formed a group pursuant to 15 Pennsylvania CSA Section 2543,
5 which is a part of the Pennsylvania State Statute on
6 controlling party transactions.

7 And thereby the plaintiffs contend that it triggers
8 the shareholders' rights to obtain fair value and a fair
9 value appraisal for their stock. Also they seek a
10 preliminary injunction against enforcement of a revision to
11 the merger agreement that provided for what I call a no-shop,
12 what some of the witnesses have called no-shop, some have
13 called it a lockout, extension of the -- until I believe
14 December 31st, 1998. It was an extension of about 18 months
15 beyond that which was in the original merger agreement.

16 Now, the so-called Ferrara plaintiffs, which is the
17 other civil action, Number 96-7350, likewise seek an
18 injunction and a declaration that the so-called 720-day
19 lockout provision is invalid.

20 I specially set this hearing because I was advised
21 that there would be an application for a preliminary
22 injunction in light of the revised merger agreement which had
23 been apparently made public.

24 There are two, as everybody seems to recognize, two
25 distinct and discrete issues. One is the extension of the

1 so-called no-shop or lockout agreement until 12-31-98, which
2 will coincide with the termination date of the merger
3 agreement itself, or what is often referred to as the so-
4 called drop dead date, whereby if the merger doesn't go
5 through by that date, then under certain conditions at least
6 the agreement can be in effect terminated.

7 And the second issue is whether any of the
8 defendants, that is, Conrail and its board of directors are
9 liable to pay fair share because of the triggering of the
10 control transaction as provided in the business corporation
11 law.

12 As to the 720-day period no-shop or lockout period,
13 the arguments that have been made on the present motions are
14 essentially those or a rehash of the arguments which were
15 made at the prior hearing, in which I denied any relief by
16 reason of the period of lockout that was contained in the
17 original merger agreement. There is no essential difference,
18 as I see it, even though the new agreement as apparently
19 opposed to the prior agreement has a so-called "fiduciary
20 duty opt-out" provision. Beyond that the only change is that
21 the agreement -- as to the lockout provision, is that the
22 agreement sets a final date for completion of the merger and
23 government approvals of 12-31-98, and provides that the so-
24 called lockout period shall continue until that time.

25 I see no principled reason, and apparently neither

1 did Professor Coffee who testified at the prior hearing, as I
2 recall his testimony, as to why the lockout could not extend
3 for the full period of the contract, nor is there any reason
4 to think that any particular line of demarcation need be
5 drawn so far as the facts of this case presently before me
6 are concerned. After all, as it seems to me, and I think I
7 expressed this previously, that where a contract is entered
8 into, it is expected that the parties will act in good faith
9 and will not deliberately go out and attempt to shop the
10 contract, if you will, with some other party or to see if
11 they can get a better deal after having entered into a valid
12 contract.

13 If by reason something occurs in the future by which
14 it could be determined that there was a fiduciary duty upon
15 the board of directors to go ahead and take some action by
16 reason of some offer that had been made, if the fiduciary
17 duty so required it, I see no reason why that should make any
18 difference that it is not specifically set forth in the
19 contract. After all, if a contract imposes upon certain of
20 the parties certain fiduciary duties, it seems to me that
21 then becomes practically an unwritten term of the contract or
22 the agreement. And therefore whether this one did not have
23 such a fiduciary duty opt-out and the earlier one did seems
24 to me should make no difference. In addition to which there
25 has been absolutely no showing or no claim that any situation

1 has arisen as yet or will or is likely to arise in the future
2 that would impose any sort of a fiduciary duty upon the board
3 of directors to disregard the lockout or the no-shop
4 provisions of the merger agreement.

5 In addition, defendants have taken no action
6 pursuant to that clause that I am aware of, or about which
7 there has been any testimony that would give rise to any
8 basis for presently prohibiting the meeting of January 17th,
9 1997 going ahead so far as the no-shop provision is
10 concerned. In other words, even if it could conceivably be
11 that there was something invalid about that particular
12 provision that would have nothing to do as I see it with
13 precluding the shareholders meeting which is in no way to
14 consider anything other than whether or not they should opt-
15 out of the 20 percent rule under the Pennsylvania business
16 corporation law.

17 Now, there is a so-called controlling person or
18 controlling transaction problem. Plaintiffs contend that the
19 fair valuation provisions of 15 Pennsylvania CSA, I think
20 it's Section 2544 has been triggered. In other words, it's
21 the contention of plaintiffs that there was a controlled
22 transaction, and therefore the argument seems to be that
23 because there was a controlled transaction at the meeting of
24 January the 17th, 1997 which is presently scheduled should be
25 enjoined from proceeding.

1 As to the controlled transaction, the argument as I
2 understand it is that the shares acquired by CSX under its
3 original tender offer which was approximately 19.9 percent of
4 the voting shares should be aggregated with the shares held
5 by certain -- or perhaps all of the directors and certain of
6 the officers, who it is contended formed a group, and by
7 aggregating those shares, the total number of shares
8 presently held by CSX and the group exceed 20 percent;
9 therefore, controlled transaction has taken place.

10 Formation of a group acting in concert, and that is
11 of course the contention here, that this is a group acting in
12 concert under Section 2543 would normally to me appear to be
13 a fact-specific matter and would not ordinarily be subject to
14 summary judgment and certainly would not be a proper basis
15 for a preliminary injunction.

16 However, on the basis of the evidence presented
17 which as I understand it is probably all of the evidence that
18 would be intended to be presented on this issue at any time,
19 the likelihood of success on the contention that there was a
20 controlled transaction is to me very doubtful. Although it
21 may be expected, it may fully be expected that the board of
22 directors and the officers will continue to support the
23 merger, and to the extent that they are called upon to vote
24 their shares will vote in its favor. But there is certainly
25 no evidence that there was any agreement, express or implied,

1 that the individual -- that the officers and directors as
2 individuals would vote their own shares of stock in locked
3 step with that of CSX.

4 In that regard the evidence is pretty clear that the
5 amendment to the merger agreement was negotiated and worked
6 out after very extension negotiations and at a truly arm's
7 length proceeding. It is clear from this that at least
8 during those negotiations CSX and the board of directors of
9 Conrail and the officers of Conrail were not acting as a
10 group or in locked step.

11 I do not find under the present facts that have been
12 established, at least as so far developed, that there has
13 been and established a controlled transaction. To do that I
14 think everybody agrees that they have to aggregate the shares
15 of stock originally purchased by CSX plus some stock held by
16 some one or more of the other directors and officers.

17 Even if there had been a controlled transaction;
18 that is to say, even if they had operated as a group within
19 the meaning of the statute, and I think everybody agrees that
20 there is no case law on the subject except for an opinion
21 written by Judge Gawthrop some years ago, and I'm not sure
22 about the date of that.

23 Although I don't think that it would really make any
24 difference, but I believe that that decision was before the
25 last amendments of the Pennsylvania business corporation law.

1 I don't believe that that would make any difference, because
2 the wording is substantially the same. But I think the facts
3 were somewhat different in that case, and I am not here to
4 judge the validity of the contentions made by the judge in
5 that particular case.

6 It does seem to me, however, that there does have to
7 be some sort of an agreement, express or implied, and I do
8 not find that the evidence establishes that at this
9 particular time under the facts that have been established.
10 But even if there had been, the statute has what I would call
11 an inadvertence escape valve under Section 2541B.

12 After the contention was first raised that there had
13 been a controlled transaction by reason of CSX purchasing
14 19.9 percent of the stock, CSX sold on the open market 85,000
15 shares. Now, I have tried somewhat roughly to calculate the
16 various methods by which and the different groups of
17 plaintiffs make different contentions as to who should be
18 considered in the group. But it seems to me no matter how
19 liberally you compute the plaintiff's figures, with CSX
20 having divested itself of 85,000 shares, the present number
21 of shares and those shares of the persons claimed to be
22 members of the group would not at the present time equal 20
23 percent, even including voting control over the ESOP and the
24 EBT shares, as to which there is some question as to the
25 federal duties that are imposed by Federal Law on the

1 trustees of such shares. Clearly, if inadvertent means
2 unintentional in the subjective sense of the word, clearly
3 there never was an intention to obtain control or to have a
4 control transaction. The whole merger agreement with the so-
5 called two-tiered arrangement was carefully structured not to
6 be -- not to offend the, if you will -- if I may use that
7 expression -- the provisions of the Pennsylvania Business
8 Corporation Law which imposes certain rights upon the
9 shareholders to receive fair value if a controlled
10 transaction takes place. If they overlook the possibility of
11 aggregation, I think at best, that would have been
12 negligence, which is by some definitions of the word
13 inadvertent, included within the term of inadvertence.

14 It's clear, of course, that the number of shares
15 they bought were bought advertently. It's clear that they
16 were aware certainly, that officers and directors probably
17 held some shares of stock, although I don't know that there's
18 any evidence that there may or may not be, that they knew the
19 exact numbers at the time of the purchase.

20 Also, it has been argued and I think the record may
21 show that the 19.9 percent that was originally calculated was
22 in error through misinformation as to the number of shares
23 that were outstanding of Conrail at the time. And it has
24 been argued and I have not been able to compute this
25 accurately, but at least, it has been argued that if that

1 were considered, that part of it was considered inadvertence
2 and if they had bought only 19.9 percent of the stock that
3 was actually outstanding as of the time of the purchase, that
4 no matter how you would aggregate, it would still not reach
5 the 20 percent limit.

6 In any event, the statute provides that if the -- if
7 there is an inadvertent going over the 20 percent limit, that
8 the fair value rights will not -- will not accrue if the
9 controlled transaction -- if the party having those shares of
10 stock divests itself of those shares as soon -- I think the
11 word is as soon as practical. I'm trying to find the
12 terminology there.

13 Now, CSX did, after it was called to their
14 attention, sell 85,000 shares and as I just read the briefs
15 rather quickly on that score, it would appear to me that to
16 do so cost CSX approximately \$900,000. There is no one that
17 has made any argument that they did not divest themselves of
18 the stock as soon as practical. Perhaps plaintiffs would
19 like to make that argument, but I think another thing that
20 must be borne in mind is, even if there was some technical
21 violation of the controlled transaction problem, the purpose
22 of that is to -- or one of the purposes certainly, is that
23 there be no votes taken by the controlling parties under
24 those circumstances, unless the other shareholders have a
25 right to obtain fair value.

1 And there has been no vote -- there was no vote
2 taken and at the proposed vote to be taken on January the
3 17th, it is clear that no matter how you compute the matter,
4 the shares of stock, that CSX in combination with any other
5 group of shareholders that could be aggregated under any of
6 the theories submitted by the plaintiffs, would not
7 constitute 20 percent.

8 Consequently, I can see where there has been
9 absolutely no harm done by reason of the purchase of the CSX
10 shares, whether or not and as I say, it's my view from what
11 has been presented here, that it is not a controlled
12 transaction. But even if it were a controlled transaction
13 and even if the shareholders are entitled to receive fair
14 value, that still doesn't explain to me why the meeting set
15 for January the 17th should be enjoined or give any basis for
16 an injunction against it.

17 First of all, shareholders to have received fair
18 value and have no basis under the statute, as I see it, to
19 object to somebody acquiring more than 20 percent or any
20 group acquiring more than 20 percent of the shares of stock.
21 Their only right is to receive fair value. And to do that,
22 they must, as the statute says, object. And I don't know how
23 that's done, but that's what the statute seems to say. And
24 to make a demand to have the shares appraised for fair value.

25 And then there is a rather long -- a lot of

1 statutory requirements as to how that procedure would be
2 required to take place. No one has made any demand to
3 receive fair value. No one has objected, as I see it, but
4 aside from that, there is a, as is clear from the statute,
5 there is a complete legal remedy and I would see no reason
6 therefore to enjoin the meeting that is set for January the
7 17th.

8 In addition to -- in addition to that, the meeting
9 that is set for January 17th, one of the arguments that's
10 been made by the plaintiffs is, well, the meeting would be a
11 nullity and therefore, it should be enjoined. Well, if it's
12 a nullity, it's a nullity. But that doesn't mean --
13 therefore, I see no harm that could occur to anyone in that
14 event. I fail to see how, if the meeting is held and if
15 there's a vote and if it's later determined that that's a
16 nullity, I fail to see how the shareholders would in any
17 meaningful way have been harmed. Although, some might have
18 been disappointed if they personally went to attend the
19 meeting.

20 It is clear that Norfolk Southern, as a shareholder,
21 is seeking in every conceivable way to block this merger from
22 proceeding. And of course, to the extent that they do so
23 through legal and lawful means, there is nothing too wrong
24 about that nor are they to be -- is it to be criticized for
25 attempting to do so. However, there is no showing on this

1 record that Norfolk Southern, as a shareholder, would be
2 harmed in any way if the shareholders vote on the proposition
3 to opt-out of the provisions of the Pennsylvania Corporation
4 Law proceeds on January the 17th.

5 Now, before a preliminary injunction may be granted,
6 as we all know, there must be first a finding of likelihood
7 of success. On the so-called 20 day no-shop clause, it is my
8 evaluation at this point, that there is no likelihood at all
9 of success on that claim.

10 On the controlled transaction claim, I think that
11 it's unlikely that there would be -- they would be -- or that
12 the plaintiffs would be successful on that contention.
13 Because, first, I think it's unlikely that there ever was a
14 controlled transaction and if there was, it was clearly
15 inadvertent, at least, if inadvertence means unintentional.
16 And because there was a divesting of a sufficient number of
17 excess shares, so that there would no longer be a control
18 group having more than 20 percent of the stock. That there
19 would be no harm if the vote is taken on January the 17th and
20 there is no showing of any likelihood of harm occurring in
21 the future.

22 Now, as to the harm to the parties, as I think I've
23 said several times, I can see no harm to the plaintiffs by
24 this meeting proceeding on January the 17th. It's
25 conceivable that it could amount, eventually amount to a

1 nullity, but that would not cause any legal harm as I see it.

2 As to the defendants, of course, anything that slows
3 up this progress and the progress of the merger is -- does
4 cause severe and substantial harm and injury. And clearly,
5 that is one of the things that the plaintiffs seek in this,
6 by these proceedings, is to impede or slow up the progress of
7 the merger. If I granted either preliminary injunctive
8 relief or granted the summary judgment as requested here, one
9 of the claims, as I understand it, is that I should
10 preliminarily enjoin the hearing set for January 17th until
11 the summary judgment motion is decided.

12 Whatever order I make here or decide here,
13 undoubtedly if granted, would be appealed. And of course,
14 during the appeal, I have no doubt that the plaintiffs would
15 intend to seek to have any injunctive relief continued during
16 the course of that appeal. And I think that the practical
17 effect of that might well be to so upset the timing of these
18 -- of this merger as to perhaps completely throw it off
19 track.

20 In addition, before a preliminary injunction may be
21 given, there must be shown that there is no adequate legal
22 remedy. As I point out clearly under the controlled
23 transaction, there is a complete statutory legal proceeding
24 and remedy, so that there would be no reason to make any
25 injunction as to that.

1 As to the 720-day period during which it's agreed
2 that the Conrail board and directors will take no action
3 toward any other bid that might come in, at least until such
4 time as there is some showing that there is some other bid,
5 it is clear that it would not be appropriate to enter an
6 injunction really in affect, while all the -- as I see it --
7 the plaintiffs are asking for is some type of declaratory
8 judgment and I don't think that that would be a proper
9 situation to grant a declaratory judgment. I think it would
10 be more in the nature of an advisory opinion.

11 Consequently, to the extent that this is an
12 application for a preliminary injunction, the application
13 will be denied. To the extent that there is an application
14 that I grant summary judgment, the application for a grant of
15 summary judgment is also denied.

16 All right, ladies and gentlemen, thank you very
17 much. I guess that's all we can do.

18 MS. McLAUGHLIN: Your Honor, if I may, your Honor?
19 Just for the record --

20 THE COURT: Yes?

21 MS. McLAUGHLIN: -- we would request an injunction
22 pending appeal.

23 THE COURT: I beg your pardon?

24 MS. McLAUGHLIN: For the record, we would request an
25 injunction pending appeal.

1 THE COURT: Okay, you may make that application to
2 the Court of Appeals, if you wish to do so.

3 MS. McLAUGHLIN: Thank you.

4 THE COURT: I will not grant an injunction pending
5 appeal.

6 MS. McLAUGHLIN: Thank you.

7 MR. SAVETT: Does that apply to the plaintiffs?

8 THE COURT: That applies to all plaintiffs and
9 applicants in this Court.

10 MR. SAVETT: Thank you.

11 THE COURT: All right.

12 (Proceedings concluded at 2:30 o'clock p.m.)

Exhibit (g)(15)

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

NORFOLK SOUTHERN CORPORATION,	:	
ET AL.,	:	CIVIL ACTION
Plaintiffs	:	
	:	
v.	:	
	:	
CONRAIL INC., ET AL.,	:	No. 96-7167
Defendants	:	

O R D E R

After an evidentiary hearing, and for the reasons set forth on the record in open court, it is ORDERED that:

(1) Plaintiffs' motion for a preliminary injunction dated January 2, 1997, is DENIED;

(2) Plaintiffs' motion for partial summary judgment dated January 2, 1997, is DENIED; and

(3) Plaintiffs' supplemental motion for a preliminary injunction dated January 8, 1997, is DENIED.

BY THE COURT:

/s/ Donald W. VanArtsdalen, S.J.

Donald W. VanArtsdalen, S.J.

January 9, 1997

Exhibit (g)(17)

UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

January 10, 1997
E-24-E

No. 97-1006, 97-1009
NORFOLK SOUTHERN CORPORATION, et al., Appellants
v.
CONRAIL INC., et al.
(E.D. of PA. Civil No. 96-cv-07167 (DWVA))
For 97-1007
PETER D. FERRERA, et al., Appellants
v.
DAVID M. LEVAN, et al.
(E.D. of PA. Civil No. 96-cv-07350 (DWVA))
For 97-1009

Present: STAPLETON, SCIRICA and NYGAARD, Circuit Judges.

1. Emergency Motion by Appellants in 97-1006 for an injunction on the District Court's 1/9/97 Order denying Appellants' Motion for a preliminary injunction pending the appeal.
2. Emergency Motion by Appellants in 97-1009 for an injunction on the District Court's 1/9/97 Order denying Appellants' Motion for a preliminary injunction pending the appeal.
3. Response by Appellee CSX Corporation in Opposition to the Motions for injunction pending the appeals.
4. Response by Appellees Conrail Inc., etc. in Opposition to the Motions for injunction pending the appeals.

/s/ Anthony Infante

Anthony Infante 597-3137
Deputy Clerk

Response due: 1/13/97 at 4:00 PM.
Emergency Date: 1/17/97.
See 96-2025 & 96-2026.

O R D E R

The foregoing
MOTIONS FOR AN INJUNCTION PENDING APPEAL ARE DENIED.

By the Court,
/s/ Circuit Judge Scirica

Circuit Judge

Dated: JAN 13, 1997

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 1)

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

and

SCHEDULE 13D

(Amendment No. 3)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Statement on Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

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

Item 7 is hereby amended and supplemented by the following:

On February 14, 1997, the staff of the STB issued an informal, nonbinding opinion to the effect 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 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 are consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. In the same opinion, the staff of the STB rejected various arguments submitted by the Company requesting the staff to decline to issue such opinion.

As of February 18, 1997, Parent, Purchaser and the Voting Trustee entered into an amended and restated Voting Trust Agreement (the "Amended and Restated Voting Trust Agreement") which incorporated the amendments approved by the staff of the STB in its nonbinding opinion dated February 14, 1997. A copy of the Amended and Restated Voting Trust Agreement is filed as an exhibit hereto and is incorporated herein by reference.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (c)(3) Amended and Restated Voting Trust Agreement, dated as of February 18, 1997, by and among Parent, Purchaser and First American National Bank, as Voting Trustee.

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 18, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(c)(3)	Amended and Restated Voting Trust Agreement, dated as of February 18, 1997, by and among Parent, Purchaser and First American National Bank, as Voting Trustee.
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**AMENDED AND RESTATED VOTING TRUST AGREEMENT
(VTA-3)**

THIS AMENDED AND RESTATED VOTING TRUST AGREEMENT, dated as of February 10, 1997, as amended and restated as of February 18, 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").

WITNESSETH:

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 Amended and Restated 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 Amended and Restated Trust Agreement as provided herein.

2. Trust Is Irrevocable--This Amended and Restated 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 or otherwise. 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 oppose the effectuation of the Merger, the Trustee shall vote the Trust Stock for the removal of any directors opposing the Merger and in favor of a slate of directors which shall favor the effectuation of the Merger and which shall agree to place all of the shares of Consolidated Rail Corporation in a separate voting trust. In addition, for so long as this 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 Amended and Restated 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, employee, 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. Notwithstanding the previous sentence, the Trustee may vote the Trust Stock to elect as directors of the Company persons (other than officers, directors or employees of Parent or Acquiror) nominated or sponsored by Parent or Acquiror or whose nomination was recommended or proposed by Parent or Acquiror if such persons have agreed, by executing an undertaking substantially in the form of Exhibit C hereto, to use their best efforts to cause

Company to place all of the shares of Consolidated Rail Corporation into a separate voting trust as promptly as possible. 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated Trust Agreement, except for the execution and delivery of this Amended and

Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated Trust Agreement.

17. Counterparts--This Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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:

/s/ Sandra T. Pierce
Assistant Corporate Secretary

By: /s/ Henry C. Wolf

Title: Executive Vice President-Finance

ATLANTIC ACQUISITION CORPORATION

ATTEST:

/s/ Dezora M. Martin
Corporate Secretary

By: /s/ James C. Bishop, Jr.

Title: Vice President and General Counsel

FIRST AMERICAN NATIONAL BANK

ATTEST:

/s/ Mary Neil Price

By: /s/ Caroline R. Oakes

Title: Vice President

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 Amended and Restated Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Amended and Restated 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 Amended and Restated Voting Trust Agreement, dated as of February 10, 1997, as amended and restated as of February 18, 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 Amended and Restated 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 Amended and Restated Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on December 31, 2016, 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Amended and Restated 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 Amended and Restated Voting Trust Agreement, dated as of February 10, 1997, as amended and restated as of February 18, 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 Amended and Restated 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 Amended and Restated Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on December 31, 2016, 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 _____, 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 their 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: _____

Title: _____

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 2)

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

and

SCHEDULE 13D

(Amendment No. 4)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On February 18, 1997, the District Court approved and entered a Supplemental Consent Order, agreed to by Parent, Purchaser, the Commissioner of the Pennsylvania Securities Commission, the Attorney General of the Commonwealth of Pennsylvania and the Company extending the November 8, 1996 Consent Order enjoining enforcement of the Pennsylvania Takeover Disclosure Law to the Second Offer.

On February 21, 1997, Parent and Norfolk Southern Railway Company submitted a Preliminary Environmental Report to the STB's Section of Environmental Analysis, relating to Parent's proposed acquisition of control of the Company and Consolidated Rail Corporation.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

(a)(9) Press Release issued by Parent on February 21, 1997.

SIGNATURE

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

Dated: February 21, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(9) Press Release issued by Parent on February 21, 1997.

FOR IMMEDIATE RELEASE

February 21, 1997

Media Contact: Robert Fort
(757) 629-2710

NS SUBMITS PRELIMINARY ENVIRONMENTAL REPORT TO STB

NORFOLK, VA -- Norfolk Southern Corporation and Norfolk Southern Railway Company today submitted a Preliminary Environmental Report to the Surface Transportation Board's Section of Environmental Analysis relating to Norfolk Southern's proposed acquisition of control of Conrail Inc. and Consolidated Rail Corporation.

The Preliminary Environmental Report was submitted under the procedural schedule set by the STB, which requires that such report be submitted at least 30 days prior to the filing of a primary application.

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 3)

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

SCHEDULE 13D

(Amendment No. 5)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

with a copy to:

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(17) Customer Letter dated October 28, 1996 (incorporated by reference to Exhibit (a)(12) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on October 30, 1996).
- (a)(11) Press Release issued by Parent on October 30, 1996, including Parent's Principles of Balanced Rail Competition (incorporated by reference to Exhibit (a)(13) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on October 30, 1996).
- (a)(12) Text of Testimony by James L. Granum, Vice President-Public Affairs of Parent, before the joint New Jersey Assembly Transportation and Communications Committee and Senate Transportation Committee on February 24, 1997.
- (a)(13) Text of Information which may be distributed to certain Company shareholders.

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 24, 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)(10)	Customer Letter dated October 28, 1996 (incorporated by reference to Exhibit (a)(12) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on October 30, 1996).
(a)(11)	Press Release issued by Parent on October 30, 1996, including Parent's Principles of Balanced Rail Competition (incorporated by reference to Exhibit (a)(13) to Parent's and Purchaser's Tender Offer Statement on Schedule 14D-1, dated October 24, 1996, as amended on October 30, 1996).
(a)(12)	Text of Testimony by James L. Granum, Vice President-Public Affairs of Parent, before the joint New Jersey Assembly Transportation and Communications Committee and Senate Transportation Committee on February 24, 1997.
(a)(13)	Text of Information which may be distributed to certain Company shareholders.

TESTIMONY OF JAMES L. GRANUM
REGARDING NORFOLK SOUTHERN CORPORATION'S
PROPOSED ACQUISITION OF CONRAIL

BEFORE THE JOINT PUBLIC HEARING
SPONSORED BY THE NEW JERSEY
ASSEMBLY TRANSPORTATION AND COMMUNICATIONS COMMITTEE
AND SENATE TRANSPORTATION COMMITTEE
MONDAY, FEBRUARY 24, 1997

Good morning, and thank you for this opportunity. My name is James L. Granum, Vice President, Public Affairs, for Norfolk Southern Corporation. I work out of Washington, D.C. Accompanying me today is Steve Eisenach, Director, Strategic Planning, from Norfolk Southern headquarters in Norfolk, Virginia; Jim Blaze, of the Kingsley Group of Marlton, New Jersey; and Roger Bodman, of Public Strategies/Impact of Trenton. Mr. Blaze and Mr. Bodman have been retained by Norfolk Southern to assist in our Conrail acquisition effort.

I'd like to take this opportunity to accomplish three things. First, I want to tell you something about Norfolk Southern. Then, I'd like to inform you of the benefits of a Norfolk Southern merger with Conrail. Finally, I hope to persuade you to endorse Norfolk Southern's plan to open the State of New Jersey and the Port of New York/New Jersey to rail-to-rail competition. After that, we'll be glad to answer questions.

Some basics about Norfolk Southern: We are the fourth largest freight railroad in the United States. We own more than 14,000 miles of track throughout the Midwest and Southeast. We haul anything that moves by rail, but primarily, coal, chemicals, automobiles, auto parts, grain, paper and construction materials. Importantly for New Jersey, we also move truck trailers and containers--known as intermodal freight--because it moves over more than one kind of transportation; trains and trucks, trains and ships.

Norfolk Southern is known for running a 'mighty fine line,' to steal a line from an old song. We are the safest big railroad on the continent and have been for eight years running. Because of our proficient and dedicated employees, we win awards for service to our customers. We are admired by our peers: *Fortune* magazine just this month named Norfolk Southern "most admired" among large railroads--the second year in a row we've topped the list, and we ranked in the top ten percent of all 431 companies in the *Fortune* survey.

And, we make money for our shareholders. We grossed \$4.8 billion in 1996 and

brought \$770 million down to the bottom line. We are proud that we have the lowest ratio of operating expenses to revenue of all the major railroads, which enables us to maintain and reinvest in our railroad at higher levels than others in the industry.

Norfolk Southern achieved these outstanding financial results operating in a fiercely competitive environment. That's why Norfolk Southern, which has demonstrated its willingness and ability to compete, vigorously opposes a merger of Conrail with CSX, our strongest and larger rail competitor. Conrail's neutrality and independence will vanish, and we will find ourselves shut out of the Northeast, from Philadelphia to Boston.

That is because our tracks do not go north of Alexandria, Virginia or Hagerstown, Maryland. We depend on Conrail to move our customers' freight into the Northeast. As an independent railroad, Conrail has historically operated as a neutral carrier, serving as a joint line partner equally well between Norfolk Southern or CSX. Good or bad, Conrail provides comparable service to all connecting railroads that want to reach the Northeast, where Conrail is the sole large major railroad. But Conrail is gone; there is no status quo. CSX/Conrail is not Conrail.

Why should you care that Conrail's past neutrality would terminate under a CSX/Conrail deal? Because competition benefits you, and a lack of it hurts you. In practice, Conrail has only minimal rail competition in New Jersey and in the New York/New Jersey Port area today. Is it a coincidence that economic development in New Jersey has stagnated under twenty years of Conrail dominance? If Conrail and CSX combine, then Conrail's lock on the region will intensify.

CSX and Conrail will tell you that they will offer single-system service to more places and that they will be more efficient than an independent Conrail. They may even suggest that by introducing competition to New Jersey as Norfolk Southern proposes, railroad costs will go up and rates will increase. If you believe that, I have a bridge to sell you. In the absence of competition, a beneficial monopoly is rarer than a benevolent dictatorship. Which would you trust more to ensure competitive rates and services? CSX promises or the marketplace?

They also say that rail-to-rail competition is not important. Maybe that's because Conrail has not experienced rail-to-rail competition before--only truck. While CSX claims that its acquisition of Conrail will take trucks off highways, CSX's record does not support the rhetoric. Since 1988, when both CSX and Norfolk Southern began serious intermodal initiatives, Norfolk Southern intermodal traffic grew 94 percent--more than double the industry growth rate. During the same period CSX intermodal traffic was flat and trailed industry growth, while Conrail intermodal growth only tracked the industry average with a 43 percent gain. Who do you want leading the charge to relieve highway truck congestion into and out of New Jersey? Last year we handled 59,000 units for one trucking company alone. Norfolk Southern has the best record of intermodal growth and terminal investment to support customer requirements.

New Jersey is part of the largest consumer market in the United States. The Port of New York/New Jersey, the largest East Coast container port, is the first call in the eastern U.S. for most North Atlantic shipping lines. All other major U.S. East Coast ports are served by two competing major railroads, but the Port of New York and New Jersey does not enjoy this advantage. Knowing how competitive ports are with each other and how much public investment there is in their facilities, can the Port afford to be captive to one railroad while the competition--such as Hampton Roads--continues to be served by two?

Norfolk Southern wants to merge with Conrail. In fact, we've been wanting to join up with them longer than anyone. We like to say: *Why Not the Best?* If Conrail is going to be sold, we offer a better deal, a better plan, less route overlap, and will execute a better merger. We have offered Conrail's owners the best financial terms--\$115 a share, all cash, for all shares. Approximately two-thirds of Conrail's shareholders endorsed the Norfolk Southern offer with their January rejection of the Conrail/CSX deal; twenty-nine percent of Conrail's employee plan shares voted against the CSX deal. Even so, Conrail's board continues to reject our superior offer.

Thankfully for all of us, federal regulators--the Surface Transportation Board--ultimately will decide who will merge with whom. The Board is charged by law with advancing the national transportation policy. It represents the public interest. We intend to file an application with the Board in April seeking permission to merge with Conrail. We believe that a Conrail-Norfolk Southern merger will prevail at the Surface Transportation Board because it preserves two-railroad competition to all major markets in the Northeast, restores rail competition to New Jersey for the first time in twenty years, and assures that the competitive balance that has been achieved among major Western railroads will also be achieved in the Eastern United States.

Norfolk Southern's is the only plan that will introduce another major rail carrier into the region over owned routes and with access to owned terminals. The Norfolk Southern plan will implement the vision of competitive rail service in New Jersey and the entire Northeast and Mid Atlantic Region intended by Congress and the United States Railway Association planners in the 1970s when Conrail was originally created. Our offer is clearly in the public interest.

Here are some of the things a Conrail-Norfolk Southern combination can do for New Jersey and why we hope the State will endorse our acquisition effort. Conrail plus Norfolk Southern will:

- Open the Port area between Conrail's Port Reading and Croxton Yards, roughly between Woodbridge and Secaucus, to another Class I carrier. This includes competitive access to rail stations and customers within that terminal area, direct access to Port Newark and Port Elizabeth; and connections to all Port-area short lines. The new competitor will also have exclusive ownership of Conrail's Croxton intermodal terminal and the ability to build an automobile or other terminal on its own property.

- Extend single-line service for the first time from New Jersey west to Kansas City, where Conrail plus Norfolk Southern will connect with all western railroads. This will supplement Conrail's existing Chicago to St. Louis service.
- Serve New Jersey with expanded RoadRailer® service to southern and midwestern destinations.
- Provide shorter, faster, north-south double-stack routes via Harrisburg, Pennsylvania, and Hagerstown, Maryland and east-west routes via Kansas City, Chicago, and St. Louis.
- Clear the Pattenburg tunnel to provide for a new double stack route between Harrisburg and Newark via Allentown. Conrail has repeatedly refused to make the necessary tunnel improvements because the Canadian Pacific has rights over that route, and Conrail has sought to protect its own double-stack stranglehold on the Port.
- Introduce another rail competitor for the New York/New Jersey automobile distribution market.
- Bring to New Jersey communities the benefits of the consistently aggressive and successful Norfolk Southern Industrial Development Department. Norfolk Southern's economic development efforts, in conjunction with the states and communities it serves, located 8 of the last 11 new auto assembly plants--including BMW and Mercedes Benz--on Norfolk Southern lines. Major industries today require access by two railroads when making site selection decisions. The Norfolk Southern plan will help New Jersey create new jobs through economic development.
- Introduce New Jersey citizens to a company that prides itself on being a good corporate citizen, is proud of its heritage, recognizes and honors the rich heritage of Conrail and its predecessor companies, and salutes the pride New Jersey has in its own rich railroad past as the gateway from which countless immigrants left Ellis Island and ventured off via the iron horse to begin a new life. To that end, we are aware of efforts to establish a railroad Heritage Foundation in the State, and while I cannot make any promises here today, we are at least willing to consider what role we can play in promoting that effort. But please bear in mind that we will never lose sight of our number one objective to provide safe, customer-focused, and competitive freight rail service.

Our proposed merger should have little impact on New Jersey employees. Since there is no Norfolk Southern and Conrail overlap in New Jersey, there are no redundant yards, no redundant terminals and no redundant diesel shops. Nor redundant workers.

In the front of the gray folders we distributed, you will find a single sheet titled "Principles of Balanced Rail Competition." This is Norfolk Southern's written commitment that, by merging with Conrail, we will make sure that the largest markets, including New Jersey, will be served by two large railroads.

Norfolk Southern has met repeatedly with representatives from the New Jersey Department of Transportation, the Port of New York/New Jersey, the North Jersey Transportation Planning Authority, Southern New Jersey Development Council, New Jersey Transit, and the New Jersey Short Line Association. We have met with Union County community leaders. We have had frank exchanges of information. Much of what we have learned will find its way into the merger application we file with the Surface Transportation Board.

To summarize: We believe that only Norfolk Southern's merger with Conrail will prevent New Jersey from becoming increasingly captive to a monolithic rail carrier. We want the opportunity to show you what rail-to-rail competition will mean for New Jersey, its highways, and its air quality. And we want to work with you to stimulate economic development within your borders.

In closing, we'd like to ask three things of you: First, support our effort. Second, if for whatever reason you can't endorse our merger proposal, come out in favor of the "Principles of Balanced Rail Competition," as described on the sheet in your information packet. Make sure Governor Whitman and New Jersey's congressional delegation know that you support these principles. Third, give us your feedback. We want to know what matters to you and your constituents.

Thank you. We'll be glad to answer any questions you may have.

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CR+NS

The Better Choice

Norfolk Southern's acquisition of Conrail is the last chance to assure that there will be balanced, competitive rail transportation in the East and the service reliability and quality that competition assures. With many experts predicting a final round of consolidation that will result in the nation being served by just two transcontinental rail systems, it is essential that competition in the East be maintained and strengthened.

Railroad Mergers -- A Natural Trend

Railroads have been merging almost since the first trains ran in the United States. A common theme has run through the industry's mergers right from the start. By combining, railroads could serve more customers more efficiently with broader networks and provide better service to those customers.

Driven by globalization of trade and customer demand that transportation providers serve even larger territories and offer more complete and better service, railroad consolidation in recent years has spurred the creation of large carriers that operate extensive networks throughout several regions of the United States.

From approximately 40 Class I railroads that were in business in 1980 when the industry was deregulated, mergers have shrunk the roster to today's five giant systems. The West is blanketed by two companies, Union Pacific and Burlington Northern Santa Fe, while three carriers, Conrail, Norfolk Southern and CSX Transportation, cover the East. History reveals that current efforts to acquire Conrail should come as no surprise.

CR+NS -- Transportation Excellence

History does not teach that all mergers are equal in benefit or harm. Some mergers are better than others. CR+NS will be superior to a CSX/CR combination in many ways.

Customers throughout the northern U.S. will gain the benefits of Norfolk Southern intermodal expertise. Norfolk Southern's intermodal traffic has grown at twice the industry rate in the last decade and reflects Norfolk Southern's expertise and interest in shorter haul intermodal traffic. Every intermodal unit handled by CR+NS is one more long haul truck off northeastern highways.

While railroads now dominate the long haul movement of truck and container freight, over-the-road truckers still prevail in short haul markets. CR+NS will change that. Rail intermodal traffic generally is competitive with trucks on hauls of 750 miles or more, but NS is competitive on hauls as short as 500 miles.

Norfolk Southern will extend its bimodal Triple Crown service into new markets as well.

CR+NS will bring to employees and communities the benefits of a consistently aggressive and successful industrial development department. Norfolk Southern's economic development efforts, in conjunction with the states and communities it serves, located 8 of the last 11 new auto assembly plants on Norfolk Southern.

CR+NS will open markets throughout the eastern U.S. to more efficient single line service. For example, paper movements from plants in the Southeast to northeastern markets will benefit. Improved car utilization for clay shippers with movements to the Northeast will result from elimination of interchange inefficiencies.

Extensive new direct, through services will be created. CR+NS will create a lot of new and faster carload services by using the best routes and best yards of the combined company.

New service will link Conrail points with Kansas City. The NS route bypasses congested terminals in both Chicago and St. Louis. New carload service will operate down the Eastern Seaboard, providing direct service between Philadelphia, Wilmington and Baltimore and the Southeast. Another new carload service will operate directly from the Northeast to the Southeast on a shorter, faster route than the current I-81 corridor. Traffic that now moves the long way around via Cincinnati in joint line service now will follow these direct routes, saving both time and mileage.

CR+NS will bring to the Northeast rail operations that consistently have a lower ratio of operating expenses to revenue than any other major railroad. This efficiency is achieved through the dedication and discipline of Norfolk Southern employees. Conrail employees will become part of a system with the best safety record in the industry and that is widely regarded as the best-run and most efficient railroad.

Conrail and CSX facilities overlap in 60 communities, and Conrail's major Hollidaysburg and Altoona, Pa., car and locomotive shops are just 70 miles from CSX's facilities at Cumberland, Md. With far less overlap, CR+NS is likely to see far fewer job losses.

Basically, CR+NS are an end-to-end merger with fewer competitive problems than a CSX/CR merger creates.

Balanced competition will stimulate even greater economic activity in the region, resulting in more growth opportunities and job creation under CR+NS.

CR+NS -- Balanced Competition

Unlike the competing CSX/CR plan, CR+NS is pro-competitive. Putting substance to its "*Principles of Balanced Competition*," Norfolk Southern is committed as part of its merger plan to assure competitive balance throughout the region by transferring lines to competitors. Norfolk Southern and CSX already compete vigorously throughout the Southeast and much of the Midwest, although CSX is the larger railroad. Conrail, created by the federal government in 1976 following the bankruptcy of six eastern railroads, has a virtual monopoly in the vital New York market, and dominates other parts of the Northeast.

A merger of Conrail with either NS or CSX would create an unbalanced rail transportation environment throughout the East unless steps are taken to restore the balance. CSX/CR would

dominate rail transportation with almost 70% of the market by revenue; without a competitive remedy the CR+NS market share would be approximately 61%. Norfolk Southern will take positive steps to remedy the imbalance.

What is Balanced Competition?

Balance is not merely the act of changing colors of lines on a map. Competitive balance is a combination of market share, geographic coverage, market access and commodity diversity.

That is the situation that prevails in the West. Union Pacific and Burlington Northern Santa Fe both go just about everywhere and are comparable in size, although UP is slightly larger. Neither is dependent on a single commodity for its future. Balance assures that neither western carrier is in a position to dominate the rail transportation market and reduce competitive options for freight shippers.

In the Southeast, CSX and NS long have competed on relatively equal terms. CSX enjoys broader geographic coverage and a 55% market share, but NS is more profitable. As an independent carrier, Conrail acts as a "neutral" in the Northeast, even though it competes with NS and CSX in the Midwest. Today, both NS and CSX must interchange freight with Conrail to reach customers in the Northeast. A merged Conrail, with either NS or CSX, affects much more than the Northeast. Absent the kind of competitive balance Norfolk Southern proposes and which exists in the West and Southeast today, the merged carrier would not only dominate the Northeast, it would extend that domination south and westward.

As a result, the non-merging carrier would be forced to interchange much of its traffic with its competitor and eventually would be driven from now competitive markets. This elimination of competitive service would not be good for freight shippers any more than it would be good for the losing railroad.

With CSX/CR, 64 cities face a reduction from two competing railroads to one, compared with only 38 two-to-one points under CR+NS. CSX/CR results in 7 cities with more than 100,000 population -- Baltimore, Philadelphia, Pittsburgh, Indianapolis, Dayton, Ohio, Grand Rapids, Mich., and Youngstown, Ohio -- in the two-to-one category. CR+NS produces only two -- Erie, Pa., and Fort Wayne, Ind. Similarly, only one short line railroad would lose competitive connections under CR+NS, while 18 would become totally tributary to CSX/CR. Norfolk Southern will maintain competition at all those points.

Creation of Balanced Competition

While a CR+NS combination has much less geographic overlap than CSX/CR, Norfolk Southern is committed to preserving competition where the systems overlap. Norfolk Southern will go farther, by opening the Northeast -- most significantly the New York/New Jersey metropolitan area and the vital ports in that region -- to service by two strong competitors for the first time in more than 20 years. This will bring competitive balance between CR+NS and CSX closer to 55%-45%. It also will assure that freight shippers will have competitive options throughout the eastern half of the nation.

Norfolk Southern will further assure that competition is real by transferring ownership of competing lines. Through ownership, carriers can differentiate their service and make normal business

decisions about capacity and investment. This is necessary in the Northeast, where NS and CSX lack market presence and facilities in numerous major markets. In the West, both large rail systems already were in most markets and grants of trackage rights could fine-tune competitive balance.

CR+NS -- Benefits for All Constituencies

Norfolk Southern recognizes the public policy benefits of market share and geographic coverage balance. Basically, CR+NS has fewer disruptions to communities, workers and short line railroads than would a CSX/CR combination, as well as far greater service and efficiency benefits.

For rail service customers, for rail employees, for the communities we serve, for the deregulated rail industry, and for the public at large, CR+NS clearly is

The Better Choice!

02/06/97

CR+NS

The Better Choice for NEW JERSEY

The State of New Jersey as well as rail customers and consumers in the State will benefit greatly as a result of Norfolk Southern's acquisition of Conrail and the related competitive alternative package.

Balanced Competition

Conrail dominates rail transportation in New Jersey today, with 100 percent of the Class I mileage in the state. The Conrail + Norfolk Southern combination will restore true competition in New Jersey, with two Class I railroads serving both carload and the fast-growing intermodal markets.

Norfolk Southern is committed to balanced rail competition. The Norfolk Southern application to acquire Conrail, to be filed with the Surface Transportation Board within two months, will offer a competitive alternative package that ensures freight shippers and receivers rail pricing and service options.

Meaningful rail competition has certain minimum requirements:

- competing rail networks must be of comparable size
- major markets must be served by two large railroads
- railroads must own their own routes to/from most major markets
- competing railroads must have effective access to terminals.

New Jersey is part of the largest consumer market in the United States. The Port of New York and New Jersey, the largest East Coast container port, is the first call in the eastern U.S. for most steamship lines. All other major U.S. East Coast ports are served by two competing major railroads, but the Port of New York and New Jersey does not enjoy this advantage.

Today, Conrail is a neutral carrier for freight moving between regions of the country, interchanging freight with CSXT, Norfolk Southern Railway and western railroads without preference. These interline options give many New Jersey rail customers price, service, and routing alternatives. A CSX/CR combination, however, would reduce competition by extending Conrail's current domination of New Jersey into areas previously served by interline service. Conrail's current neutral position on NS and CSXT interline traffic would disappear, and even the limited current interline service and rate competition would end.

In contrast Norfolk Southern's competitive alternative package will assure that two major railroads will serve New Jersey. Full competitive rate and route choices will be created for New Jersey freight customers.

Norfolk Southern's competitive alternative package will implement the vision of competitive rail service in New Jersey and the entire Northeast and MidAtlantic Region intended by Congress and United States Railway Association planners in the 1970s when they dealt with the collapse of the Penn Central and five other eastern railroads. The original restructuring plan provided for competitive rail service into New Jersey and other areas where Conrail today overwhelmingly dominates rail service.

CR+NS
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for
NEW JERSEY

Service and Pricing Benefits

CR+NS will open the New Jersey market and port to service from two major Class I railroads. As a result, New Jersey rail customers will have a choice between two competitive east-west routes and two competitive north-south routes from northern New Jersey. In southern New Jersey the Philadelphia/Camden area also will enjoy two carrier competitive service. This additional service option will ensure that businesses moving goods to and from New Jersey will be able to make transportation choices based on price, service and safety -- particularly important to chemical customers. Such head-to-head competition between railroads of similar size can change market prices and generate new business.

CR+NS will bring to New Jersey communities the benefits of the consistently aggressive and successful NS Industrial Development Department. Norfolk Southern's economic development efforts, in conjunction with the states and communities it serves, located 8 of the last 11 new auto assembly plants -- including BMW and Mercedes Benz -- on Norfolk Southern lines. Major industries today require access by two railroads when making site selection decisions. The NS competitive alternative package will help New Jersey to create new jobs through economic development.

CR+NS will extend single-line service for the first time from New Jersey west to Kansas City, where CR+NS will connect with all western railroads and bypass congestion and costly delays at Chicago and East St. Louis.

Safety in rail operations is particularly important in New Jersey, with its extensive commuter rail network and the key chemical industry helping drive the state's economy. In 1995 for the seventh consecutive year, Norfolk Southern received the Harriman Gold award for outstanding safety performance in the railroad industry. The company also has received chemical customer quality awards from BP Chemical, Amoco, Dow Chemical, DuPont, Occidental, and Air Products and Chemicals. CR+NS will bring rail service backed by this reputation for quality and safety to New Jersey chemical companies.

The competitive rail service offered by CR+NS also will make the Port of New York and New Jersey more competitive for automotive importers. The international vehicle manufacturers will gain a choice of rail routes and competing price and service packages to move vehicles and parts into the rest of the United States. Innovative equipment -- such as the fully enclosed AutoRailer® -- will be offered by the CR+NS bimodal subsidiary, Triple Crown Services Company.

Competitive intermodal service -- carrying truck trailers and containers on rail cars -- benefits more than just rail freight customers. Competitive rail service will attract more traffic to rail intermodal and will divert traffic from trucks. With key stretches of I-95 and other highways in New Jersey approaching gridlock at times, taking trucks off the highway produces significant benefits for the region by alleviating congestion and helping to reduce air pollution.

**CR+NS
The Better Choice
for
NEW JERSEY**

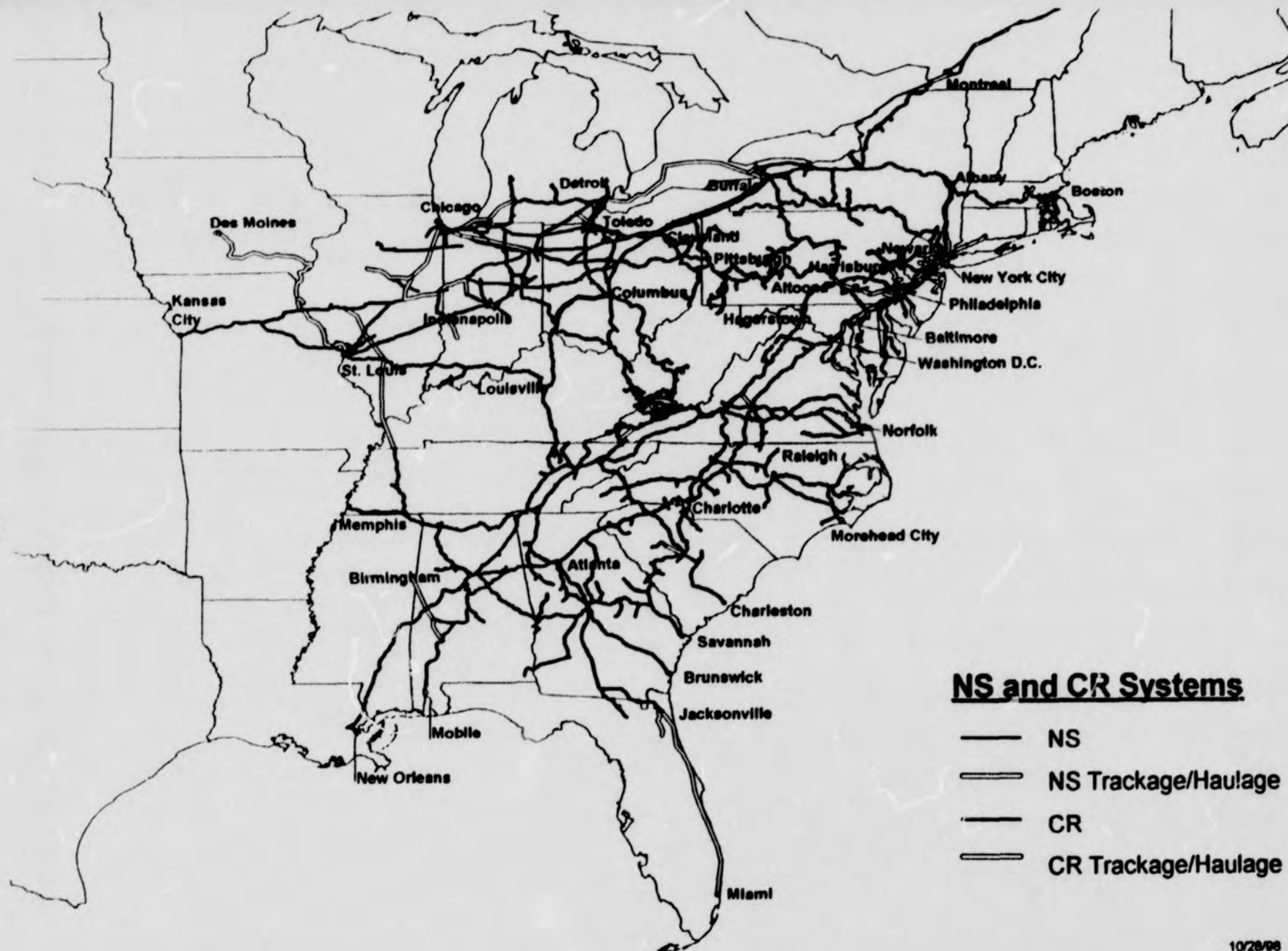
NS has a proven record of investing in intermodal terminals and equipment and new train services to support intermodal growth. While CSX claims that its acquisition of Conrail will take trucks off highways, CSXT's record does not support the rhetoric. Since 1988, when both CSXT and NS began serious intermodal initiatives, NS intermodal traffic grew 94 percent -- more than double the industry growth rate. During the same period CSXT intermodal traffic was flat and trailed industry growth, while Conrail intermodal growth only tracked the industry average with a 43 percent gain.

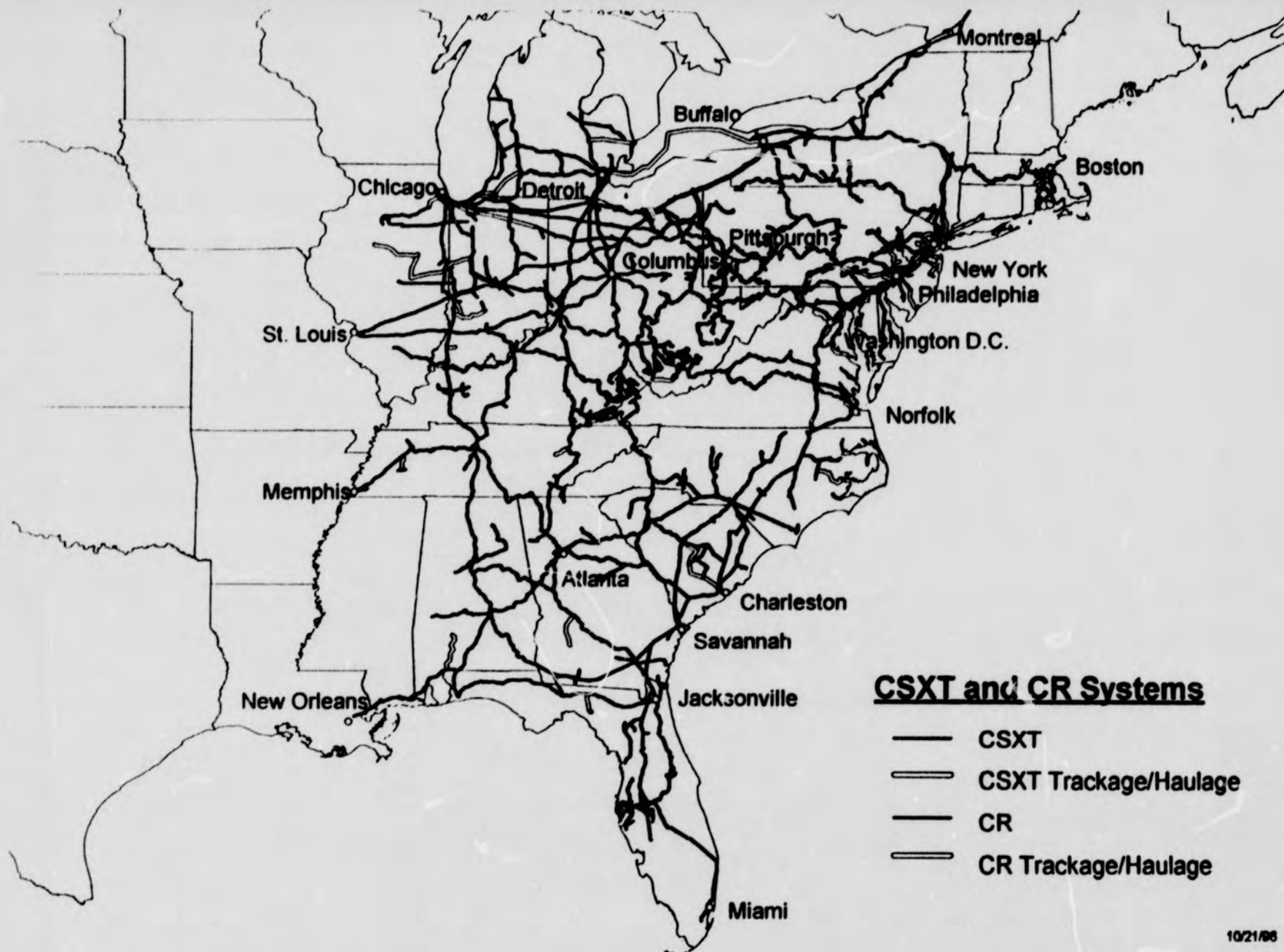
Triple Crown Services Company successfully competes today with over-the-road trucks in the market for transportation of consumer goods and industrial material for just-in-time inventory management. CR+NS will serve New Jersey with expanded RoadRailer® service to southern and midwestern destinations. A larger RoadRailer® network will take more truck traffic off I-95 and will permit CR+NS to provide services that might not be cost effective or possible with conventional rail service.

For rail service customers in New Jersey, for customer and rail employees, for the communities we serve, for the deregulated rail industry, and for the public at large, CR+NS clearly is

The Better Choice

02/19/97





SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 4)

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

and

SCHEDULE 13D

(Amendment No. 6)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

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

Item 5 is hereby amended and supplemented by the following:

On February 24, 1997, Mr. Goode sent a letter to Messrs. LeVan and Snow outlining Parent's proposal for a comprehensive settlement of the issues confronting the eastern railroads. The text of the letter is filed as an exhibit hereto and is incorporated herein by reference.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(14) Revised Text of Information which may be sent to certain Company shareholders.
- (a)(15) Press Release issued by Parent on March 3, 1997.
- (a)(16) Text of Letter sent by David R. Goode, Chairman, President and Chief Executive Officer of Parent, to David M. LeVan, Chairman, President and Chief Executive Officer of the Company and John W. Snow, Chairman, President and Chief Executive Officer of CSX on February 24, 1997.

SIGNATURE

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

Dated: March 4, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

- | | |
|---------|--|
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CR+NS

The Better Choice

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Railroads have been merging almost since the first trains ran in the United States. A common theme has run through the industry's mergers right from the start. By combining, railroads could serve more customers more efficiently with broader networks and provide better service to those customers.

Driven by globalization of trade and customer demand that transportation providers serve even larger territories and offer more complete and better service, railroad consolidation in recent years has spurred the creation of large carriers that operate extensive networks throughout several regions of the United States.

From approximately 40 Class I railroads that were in business in 1980 when the industry was deregulated, mergers have shrunk the roster to today's five giant systems. The West is blanketed by two companies, Union Pacific and Burlington Northern Santa Fe, while three carriers, Conrail, Norfolk Southern and CSX Transportation, cover the East. History reveals that current efforts to acquire Conrail should come as no surprise.

CR+NS -- Transportation Excellence

History does not teach that all mergers are equal in benefit or harm. Some mergers are better than others. CR+NS will be superior to a CSX/CR combination in many ways.

For three of the past four years, Norfolk Southern was "America's Most Admired Railroad" in *FORTUNE*®'s Corporate Reputations Survey. Overall, in the 1997 results Norfolk Southern ranks among the top 10% of the more than 430 companies rated. Norfolk Southern will bring this excellence in quality of service and employees, financial soundness, community and environmental responsibility, and other factors to the CR+NS combination.

Customers throughout the northern U.S. will gain the benefits of Norfolk Southern intermodal expertise. Norfolk Southern's intermodal traffic has grown at twice the industry rate in the last decade and reflects Norfolk Southern's expertise and interest in shorter haul intermodal traffic. Every intermodal unit handled by CR+NS is one more long haul truck off northeastern highways.

While railroads now dominate the long haul movement of truck and container freight, over-the-road truckers still prevail in short haul markets. CR+NS will change that. Rail intermodal traffic generally is competitive with trucks on hauls of 750 miles or more, but NS is competitive on hauls as short as 500 miles.

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Extensive new direct, through services will be created. CR+NS will create a lot of new and faster carload services by using the best routes and best yards of the combined company.

New service will link Conrail points with Kansas City. The NS route bypasses congested terminals in both Chicago and St. Louis. New carload service will operate down the Eastern Seaboard, providing direct service between Philadelphia, Wilmington and Baltimore and the Southeast. Another new carload service will operate directly from the Northeast to the Southeast on a shorter, faster route than the current I-81 corridor. Traffic that now moves the long way around via Cincinnati in joint line service now will follow these direct routes, saving both time and mileage.

CR+NS will bring to the Northeast rail operations that consistently have a lower ratio of operating expenses to revenue than any other major railroad. This efficiency is achieved through the dedication and discipline of Norfolk Southern employees. Conrail employees will become part of a system with the best safety record in the industry and that is widely regarded as the best-run and most efficient railroad.

Conrail and CSX facilities overlap in 60 communities, and Conrail's major Hollidaysburg and Altoona, Pa., car and locomotive shops are just 70 miles from CSX's facilities at Cumberland, Md. With far less overlap, CR+NS is likely to see far fewer job losses.

Basically, CR+NS are an end-to-end merger with fewer competitive problems than a CSX/CR merger creates.

Balanced competition will stimulate even greater economic activity in the region, resulting in more growth opportunities and job creation under CR+NS.

CR+NS -- Balanced Competition

Unlike the competing CSX/CR plan, CR+NS is pro-competitive. Putting substance to its "Principles of Balanced Competition," Norfolk Southern is committed as part of its merger plan to assure competitive balance throughout the region by transferring lines to competitors. Norfolk Southern and CSX already compete vigorously throughout the Southeast and much of the Midwest, although CSX is the larger railroad. Conrail, created by the federal government in 1976 following the bankruptcy of six eastern railroads, has a virtual monopoly in the vital New York market, and dominates other parts of the Northeast.

A merger of Conrail with either NS or CSX would create an unbalanced rail transportation environment throughout the East unless steps are taken to restore the balance. CSX/CR would dominate rail transportation with almost 70% of the market by revenue; without a competitive remedy the CR+NS market share would be approximately 61%. Norfolk Southern will take positive steps to remedy the imbalance.

What is Balanced Competition?

Balance is not merely the act of changing colors of lines on a map. Competitive balance is a combination of market share, geographic coverage, market access and commodity diversity.

That is the situation that prevails in the West. Union Pacific and Burlington Northern Santa Fe both go just about everywhere and are comparable in size, although UP is slightly larger. Neither is dependent on a single commodity for its future. Balance assures that neither western carrier is in a position to dominate the rail transportation market and reduce competitive options for freight shippers.

In the Southeast, CSX and NS long have competed on relatively equal terms. CSX enjoys broader geographic coverage and a 55% market share, but NS is more profitable. As an independent carrier, Conrail acts as a "neutral" in the Northeast, even though it competes with NS and CSX in the Midwest. Today, both NS and CSX must interchange freight with Conrail to reach customers in the Northeast. A merged Conrail, with either NS or CSX, affects much more than the Northeast. Absent the kind of competitive balance Norfolk Southern proposes and which exists in the West and Southeast today, the merged carrier would not only dominate the Northeast, it would extend that domination south and westward.

As a result, the non-merging carrier would be forced to interchange much of its traffic with its competitor and eventually would be driven from now competitive markets. This elimination of competitive service would not be good for freight shippers any more than it would be good for the losing railroad.

With CSX/CR, 64 cities face a reduction from two competing railroads to one, compared with only 38 two-to-one points under CR+NS. CSX/CR results in 7 cities with more than 100,000 population -- Baltimore; Philadelphia;

Pittsburgh; Indianapolis; Dayton, Ohio; Grand Rapids, Mich., and Youngstown, Ohio -- in the two-to-one category. CR+NS produces only two -- Erie, Pa., and Fort Wayne, Ind. Similarly, only one short line railroad would lose competitive connections under CR+NS, while 18 would become totally tributary to CSX/CR. Norfolk Southern will maintain competition at all those points.

Creation of Balanced Competition

While a CR+NS combination has much less geographic overlap than CSX/CR, Norfolk Southern is committed to preserving competition where the systems overlap. Norfolk Southern will go farther, by opening the Northeast -- most significantly the New York/New Jersey metropolitan area and the vital ports in that region -- to service by two strong competitors for the first time in more than 20 years. This will bring competitive balance between CR+NS and CSX closer to 55%-45%. It also will assure that freight shippers will have competitive options throughout the eastern half of the nation.

Norfolk Southern will further assure that competition is real by transferring ownership of competing lines. Through ownership, carriers can differentiate their service and make normal business decisions about capacity and investment. This is necessary in the Northeast, where NS and CSX lack market presence and facilities in numerous major markets. In the West, both large rail systems already were in most markets and grants of trackage rights could fine-tune competitive balance.

CR+NS -- Benefits for All Constituencies

Norfolk Southern recognizes the public policy benefits of market share and geographic coverage balance. Basically, CR+NS has fewer disruptions to communities, workers and short line railroads than would a CSX/CR combination, as well as far greater service and efficiency benefits.

For rail service customers, for rail employees, for the communities we serve, for the deregulated rail industry, and for the public at large, CR+NS clearly is

The Better Choice!

2/28/97

FOR IMMEDIATE RELEASE

March 3, 1997

Norfolk Southern Pleased With Developments Over Conrail

Media Contact: Robert Fort
(757) 629-2710

NORFOLK, VA -- The following statement was issued today by David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation (NYSE: NSC):

"We are pleased with today's announcement that CSX and Conrail are negotiating to resolve the issues facing the eastern railroads.

"Norfolk Southern is hopeful that CSX and Conrail will quickly reach a definitive agreement that would permit CSX and Norfolk Southern to work out a plan to restructure the rail transportation system in the East into combined Conrail/Norfolk Southern and Conrail/CSX systems."

###

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

February 24, 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:

As you know, we will soon file an Application at the Surface Transportation Board (STB) for authority to acquire Conrail and, in order to achieve balanced competition, make available to another Class I railroad certain lines and rights. Because of Norfolk Southern's limited presence in the region, the Application represents a solution which is effective and relatively easy to implement, and which we believe will be attractive to shippers, public agencies and the STB.

However, in an effort to respond to political and regulatory calls for settling our differences, we are prepared to offer an alternative (the Plan) for comprehensive resolution of the issues confronting the eastern railroads. The Plan offers a different approach which will require the talents of all three of our organizations to implement. The enclosed map details the Plan, showing Conrail/CSX and Conrail/Norfolk Southern operations. Conrail/CSX has a north-south route and the east-west route over Buffalo (part of old New York Central). Conrail/Norfolk Southern has a north-south route and the east-west route over Pittsburgh (part of old Pennsylvania).

If you endorse the Plan, promptly after completion of definitive documentation for the Plan, Norfolk Southern and CSX will offer to

Messrs. LeVan and Snow
February 24, 1997
Page 2

acquire all the common and ESOP stock of Conrail (other than shares already in the CSX and Norfolk Southern voting trusts) for \$115 cash per share and upon acquisition will deposit such shares in a voting trust or trusts. Upon completion of the tender offer, the remaining Conrail shares will be acquired in a merger. To carry out all these steps, Norfolk Southern and CSX will form a new entity.

As soon as regulatory approval and labor implementing agreements are effective, Conrail will make available to Norfolk Southern and to CSX for their respective operation and control the Conrail lines and rights indicated on the map and all other Conrail operating assets. Such operation and control will be exclusive except with respect to trackage rights or joint arrangements or where both CSX and Norfolk Southern would need joint rights at terminal facilities. At some point in the future consistent with our respective business objectives, the necessary steps would be taken to make the new alignments final.

Conrail's corporate headquarters will continue to be Philadelphia. The assets associated with Norfolk Southern will include the Pittsburgh service center and the Altoona and Hollidaysburg shop facilities. The assets associated with CSX will include the Philadelphia headquarters. Conrail employees in general will remain with the Conrail/CSX and Conrail/Norfolk Southern operations and assets, as determined by implementing agreements under the statute. Similarly, employees affected by coordinations between Conrail and CSX, and Conrail and Norfolk Southern, will be entitled to protection to the extent provided by statute. We anticipate that Conrail employee options and benefits would be handled in a manner analogous to that in the present Conrail/CSX agreement.

The costs of acquiring all of the Conrail stock will be divided in proportion to the Conrail gross freight revenues which will accrue to Conrail/CSX operations and to Conrail/Norfolk Southern operations under the Plan (the Percentages). The calculation will be based on a study of

Conrail's 1996 gross freight revenues, using standard traffic study methodology familiar to all the parties. Norfolk Southern's and CSX's interests in the new entity formed to accomplish the Plan will be in proportion to their Percentages. Conrail assets and liabilities not otherwise provided for (and not relating to a Conrail/CSX line or a Conrail/Norfolk Southern line) will ultimately be discharged or allocated in accordance with the Percentages. Tax costs, if any, associated with the Plan will generally be shared in accordance with the Percentages.

Norfolk Southern is ready to begin immediately drafting documentation and pursuing the corporate actions and regulatory approvals necessary to implement the Plan. It is suggested that, with respect to their individual interests, CSX and Norfolk Southern may consider jointly engaging an independent party to expedite and mediate the process of documentation, with instructions to strive for fair, realizable and administratively simple provisions consistent with the outline here provided.

The Plan is offered without prejudice to our forthcoming Application to the STB. We believe that the Application and the competitive alternative it proposes will provide an appropriate resolution if we cannot agree on the Plan. Upon completion of definitive documentation for the Plan, the Norfolk Southern and CSX applications could be supplemented or converted into a joint application to accomplish the Plan. The result of either the Application or the Plan could be an eastern railroad structure in which the Conrail/CSX and Conrail/Norfolk Southern systems compete at and between most of the major ports and markets east of the Mississippi. We believe this is a sound basis on which to build an internationally competitive economy in the region, and that the benefits of this compromise extend to our companies, employees and customers.

We are willing to consider any alternative suggestions for accomplishing the same results as the Plan, which in any event is subject to confirmation of the analysis used to develop it since we do not possess the

Messrs. LeVan and Snow
February 24, 1997
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information necessary for complete validation of our estimates. Because this initiative will complicate ongoing negotiations with other railroads concerning the competitive alternative Norfolk Southern will offer in its STB Application, we must ask to hear from you by the close of business Monday, March 3, concerning your interest in seriously pursuing a solution along these lines.

Sincerely,

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 5)

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

SCHEDULE 13D

(Amendment No. 7)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

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

Item 4 is hereby amended and supplemented by the following:

(b) Parent, the Arrangers and the Lenders entered into an amendment, dated as of February 28, 1997, to the Credit Agreement, dated as of February 10, 1997, pursuant to which the period during which \$1.65 billion of the revolving credit facility (which is the maximum aggregate amount outstanding permitted to be borrowed thereunder prior to the Acquisition Date) is available under the Credit Agreement was extended to August 1, 1998 from August 1, 1997, unless the Acquisition Date occurs on or prior to August 1, 1997, in which case the entire revolving credit facility will be available until the fifth anniversary of the Closing Date.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

(b)(2) Amendment No. 1 to Credit Agreement, dated as of February 28, 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.

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: March 5, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

- (b)(2) Amendment No. 1 to Credit Agreement, dated as of February 28, 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.

CONFORMED COPY

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of February 28, 1997 to the Credit Agreement dated as of February 10, 1997 (the "Credit Agreement"), among Norfolk Southern Corporation, the Banks listed on the signature pages hereof, Morgan Guaranty Trust Company of New York, as Administrative Agent, and Merrill Lynch Capital Corporation, as Documentation Agent.

W I T N E S S E T H :

WHEREAS, the Borrower and the Banks desire to amend the Credit Agreement as set forth below;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions, References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference therein to "this Agreement", "hereof", "hereunder", "herein" and "hereby" and each similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment of Section 1.01 of the Agreement. The definition of "Revolving Credit Termination Date" in Section 1.01 is amended to read in its entirety as follows:

"Revolving Credit Termination Date" means August 1, 1998; *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).

SECTION 3. Amendment of Section 2.12 of the Agreement. Subsection (b) of Section 2.12 is amended to read in its entirety as follows:

(b) If the Acquisition Date shall not have occurred on or prior to August 1, 1997 (i) all Term Commitments shall terminate on such date and (ii) the Revolving Credit Commitments, to the extent not theretofore reduced to the same or a lesser amount pursuant to Section 2.09, shall be ratably reduced to an aggregate amount of \$1,650,000,000.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Counterparts; Effectiveness. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment shall become effective as of the date hereof when the Administrative Agent shall have received duly executed counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, the Administrative Agent shall have received telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

NORFOLK SOUTHERN CORPORATION

By /s/ William J. Romig
Title: Vice President and Treasurer

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK

By /s/ Douglas A. Cruikshank
Title: Vice President

MERRILL LYNCH CAPITAL CORPORATION

By /s/ Christopher Birosak
Title: Vice President

BANK OF MONTREAL

By /s/ Richard I. McClorey
Title: Director

THE BANK OF NEW YORK

By /s/ Gregory P. Shefrin
Title: Vice President

BANKERS TRUST COMPANY

By /s/ Mary Zadroga
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE

By /s/ Brian E. O'Callahan
Title: Director
CIBC Wood Gundy Securities Corp.,
as Agent

CREDIT LYONNAIS ATLANTA AGENCY

By /s/ Robert Ivosevich
Title: Senior Vice President

**THE DAI-ICHI KANGYO BANK, LTD.,
NEW YORK BRANCH**

By /s/ Robert P. Gallagher
Title: Assistant Vice President

**DRESDNER BANK AG, NEW YORK AND GRAND
CAYMAN BRANCHES**

By /s/ Anthony Berti
Title: Assistant Treasurer

By /s/ Andrew K. Mittag
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Amy R. Fahey
Title: Vice President

FIRST UNION NATIONAL BANK OF NORTH
CAROLINA

By /s/ Henry R. Biedrzycki
Title: Vice President

THE FUJI BANK, LTD.

By /s/ Masanobu Kobayashi
Title: Vice President and Manager

THE INDUSTRIAL BANK OF JAPAN, LIMITED -
NEW YORK BRANCH

By /s/ John V. Veltri
Title: Senior Vice President

LICB TRUST COMPANY

By /s/ Satoru Otsubo
Title: Executive Vice President

THE MITSUBISHI TRUST AND BANKING
CORPORATION

By /s/ Patricia Loret de Mola
Title: Senior Vice President

ROYAL BANK OF CANADA

By /s/ Michael J. Madnick
Title: Manager

THE SANWA BANK, LIMITED

By /s/ William M. Plough
Title: Vice President

By /s/ Andrew N. Hammond
Title: Vice President

SOCIETE GENERALE

By /s/ Ralph Saheb
Title: Vice President and Manager

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By /s/ John C. Kissinger
Title: Joint General Manager

THE TOKAI BANK, LIMITED, NEW YORK
BRANCH

By /s/ Kaoru Oda
Title: Assistant General Manager

TORONTO DOMINION (NEW YORK), INC.

By /s/ Debbie A. Greene
Title: Vice President

**UNION BANK OF SWITZERLAND,
NEW YORK BRANCH**

By /s/ Dieter Hoeppli
Title: Vice President

By /s/ Samuel Azizo
Title: Vice President

WACHOVIA BANK OF NORTH CAROLINA, N.A.

By /s/ W. Charles Blocker, Jr.
Title: Vice President

ABN AMRO BANK N.V., NEW YORK BRANCH

By /s/ Frances O. Logan
Title: Group Vice President

By /s/ Thomas T. Rogers
Title: Assistant Vice President

BANCA COMMERCIALE ITALIANA,
NEW YORK BRANCH

By /s/ Charles Dougherty
Title: Vice President

By /s/ B. Carlson
Title: Assistant Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.

By /s/ William L. Otott, Jr.
Title: Vice President

BANQUE PARIBAS

By /s/ John J. McCormick, III
Title: Vice President

By /s/ Mary T. Finnegan
Title: Group Vice President

COMMERZBANK AG, NEW YORK BRANCH

By /s/ Juergen Schmieding
Title: Vice President

By /s/ Andrew R. Campbell
Title: Assistant Treasurer

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENNE

By /s/ Sean Mounier

Title: First Vice President

By /s/ Marcus Edward

Title: Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A., RABOBANK
NEDERLAND

By /s/ Ian Reece

Title: Vice President and Manager

By /s/ Angela R. Reilly

Title: Vice President

CREDIT SUISSE FIRST BOSTON

By /s/ Thomas G. Muoio

Title: Associate

By /s/ Steven Janaushek

Title: Associate

DG BANK DEUTSCHE
GENOSSENSCHAFTSBANK

By /s/ Leo Von Reissig
Title: Assistant Vice President

By /s/ Karen A. Brinkman
Title: Vice President

FLEET NATIONAL BANK

By /s/ Dorothy E. Bambach
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION

By /s/ Michael J. Landini
Title: Assistant Vice President

THE ASAHI BANK, LTD.

By /s/ Tatsuo Kase
Title: Manager

By /s/ Wit Derby
Title: Vice President

THE ROYAL BANK OF SCOTLAND PLC

By /s/ Derek Bonnar
Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yoshikazu Nagura
Title: Vice President

THE TOYO TRUST & BANKING COMPANY,
LIMITED

By /s/ T. Mikumo
Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ Cynthia M. Niesen
Title: Managing Director

By /s/ Michael F. McWalters
Title: Managing Director

BAYERISCHE LANDESBANK

By /s/ Peter Obermann
Title: Senior Vice President
Manager Lending Division

By /s/ Sean O'Sullivan
Title: Second Vice President

DEUTSCHE BANK AG, NEW YORK
AND/OR CAYMAN ISLANDS BRANCH

By /s/ Angela Bozorgmir
Title: Assistant Vice President

By /s/ Robert M. Wood, Jr.
Title Vice President

LLOYDS BANK PLC

By /s/ Michael J. Gilligan
Title: Vice President

By /s/ Paul D. Briamonte
Title: Vice President

THE NIPPON CREDIT BANK, LTD.

By /s/ Yoshihide Watanabe
Title: Vice President and Manager

THE YASUDA TRUST & BANKING
CO., LIMITED

By /s/ Morikazu Kimura
Title: Chief Representative

BAYERISCHE HYPOTHEKEN-UND
WECHSEL-BANK AG, NEW YORK
BRANCH

By /s/ Steve Atwell
Title: Vice President

By /s/ Uwe Roeder
Title: Vice President

BAYERISCHE VEREINSBANK AG,
NEW YORK BRANCH

By /s/ Marianne Weininger
Title: Vice President

By /s/ Sylvia K. Cheng
Title: Vice President

BHF - BANK AKTIENGESELLSCHAFT

By /s/ Evon M. Contos
Title: Vice President

By /s/ Thomas J. Scifo
Title: Assistant Vice President

CAISSE NATIONALE DE CREDIT
AGRICOLE

By /s/ David Bouhl
Title: First Vice President
Head of Corporate Banking,
Chicago

CREDIT LOCAL DE FRANCE

By /s/ Ducos Philippe
Title: Deputy General Manager

By /s/ Mary Power
Title: Vice President

**THE MITSUI TRUST AND BANKING
COMPANY, LIMITED NEW YORK
BRANCH**

By /s/ William W. Hunter
Title: Vice President

SUNTRUST BANK, ATLANTA

By /s/ Ruth E. Whitner
Title: Assistant Vice President

By /s/ Jarrette A. White, III
Title: Group Vice President/ Group
Manager

**BANCA NAZIONALE DEL LAVORO
SPA - NEW YORK BRANCH**

By /s/ Giuliano Violetta
Title: First Vice President

By /s/ Miguel J. Medida
Title: Vice President

BANQUE FRANCAISE DU
COMMERCE EXTERIEUR

By /s/ G. Kevin Dooley
Title: Vice President

By /s/ Brian J. Cumberland
Title: Assistant Treasurer

CREDITANSTALT-BANKVEREIN

By /s/ Christina T. Schoen
Title: Vice President

By /s/ Richard P. Buckanavage
Title: Vice President

CRESTAR BANK

By /s/ Bruce W. Nave
Title: Vice President

THE SUMITOMO TRUST & BANKING CO.,
LTD., NEW YORK BRANCH

By /s/ Suraj P. Bhatia
Title: Senior Vice President
Manager, Corporate Finance Dept.

CHIAO TUNG BANK CO., LTD.

By /s/ Liang Yuh Tseng
Title: Senior Vice President and
General Manager

NATIONAL BANK OF KUWAIT SAK

By /s/ Mahannad Kamal
Title: Executive Manager

By /s/ Robert J. McNeill
Title: Deputy Division Manager

STAR BANK, N.A.

By /s/ Richard W. Neltner
Title: Vice President

PER PRO BROWN BROTHERS
HARRIMAN & CO.

By /s/ Richard J. Ragoza
Title: Senior Credit Officer

BARCLAYS BANK PLC

By /s/ L. Peter Yetman
Title: Associate Director

COMERICA BANK

By /s/ Tamara J. Gurne
Title: Assistant Vice President

GULF INTERNATIONAL BANK B.S.C.

By /s/ Thomas E. Fitzherbert
Title: Vice President

By /s/ I.N. Baconi
Title: Senior Vice President and
Branch Manager

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Administrative Agent

By /s/ Douglas A. Cruikshank
Title: Vice President

MERRILL LYNCH CAPITAL
CORPORATION, as Documentation Agent

By /s/ Christopher Birosak
Title: Vice President

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 6)

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

SCHEDULE 13D

(Amendment No. 8)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

with a copy to:

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

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

Item 5 is hereby amended and supplemented by the following:

On March 7, 1997, the Company announced that an amendment to the CSX Merger Agreement had been entered into pursuant to which, among other things, (i) the price per Share offered in the CSX Second Offer was increased from \$110 to \$115, net to the seller in cash, without interest, and the number of Shares sought pursuant to the CSX Second Offer was increased to all outstanding Shares and the expiration date of the CSX Second Offer was extended to 5:00 p.m., New York City time, on Friday, April 18, 1997 (subject to further extension to June 2, 1997 without the consent of the Company and whether or not all the conditions have then been satisfied), (ii) the consideration paid per Share in the Proposed CSX Merger for all remaining outstanding Shares following consummation of the CSX Second Offer was increased to \$115 in cash and (iii) the conditions to the CSX Second Offer relating to the Pennsylvania Control Transaction Law becoming inapplicable to the Company and relating to pending governmental actions or proceedings were deleted, and a condition was added that a minimum number of Shares are tendered to the CSX Second Offer which together with the Shares already owned by CSX, represents more than a majority of the outstanding Shares on a fully diluted basis.

Parent expects to negotiate a comprehensive settlement of the issues confronting the eastern railroads with CSX with a view toward effecting a joint acquisition of the Shares consistent with Parent's February 24, 1997 proposal. However, there can be no assurance that any such settlement between Parent and CSX can be reached. Therefore, Parent has hereby amended the Second Offer to run coextensively with the CSX Second Offer.

Item 10. Additional Information.

Item 10 is hereby amended and supplemented by the following:

(e) On March 7, 1997, the Third Circuit affirmed the November 19, 1996 and January 9, 1997 judgments of the District Court.

(f) On February 10, 1997, Parent and Purchaser announced that they were extending the expiration date of the Second Offer to 12:00 midnight, New York City time, on Friday, April 18, 1997, unless the Second Offer is further extended. According to the Depository for the Second Offer, as of the afternoon of March 7, 1997, approximately 1,056,000 Shares had been tendered and not withdrawn pursuant to the Second Offer.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(17) Press Release issued by Parent on March 7, 1997.
- (a)(18) Press Release issued by Parent on March 10, 1997.
- (g)(18) Judgment of Judges Stapleton, Scirica and Nygaard (dated March 7, 1997, United States Court of Appeals for the Third Circuit).
- (g)(19) Opinion of Judges Stapleton, Scirica and Nygaard (dated March 7, 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: March 10, 1997

NORFOLK SOUTHERN CORPORATION

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

ATLANTIC ACQUISITION CORPORATION

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

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
(a)(17)	Press Release issued by Parent on March 7, 1997.
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(g)(18)	Judgment of Judges Stapleton, Scirica and Nygaard (dated March 7, 1997, United States Court of Appeals for the Third Circuit).
(g)(19)	Opinion of Judges Stapleton, Scirica and Nygaard (dated March 7, 1997, United States Court of Appeals for the Third Circuit).

FOR IMMEDIATE RELEASE

March 7, 1997

Media Contact: Robert Fort
(757) 629-2710

NS Praises Conrail Agreement as 'Important Victory' for All

Company says it will now finalize plan for eastern railroads with CSX

NORFOLK, VA -- The following statement was issued today by David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation (NYSE: NSC):

"The breakthrough on the issues facing the eastern railroads represents an important victory for everyone with an interest in the future of rail transportation in America and for those who rely on it -- shippers, shareholders, railroad employees and the communities served by Conrail, Norfolk Southern and CSX.

"Norfolk Southern is gratified that we will be able to fulfill our promise to deliver \$115 in cash per share to Conrail shareholders. We are also pleased that the contemplated agreement with CSX will redraw the railroad map to preserve and enhance competition in the East and guarantee balanced competition between two strong companies.

"On February 24 Norfolk Southern proposed to CSX and Conrail a plan to restructure the eastern rail system. That plan, which all sides have not accepted, will ensure that the combined Conrail/Norfolk Southern and the combined Conrail/CSX systems will compete at and between most of the major ports and markets east of the Mississippi.

"As we said in our letter, 'We believe this is a sound basis on which to build an internationally competitive economy in the region, and that the benefits of this compromise extend to our companies, employees and customers.'

"We look forward to working with the dedicated and talented Conrail employees who will be joining Norfolk Southern. They will play an invaluable role in building an even greater railroad.

"Norfolk Southern will now begin talks with CSX to work out the joint purchase of Conrail shares and the other details of this historic transaction.

"Perhaps as much as anything else, this demonstrates that with creativity and determination great companies can work through difficult issues and find solutions that are in the public interest. We are proud of the role we played in achieving that result."

###

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

FOR IMMEDIATE RELEASE

March 10, 1997

Media Contact: Robert Fort
(757) 629-2710

NORFOLK, VA -- Norfolk Southern Corporation (NYSE:NSC) today announced that it is extending its previously announced tender offer for shares of Conrail. Norfolk Southern expects to negotiate with CSX Corporation a comprehensive settlement of the issues confronting the eastern railroads consistent with the proposal submitted by Norfolk Southern last month. However, while negotiations are pending, Norfolk Southern intends to amend its tender offer to run coextensive with the CSX tender offer. Accordingly, the tender offer has been extended through 12:00 midnight, New York City time, on Friday, April 18, 1997. Norfolk Southern continues to offer \$115 cash per share for all shares of Conrail. According to the depositary for the Norfolk Southern tender offer, approximately 1,056,000 Conrail shares had been tendered and not withdrawn pursuant to Norfolk Southern's offer as of the afternoon of March 7.

###

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

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 96-2025 & 96-2026

NORFOLK SOUTHERN CORPORATION, ET AL.,
Appellants in No. 96-2025

v.

PETER D. FERRARA, ET AL.,
Appellants in No. 96-2026

Nos. 97-1006 & 97-1009

NORFOLK SOUTHERN CORPORATION, ET AL.,
Appellants in No. 97-1006

v.

PETER D. FERRARA, ET AL.,
Appellants in No. 97-1009

Appeal from the United States District Court
For the Eastern District of Pennsylvania
(D.C. Civil Nos. 96-cv-07167 & 96-cv-07350)

Present: Stapleton, Scirica, and Nygaard, Circuit Judges

JUDGMENT

These causes came on to be heard on the record from the United States District Court for the Eastern District of Pennsylvania and was submitted pursuant to Third Circuit LAR 34.1(a) on February 25, 1997.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court dated November 19, 1996 and entered Novem-

ber 20, 1996 and the judgment dated January 9, 1997 and entered January 10, 1997, be, and the same are hereby affirmed. All of the above in accordance with the opinion of this Court.

ATTEST:

/s/ F. Douglas Sisk

Clerk

Dated: March 7, 1997

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NOS. 96-2025 and 96-2026

NORFOLK SOUTHERN CORP., ET AL.,

Appellants in No. 96-2025

v.

PETER D. FERRARA, ET AL.,

Appellants in No. 96-2026

NOS. 97-1006 and 97-1009

NORFOLK SOUTHERN CORP., ET AL.,

Appellants in No. 97-1006

v.

PETER D. FERRARA, ET AL.,

Appellants in No. 97-1009

Appeal from the United States District Court
For the Eastern District of Pennsylvania
(D.C. Civil Nos. 96-cv-7167, 96-cv-7350)
District Judge: Honorable Donald W. Van Artsdalen

Submitted Pursuant to Third Circuit LAR 34.1(a)
February 25, 1997

BEFORE: STAPLETON, SCIRICA and NYGAARD, Circuit Judges

OPINION OF THE COURT

PER CURIAM:

In the appeals at Nos. 96-2025 and 96-2026, the appellants appeal from an order of the district court, the primary effect of which was to deny a preliminary injunction to stop a tender offer which subsequently closed on November 20, 1996. In the appeals at Nos. 97-1006 and 97-1009, the appellants appeal from an order of the district court, the primary effect of which was to deny a preliminary injunction to delay a stockholder vote on a charter amendment that subsequently occurred on January 17, 1997.

As appellants in all four appeals stress, they asked the district court for other preliminary injunctive relief in addition to a preliminary restraint against the tender offer and the stockholder vote, and these appeals, as a result, are technically not moot. Nevertheless, we cannot say that the district court, at the time it entered the orders appealed from, abused its discretion in failing to grant any of this additional pendente lite relief. Appellants failed to demonstrate, for example,

that they face imminent, irreparable injury that would be avoided if any of this additional relief were granted.¹

Because the tender offer and stockholder vote can no longer be enjoined and because we cannot say that the district court abused its discretion in denying other relief we will affirm the order giving rise to these appeals.

In reaching this conclusion, we are not unmindful of the fact that the conduct alleged by appellants to be wrongful may have continuing effects. If appellants, at any time before the merits of this case can be fully adjudicated, believe that they face imminent, irreparable injury from any such continuing effects, they are, of course, free to apply to the district court for pendente

¹ The fact that no stockholder meeting or other corporate action of Conrail is currently scheduled and no competing merger proposals are before the Conrail Board makes it difficult for the appellants to demonstrate an immediate threat of irreparable injury. The application for a preliminary injunction in the first filed cases did ask for an order enjoining enforcement of the 270 day lock-out provision and that provision, now extended to 720 days, remains in the merger agreement. However, a pronouncement on the validity of that provision in the context of a request for a preliminary injunction would not, of course, finally resolve the issue of its validity, and, more importantly, the record does not indicate that such a preliminary injunction would save appellants from any immediately threatened irreparable injury or, indeed, change the status quo in any other way. To the contrary, it suggests that the Conrail Board would remain committed to the CSX proposal even if it were not bound by a contract provision.

lite relief directed to whatever threatens such injury. The fact that such relief may become appropriate, however, does not mean that the district court erred in entering its orders of November 19, 1996, and January 9, 1997.

In the event that additional applications for pendente lite relief are filed in the district court and additional appeals follow, those appeals will be submitted by the clerk to this panel and will be expedited and decided on the basis of the existing briefing plus any appropriate supplemental submissions.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 7)

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

SCHEDULE 13D

(Amendment No. 9)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidder)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

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

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

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

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

- (a)(19) Text of Advertisement appearing in newspapers on March 19, 1997.

SIGNATURE

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

Dated: March 19, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(19) Text of Advertisement appearing in newspapers on March 19, 1997.

A MESSAGE TO CONRAIL EMPLOYEES

[Letterhead of David R. Goode, Chairman, President and Chief Executive Officer
of Norfolk Southern Corporation]

March 19, 1997

Dear Conrail Employees:

Many of you have been with Conrail through its historic transformation over the last twenty years. You have created a vibrant, thriving railroad and should be proud of your accomplishments.

We are now at another historic point in American railroading. The restructuring of the eastern rail system provides a unique opportunity to enhance competition and create growth for our industry. I believe now, as I always have, that only with such competition can businesses - and our nation - succeed on behalf of all who depend on us: employees, customers, suppliers, shareholders, and communities.

We at Norfolk Southern look forward to welcoming the dedicated and talented employees of Conrail who will be joining our company. Together we will build an even greater team.

Over the past five months, you have undoubtedly experienced anxiety about Conrail's future. Please be assured of three things. First, your experience, expertise, and dedication will be important to Norfolk Southern. Second, we will rely on you in the planning for this transition. Third, we will try to minimize uncertainties as we move forward.

I believe that as great a history as each of our railroads has had separately, we will have an even greater future together.

Sincerely,

/s/ David

David R. Goode

[Norfolk Southern logo]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-1

(Amendment No. 8 - Final Amendment)

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

and

SCHEDULE 13D

(Amendment No. 10)

Conrail Inc.

(Name of Subject Company)

**Norfolk Southern Corporation
Atlantic Acquisition Corporation**

(Bidders)

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

208368 10 0

(CUSIP Number of Class of Securities)

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

Not Available

(CUSIP Number of Class of Securities)

James C. Bishop, Jr.

Executive Vice President-Law

Norfolk Southern Corporation

Three Commercial Place

Norfolk, Virginia 23510-2191

Telephone: (757) 629-2750

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

with a copy to:

Randall H. Doud, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

919 Third Avenue

New York, New York 10022

Telephone: (212) 735-3000

This Amendment amends the combined Tender Offer Statement on Schedule 14D-1 initially filed on February 12, 1997, as amended, and the Schedule 13D initially filed on February 5, 1997, as amended (the "Combined Statement"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated February 12, 1997 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together constitute the "Second Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase or the Combined Statement.

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

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

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

On April 8, 1997 Parent and CSX entered into an agreement (the "Agreement") which provides, among other things, that Parent and CSX will jointly acquire the Company. Pursuant to the Agreement, Parent and Purchaser have terminated the Second Offer. According to the Depositary, approximately 2.1 million Shares had been tendered and not withdrawn pursuant to the Second Offer as of the afternoon of April 8. Shares that have been tendered into the Second Offer to date will be promptly returned to tendering shareholders.

Item 11. Material to be Filed as Exhibits.

Item 11 is hereby amended and supplemented by the following:

(a)(20) Press Release issued by Parent on April 9, 1997.

SIGNATURE

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

Dated: April 9, 1997

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit
Number

Description

(a)(20) Press Release issued by Parent on April 9, 1997.

FOR IMMEDIATE RELEASE

April 9, 1997

Media Contact: Robert Fort
(757) 629-2710

**NORFOLK SOUTHERN ANNOUNCES TERMINATION OF OFFER FOR
CONRAIL SHARES IN CONNECTION WITH AN AGREEMENT WITH CSX
TO JOINTLY ACQUIRE CONRAIL**

NORFOLK, VA -- Norfolk Southern Corporation (NYSE:NSC) announced today that, in connection with an agreement with CSX Corporation to jointly acquire Conrail, Norfolk Southern has terminated its second tender offer for all of the outstanding shares of the common stock and ESOP preferred stock of Conrail Inc. (NYSE:CRR) at \$115 per share. The offer and withdrawal rights were scheduled to expire at 12:00 midnight, New York City time, on Friday, April 18, 1997. According to the Depositary, approximately 2.1 million Shares had been tendered and not withdrawn pursuant to the second offer as of the afternoon of April 8. Shares that have been tendered into the offer to date will be promptly returned to tendering shareholders.

Pursuant to the agreement with CSX, CSX's pending tender offer for the remaining shares of Conrail will be amended to include Norfolk Southern as a co-bidder and will be extended until May 23, 1997. Shareholders desiring assistance tendering their shares to the amended joint Norfolk Southern/CSX tender offer should call the information agent for the joint offer, MacKenzie Partners, Inc., 156 Fifth Avenue, New York, New York 10010, at (212) 929-5500 (call collect) or toll free at (800) 322-2885.

###

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

1995 ANNUAL REPORT & FORM 10-K

CSX Corporation is a Fortune 500 transportation company providing rail, intermodal, ocean container-shipping, barging, trucking and contract logistics services worldwide. Holdings include: CSX Transportation Inc., Sea-Land Service Inc., CSX Intermodal Inc., American Commercial Lines Inc. and Customized Transportation Inc.

The company's non-transportation interests include: The Greenbrier, the Grand Teton Lodge Company, and CSX Real Property Inc. CSX also holds a majority interest in Yukon Pacific Corporation.

In 1995, CSX generated more than \$10.5 billion of operating revenue.

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FINANCIAL HIGHLIGHTS

(Millions of Dollars, Except Per Share Amounts)

	1995 ^(a)	1994 ^(b)	1993 ^(c)	1992	1991 ^(d)
Summary of Operations					
Operating Revenue	\$10,504	\$ 9,608	\$ 8,940	\$ 8,734	\$ 8,636
Operating Expense	9,075	8,376	7,934	7,769	7,782
Productivity/Restructuring Charge ^(e)	257	—	93	699	755
Total Operating Expense	9,332	8,376	8,027	8,468	8,537
Operating Income	\$ 1,172	\$ 1,232	\$ 913	\$ 266	\$ 99
Net Earnings (Loss)	\$ 618	\$ 652	\$ 359	\$ 20	\$ (76)
Per Common Share^(f)					
Net Earnings (Loss)	\$ 2.94	\$ 3.12	\$ 1.73	\$.10	\$ (.38)
Cash Dividends	\$.92	\$.88	\$.79	\$.76	\$.72
Market Price — High	\$ 46.13	\$ 46.19	\$ 44.06	\$ 36.81	\$ 29.00
— Low	\$ 34.63	\$ 31.56	\$ 33.19	\$ 27.25	\$ 14.88
Percentage Change from Prior Year					
Operating Revenue	9.3%	7.5%	2.4%	1.1%	5.3%
Operating Expense	11.4%	4.3%	(5.2)%	(.8)%	15.5%
Operating Expense, excluding Productivity/Restructuring Charge	8.3%	5.6%	2.1%	(.2)%	6.1%
Cash Dividends Per Common Share	4.5%	11.4%	3.9%	6.3%	2.1%
Summary of Financial Position					
Cash, Cash Equivalents and Short-Term Investments	\$ 660	\$ 535	\$ 499	\$ 530	\$ 465
Working Capital (Deficit)	\$ (1,056)	\$ (840)	\$ (704)	\$ (859)	\$ (942)
Total Assets	\$14,282	\$13,724	\$13,420	\$13,049	\$12,798
Long-Term Debt	\$ 2,222	\$ 2,618	\$ 3,133	\$ 3,245	\$ 2,804
Shareholders' Equity	\$ 4,242	\$ 3,731	\$ 3,180	\$ 2,975	\$ 3,182
Book Value Per Common Share ^(f)	\$ 20.15	\$ 17.81	\$ 15.27	\$ 14.37	\$ 15.54
Employee Count^(g)					
Rail	29,537	29,729	30,461	30,916	33,239
Other	18,428	17,974	17,847	16,681	16,644
Total	47,965	47,703	48,308	47,597	49,883

See accompanying Notes to Consolidated Financial Statements.

- (a) In 1995, the company recognized a net investment gain of \$77 million, \$51 million after tax, 24 cents per share, on the issuance of an equity interest in a Sea-Land terminal and related operations in Asia and the write-down of various investments.
- (b) In 1994, the state of Florida elected to satisfy its remaining unfunded obligation issued in 1988 to consummate the purchase of 80 miles of track and right of way. The transaction resulted in an accelerated pretax gain of \$69 million and increased net earnings by \$42 million, 20 cents per share.
- (c) The company revised its estimated annual effective tax rate in 1993 to reflect the change in the federal statutory income tax rate from 34 to 35 percent. The effect of this change was to increase income tax expense for 1993 by \$56 million, 26 cents per share. Of this amount, \$51 million, 24 cents per share, related to applying the newly enacted statutory income tax rate to deferred tax balances as of January 1, 1993.
- (d) In 1991, the company consummated the sale of a one-third interest in a Sea-Land terminal in Asia, the sale of the stock of RF&P Corporation and other investment transactions. These items resulted in a pretax gain of \$80 million and increased net earnings by \$32 million, 16 cents per share.
- (e) In 1995, the company recorded a \$257 million pretax charge to recognize the estimated costs of initiatives to revise, restructure and consolidate specific operations and administrative functions at its rail and container-shipping units. The restructuring charge reduced net earnings by \$160 million, 76 cents per share. In 1993, the company recorded a \$93 million pretax charge to recognize the estimated costs of restructuring certain operations and functions at its container-shipping unit. The restructuring charge reduced net earnings by \$61 million, 30 cents per share. In 1992, the company recorded a charge to recognize the estimated costs of buying out certain trip-based compensation elements paid to train crews. The pretax charge amounted to \$699 million and reduced net earnings for 1992 by \$450 million, \$2.19 per share. In 1991, the company recorded a charge to provide for the estimated costs of implementing work-force reductions, improvements in productivity and other cost reductions at its major transportation units. The pretax charge amounted to \$755 million and reduced 1991 net earnings by \$490 million, \$2.44 per share.
- (f) Amounts per common share for all periods presented have been restated to reflect the 2-for-1 common stock split distributed to shareholders in December 1995.
- (g) Employee counts based on annual averages.

CHAIRMAN'S MESSAGE

CSX created \$2.5 billion in shareholder value in 1995. More importantly, the company continued to achieve strong earnings growth and to create substantial value for the future. Our core transportation units are aggressive competitors, committed to continuous performance improvement. The markets we serve are growing, and our future has never looked brighter. Despite the impressive performance record we achieved in recent years, we have the capacity and capability to do even better.

To Our Shareholders:

CSX had another outstanding year in 1995. We turned in strong financial results, strengthened the core earning power of the company and created superior value for our shareholders.

Despite only moderate economic growth in the United States and abroad, we built upon our record 1994 performance. Operating revenue rose 9 percent, surpassing \$10 billion for the first time. Excluding a second-quarter restructuring charge, operating income also set a record, up 16 percent from the previous year.

The \$257 million pretax charge primarily covered the cost of enhancing our railroad's communications network, consolidating operations at our container-shipping unit's new headquarters and reflagging five vessels. These initiatives are sound investments that will yield greater efficiencies.

CSX earned \$618 million, or \$2.94 per share, in 1995, compared with \$652 million, or \$3.12 per share, the previous year, including the 1995 charge and one-time gains recorded both years. Without these unusual items, earnings per share were \$3.46, up 18 percent from 1994's record level. All per-share figures reflect 1995's 2-for-1 stock split.

Creating Superior Value

We are proud of these strong financial results and what they say about the progress taking place throughout CSX. At each of our core transportation units, we are

**John W. Snow**

reducing costs, improving safety and productivity and raising customer service to new levels. In the process, we are creating significant value for the long term by building stronger, better managed, more competitive and more profitable organizations.

The stock market recognized the value we created in 1995, as CSX stock generated a total return of 34 percent during the year, including dividends. More important, however, are the expectations we built for further progress in 1996 and beyond.

I noted in last year's report that the market value of CSX stock had doubled during the first half of this decade, and that we intended to match or exceed that performance between 1995 and the end of the decade. Our performance in 1995 puts us on course to meet, if not exceed, that target.

Pro Forma Net Earnings

(Millions of Dollars, Except Per Share Amounts*)

Description (All After Tax)	1995		1994		1993	
	Amt.	Per Share	Amt.	Per Share	Amt.	Per Share
Net Earnings as Reported	\$618	\$2.94	\$652	\$3.12	\$359	\$1.73
Net Gains From Investment Transactions	(51)	(.24)	(42)	(.20)	—	—
Statutory Tax Rate Adjustment	—	—	—	—	51	.24
Restructuring Charges	160	.76	—	—	61	.30
Pro Forma Total	\$727	\$3.46	\$610	\$2.92	\$471	\$2.27

* All per-share amounts reflect stock split.

CHAIRMAN'S MESSAGE

Outstanding Rail Results

Our railroad, CSX Transportation Inc. (CSXT), turned in a tremendous performance for the year. Excluding its second-quarter charge, CSXT generated record operating income in excess of \$1 billion, while achieving its best operating ratio and safety performance ever. These results reflect the discipline and continued success of the railroad's Performance Improvement Teams, which have taken \$500 million out of CSXT's cost base since 1992. Additional reductions of more than \$100 million are targeted for 1996.

CSXT's management team has committed itself to being a high-performance organization, dedicated to the highest standards of operational excellence. In simple terms, that means providing the safest and most reliable rail transportation possible. The company has implemented a strategy to take operational excellence from vision to reality, and we're already seeing great results.

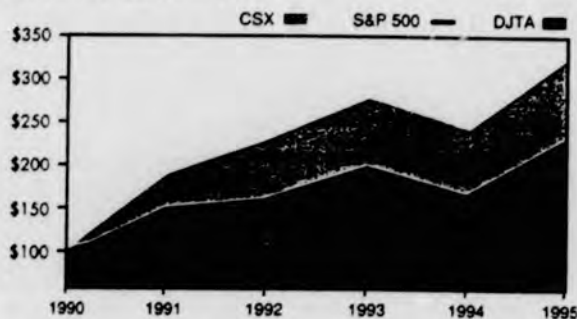
Two areas of primary focus for our railroad in 1996 will be service reliability and asset utilization — both critical and interrelated drivers of growth, customer satisfaction and profitability.

During 1995, CSXT put in place an integrated service planning process and redesigned operations to improve service reliability. The railroad also began restructuring its operating divisions into service lanes to link field operations with centralized, cross-functional teams responsible for such activities as crew calling, customer service and dispatching. Combining the focus and flexibility of local teams with the efficiencies of centralized support functions will allow CSXT to raise service reliability and asset utilization to new heights in 1996.

CSXT has made dramatic improvements in asset utilization in recent years. For example, the railroad handled 14 percent more loads with its own car fleet in 1995 than it did in 1993, even though it reduced the size of the fleet by 8 percent during the same period. While that's dramatic improvement, we're still getting as little as one paid load per month on some types of equipment.

Five-Year Total Returns

Dec. 31, 1990 - Dec. 31, 1995



An investment of \$100 in CSX stock at year-end 1990, with dividends reinvested, would have grown to \$325 by year-end 1995, far exceeding the total return of both the Dow Jones Transportation Average and the S&P 500 Stock Index.

We can and will do better, working closely with our customers and other railroads.

Car utilization alone has untapped potential that will mean millions of dollars in additional savings and earnings for CSXT in the years ahead. In fact, each one-day reduction in the average car cycle (the time it takes a rail car to pick up a load, deliver it and return to pick up another load) enables CSXT to handle 83,000 additional loads a year with its overall car fleet — without investing a single dollar in additional equipment.

In addition to increasing productivity and lowering costs, better utilization of physical assets translates directly into enhanced customer service and, thus, greater demand for that service. While working hard to improve the quality and reliability of its product, CSXT also will strive during 1996 to reap the full value of its service.

After years of steady progress cutting costs and improving productivity — an effort that certainly will continue — CSXT is committed to improving its top line, both by attracting new business and by implementing selective rate increases that more accurately reflect the true value of its service. We expect CSXT's rates will trend upward in 1996 and beyond, as the railroad begins to reverse price erosion that has caused the rail industry's inflation-adjusted rates to decline 39 percent over the past 10 years.

CHAIRMAN'S MESSAGE

Historic Year for Sea-Land

In many ways, 1995 was a momentous year for our container-shipping and logistics unit, Sea-Land Service Inc. (Sea-Land). Not counting its \$61 million portion of the second-quarter restructuring charge, Sea-Land generated record operating income of \$238 million. The company moved 1.4 million container loads, a 12 percent increase over the prior year's level, and increased rates by 2 percent on average.

In May, Sea-Land and Maersk Line agreed to share vessels and terminals around the globe, thus leveraging the resources of two of the largest and most respected container-shipping companies in the world. When fully implemented in 1997, the operating alliance will solidify Sea-Land's position as the leading provider of containerized transportation and logistics services. It also will produce significant operating income beginning in 1997 and will allow Sea-Land to offer its customers faster transit times, better flexibility and more direct ports of call.

Sea-Land successfully implemented its global integration program during the first half of the year, relocating corporate and divisional headquarters to Charlotte, N.C. The consolidation improved coordination and communication, both within the organization and with customers and suppliers, and is expected to generate annual savings of more than \$14 million.

During the year, the company also made important progress in reducing its vessel operating costs by reflagging five U.S.-flag vessels to the registry of the Marshall Islands, while continuing to support ongoing efforts to reform U.S. maritime policy. The reflagging will produce annual operating savings of \$3 million per ship.

Sea-Land's ongoing commitment to reduce its cost base through process redesign produced more than \$120 million in cost savings in 1995, bringing the four-year total to more than \$500 million. Performance Improvement Teams have targeted another \$130 million in expense reductions in 1996, in such areas as terminal efficiency, inland transportation and vessel operating costs.

We believe the progress Sea-Land made and the initiatives it implemented in 1995 leave the company well prepared for the changes the container-shipping industry faces in the near future. Though the exact course is uncertain, the U.S. maritime industry almost certainly will undergo some degree of deregulation, possibly beginning this year. We believe this will produce significant long-term benefits for carriers and shippers alike. Furthermore, Sea-Land is fully able to compete successfully in deregulated markets; in fact, nearly two-thirds of the company's operations would not be affected by U.S. deregulation.

Difficult Year for Intermodal

For the intermodal industry and for CSX Intermodal Inc. (CSXI), 1995 was a difficult and disappointing year. Overcapacity in the trucking industry led to intense competition and a decline in CSXI's trailer volumes. This was only partially offset by strength in both international and transcontinental domestic container traffic. Though overall traffic was flat compared with the previous year, fixed rail costs in CSXI's principal trailer lanes and higher equipment expenses resulted in reduced profits. Operating income fell from \$61 million in 1994 to \$30 million in 1995.

CSXI responded aggressively to market conditions by implementing cost-cutting initiatives and service enhancements. The company cut total employment by 16 percent and reduced its trailer fleet by 40 percent. In early 1996, CSXI announced it was consolidating staffs and more closely aligning its operations with those of CSXT and Sea-Land in order to maximize its potential in what we view as an important growth market. We are confident that these and other initiatives will bring about strong improvement in CSXI's 1996 earnings.

Terrific Barge Results

Our barge company, American Commercial Lines Inc. (ACL), capitalized on excellent market conditions in 1995, as strong global demand for grain boosted revenue.

CHAIRMAN'S MESSAGE

The company took full advantage of favorable rates by repositioning assets to capture higher-margin traffic along the inland waterways.

ACL's operating income soared to \$106 million, an increase of 68 percent over 1994's level. In addition to the favorable market conditions, this new level of performance reflects the re-engineering and organizational improvements the company has undergone in recent years.

The company also set the stage for further earnings growth by agreeing to acquire the marine assets of Conti-Carriers & Terminals Inc. The transaction, which was completed in January 1996, increased ACL's fleet by 400 barges and eight towboats. The company also expanded its presence in South America, where it is the largest provider of barge services, by initiating operations on the Paraná River.

Looking to the Future

In 1996, each of our core transportation units intends to improve upon last year's financial performance, while continuing to build the foundation for further progress in the years ahead. CSX is well-positioned to produce significantly higher earnings in 1996 and the foreseeable future. We recognize the need to run our businesses at peak performance while building for the future. Thus, we are focused both on the present requirements of our businesses and on building for even better performance in the years ahead.

While continuing to improve the productivity of our physical assets, we are committed to enhancing our "people power" by focusing on the professional development of our employees and by sharing intellectual capital among our transportation businesses. This is crucial to developing and maximizing our capabilities and taking utmost advantage of emerging transportation opportunities.

Our customers are discovering logistics management is a strategic platform that offers tremendous potential for reducing costs and creating competitive advantages.

As global companies strive to reduce inventories, source globally and focus on core competencies, they increasingly are looking to innovative logistics providers who can manage their entire supply chain — from inbound raw materials and supplies to finished products. We believe CSX is uniquely positioned to provide an array of value-added solutions for our customers' increasingly complex and sophisticated distribution requirements.

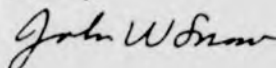
We are proud of the reputations our transportation units have built as leaders and innovators, and of the recognition CSX has achieved as a premier provider of transportation services on a global scale. We have the most comprehensive collection of transportation assets, systems and expertise anywhere. Furthermore, we have the vision, the means and the will to create superior value for our customers, our employees and our shareholders. And we intend to make the most of it.

Special Thanks

In closing, I want to pay tribute to Sir Denis Thatcher, who has retired after seven years of exemplary service to CSX as Counsellor to the Board of Directors. Sir Denis brought to the board a unique perspective on the growing complexities of the business world, and his contributions helped guide CSX in its development as a global transportation company. We will miss his astute observations and wise counsel.

Finally, I want to extend my special thanks to the nearly 48,000 CSX employees whose hard work and dedication made possible our outstanding performance in 1995. I know we can continue to count on their support as we strive to make CSX the finest transportation company in the world.

Sincerely,



John W. Snow
Chairman and Chief Executive Officer

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PUBLIC POLICY STATEMENT

Change was the hallmark of 1995 legislative sessions in Washington and statehouses across the nation. The promise of the 1994 elections began to be fulfilled, resulting in decisions more favorable to business, job creation and future economic growth than at any time in recent memory. On the other hand, much remains to be done.

The close of the year brought one historic change. The Interstate Commerce Commission, which regulated much of the nation's commerce for more than a century, was abolished. A new Surface Transportation Board, which will have certain authority to regulate railroads, was established as an independent entity at the U.S. Department of Transportation. The archaic laws placing restraints on intermodal transportation were abolished. Meanwhile, Congress agreed to take up maritime reform, which is critical to maintaining a U.S.-flag fleet, but did not complete that legislation. Tort reforms were adopted in some states, but sadly, no real progress was made to modernize the Federal Employees Liability Act (FELA), which governs rail worker accidents and creates real barriers to improving safety.

Maritime Issues

In 1996, Congress is expected to take up proposals to phase out the Federal Maritime Commission and to deregulate the maritime industry. The current regulatory system impedes the use of contracts and global arrangements between carriers and their customers.

CSX took the lead in the debate on deregulation last year, and continues to support a staged reduction in maritime regulation that will avoid placing American-liner carriers at a competitive disadvantage or compromising vital national interests.

There may be a push to repeal the "Jones Act," the law covering America's coastal and domestic waterborne commerce in 1996. We believe such efforts would be misguided and will once again fail. The Jones Act carriers, who only operate within the United States, should not be made to compete with foreign carriers who choose not to comply with our basic wage, safety and health laws, especially since foreign countries exclude U.S. carriers from their own domestic trades.

CSX also continues to strongly advocate maritime reform that provides for reasonable payments to help offset the higher costs of operating under the U.S. flag. In the absence of such support, U.S. carriers must be allowed to reflag vessels, while making them available for defense purposes in time of national emergency. Without such change, the United States will soon be without an adequate U.S.-flag fleet to serve our country in emergencies.

Railroad Issues

Consistent with the move toward less government, legislation was put forward in 1995 to scale back federal subsidies for Amtrak. Final consideration of the legislation should take place in 1996. CSX supports efforts to assist Amtrak in restructuring its operations and routes. We seek fair treatment to protect freight carriers from liability arising from passenger operations and to compensate freight carriers fully for the use of their systems.

We also support the concept of public commuter rail service where it is properly funded, well planned and does not hurt our efforts to improve rail freight service. However, forcing a combination of today's rail freight demands with those of urban areas is a compromise for both sets of needs that inevitably leads to dissatisfied customers. Ultimately, more commuters would return to already congested highways to face more large trucks hauling freight. CSX believes that the best option is to develop separate commuter systems where feasible along existing rail rights of way. Clearly, such an approach offers a "win-win" opportunity for the public authorities, commuters and freight customers.

Although some progress was made in 1995 to reform regulation dealing with rail safety, we hope this year will bring fundamental change. CSX is an industry leader in train accident and personal injury prevention and we are committed to being the safest railroad in the nation. We believe rail management, working together with railroad employees, knows the best way to further improve safety. Too much of today's regulation is based on rules that constrict the introduction of new approaches to improving rail safety performance. More broadly defined, performance-based approaches will foster a more creative and efficient system of regulation.

CSX sets aggressive safety improvement targets each year and meets or exceeds those targets. Our goal is to eliminate accidents and injuries. In the unfortunate event an accident occurs, our priority is discovering the cause of the accident and assisting the accident victim. Unfortunately, certain aspects of our court system today work contrary to this philosophy, resembling a lottery that benefits neither workers nor the company, but only a small number of lawyers. Over the years, we have seen some reform in the courts at the state level, and we will push for further reforms in 1996. We also will continue efforts to reform FELA, as it impedes our efforts to improve the work place.

Another target for 1996 will be our program to work closely with the states in our territory to improve rail-highway grade crossing safety. We must close redundant crossings and continue public education efforts about safety and rail-highway grade crossings.

The structure of the railroad industry continues to change. One large merger of western carriers has been approved and another is proposed. Whether there will be other mergers is unclear. CSX fully intends to protect its interests in this changing environment.

Public Policy Outlook

CSX will continue to advocate less government involvement in the lives of all Americans. Businesses like ours face fierce competition every day at home and around the world. The discipline of the marketplace demands the improvement of our services and lower costs.

FINANCIAL POLICY

A Message to Shareholders on CSX's Financial Principles

The management of CSX Corporation is dedicated to reporting the company's financial condition and results of operations in an accurate, timely and conservative manner in order to give shareholders all the information they need to make decisions about investment in the company. CSX management also strives to present to shareholders a clear picture of the company's financial objectives and the principles that guide its employees in achieving those goals. Actual results may differ materially from those objectives. Factors that might negatively affect future performance include: general economic downturns, which may limit demand and pricing; labor matters, which may impact costs or service; adverse weather conditions, which may impact operating expense; and changes in regulatory environmental policy, which may impact the costs and feasibility of certain operations and commodity shipments.

In this section, financial information is presented to assist you in understanding the sources of earnings and financial resources of the company and the contributions of the major business units. In addition, certain information needed to meet the Securities and Exchange Commission's Form 10-K requirements has been included in the Notes to Consolidated Financial Statements.

The key objective of CSX is to increase shareholder value by improving the return on capital invested in its businesses and maximizing free cash flow. The company defines "free cash flow" as the amount of cash available for debt service and other purposes generated by operating activities after deducting capital expenditures, present value of new leases and cash dividends. To achieve these goals, managers utilize the following guidelines in conducting the financial activities of the company:

- Capital expenditures:** CSX business units are expected to earn returns on capital expenditures in excess of the CSX cost of capital. Business units that do not earn above the CSX cost of capital and do not generate an adequate level of free cash flow over an appropriate period of time will be evaluated for sale or other disposition.
- Taxes:** CSX will pursue all available opportunities to pay the lowest federal, state and foreign taxes, consistent with applicable laws and regulations and the company's obligation to carry a fair share of the cost of government. CSX also works through the legislative process to keep effective tax rates as low as possible.
- Debt ratings:** The company will strive to maintain its investment grade debt ratings, which allow cost-effective access to major financial markets worldwide. The company will work to manage its business operations in a manner consistent with meeting this objective, including monitoring its debt levels and the amount of fixed charges it incurs.
- Financial instruments:** From time to time the company may employ financial instruments as part of its risk management program. The objective would be to manage specific risks and exposures and not to actively trade financial instruments for profit or loss.
- Dividends:** The cash dividend is reviewed regularly in the context of inflation and competitive dividend yields. The dividend may be increased periodically if cash flow projections and reinvestment opportunities show the higher payout level will best benefit shareholders.

Management's Responsibility for Financial Reporting

The consolidated financial statements of CSX Corporation have been prepared by management, which is responsible for their content and accuracy. The statements present the results of operations, cash flows and financial position of the company in conformity with generally accepted accounting principles and, accordingly, include amounts based on management's judgments and estimates.

CSX and its subsidiaries maintain internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized by management and recorded in conformance with generally accepted accounting principles. Controls include accounting tests, written policies and procedures and a code of corporate conduct routinely communicated to all employees. An internal audit staff monitors the compliance with and effectiveness of established policies and procedures.

The Audit Committee of the board of directors, which is composed solely of outside directors, meets periodically with management, internal auditors and the independent auditors to review audit findings, adherence to corporate policies and other financial matters. The firm of Ernst & Young LLP, independent auditors, has been engaged to audit and report on the company's consolidated financial statements. Its audit was conducted in accordance with generally accepted auditing standards and included a review of internal accounting controls to the extent deemed necessary for the purpose of its report, which appears on page 35.

ANALYSIS OF OPERATIONS

CSX Corporation focuses on increasing economic value and generating higher returns to shareholders. CSX defines economic value as earning a return on invested capital greater than our cost of capital, and generating free cash flow and operating income that exceed annual targets. In providing the various services described below, each business unit shares these important goals.

CSX Transportation Inc. (CSXT) provides rail freight transportation and distribution services over 18,645 route miles in 20 states in the East, Midwest and South; and in Ontario, Canada. CSXT accounted for 46% of CSX's 1995 total operating revenue and 74% of operating income. These percentages and those of CSX's other units exclude the effect on income of a second-quarter restructuring charge recorded at CSXT and Sea-Land.

Sea-Land Service Inc. (Sea-Land) is a worldwide leader in container-shipping transportation and logistics services. The carrier operates 28 preferential and exclusive marine terminal facilities across its global network. In addition, Sea-Land operates a fleet of 105 container ships and approximately 200,000 containers in U.S. and foreign trade and serves 120 ports throughout the world. Sea-Land accounted for 38% of total operating revenue and 17% of operating income.

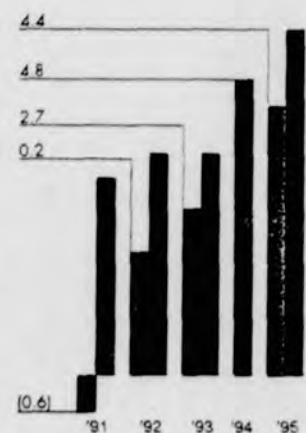
American Commercial Lines Inc. (ACL) is the nation's leader in barge transportation, operating 116 towboats and more than 3,200 barges on U.S. and South American waterways. ACL contributed 5% of total operating revenue and 7% of operating income.

CSX Intermodal Inc. (CSXI) provides trans-continental intermodal transportation services and operates a network of dedicated intermodal facilities across North America. CSXI contributed 9% of total operating revenue and 2% of operating income.

Customized Transportation Inc. (CTI) is a provider of contract logistics services, including distribution, warehousing, processing and assembly and just-in-time delivery. In 1995, CTI provided 2% of total operating revenue and 1% of total operating income.

Non-Transportation: Resort holdings include the Mobil Five-Star and AAA Five-Diamond rated hotel, The Greenbrier in White Sulphur Springs, W. Va., and the Grand Teton Lodge Company in Moran, Wyo. CSX Real Property Inc. is responsible for sales, leasing and development of CSX-owned properties. CSX holds a majority interest in Yukon Pacific Corporation, which is promoting construction of the Trans-Alaska Gas System to transport Alaska's North Slope natural gas to Valdez for export to Asian markets.

Average Return on Assets
(Percent)



■ Excluding after-tax productivity/restructuring charges and the impact of the 1993 tax rate increase, return on assets in 1991, 1992, 1993 and 1995 would have been 3.2%, 3.6%, 3.6% and 5.6%, respectively.

Average Return on Equity
(Percent)



■ Excluding after-tax productivity/restructuring charges and the impact of the 1993 tax rate increase, return on equity in 1991, 1992, 1993 and 1995 would have been 11.4%, 13.3%, 14.0% and 19.1%, respectively.

1995 Overview

CSX achieved strong results in 1995. Several factors combined to produce a significant increase in cash provided by operating activities and stock value. A 9% increase in operating revenue contributed to the company's three-year annual revenue growth rate of 7%. In 1995, CSX also continued its stringent control over operating expense, resulting in an annual growth rate of only 6% over the last three years, excluding restructuring charges. Capital invested for the replacement of existing operating assets was lower than depreciation expense. In addition, investments for incremental-return-producing projects had rates of return well above the company's cost of capital.

As a result of the company's outstanding performance in recent years and continued strong prospects, the board of directors approved an 18% increase in the quarterly dividend and a 2-for-1 stock split in the fourth quarter. All per-share amounts in the following text have been adjusted to reflect the stock split.

ANALYSIS OF OPERATIONS

Discussion of Earnings

Net earnings in 1995 totaled \$618 million, \$2.94 per share, compared with \$652 million, \$3.12 per share, in 1994, and \$359 million, \$1.73 per share, in 1993.

The 1995 net earnings include the effect of a second-quarter restructuring charge to recognize CSXT's write-down of obsolete telecommunications assets and employee separations. The charge also includes Sea-Land's reflagging of five vessels and the consolidation of its corporate and divisional headquarters in Charlotte, N.C. The results also include a fourth-quarter gain from the issuance of an equity interest in a Sea-Land terminal and related operations in Asia. Earnings for 1994 included the accelerated recognition of the remaining gain on a 1988 sale of track in south Florida. The 1993 results included the effect of a restructuring charge to recognize the expense associated with reorganizing and downsizing Sea-Land's European and North American operations. Also in 1993, CSX recognized additional income tax expense related to applying the newly enacted statutory income tax rate to deferred tax balances as of January 1, 1993.

Consolidated operating revenue increased \$896 million, 9% higher than in 1994. Sea-Land contributed \$516 million of the additional revenue, resulting from higher volumes in its major trade lanes and moderate rate increases. CSXT generated \$194 million of the revenue increase, due to improved pricing and merchandise traffic mix. ACL produced \$105 million in additional revenue, capitalizing on strong international demand for U.S. grain.

In 1994, operating revenue increased \$668 million from 1993. Sea-Land's revenue increased \$246 million, driven by higher volumes that were partly offset by a slight decrease in rates. Rail operating revenue grew \$245 million from a rebound in export coal tonnage and exceptional merchandise traffic. CSX's intermodal unit increased operating revenue by \$109 million in 1994 because of a sharp increase in domestic loads, as well as increased volumes from international traffic.

Consolidated operating expense in 1995 increased \$956 million, primarily due to higher volumes and the \$257 million pretax restructuring charge incurred by CSXT and Sea-Land. All CSX units contributed to the company's efforts to control costs through performance improvement initiatives. The 1994 operating expense rose \$349 million over 1993's level, which included a \$93 million pretax restructuring charge for Sea-Land.

Consolidated operating income for both 1995 and 1994 was \$1.2 billion, compared with \$913 million in 1993. Absent restructuring charges in 1995 and 1993, operating

income would have been \$1.4 billion, \$1.2 billion and \$1 billion in 1995, 1994 and 1993, respectively.

Other income totaled \$72 million, compared with \$55 million in 1994 and \$18 million in 1993. Other income for 1995 included a \$77 million pretax net investment gain, primarily from the issuance of a 10% equity interest in a Sea-Land terminal facility and related operations in Asia. In 1994, other income included the \$69 million accelerated pretax gain on the sale of track in south Florida. The company will continue to examine such opportunities where they are consistent with overall operating and capital objectives.

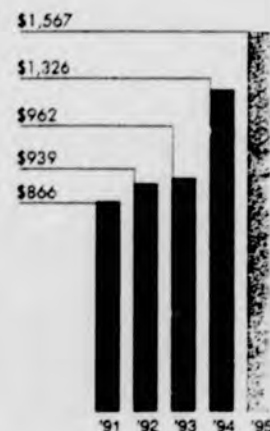
Discussion of Cash Flows

Cash provided by operating activities totaled \$1.6 billion in 1995, compared with \$1.3 billion in 1994 and \$962 million in 1993. Together with proceeds from disposition of properties, the cash provided by operating activities was adequate to fund property additions and cash dividends in 1995, 1994 and 1993.

Payments provided for in the 1995 restructuring charge covered the separations of approximately 500 employees during the year. Future payments, totaling \$69 million, will cover the remaining 300 separations and facility-related exit costs. Most of these payments will be completed by 1999. The savings associated with these payments will begin to occur during the first half of 1996. The 1995 restructuring charge also included the recognition of \$168 million in non-cash costs, consisting of the write-down of obsolete telecommunications assets and lease exit costs.

Payments related to the 1991/1992 productivity charges, which provided for two-member crew agreements on through trains, affected cash provided by operations during the past three years. These agreements, which were successfully negotiated by the end of 1993, provided for the buyout of excess positions, a productivity fund and short-crew allowances. The company has paid \$853 million related to these productivity charges to date. The rail unit is realizing the efficiencies and savings anticipated from the reduction of train-crew sizes. Payments

**Cash Provided
by Operations**
(Millions of Dollars)



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ANALYSIS OF OPERATIONS

also were made in conjunction with the container-shipping unit's European and North American restructurings, as well as other rail unit separation programs.

Consistent with its original estimates, CSX expects a significant decrease in the level of future annual cash payments for these productivity and restructuring costs. In management's opinion, existing reserves are adequate for those projected payments.

Capital commitments totaled \$1.2 billion in 1995, compared with \$991 million in 1994 and \$876 million in 1993. The increase in 1995's capital is primarily due to the purchase of five Champion Class vessels, three of which were delivered in 1995, and the replacement or addition of 6,000 freight cars. These totals include committed capital in the form of new and renewed equipment and facility leases. The present value of future payments on these leases totaled \$57 million in 1995, \$116 million in 1994 and \$108 million in 1993. CSX continued to place a high priority on extracting maximum value from assets by improving asset utilization and enhancing productivity through Performance Improvement Team initiatives. Going

Restructuring Charges

(Millions of Dollars)

	1995	1993
Provision:		
Write-Down of Obsolete Assets	\$ 163	\$ —
Separation & Labor Protection Costs	80	32
Lease & Facility Exit Costs	14	61
Total Provision	\$ 257	\$ 93
Cumulative Payments and Other Reductions:		
Write-Down of Obsolete Assets	\$(163)	\$ —
Separation & Labor Protection Costs	(20)	(32)
Lease & Facility Exit Costs	(5)	(60)
Balance December 29, 1995	\$ 69	\$ 1

forward, capital commitments as a percentage of cash generated from operations is expected to decrease.

Cash dividends per common share rose to 92 cents, compared with 88 cents in 1994 and 79 cents in 1993. The annualized dividend rate increased 18% from 1994.

In 1996, the company expects to continue generating significant cash flow from transportation operations to fund

Transportation Operating Results

(Millions of Dollars)

	1995						1994					
	Total	Container Rail Shipping	Inter- modal	Barge	Elim./ Other		Total	Container Rail Shipping	Inter- modal	Barge	Elim./ Other	
Operating Revenue	\$10,317	\$4,819	\$4,008	\$926	\$554	\$ 10	\$9,410	\$4,625	\$3,492	\$902	\$449	\$ (58)
Operating Expense												
Labor & Fringe	3,135	1,847	934	85	122	147	3,006	1,828	859	89	104	126
Materials, Supplies & Other ^(a)	2,634	941	1,166	122	232	173	2,314	918	919	120	191	166
Building & Equipment Rent	1,135	373	636	72	20	34	1,088	374	600	67	19	28
Inland Transportation	970	—	730	602	—	(362)	839	—	676	553	—	(390)
Depreciation	589	367	139	14	32	37	564	352	132	11	32	37
Fuel	474	227	165	1	42	39	421	224	119	1	40	37
Restructuring Charge	257	196	61	—	—	—	—	—	—	—	—	—
Total Expense	9,194	3,951	3,831	896	448	68	8,232	3,696	3,305	841	386	4
Operating Income (Loss)	\$ 1,123	\$ 868	\$ 177	\$ 30	\$106	\$ (58)	\$1,178	\$ 929	\$ 187	\$ 61	\$ 63	\$ (62)
Operating Income (Loss) ^(b)	\$ 1,380	\$1,064	\$ 238	\$ 30	\$106	\$ (58)	\$1,178	\$ 929	\$ 187	\$ 61	\$ 63	\$ (62)
Operating Ratio ^(b)		77.9%	94.1%	96.8%	80.9%			79.9%	94.6%	93.2%	86.0%	
Average Employment		29,537	9,168	1,434	2,914			29,729	9,437	1,626	2,644	
Property Additions & Present Value of New Operating Leases	\$ 1,160	\$ 773	\$ 275	\$ 57	\$ 36	\$ 19	\$ 958	\$ 675	\$ 199	\$ 50	\$ 15	\$ 19

(a) A portion of intercompany interest income received from the CSX parent company has been classified as a reduction of Materials, Supplies & Other by the container-shipping unit. This amount was \$65 million, \$64 million and \$64 million in 1995, 1994 and 1993, respectively, and the corresponding charge is included in Eliminations/Other.

(b) Excludes restructuring charges.