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**CONSOLIDATED RAIL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**Industry**

Consolidated Rail Corporation (the "Company"), a wholly-owned subsidiary of Conrail Inc. ("Conrail"), operates a freight railroad system within the northeast and midwest United States and the Province of Quebec.

**Principles of Consolidation**

The consolidated financial statements include the Company and majority-owned subsidiaries. Investments in 20% to 50% owned companies are accounted for by the equity method.

**Cash Equivalents**

Cash equivalents consist of commercial paper, certificates of deposit and other liquid securities purchased with a maturity of three months or less, and are stated at cost which approximates market value.

**Material and Supplies**

Material and supplies consist mainly of fuel oil and items for maintenance of property and equipment, and are valued at the lower of cost, principally weighted average, or market.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided using the composite straight-line method. The cost (net of salvage) of depreciable property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized.

**Asset Impairment**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Expected future cash flows from the use and disposition of long-lived assets are compared to the current carrying amounts to determine the potential impairment loss.

**Revenue Recognition**

Revenue is recognized proportionally as a shipment moves on the Company's system from origin to destination.

**Ratio of Earnings to Fixed Charges**

Earnings used in computing the ratio of earnings to fixed charges represent income before income taxes plus fixed charges, less equity in undistributed earnings of 20% to 50% owned companies. Fixed charges represent interest expense together with interest



capitalized and a portion of rent under long-term operating leases representative of an interest factor.

#### New Accounting Standards

During 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) and SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), which are both effective in 1996. The Company has decided to adopt only the disclosure provisions of SFAS 123 in 1996 and continues to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its stock-based compensation plans. The Company adopted SFAS 121 in the first quarter of 1996 and determined that it did not have a material effect on its financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. Proposed Merger**

On October 14, 1996, Conrail, CSX Corporation ("CSX") and a subsidiary of CSX entered into an Agreement and Plan of Merger (as amended, the "Merger Agreement"), pursuant to which Conrail was to be merged with a subsidiary of CSX in a merger-of-equals transaction.

On October 24, 1996, Norfolk Southern Corporation ("Norfolk") commenced an unsolicited tender offer for all outstanding Conrail voting stock at \$100 per share in cash. Norfolk has since increased its offer to \$115 per share in cash.

On November 20, 1996, CSX concluded its first tender offer and purchased approximately 19.9% of Conrail's outstanding shares for \$110 per share.

On December 18, 1996, CSX and Conrail entered into a second amendment to the Merger Agreement (the "Second Amendment") that would, among other things, (i) increase the consideration payable pursuant to the merger, (ii) accelerate the consummation of the merger to immediately following the receipt of applicable shareholder approvals and prior to the Surface Transportation Board ("STB") approval and (iii) extend until December 31, 1998 an exclusivity period during which the Conrail Board agreed not to withdraw or modify its recommendations of the CSX transactions, approve or recommend any takeover proposal or cause Conrail to enter into any agreement related to any takeover proposal.

On January 13, 1997, Norfolk issued a press release announcing that it would offer to purchase shares representing 9.9% of the outstanding shares for \$115 per share, in the event that Conrail shareholders did not approve a proposal to opt out of a Pennsylvania statute (the "Opt Out Proposal") at the meeting of shareholders to be held on January 17, 1997 (the "Special Shareholders Meeting").

On January 17, 1997, Conrail shareholders voted at the Special Shareholders Meeting against the Opt Out Proposal.

On February 4, 1997, the amended Norfolk tender offer expired, and Norfolk subsequently purchased approximately 8.2 million shares pursuant thereto.

On March 7, 1997, Conrail and CSX entered into a Third Amendment (the "Third Amendment") to the Merger Agreement. Pursuant to the Third Amendment, (i) the price per share has been increased from \$110 to \$115, and the number of shares to be purchased in the tender offer has been increased to all outstanding shares. The tender offer is scheduled to close April 18, 1997 (subject to extension by CSX to June 2, 1997 whether or not the conditions have been satisfied), (ii) the consideration paid per share in the merger for all remaining outstanding shares following consummation of the offer has been increased to \$115 in cash and (iii) the conditions to the offer relating to certain provisions of Pennsylvania law becoming inapplicable to Conrail and relating pending governmental actions or proceedings have been deleted.

The Third Amendment also provides that CSX will have sole control over the regulatory approval process and will be free to conduct by itself discussions with other railroads, including Norfolk, relating to competitive issues raised by the CSX transactions, and to enter into any resulting agreement. It is anticipated that CSX and Norfolk will negotiate an appropriate division of Conrail's assets; however, neither the pending CSX tender offer nor the merger is conditioned on CSX's reaching an agreement with Norfolk.

Pursuant to the Third Amendment, three members of Conrail's Board of Directors approved by CSX shall be invited to join the CSX Board of Directors and a transition team will be established, the leadership of which will include senior executive officers of CSX and Conrail to ensure the orderly operation of Conrail during the regulatory approval process and an orderly transition thereafter.

Under the Third Amendment, Conrail and CSX agreed to reduce from December 31, 1998 to December 31, 1997 the period of time during which the Conrail Board is prohibited from (i) withdrawing or modifying, or publicly proposing to withdraw or modify, its approval or recommendation of the CSX transactions, in a manner adverse to CSX, (ii) approving or recommending, or publicly proposing to approve or recommend, any competing proposal or (iii) causing Conrail to enter into any agreement related to any such competing proposal.

Under the Merger Agreement as amended, Conrail may terminate the Merger Agreement in the event that after June 2, 1997, CSX fails to consummate the tender offer for any reason other than the non-occurrence of any condition to the tender offer. In the event that CSX fails to consummate the tender offer under such circumstances, Conrail will be entitled to exercise any additional remedies it may have.

The full terms and conditions of the CSX and Norfolk offers and Conrail's position with respect to the CSX and Norfolk offers are set forth in documents filed by Conrail with the Securities and Exchange Commission.

3. Voluntary Separation Programs

During the second quarter of 1996, the Company recorded a charge of \$135 million (before tax benefits of \$52 million) consisting of \$102 million in termination benefits to be paid to non-union employees participating in the voluntary retirement and separation programs ("voluntary separation programs") and losses of \$33 million on non-cancelable leases for office space no longer required as a result of the reduction in the Company's workforce. Over 840 applications were accepted from eligible employees under the voluntary separation programs. Approximately \$90 million of the termination benefits are being paid from the Company's overfunded pension plan.

4. Related Party Transactions

The Company engages in various transactions with Conrail. The Company funds the cash requirements of Conrail primarily through cash dividends, which totaled \$261 million, \$229 million and \$170 million in 1996, 1995 and 1994, respectively. The Company is obligated to pay a management fee to Conrail equal to the amount of preferred dividends declared by Conrail in connection with the Non-union ESOP, which totaled \$20 million in 1996 and \$21 million in 1995 and 1994, and is recorded in "Other income, net" on the consolidated statements of income (Notes 9 and 13). Advances between the two companies accrue interest at the Federal Reserve Bank's 30-day average interest rate. The resulting interest income and interest expense on advances to and from Conrail were immaterial to the Company's financial statements. A summary of the Company's transactions with Conrail are as follows:

	<u>December 31,</u>	
	<u>1996</u>	<u>1995</u>
	<u>(In Millions)</u>	
Short-term receivable	\$ 8	\$14
Short-term payable	28	18



5. Property and Equipment

	December 31,	
	1996	1995
	(In Millions)	
Roadway	\$ 7,021	\$ 6,828
Equipment	1,229	1,211
Less: Accumulated depreciation	(1,652)	(1,570)
Allowance for disposition	(408)	(439)
	6,190	6,030
Capital leases (primarily equipment)	908	908
Accumulated amortization	(508)	(530)
	400	378
	\$ 6,590	\$ 6,408
	=====	=====

The Company acquired equipment and incurred related long-term debt under various capital leases of \$82 million in 1996, \$71 million in 1995 and \$8 million in 1994. In 1995 (Note 11) and 1991, the Company recorded allowances for disposition for the sale or abandonment of certain under-utilized rail lines and other facilities.

6. Accrued and Other Current Liabilities

	December 31,	
	1996	1995
	(In Millions)	
Freight settlements due others	\$ 44	\$ 52
Equipment rents (primarily car hire)	74	71
Unearned freight revenue	79	56
Property and corporate taxes	47	67
Other	201	246
	\$445	\$492
	=====	=====

# 7. Long-Term Debt

Long-term debt outstanding, including the weighted average interest rates at December 31, 1996, is composed of the following:

	December 31,	
	1996	1995
	(In Millions)	
Capital leases	\$ 491	\$ 489
Medium-term notes payable, 6.70%, due 1997 to 1999	109	208
Notes payable, 9.75%, due 2000	250	250
Debentures payable, 7.88%, due 2043	250	250
Debentures payable, 9.75%, due 2020	544	544
Equipment and other obligations, 6.55%	262	251
Commercial paper, 5.53%	100	100
	2,006	2,092
Less current portion	(130)	(181)
	\$1,876	\$1,911
	=====	=====

Using current market prices when available, or a valuation based on the yield to maturity of comparable debt instruments having similar characteristics, credit rating and maturity, the total fair value of the Company's long-term debt, including the current portion, but excluding capital leases, is \$1,685 million and \$1,870 million at December 31, 1996 and 1995, respectively, compared with carrying values of \$1,515 million and \$1,603 million at December 31, 1996 and 1995, respectively.

The Company's noncancelable long-term leases generally include options to purchase at fair value and to extend the terms. Capital leases have been discounted at rates ranging from 3.09% to 14.26% and are collateralized by assets with a net book value of \$400 million at December 31, 1996.

Minimum commitments, exclusive of executory costs borne by the Company, are:

	Capital Leases	Operating Leases
	(In Millions)	
1997	\$ 107	\$115
1998	96	104
1999	86	87
2000	64	76
2001	57	68
2002 - 2017	273	523
	-----	-----
Total	683	\$973
		=====
Less interest portion	(192)	
	-----	
Present value	\$ 491	
	=====	

Operating lease rent expense was \$127 million in 1996, \$130 million in 1995 and \$118 million in 1994.

In June 1993, the Company and Conrail filed a shelf registration statement on Form S-3 to enable the Company to issue up to \$500 million in debt securities or Conrail to issue up to \$500 million in convertible debt and equity securities. The remaining balance under this shelf registration was \$312 million at December 31, 1996.

In April 1996, the Company issued \$50 million of Pass-Through Certificates at a rate of 6.96% to finance equipment. Although the certificates are not direct obligations of, or guaranteed by the Company, amounts payable under related capital leases will be sufficient to pay principal and interest on the certificates.

In July 1996, the Company issued \$26 million of 1996 Equipment Trust Certificates, Series A, with interest rates ranging from 6.0% to 7.48%, maturing annually from 1997 to 2011. The certificates were used to finance approximately 85% of the purchase price of twenty locomotives.

In June 1996, the Company borrowed \$69 million against the cash surrender value of the company-owned life insurance policies which it maintains on certain of its non-union employees.

Equipment and other obligations mature in 1997 through 2043 and are collateralized by assets with a net book value of \$253 million at December 31, 1996. Maturities of long-term debt other than capital leases and commercial paper are \$65 million in 1997, \$46 million in 1998, \$46 million in 1999, \$266 million in 2000, \$17 million in 2001 and \$975 million in total from 2002 through 2043.

The Company had \$199 million of commercial paper outstanding at December 31, 1996. Of the total amount outstanding, \$100 million is classified as long-term since it is expected to be refinanced through subsequent issuances of commercial paper and is supported by the long-term credit facility mentioned below.

The Company maintains a \$500 million uncollateralized bank credit agreement with a group of banks which is used for general corporate purposes and to support its commercial paper program. The agreement matures in 2000 and requires interest to be paid on amounts borrowed at rates based on various defined short-term rates and an annual maximum fee of .125% of the facility amounts. The agreement contains, among other conditions, restrictive covenants relating to a debt ratio and consolidated tangible net worth. During 1996, the Company had no borrowings under this agreement.

Interest payments were \$170 million in 1996, \$177 million in 1995 and \$174 million in 1994.

8. Income Taxes

The provisions for income taxes are composed of the following:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
	----	----	----
	(In Millions)		
Current			
Federal	\$ 87	\$ 75	\$104
State	8	15	15
	----	----	----
	95	90	119
	----	----	----
Deferred			
Federal	149	111	125
State	31	(3)	25
	----	----	----
	180	108	150
	----	----	----
Special income tax obligation			
Federal	(80)	(61)	(53)
State	(14)	(12)	(9)
	----	----	----
	(94)	(73)	(62)
	----	----	----
	\$181	\$125	\$207
	=====	=====	=====

In conjunction with the public sale in 1987 of the 85% of the Company's common stock then owned by the U.S. Government, federal legislation was enacted which resulted in a reduction of the tax basis of certain of the Company's assets, particularly property and equipment, thereby substantially decreasing tax depreciation deductions and increasing future federal income tax payments. Also, net operating loss and investment tax credit carryforwards were canceled. As a result of the sale-related transactions, a special income tax obligation was recorded in 1987 based on an estimated effective federal and state income tax rate of 37.0%.

As a result of a decrease in a state income tax rate enacted during 1995, income tax expense for 1995 was reduced by \$21 million representing the effects of adjusting deferred income taxes and the special income tax obligation for the rate decrease as required by SFAS 109, "Accounting for Income Taxes" ("SFAS 109").

In November 1996, the Company reached a settlement with the Internal Revenue Service related to the audit of the Company's consolidated federal income tax returns for the fiscal years 1990 through 1992. The Company made a payment of \$39 million pending resolution of the final interest determination related to the settlement. Federal and state income tax payments were \$145 million in 1996 (excluding tax settlement), \$109 million in 1995 and \$80 million in 1994.



Reconciliations of the U.S. statutory tax rates with the effective tax rates are as follows:

	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.3	3.5	3.9
Effect of state tax decrease on deferred taxes		(5.5)	
Other	(3.2)	(.2)	.5
Effective tax rate	35.1%	32.8%	39.4%

Significant components of the Company's special income tax obligation and deferred income tax liabilities and (assets) are as follows:

	December 31,	
	1996	1995
	(In Millions)	
Current assets (primarily accounts receivable)	\$ (9)	\$ (27)
Current liabilities (primarily accrued liabilities and casualty reserves)	(245)	(265)
Reserve of intercompany receivables	(31)	(31)
Miscellaneous		(2)
Current deferred tax asset, net	\$ (285)	\$ (325)
Noncurrent liabilities:		
Property and equipment	1,939	1,936
Other long-term assets (primarily prepaid pension asset)	92	67
Miscellaneous	98	66
	2,129	2,069
Noncurrent assets:		
Nondeductible reserves and other liabilities	(174)	(144)
Tax benefit transfer receivable	(36)	(33)
Alternative minimum tax credits		(38)
Miscellaneous	(89)	(13)
	(299)	(228)
Special income tax obligation and deferred income tax liabilities, net	\$1,830	\$1,841

## 9. Employee Benefits

### Pension Plans

The Company and certain subsidiaries maintain defined benefit pension plans which are noncontributory for all non-union employees and generally contributory for participating union employees. Benefits are based primarily on credited years of service and the level of compensation near retirement. Funding is based on the minimum amount required by the Employee Retirement Income Security Act of 1974.

Pension credits include the following components:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(In Millions)		
Service cost - benefits earned during the period	\$ 9	\$ 8	\$ 8
Interest cost on projected benefit obligation	51	51	48
Return on plan assets - actual	(138)	(254)	(10)
- deferred	47	167	(77)
Net amortization and deferral	(15)	(15)	(15)
	----	----	----
	\$ (46)	\$ (43)	\$ (46)
	=====	=====	=====

The funded status of the pension plans and the amounts reflected in the balance sheets are as follows:

	<u>1996</u>	<u>1995</u>
	(In Millions)	
Accumulated benefit obligation (\$655 million and \$603 million vested, respectively)	\$ 661	\$ 609
	=====	=====
Market value of plan assets	1,187	1,168
Projected benefit obligation	(734)	(726)
	-----	-----
Plan assets in excess of projected benefit obligation	453	442
Unrecognized prior service cost	36	50
Unrecognized transition net asset	(90)	(120)
Unrecognized net gain	(231)	(157)
	-----	-----
Net prepaid pension cost	\$ 168	\$ 215
	=====	=====

The assumed weighted average discount rates used in 1996 and 1995 are 7.5% and 7.0%, respectively, and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation as of December 31, 1996 and 1995 is 6.0%. The expected long-term rate of return on plan assets (primarily equity securities) in 1996 and 1995 is 9.0%.

### Savings Plans

The Company and certain subsidiaries provide 401(k) savings plans for union and non-union employees. Under the Non-union ESOP, 100% of employee contributions are matched in the form of ESOP Stock for the first 6% of a participating employee's base pay. There is no Company match provision under the union employee plan. Savings plan expense was \$4 million in 1996 and 1995, and \$5 million in 1994.

In connection with the Non-union ESOP, the Company issued shares of its ESOP Stock to the Non-union ESOP in exchange for a 20 year promissory note with interest currently at 8.0% from the Non-union ESOP in the principal amount of \$288 million. In conjunction with the formation of the holding company in 1993, each share of the Company's preferred stock, all of which were held by the Non-union ESOP, was automatically converted into one share of preferred stock of Conrail and the promissory note receivable from the Non-union ESOP plus the accrued interest of \$21 million were reclassified by the Company to the stockholder's equity section of its balance sheet. Unearned ESOP compensation is now amortized and charged to the Company by Conrail as shares of ESOP Stock are allocated to participants. Approximately 2.7 million ESOP shares have been cumulatively allocated to participants through December 31, 1996, and a portion of these shares have been tendered to CSX (Note 2). An amount equivalent to the preferred dividends declared on the ESOP Stock proportionally offsets compensation expense of the Company and interest expense of Conrail related to the Non-union ESOP.

Conrail makes dividend payments at a rate of 7.51% on the ESOP Stock and the Company makes additional contributions in an aggregate amount sufficient to enable the Non-union ESOP to make the required interest and principal payments on its note.

Compensation expense related to the Non-union ESOP was \$11 million in 1996, and \$10 million in 1995 and 1994. The Company received debt service payments from the Non-union ESOP of \$40 million in 1996, \$31 million in 1995 and \$21 million in 1994.

### Postretirement Benefits Other Than Pensions

The Company provides health and life insurance benefits to certain retired non-union employees. Certain non-union employees are eligible for retiree medical benefits, while substantially all non-union employees are eligible for retiree life insurance benefits. Generally, company-provided health care benefits terminate when individuals reach age 65.

Retiree life insurance plan assets consist of a retiree life insurance reserve held in the Company's group life insurance policy. There are no plan assets for the retiree health benefits plan.



The following sets forth the plans' funded status reconciled with amounts reported in the Company's balance sheets:

	1996		1995	
	Medical Plan	Life Insurance Plan (In Millions)	Medical Plan	Life Insurance Plan
Accumulated postretirement benefit obligation:				
Retirees	\$44	\$20	\$38	\$19
Fully eligible active plan participants	1		5	1
Other active plan participants		3		5
	---	---	---	---
Accumulated benefit obligation	45	23	43	25
Market value of plan assets		(10)		(7)
	---	---	---	---
Accumulated benefit obligation in excess of plan assets	45	13	43	18
Unrecognized gains and (losses)	(1)	2	1	(1)
Accrued benefit cost recognized in the Consolidated Balance Sheet	----	----	----	----
	\$44	\$15	\$44	\$17
	===	===	===	===
Net periodic postretirement benefit cost, primarily interest cost	\$ 3	\$ 1	\$ 4	\$ 1
	===	===	===	===

An 8 percent rate of increase in per capita costs of covered health care benefits was assumed for 1997, gradually decreasing to 6 percent by the year 2007. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1996 by \$2 million and would have an immaterial effect on the net periodic postretirement benefit cost for 1996. Discount rates of 7.5% and 7.0% were used to determine the accumulated postretirement benefit obligations for both the medical and life insurance plans in 1996 and 1995, respectively. The assumed rate of compensation increase was 6.0% in 1996 and 5.0% in 1995.

Retiree medical benefits are funded by a combination of Company and retiree contributions. Retiree life insurance benefits are provided by insurance companies whose premiums are based on claims paid during the year.

10. Capital Stock

The Company is authorized to issue 25 million shares of preferred stock with no par value. The Board of Directors has the authority to divide the preferred stock into series and to determine the rights and preferences of each.

Subsequent to July 1, 1993, the Company had 100 shares of common stock outstanding, all held by Conrail. All of the Company's long-term incentive plans were amended in 1993 to reflect the use of Conrail's common stock. The Company applies APB 25 and related interpretations in accounting for the Conrail plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans. SFAS 123 was issued in 1995 and, if fully adopted, would change the method of recognition of costs on plans similar to those of Conrail. Adoption of SFAS 123 is optional; however, pro forma disclosures as if the Company had adopted the cost recognition requirements under SFAS 123 in 1996 and 1995 are presented below. Conrail's stock-based compensation plans as of December 31, 1996 are described below.

Conrail's 1987 and 1991 Long-Term Incentive Plans authorize the granting to officers and key employees of up to 4 million and 6.6 million shares of common stock, respectively, through stock options, stock appreciation rights, phantom stock and awards of restricted or performance shares. A stock option is exercisable for a specified term commencing after grant at a price not less than the fair market value of the stock on the date of grant. The vesting of awards made pursuant to these plans is contingent upon one or more of the following: continued employment, passage of time or financial and other performance goals.

Effective November 1996, Conrail's Board of Directors authorized the automatic vesting of all unvested stock options outstanding in connection with the Merger Agreement between CSX and Conrail (Note 2).

The activity and status of stock options under the incentive plans follow:

Non-qualified Stock Options		
	Option Price Per Share	Shares Under Option
Balance, January 1, 1994	\$14.000 - \$60.500	1,966,321
Granted	\$52.188 - \$66.938	23,988
Exercised	\$14.000 - \$51.375	(507,450)
Canceled	\$42.625 - \$60.500	(118,904)
Balance, December 31, 1994	\$14.000 - \$66.938	1,363,955
Granted	\$50.688 - \$68.563	516,757
Exercised	\$14.000 - \$53.875	(200,940)
Canceled	\$42.625 - \$53.875	(123,560)
Balance, December 31, 1995	\$14.000 - \$68.563	1,556,212
Granted	\$68.563 - \$96.063	551,038
Exercised	\$14.000 - \$73.250	(1,268,085)
Canceled	\$42.625 - \$70.031	(3,984)
Balance, December 31, 1996	\$14.000 - \$96.063	835,181
Exercisable, December 31, 1996	\$14.000 - \$74.188	831,481
Available for future grants December 31, 1995		1,188,193
December 31, 1996		3,969,317

The weighted average exercise prices of options granted during 1996 and 1995 are \$70.130 per share and \$51.204 per share, respectively. The weighted average exercise prices of options exercised during 1996 and 1995 are \$48.32 per share and \$31.16 per share, respectively. The average remaining maximum terms of options is not considered meaningful given the events that have occurred as a result of Conrail's proposed merger with CSX (Note 2).

The fair value of each option granted during 1996 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: (1) dividend yield of 2.43%, (2) expected volatility of 25.25%, (3) risk-free interest rate of 5.51%, and (4) expected life of 4 years. The weighted average fair value of options granted during 1996 and 1995 is \$16.00 per share and \$13.12 per share, respectively.

Had the compensation cost for Conrail's 1996 and 1995 grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income for 1996 and 1995 would approximate the pro forma amounts below (\$ in millions):

	1996	1995
Net income as reported	\$ 335	\$ 256
Net income pro forma	328	254



Conrail has granted phantom shares and restricted stock under its non-union employee bonus plans to eligible employees who elect to defer all or a portion of their annual bonus in a given year. The number of shares granted depends on the length of the deferral period. Grants are made at the market price of Conrail's common stock at the date of grant. Conrail has granted 148,749 shares and 337,329 shares of phantom and restricted stock, respectively, under its non-union employee bonus plans through December 31, 1996. Conrail has also granted 73,344 performance shares under its 1991 Long-Term Incentive Plan through December 31, 1996. Compensation expense related to these plans was \$2 million in 1996 and \$3 million in 1995. The weighted-average fair value for the phantom shares and restricted stock granted during 1996 and 1995 was \$68.02 per share and \$52.88 per share, respectively.

11. Asset Disposition Charge

Included in 1995 operating expenses is an asset disposition charge of \$283 million, which reduced net income by \$175 million. The asset disposition charge resulted from a review of the Company's route system and other operating assets to determine those that no longer effectively and economically supported current and expected operations. The Company identified and has committed to sell 1,800 miles of rail lines that are expected to provide proceeds substantially less than net book value. In addition, other assets, principally yards and side tracks, identified for disposition were written down to estimated net realizable value (See Note 1 "Asset Impairment").

12. 1994 Early Retirement Program

During 1994, the Company recorded a charge of \$84 million, which reduced net income by \$51 million, for a non-union employee voluntary early retirement program and related costs. The majority of the cost of the early retirement program is being paid from the Company's overfunded pension plan.

13. Other Income, Net

	<u>1996</u>	<u>1995</u>	<u>1994</u>
	<u>----</u>	<u>----</u>	<u>----</u>
	(In Millions)		
Interest income	\$ 30	\$ 33	\$ 34
Rental income	50	57	53
Property sales	23	27	18
Management fee	(20)	(21)	(21)
Other, net	9	15	17
	<u>----</u>	<u>----</u>	<u>----</u>
	\$ 92	\$111	\$101
	<u>=====</u>	<u>=====</u>	<u>=====</u>



#### 14. Commitments and Contingencies

##### Environmental

The Company is subject to various federal, state and local laws and regulations regarding environmental matters. The Company is a party to various proceedings brought by both regulatory agencies and private parties under federal, state and local laws, including Superfund laws, and has also received inquiries from governmental agencies with respect to other potential environmental issues. At December 31, 1996, the Company has received, together with other companies, notices of its involvement as a potentially responsible party or requests for information under the Superfund laws with respect to cleanup and/or removal costs due to its status as an alleged transporter, generator or property owner at 135 locations. However, based on currently available information, the Company believes that it may have some potential responsibility at only 61 of these sites. Due to the number of parties involved at many of these sites, the wide range of costs of possible remediation alternatives, the changing technology and the length of time over which these matters develop, it is often not possible to estimate the Company's liability for the costs associated with the assessment and remediation of contaminated sites.

Although the Company's operating results and liquidity could be significantly affected in any quarterly or annual reporting period if it were held principally liable in certain of these actions, at December 31, 1996, the Company had accrued \$55 million, an amount it believes is sufficient to cover the probable liability and remediation costs that will be incurred at Superfund sites and other sites based on known information and using various estimating techniques. The Company believes the ultimate liability for these matters will not materially affect its consolidated financial condition.

The Company spent \$11 million in 1996, \$14 million in 1995 and \$8 million in 1994 for environmental remediation and related costs and anticipates spending an amount comparable to that spent in 1996 during 1997. In addition, the Company's capital expenditures for environmental control and abatement projects were approximately \$6 million in 1996 and 1995, and \$5 million in 1994, and are anticipated to be approximately \$10 million in 1997.

The Environmental Quality Department is charged with promoting the Company's compliance with laws and regulations affecting the environment and instituting environmentally sound operating practices. The department monitors the status of the sites where the Company is alleged to have liability and continually reviews the information available and assesses the adequacy of the recorded liability.

##### Other

The Company is involved in various legal actions, principally relating to occupational health claims, personal injuries, casualties, property damage and damage to lading. The Company

has recorded liabilities on its balance sheet for amounts sufficient to cover the expected payments for such actions.

The Company may be contingently liable for approximately \$63 million at December 31, 1996 under indemnification provisions related to sales of tax benefits.

The Company had an average of 20,761 employees in 1996, approximately 87% of whom are represented by 14 different labor organizations and are covered by 22 separate collective bargaining agreements. The Company was engaged in collective bargaining at December 31, 1996 with labor organizations representing approximately 22% of its labor force.

In 1994, Locomotive Management Services, a general partnership of which the Company holds a fifty percent interest, issued \$96 million of Equipment Trust Certificates to fund the purchase price of 60 new locomotives. While principal and interest payments on certificates will be fully guaranteed by the Company, through a sharing agreement with its partner, the Company's portion of the guarantee is reduced to approximately \$48 million, effective January 1, 1997, with the Company's purchase of twenty of the locomotives.

The Company has received three adverse jury verdicts related to railroad crossing accidents in Ohio that include significant punitive damage awards that collectively approximate \$30 million. The Company believes the punitive damage awards in those cases are improper and that it has meritorious defenses, which it plans to pursue on appeal. The Company is not presently able to reasonably estimate the ultimate outcome of these cases, and accordingly, no expense for such awards has been recorded as of December 31, 1996.

As part of the Merger Agreement (Note 2), Conrail may be a party to certain stock purchase options or, under certain circumstances, be required to pay substantial termination fees.

#### 15. Condensed Quarterly Data (Unaudited)

	First		Second		Third		Fourth	
	1996	1995	1996	1995	1996	1995	1996	1995
	(\$ In Millions Except Per Share)							
Revenues	\$884	\$885	\$943	\$918	\$923	\$919	\$934	\$946
Income (loss) from operations	68	113	54	179	234	208	242	(45)
Net income (loss)	29	53	23	120	137	115	146	(32)
Ratio of earnings to fixed charges	1.73x	2.45x	1.54x	3.48x	4.76x	4.07x	4.98x	-

During the second quarter of 1996, the Company recorded a one-time charge of \$135 million for the non-union employee voluntary early retirement and separation programs and related costs, which reduced net income by \$83 million (Note 3).

As a result of a decrease in a state income tax rate enacted during the second quarter of 1995, income tax expense was reduced by \$21 million representing the effects of adjusting deferred income taxes and the special income tax obligation for the rate decrease as required under SFAS 109 (Note 8). During the fourth quarter of 1995, an asset disposition charge reduced income from operations by \$283 million and adversely affected the quarter's net income by \$175 million (Note 11). After the asset disposition charge, earnings were insufficient by \$62 million to cover fixed charges for the quarter.



Item 9. Changes in and Disagreements with Accountants  
on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information omitted in accordance with General Instruction  
I(2)(c).

Item 11. Executive Compensation.

Information omitted in accordance with General Instruction  
I(2)(c).

Item 12. Security Ownership of Certain Beneficial  
Owners and Management.

Information omitted in accordance with General Instruction  
I(2)(c).

and

Item 13. Certain Relationships and Related Transactions.

Information omitted in accordance with General Instruction  
I(2)(c).

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following documents are filed as a part of this report:

1. Financial Statements:	Page
Report of Independent Accountants.....	14
Consolidated Statements of Income for each of the three years in the period ended December 31, 1996.	15
Consolidated Balance Sheets at December 31, 1996 and 1995 .....	16
Consolidated Statements of Stockholder's Equity for each of the three years in the period ended December 31, 1996.....	17
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1996.....	18
Notes to Consolidated Financial Statements.....	19
2. Financial Statement Schedules:	

The following financial statement schedules should be read in connection with the financial statements listed in Item 14(a)1 above.

Index to Financial Statement Schedules

	Page
Schedule II - Valuation and Qualifying Accounts	S-1

Schedules other than those listed above are omitted for reasons that they are not required, are not applicable, or the information is included in the financial statements or related notes.

3. Exhibits:

Exhibit No.

- 2 Agreement and Plan of Merger among Consolidated Rail Corporation, Conrail Inc. and Conrail Subsidiary Corporation, dated as of February 17, 1993, filed as Appendix A to the Proxy Statement of the Registrant, dated April 16, 1993 and incorporated herein by reference.
- 3.1 Amended and Restated Articles of Incorporation of the Registrant filed as Exhibit 3.1 to the Registrant's Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
- 3.2 Bylaws of the Registrant, filed as Exhibit 3.2 to the Registrant's Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference.
- 3.3 Amendment to Bylaws of the Registrant, as of March 15, 1995, filed as Exhibit 3.3 to the Registrant's Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
- 4.1 Form of Certificate of Common Stock, par value \$1.00 per share, of the Registrant, filed as Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 (No. 33-19155) and incorporated herein by reference.
- 4.2 Form of Indenture between the Registrant and The First National Bank of Chicago, as Trustee, with respect to the issuance of up to \$1.25 billion aggregate principal amount of the Registrant's debt securities, filed as Exhibit 4 to the Registrant's Registration Statement on Form S-3 (Registration No. 33-34040) and incorporated herein by reference.
- In accordance with Item 601(b)(4)(iii) of Regulation S-K, copies of instruments of the Registrant with respect to the rights of holders of certain long-term debt are not filed herewith, or incorporated by reference, but will be furnished to the Commission upon request.
- 10.1 Second Amended and Restated Northeast Corridor Freight Operating Agreement dated October 1, 1986 between National Railroad Passenger Corporation and Consolidated Rail Corporation, filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-11995) and incorporated herein by reference.
- 10.2 Letter agreements dated September 30, 1982 and July 19, 1986 between Consolidated Rail Corporation and The Penn Central Corporation, filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1

(Registration No. 33-11995) and incorporated herein by reference.

- 10.3 Letter agreement dated March 16, 1988 between Consolidated Rail Corporation and Penn Central Corporation relating to hearing loss litigation, filed as Exhibit 19.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1988 and incorporated herein by reference.
- 12 Computation of the ratio of earnings to fixed charges.
- 23 Consent of Independent Accountants.
- 24 Each of the officers and directors signing this Annual Report on Form 10-K has signed a power of attorney, contained on page 41 hereof, with respect to amendments to this Annual Report.
- 27 Financial Data Schedule.
- (b) Reports on Form 8-K.
- None.
- (c) Exhibits.
- The Exhibits required by Item 601 of Regulation S-K as listed in Item 14(a)3 are filed herewith or incorporated herein by reference.
- (d) Financial Statement Schedules.
- Financial statement schedules and separate financial statements specified by this Item are included in Item 14(a)2 or are otherwise omitted for reasons that they are not required or are not applicable.



POWER OF ATTORNEY

Each person whose signature appears below under "SIGNATURES" hereby authorizes Timothy T. O'Toole and John A. McKelvey, or either of them, to execute in the name of each such person, and to file, any amendment to this report and hereby appoints Timothy T. O'Toole and John A. McKelvey, or either of them, as attorneys-in-fact to sign on his or her behalf, individually and in each capacity stated below, and to file any and all amendments to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act 1934, Consolidated Rail Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSOLIDATED RAIL CORPORATION

Date: March 19, 1997

By /s/ David M. LeVan  
David M. LeVan  
Chairman, President and Chief  
Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 19th day of March, 1997, by the following persons on behalf of Consolidated Rail Corporation and in the capacities indicated.

Signature	Title
<u>/s/ David M. LeVan</u> David M. LeVan	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ John A. McKelvey</u> John A. McKelvey	Senior Vice President-Finance (Principal Financial Officer)
<u>/s/ Donald W. Mattson</u> Donald W. Mattson	Vice President-Controller (Principal Accounting Officer)
<u>/s/ H. Furlong Baldwin</u> H. Furlong Baldwin	Director

<u>/s/ Claude S. Brinegar</u> Claude S. Brinegar	Director
<u>Daniel B. Burke</u>	Director
<u>/s/ Kathleen Foley Feldstein</u> Kathleen Foley Feldstein	Director
<u>/s/ Roger S. Hillas</u> Roger S. Hillas	Director
<u>/s/ E. Bradley Jones</u> E. Bradley Jones	Director
<u>/s/ David B. Lewis</u> David B. Lewis	Director
<u>/s/ John C. Marous</u> John C. Marous	Director
<u>/s/ Gail J. McGovern</u> Gail J. McGovern	Director
<u>/s/ Raymond T. Schuler</u> Raymond T. Schuler	Director
<u>David H. Swanson</u>	Director

E-1  
EXHIBIT INDEX

Exhibit No.

- |    |  |
|----|--|
| 12 | Computation of the ratio of earnings<br>to fixed charges |
| 23 | Consent of Independent Accountants                       |
| 27 | Financial Data Schedule                                  |

Exhibits 2, 3.1, 3.2, 3.3, 4.1, 4.2, 10.1, 10.2 and 10.3 are incorporated herein by reference. Powers of attorney with respect to amendments to this Annual Report are contained on page 41.

## CONSOLIDATED RAIL CORPORATION

## COMPUTATION OF THE RATIO OF EARNINGS TO FIXED CHARGES

(\$ In Millions)

	Quarters Ended March 31,		Quarters Ended June 30,		Quarters Ended September 30,		Quarters Ended December 31,		Years Ended December 31,		
	1996	1995	1996	1995	1996	1995	1996	1995 (1)	1996	1995	1994
<b>Earnings</b>											
Pre-tax income (loss)	\$ 47	\$ 92	\$34	\$163	\$212	\$182	\$223	\$ (56)	\$516	\$381	\$526
Add:											
Interest expense	44	46	44	48	43	46	43	45	174	185	178
Rental expense interest factor	15	14	13	16	12	12	11	11	51	53	42
Less equity in undistributed earnings of 20-50% owned companies	(4)	(5)	(3)	(4)	(5)	(4)	(8)	(6)	(20)	(19)	(20)
<b>Earnings available for fixed charges</b>	<b>\$102</b>	<b>\$147</b>	<b>\$88</b>	<b>\$223</b>	<b>\$262</b>	<b>\$236</b>	<b>\$269</b>	<b>\$ (6)</b>	<b>\$721</b>	<b>\$600</b>	<b>\$726</b>
<b>Fixed Charges</b>											
Interest expense	44	46	44	48	43	46	43	45	174	185	178
Rental expense interest factor	15	14	13	16	12	12	11	11	51	53	42
Capitalized interest											1
<b>Fixed charges</b>	<b>\$ 59</b>	<b>\$ 60</b>	<b>\$57</b>	<b>\$ 64</b>	<b>\$ 55</b>	<b>\$ 58</b>	<b>\$ 54</b>	<b>\$ 56</b>	<b>\$225</b>	<b>\$238</b>	<b>\$221</b>
<b>Ratio of earnings to fixed charges</b>	<b>1.73x</b>	<b>2.45x</b>	<b>1.54x</b>	<b>3.48x</b>	<b>4.76x</b>	<b>4.07x</b>	<b>4.98x</b>	<b>-</b>	<b>3.20x</b>	<b>2.52x</b>	<b>3.29x</b>

Note: For the purpose of computing the ratio of earnings to fixed charges, earnings represent income before income taxes plus fixed charges, less equity in undistributed earnings of 20% to 50% owned companies. Fixed charges represent interest expense together with interest capitalized and a portion of rent under long-term operating leases representative of an interest factor.

(1) In the fourth quarter of 1995, the Company recorded an asset disposition charge of \$175 million (after tax benefits of \$108 million). After this charge, earnings were insufficient by \$62 million to cover fixed charges for the quarter.



**Consent of Independent Accountants**

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-34040 and 33-64670) of Consolidated Rail Corporation and subsidiaries of our report dated January 21, 1997, except as to Note 2, which is as of March 7, 1997, included in this Form 10-K.

*Price Waterhouse LLP*

PRICE WATERHOUSE LLP  
Thirty South Seventeenth Street  
Philadelphia, PA 19103  
March 24, 1997

CONSOLIDATED RAIL CORPORATION  
FINANCIAL DATA SCHEDULE  
(\$ In Millions Except Per Share)

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

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CONSOLIDATED RAIL CORPORATION  
VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEARS ENDED DECEMBER 31,

(In Millions)

Description	Balance at Beginning of Period	Additions		Deductions	Balance At End of Period
		Charged to Costs and Expenses	Charged to Other Accounts (1)		
1994					
Casualty reserves					
Current.....	\$ 93			\$ (10) (2)	\$103
Noncurrent.....	132	\$175	\$ 12	107 (3)	212
Allowance for disposition of property and equipment (4).....	256			15	241
1995					
Casualty reserves					
Current.....	103			(4) (2)	107
Noncurrent.....	212	174	14	183 (3)	217
Allowance for disposition of property and equipment (4) (5).....	241	261		63	439
1996					
Casualty reserves					
Current.....	107			(31) (2)	136
Noncurrent.....	217	168	11	206 (3)	190
Allowance for disposition of property and equipment (4).....	439			31	408

(1) Includes charges to property accounts in connection with construction projects and the recording of receivables from third parties.

(2) Includes net transfers from noncurrent.

(3) Transfers to current.

(4) Deductions of \$15 million, \$63 million and \$31 million in 1994, 1995 and 1996, respectively, represent net losses on asset dispositions.

(5) In 1995, the Company recorded an asset disposition charge, which resulted from a review of the Company's route system and other operating assets to determine those that no longer effectively and economically support current and expected operations. The Company identified and has committed to sell 1,800 miles of rail lines that are expected to provide proceeds substantially less than net book value. In addition, other assets, principally yards and side tracks, identified for disposition have been written down to estimated net realizable value.



# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM S-4 REGISTRATION STATEMENT

Under  
*THE SECURITIES ACT OF 1933*

## CSX CORPORATION

(Exact name of Registrant as specified in its charter)

Commonwealth of Virginia  
(State or other jurisdiction  
of incorporation or organization)

4011  
(Primary Standard Industrial  
Classification Code Number)

62-1051971  
(I.R.S. Employer  
Identification No.)

One James Center  
901 East Cary Street  
Richmond, Virginia 23219  
(804) 782-1400

(Address, including Zip Code, and telephone number,  
including area code, of Registrant's principal executive offices)

Mark G. Aron, Esq.  
Executive Vice President-Law and Public Affairs  
CSX Corporation

One James Center, 901 East Cary Street  
Richmond, Virginia 23219  
(804) 782-1400

(Name, address, including Zip Code, and telephone number,  
including area code, of agent for service of process)

*Copy to:*

Joseph C. Carter, III, Esq.  
McGuire, Woods, Battle & Boothe, L.L.P.  
One James Center, 901 East Cary Street  
Richmond, Virginia 23219  
(804) 775-1000  
(804) 775-1061 (facsimile)

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)(3)
7.05% Debentures Due 2002. ....	\$ 350,000,000	100%	\$ 350,000,000	
7.25% Debentures Due 2004. ....	\$ 300,000,000	100%	\$ 300,000,000	
7.45% Debentures Due 2007. ....	\$ 450,000,000	100%	\$ 450,000,000	
7.90% Debentures Due 2017. ....	\$ 400,000,000	100%	\$ 400,000,000	
7.95% Debentures Due 2027. ....	\$ 500,000,000	100%	\$ 500,000,000	
6.95% Debentures Due 2027. ....	\$ 100,000,000	100%	\$ 100,000,000	
7.25% Debentures Due 2027. ....	\$ 250,000,000	100%	\$ 250,000,000	
8.30% Debentures Due 2032. ....	\$ 150,000,000	100%	\$ 150,000,000	
Total .....	\$2,500,000,000	100%	\$2,500,000,000	\$757,576

- (1) Estimated solely for purposes of calculating the registration fee.
- (2) Calculated pursuant to Rule 457(f)(2).
- (3) Payment of the registration fee due in connection with this Registration Statement has been partially offset by previous overpayments by the Registrant in the amount of \$52,752.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY PROSPECTUS

# CSX CORPORATION

## OFFERS TO EXCHANGE

### ALL OUTSTANDING

7.05% DEBENTURES DUE 2002  
7.25% DEBENTURES DUE 2004  
7.45% DEBENTURES DUE 2007  
7.90% DEBENTURES DUE 2017  
7.95% DEBENTURES DUE 2027  
6.95% DEBENTURES DUE 2027  
7.25% DEBENTURES DUE 2027  
8.30% DEBENTURES DUE 2032

For  
For  
For  
For  
For  
For  
For  
For

### REGISTERED

7.05% DEBENTURES DUE 2002  
7.25% DEBENTURES DUE 2004  
7.45% DEBENTURES DUE 2007  
7.90% DEBENTURES DUE 2017  
7.95% DEBENTURES DUE 2027  
6.95% DEBENTURES DUE 2027  
7.25% DEBENTURES DUE 2027  
8.30% DEBENTURES DUE 2032

### THE EXCHANGE OFFERS

WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,  
ON , 1997 UNLESS EXTENDED.

CSX Corporation, a Virginia corporation (the "Company"), hereby offers (the "Exchange Offers"), upon the terms and subject to the conditions set forth in this Prospectus (as the same may be amended or supplemented from time to time, this "Prospectus") and the accompanying Letter of Transmittal (the "Letter of Transmittal"), to exchange its outstanding:

- 7.05% Debentures Due 2002 (the "Old 2002 Debentures"), of which an aggregate of \$350,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.05% Debentures Due 2002 (the "New 2002 Debentures"),
- 7.25% Debentures Due 2004 (the "Old 2004 Debentures"), of which an aggregate of \$300,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.25% Debentures Due 2004 (the "New 2004 Debentures"),
- 7.45% Debentures Due 2007 (the "Old 2007 Debentures"), of which an aggregate of \$450,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.45% Debentures Due 2007 (the "New 2007 Debentures"),
- 7.90% Debentures Due 2017 (the "Old 2017 Debentures"), of which an aggregate of \$400,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.90% Debentures Due 2017 (the "New 2017 Debentures"),
- 7.95% Debentures Due 2027 (the "Old 7.95% 2027 Debentures"), of which an aggregate of \$500,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.95% Debentures Due 2027 (the "New 7.95% 2027 Debentures"),
- 6.95% Debentures Due 2027 (the "Old 6.95% 2027 Debentures"), of which an aggregate of \$100,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 6.95% Debentures Due 2027 (the "New 6.95% 2027 Debentures"),
- 7.25% Debentures Due 2027 (the "Old 7.25% 2027 Debentures"), of which an aggregate of \$250,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 7.25% Debentures Due 2027 (the "New 7.25% 2027 Debentures"), and
- 8.30% Debentures Due 2032 (the "Old 2032 Debentures"), of which an aggregate of \$150,000,000 in principal amount is outstanding as of the date hereof, for an equal principal amount of newly issued 8.30% Debentures Due 2032 (the "New 2032 Debentures").

The form and terms of the New 2002 Debentures, New 2004 Debentures, New 2007 Debentures, New 2017 Debentures, New 7.95% 2027 Debentures, New 6.95% 2027 Debentures, New 7.25% 2027 Debentures, and New 2032 Debentures (collectively, the "New Debentures") will be the same as the form and terms of the Old 2002 Debentures, Old 2004

(Continued)

This Prospectus, together with the Letter of Transmittal, is first being sent on or about , 1997 to all Holders of Old Debentures (as defined below) known to the Company.

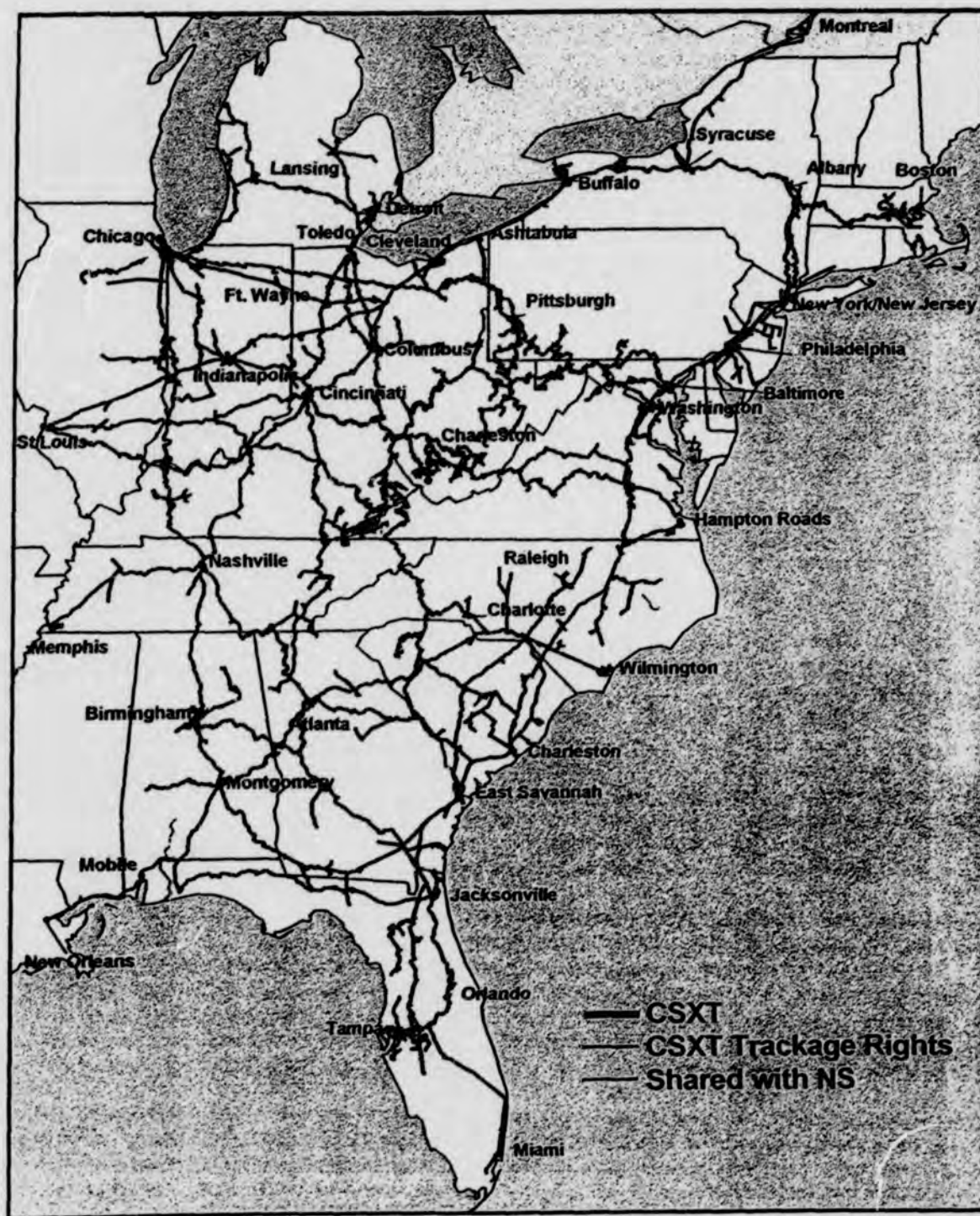
SEE "RISK FACTORS" COMMENCING ON PAGE 10 FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY HOLDERS IN DECIDING WHETHER TO TENDER OLD DEBENTURES IN THE EXCHANGE OFFERS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1997

Information contained herein is subject to completion or amendment. A Registration Statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the Registration Statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

The map below shows the proposed post-Transaction CSXT route system, as defined herein. See "The Company—Joint CSX/NSC Acquisition of Conrail."





*(Cover page continued)*

Debentures, Old 2007 Debentures, Old 2017 Debentures, Old 7.95% 2027 Debentures, Old 6.95% 2027 Debentures, Old 7.25% 2027 Debentures, and Old 2032 Debentures (collectively, the "Old Debentures"), respectively, except that (i) the New Debentures will be registered under the Securities Act of 1933, as amended (the "Securities Act"), and hence will not bear legends restricting the transfer thereof and (ii) the holders of the New Debentures will not be entitled to certain rights of holders of the Old Debentures under the Registration Rights Agreement (as defined herein), which rights will terminate upon the consummation of the Exchange Offers. The New 2002 Debentures, New 2004 Debentures, New 2007 Debentures, New 2017 Debentures, New 7.95% 2027 Debentures, New 6.95% 2027 Debentures, New 7.25% 2027 Debentures, and New 2032 Debentures will evidence the same debt as the Old 2002 Debentures, Old 2004 Debentures, Old 2007 Debentures, Old 2017 Debentures, Old 7.95% 2027 Debentures, Old 6.95% 2027 Debentures, Old 7.25% 2027 Debentures, and Old 2032 Debentures, respectively, and will be entitled to the benefits of an indenture, dated as of August 1, 1990 and supplemented and amended by a First Supplemental Indenture dated as of June 15, 1991 and a Second Supplemental Indenture dated as of May 6, 1997 (as supplemented and amended, the "Indenture"), governing the Old Debentures and the New Debentures. The Indenture provides for the issuance of both the New Debentures and the Old Debentures. The New 2002 Debentures and the Old 2002 Debentures are sometimes referred to herein collectively as the "2002 Debentures"; the New 2004 Debentures and the Old 2004 Debentures are sometimes referred to herein collectively as the "2004 Debentures"; the New 2007 Debentures and the Old 2007 Debentures are sometimes referred to herein collectively as the "2007 Debentures"; the New 2017 Debentures and the Old 2017 Debentures are sometimes referred to herein collectively as the "2017 Debentures"; the New 7.95% 2027 Debentures and the Old 7.95% 2027 Debentures are sometimes referred to herein collectively as the "7.95% 2027 Debentures"; the New 6.95% 2027 Debentures and the Old 6.95% 2027 Debentures are sometimes referred to herein collectively as the "6.95% 2027 Debentures"; the New 7.25% 2027 Debentures and the Old 7.25% 2027 Debentures are sometimes referred to herein collectively as the "7.25% 2027 Debentures"; the Old 2032 Debentures and the New 2032 Debentures are sometimes referred to herein collectively as the "2032 Debentures"; and the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures, the 7.25% 2027 Debentures, and the 2032 Debentures are sometimes referred to herein collectively as the "Debentures."

Interest on each series of the Debentures will be paid semiannually on May 1 and November 1 of each year, commencing on November 1, 1997. The 2032 Debentures are not redeemable prior to May 1, 2007. On or after that date, the 2032 Debentures will be redeemable at the option of the Company, as a whole or in part, at any time on at least 30 days' notice, at the respective prices indicated herein. None of the other series of Debentures are redeemable at the Company's option prior to maturity. Each holder of the 6.95% 2027 Debentures may require the Company to repurchase all or a portion of such series owned by such holder on May 1, 2002 at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon. Each holder of the 7.25% 2027 Debentures may require the Company to repurchase all or a portion of such series owned by such holder on May 1, 2005 at a purchase price equal to 100% of the principal amount thereof. None of the series of Debentures is subject to any sinking fund. See "Description of New Debentures."

Prior to the Exchange Offers, there has been no public market for the Old Debentures. The Company does not intend to list the New Debentures on any securities exchange or to seek approval for quotation through any automated quotation system. There can be no assurance that an active market for the New Debentures will develop. To the extent that a market for the New Debentures does develop, the market value of the New Debentures will depend on market conditions (such as yields on alternative investments), general economic conditions, the Company's financial condition and other conditions. Such conditions might cause the New Debentures, to the extent that they are actively traded, to trade at a significant discount from face value.

Except as discussed below, the New Debentures will be available only in book-entry form. The Company expects that the New Debentures issued pursuant to the Exchange Offers will be issued in the form of one or more fully registered global debentures that will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in its name or in the name of Cede & Co., as its nominee. Beneficial interests



in the global debentures representing the New Debentures will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. After the initial issuance of such global debentures, New Debentures in certificated form will be issued in exchange for the global debentures only in accordance with the terms and conditions set forth in the Indenture. See "Description of the New Debentures—Book-Entry, Delivery and Form" and "Description of the New Debentures—Certificated Debentures."

The Company will accept for exchange any and all Old Debentures which are properly tendered in the Exchange Offers prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 1997 (if and as extended, the "Expiration Date"). Tenders of Old Debentures may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Offers are not conditioned upon any minimum principal amount of Old Debentures being tendered for exchange. Old Debentures may be tendered only in integral multiples of \$1,000. The Company may terminate the Exchange Offers in certain circumstances described herein. See "The Exchange Offers." In the event the Company terminates any or all of the Exchange Offers and does not accept for exchange any of the Old 2002 Debentures, Old 2004 Debentures, Old 2007 Debentures, Old 2017 Debentures, Old 7.95% 2027 Debentures, Old 6.95% 2027 Debentures, Old 7.25% 2027 Debentures, or Old 2032 Debentures, as the case may be, the Company will promptly return all previously tendered Old 2002 Debentures, Old 2004 Debentures, Old 2007 Debentures, Old 2017 Debentures, Old 7.95% 2027 Debentures, Old 6.95% 2027 Debentures, Old 7.25% 2027 Debentures, and Old 2032 Debentures, as the case may be, to the holders thereof.

Based on a previous interpretation by the staff of the Securities and Exchange Commission (the "Commission") set forth in no-action letters to third parties, the Company believes that the New Debentures issued pursuant to the Exchange Offers in exchange for Old Debentures may be offered for resale, resold, and otherwise transferred by a holder thereof (other than (i) a broker-dealer who purchases such New Debentures directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act or (ii) a person that is an affiliate of the Company (within the meaning of Rule 405 under the Securities Act)) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holder is acquiring the New Debentures in such holder's ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in the distribution of the New Debentures. Holders of Old Debentures wishing to accept any or all of the Exchange Offers must represent to the Company that such conditions have been met.

Each broker-dealer that receives New Debentures for its own account pursuant to any or all of the Exchange Offers must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter," within the meaning of the Securities Act, in connection with the resale of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The Company believes that none of the registered holders of the Old Debentures is an affiliate (as such term is defined in Rule 405 under the Securities Act) of the Company. The Company has not entered into any arrangement or understanding with any person to distribute the New Debentures to be received in the Exchange Offers, and to the best of the Company's information and belief, each person participating in any or all of the Exchange Offers is acquiring the New Debentures in the ordinary course of business and has no arrangement or understanding with any person to participate in the distribution of the New Debentures to be received in any or all of the Exchange Offers.

The Company will not receive any proceeds from the Exchange Offers. The Company has agreed to bear the expenses of the Exchange Offers. No underwriter is being used in connection with the Exchange Offers.

## AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the Commission's Regional Offices in New York (Seven World Trade Center, 13th Floor, New York, New York 10048), and Chicago (Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661). Copies of these materials may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, the Commission maintains a site on the World Wide Web at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Reports, proxy statements and other information concerning the Company may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, where the Company's common stock is listed.

This Prospectus constitutes a part of a Registration Statement on Form S-4, as amended (the "Registration Statement"), filed by the Company with the Commission under the Securities Act. This Prospectus omits certain of the information contained in the Registration Statement in accordance with the rules and regulations of the Commission. Reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the Debentures. Statements contained herein concerning the provisions of any documents are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1996, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 1997 and the Company's Current Report on Form 8-K dated May 23, 1997, have been filed by the Company with the Commission and are incorporated herein by reference. In addition, there is incorporated herein by reference the CSX/NSC Agreement (as defined herein), which has been filed by the Company with the Commission as an exhibit to Amendment No. 24 to the Company's Tender Offer Statement on Schedule 14D-1, filed on April 11, 1997.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this Prospectus and prior to the termination of any offering of securities made hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the respective dates of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement or document so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus. As used herein, the terms "Prospectus" and "herein" mean this Prospectus, including the documents incorporated or deemed incorporated by reference, as the same may be amended, supplemented or otherwise modified from time to time. Statements contained in this Prospectus as to the contents of any contract or other document referred to herein do not purport to be complete and are qualified in all respects by reference to all of the provisions of such contract or other document.

The Company will furnish without charge to each person to whom this Prospectus is delivered, upon written or oral request of such person, a copy of any and all of the documents described above that are incorporated by reference herein other than exhibits to such documents which are not specifically incorporated by reference in such documents. Written or telephone requests should be directed to: Alan A. Rudnick, Vice President—General

Counsel and Corporate Secretary, CSX Corporation, One James Center, 901 East Cary Street, Richmond, Virginia 23219, telephone number (804) 782-1400.

IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE  
MADE BY , 1997.



## SUMMARY

*The following summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus or incorporated herein by reference.*

### THE EXCHANGE

**The Exchange Offers.....** The Company is offering to exchange \$1,000 principal amount of New 2002 Debentures, New 2004 Debentures, New 2007 Debentures, New 2017 Debentures, New 7.95% 2027 Debentures, New 6.95% 2027 Debentures, New 7.25% 2027 Debentures, and New 2032 Debentures, respectively, for each \$1,000 principal amount of Old 2002 Debentures, Old 2004 Debentures, Old 2007 Debentures, Old 2017 Debentures, Old 7.95% 2027 Debentures, Old 6.95% 2027 Debentures, Old 7.25% 2027 Debentures, and Old 2032 Debentures, respectively, that are properly tendered and accepted. The Company will issue the New 2002 Debentures, New 2004 Debentures, New 2007 Debentures, New 2017 Debentures, New 7.95% 2027 Debentures, New 6.95% 2027 Debentures, New 7.25% 2027 Debentures, and New 2032 Debentures on or promptly after the Expiration Date. There is \$350,000,000 aggregate principal amount of the Old 2002 Debentures outstanding, \$300,000,000 aggregate principal amount of the Old 2004 Debentures outstanding, \$450,000,000 aggregate principal amount of the Old 2007 Debentures outstanding, \$400,000,000 aggregate principal amount of the Old 2017 Debentures outstanding, \$500,000,000 aggregate principal amount of the Old 7.95% 2027 Debentures outstanding, \$100,000,000 aggregate principal amount of the Old 6.95% 2027 Debentures outstanding, \$250,000,000 aggregate principal amount of the Old 7.25% 2027 Debentures outstanding, and \$150,000,000 aggregate principal amount of the Old 2032 Debentures outstanding. See "The Exchange Offers."

Based on an interpretation of the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that New Debentures issued pursuant to the Exchange Offers in exchange for Old Debentures may be offered for resale, resold and otherwise transferred by any holder thereof (other than (i) a broker-dealer who purchases such New Debentures directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act or (ii) any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such holder's business and that such holder has no arrangement or



understanding with any person to participate in the distribution of such New Debentures. In the event that the Company's belief is inaccurate, holders of New Debentures who transfer New Debentures in violation of the prospectus delivery provisions of the Securities Act and without an exemption from registration thereunder may incur liability thereunder. The Company does not assume, or indemnify holders against, such liability. The Exchange Offers are not being made to, nor will the Company accept surrenders for exchange from, holders of Old Debentures (i) in any jurisdiction in which the Exchange Offers or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction or (ii) if any holder is engaged or intends to engage in a distribution of New Debentures. Each broker-dealer that receives New Debentures for its own account in exchange for Old Debentures, where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. See "Plan of Distribution."

**Expiration Date .....**

The Exchange Offers will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 1997, unless any or all Exchange Offers are extended, in which case the term "Expiration Date" shall mean, with respect to each Exchange Offer, the latest date and time to which such Exchange Offer is extended. The Company will accept for exchange any and all Old Debentures which are properly tendered in the Exchange Offers prior to 5:00 p.m., New York City time, on the Expiration Date. The New Debentures issued pursuant to the Exchange Offers will be delivered on or promptly after the Expiration Date.

**Conditions to the Exchange Offers .....**

The Exchange Offers are not conditioned on any minimum principal amount of Old Debentures being tendered for exchange. The Company may terminate the Exchange Offers if it determines that its ability to proceed with any or all of the Exchange Offers could be materially impaired due to any legal or governmental action, any new law, statute, rule or regulation, any interpretation by the staff of the Commission of any existing law, statute, rule or regulation or the failure to obtain any necessary approvals of governmental agencies or holders of the Old Debentures. The Company does not expect any of the foregoing conditions to occur, although there can be no assurances any such conditions will not occur. The Exchange Offers are subject to certain other customary conditions, each of which may be waived by the Company. See "The Exchange Offers—Certain Conditions to the Exchange Offers."

**Procedures for Tendering Old  
Debentures .....**

Each holder of Old Debentures wishing to accept any or all of the Exchange Offers must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with such Old Debentures and any other required documentation to The Chase Manhattan Bank, as Exchange Agent, at the address set forth herein. By executing the Letter of Transmittal or by transmitting an Agent's Message (as defined below) in lieu thereof, each holder will represent to the Company that, among other things, the New Debentures acquired pursuant to the Exchange Offers are being obtained in the ordinary course of business of the person receiving such New Debentures, such person does not have an arrangement or understanding with any person to participate in the distribution of such New Debentures and that neither the holder nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Company. Certain brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer, including an Agent's Message in lieu of a Letter of Transmittal.

**Beneficial Owners .....**

Any beneficial owner whose Old Debentures are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender such Old Debentures in any or all of the Exchange Offers should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Debentures, either make appropriate arrangements to register ownership of the Old Debentures in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the Expiration Date.

**Guaranteed Delivery Procedures .....**

Holders of Old Debentures who wish to tender their Old Debentures and who cannot deliver their Old Debentures or the Letter of Transmittal to The Chase Manhattan Bank, as Exchange Agent, prior to the Expiration Date, or the procedures for book-entry transfer cannot be completed on a timely basis, must tender their Old Debentures according to the guaranteed delivery procedures set forth in "The Exchange Offers—Guaranteed Delivery Procedures."

**Withdrawal Rights .....**

Tenders of Old Debentures may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

**Certain Federal Income Tax****Consequences .....**

For a discussion of certain federal income tax consequences relating to the exchange of New Debentures for Old Debentures, see "Certain Federal Income Tax Consequences of Participation in the Exchange Offers."

**Exchange Agent .....**

The Chase Manhattan Bank is the Exchange Agent. Its telephone number is (212) 946-3068. The address of the Exchange Agent is set forth in "The Exchange Offers—Exchange Agent." The Chase Manhattan Bank also serves as trustee under the Indenture.

**Shelf Registration Statement .....**

Under certain circumstances described in the Registration Rights Agreement (as defined below), certain holders of Debentures (including holders who are not permitted to participate in the Exchange Offers or who may not freely resell New Debentures received in the Exchange Offers) may require the Company to file, and use its best efforts to cause to become effective, a shelf registration statement (the "Shelf Registration Statement") under the Securities Act, which would cover resales of Debentures by such holders. See "Description of the New Debentures—Registration Rights Agreement."

**SUMMARY DESCRIPTION OF THE NEW DEBENTURES**

The terms of the New Debentures and the Old Debentures are identical in all material respects, except for certain transfer restrictions and registration rights relating to the Old Debentures. Whenever defined terms of the Indenture not otherwise defined herein are referred to, such defined terms are incorporated herein by reference. In the event that (i) by November 2, 1997 (or November 4, 1997 with respect to the Old 2032 Debentures), neither the Registration Statement of which this Prospectus is a part (sometimes referred to herein as the "Exchange Offer Registration Statement") is declared effective nor (if the Exchange Offers are not permitted as described above) the Shelf Registration Statement is filed with the Commission, or (ii) by December 2, 1997 (or December 4, 1997 with respect to the Old 2032 Debentures), one or more of the Exchange Offers with respect to any series of Debentures is not consummated or the Shelf Registration Statement is not declared effective with respect thereto (each such event referred to in clauses (i) or (ii), a "Registration Default"), interest will accrue on the applicable Old Debentures (in addition to stated interest on such Old Debentures) from and including the next day following each such Registration Default. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each May 1 and November 1, at a rate per annum equal to 0.25% of the principal amount of such Old Debentures for each such Registration Default. The aggregate amount of Special Interest payable pursuant to the above provisions will in no event exceed 0.25% per annum of the principal amount of such Old Debentures. Upon (a) the effectiveness of the Exchange Offer Registration Statement or the filing of the Shelf Registration Statement after the date set forth in clause (i) above or (b) the consummation of the Exchange Offer for such Old Debentures or the effectiveness of a Shelf Registration Statement, as the case may be, after the date set forth in clause (ii) above, the Special Interest payable on such Old Debentures as a result of the applicable Registration Default will cease to accrue.

The New Debentures will bear interest from the most recent date to which interest has been paid on the Old Debentures or, if no interest has been paid on the Old Debentures, from May 1, 1997. Accordingly, registered



holders of New Debentures on the relevant record date for the first interest payment date following the consummation of the Exchange Offers will receive interest accruing from the most recent date to which interest has been paid on the Old Debentures or, if no interest has been paid, from May 1, 1997. Old Debentures accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offers. Holders whose Old Debentures are accepted for exchange will not receive any payment in respect of interest on such Old Debentures otherwise payable on any interest payment date, the record date for which occurs on or after consummation of the Exchange Offers.

#### THE NEW DEBENTURES

<b>New Debentures Offered .....</b>	\$350,000,000 principal amount of 7.05% Debentures Due 2002, \$300,000,000 principal amount of 7.25% Debentures Due 2004, \$450,000,000 principal amount of 7.45% Debentures Due 2007, \$400,000,000 principal amount of 7.90% Debentures Due 2017, \$500,000,000 principal amount of 7.95% Debentures Due 2027, \$100,000,000 principal amount of 6.95% Debentures Due 2027, \$250,000,000 principal amount of 7.25% Debentures Due 2027 and \$150,000,000 principal amount of 8.30% Debentures Due 2032.
<b>Maturity.....</b>	The New 2002 Debentures will mature on May 1, 2002, the New 2004 Debentures will mature on May 1, 2004, the New 2007 Debentures will mature on May 1, 2007, the New 2017 Debentures will mature on May 1, 2017, the New 7.95% 2027 Debentures will mature on May 1, 2027, the New 6.95% 2027 Debentures will mature on May 1, 2027, the New 7.25% 2027 Debentures will mature on May 1, 2027, and the New 2032 Debentures will mature on May 1, 2032.
<b>Interest Payment Dates.....</b>	Interest on the New Debentures is payable semiannually on each May 1 and November 1, commencing November 1, 1997.
<b>Redemption.....</b>	The New 2032 Debentures will not be redeemable prior to May 1, 2007. On and after that date, the New 2032 Debentures will be redeemable at the option of the Company, as a whole or in part, at any time on at least 30 days' notice, at the respective prices indicated herein. None of the other series of New Debentures will be redeemable prior to maturity. See "Description of the New Debentures—Redemption."
<b>Purchase at Option of Holder .....</b>	Each holder of the New 6.95% 2027 Debentures may require the Company to repurchase all or a portion of such series owned by such holder on May 1, 2002 at a purchase price equal to 100% of the principal amount thereof plus accrued interest. Each holder of the New 7.25% 2027 Debentures may require the Company to repurchase all or a portion of such series owned by such holder on May 1, 2005 at a purchase



price equal to 100% of the principal amount thereof plus accrued interest. No such repurchase right will be available to holders of the other series of New Debentures. See "Description of New Debentures—Purchase at Option of Holder."

Ranking .....

The New Debentures will be senior securities of the Company, ranking *pari passu* with all other unsubordinated and unsecured indebtedness of the Company.

## **RISK FACTORS**

Holders of Old Debentures should carefully review the information contained elsewhere in this Prospectus and should particularly consider the following matters.

### **Consequences of Failure to Exchange Old Debentures**

The Old Debentures have not been registered under the Securities Act or any state securities laws and therefore may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with certain other conditions and restrictions. Old Debentures which remain outstanding after consummation of the Exchange Offers will continue to bear a legend reflecting such restrictions on transfer. In addition, upon consummation of the Exchange Offers, holders of Old Debentures which remain outstanding will not be entitled to any rights to have such Old Debentures registered under the Securities Act or to any similar rights under the Registration Rights Agreement (subject to certain limited exceptions as described herein). See "Description of the New Debentures—Registration Rights Agreement." The Company does not intend to register under the Securities Act any Old Debentures which remain outstanding after consummation of the Exchange Offers (subject to such limited exceptions, if applicable). To the extent that Old Debentures are tendered and accepted in the Exchange Offers, a holder's ability to sell untendered Old Debentures could be adversely affected. See "The Exchange Offers—Consequences of Failure to Exchange Old Debentures."

### **Absence of Public Market**

The Old Debentures were issued to, and the Company believes are currently owned by, a relatively small number of beneficial owners. The Old Debentures have not been registered under the Securities Act and will be subject to restrictions on transferability to the extent that they are not exchanged for the New Debentures. Although the New Debentures will generally be permitted to be resold or otherwise transferred by the holders (who are not affiliates of the Company) without compliance with the registration requirements under the Securities Act, they will constitute a new issue of securities with no established trading market. Any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the Exchange Offers. Accordingly, no assurance can be given that an active public or other market will develop for the New Debentures or the Old Debentures or as to the liquidity of or the trading market for the New Debentures or the Old Debentures. If an active public market does not develop, the market price and liquidity of the New Debentures may be adversely affected.

If a public trading market for the New Debentures develops, future trading prices of such securities will depend on many factors, including, among other things, prevailing interest rates, results of operations and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the Company, the New Debentures may trade at a discount.

Notwithstanding the registration of the New Debentures in the Exchange Offers, holders who are "affiliates" (as defined under Rule 405 of the Securities Act) of the Company may publicly offer for sale or resell the New Debentures only in compliance with the provisions of Rule 144 under the Securities Act.

Each broker-dealer that receives New Debentures for its own account in exchange for Old Debentures, where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Debentures. See "Plan of Distribution."

### **Exchange Offer Procedures**

Unless tenders are made by book-entry transfer, issuance of the New Debentures in exchange for Old Debentures pursuant to the Exchange Offers will be made only after timely receipt by the Exchange Agent of

such Old Debentures, a properly completed and duly executed Letter of Transmittal and all other required documents. Therefore, holders of the Old Debentures desiring to tender such Old Debentures in exchange for New Debentures should allow sufficient time to ensure timely delivery. Neither the Exchange Agent nor the Company is under any duty to give notification of defects or irregularities with respect to the tenders of Old Debentures for exchange.

## THE COMPANY

The Company is an international transportation company with operations in the following business units: CSX Transportation, Inc. ("CSXT"), Sea-Land Service, Inc. ("Sea-Land"), American Commercial Lines, Inc. ("ACL"), CSX Intermodal, Inc. ("CSXI"), Customized Transportation, Inc. ("CTI") and non-transportation businesses. In 1996, the Company generated approximately \$10.5 billion of operating revenue and \$1.5 billion of operating income.

CSXT is an eastern Class I freight railroad, providing rail freight transportation and distribution services over 18,504 route miles of track in 20 states in the East, Midwest and South of the United States and in the Province of Ontario, Canada. In 1996, CSXT accounted for 47% of the total operating revenue and 74% of the operating income of CSX.

Sea-Land is a worldwide leader in container-shipping transportation and logistics services. Sea-Land operates 28 preferential and exclusive marine terminal facilities across its global network. In addition, Sea-Land operates a fleet of 99 container ships and approximately 208,000 containers in United States and foreign trade and serves 120 ports. In 1996, Sea-Land accounted for 38% of the total operating revenue and 21% of the operating income of CSX.

ACL is the nation's leader in barge transportation, operating 137 towboats and more than 3,700 barges on both United States and South American waterways. In 1996, ACL accounted for 6% of the total operating revenue and 7% of the operating income of CSX.

CSXI provides transcontinental intermodal transportation services and operates a network of dedicated intermodal facilities across North America. In 1996, CSXI contributed 6% of the total operating revenue and 2% of the operating income of CSX.

CTI is a provider of contract logistics, distribution, warehousing, assembly and just-in-time delivery services. In 1996, CTI provided 3% of the total operating revenue and 1% of the operating income of CSX.

Non-Transportation: Resort holdings include the Mobil Five-Star and AAA Five-Diamond rated hotel, The Greenbrier in White Sulphur Springs, West Virginia, and the Grand Teton Lodge Company in Moran, Wyoming. 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.

The Company was incorporated in Virginia in 1978. The Company's principal executive offices are located at One James Center, 901 East Cary Street, Richmond, Virginia 23219 (telephone 804-782-1400). Unless the context indicates otherwise, references herein to the Company or CSX are to CSX Corporation and its consolidated subsidiaries.

### Joint CSX/NSC Acquisition of Conrail

#### *CSX/NSC Agreement*

On April 8, 1997, the Company and Norfolk Southern Corporation, a Virginia corporation ("NSC"), entered into an agreement (the "CSX/NSC Agreement") providing for their joint acquisition of Conrail Inc., a



Pennsylvania corporation ("Conrail"), and the division of Conrail's routes and other assets. Conrail is a holding company of which the principal subsidiary is Consolidated Rail Corporation, a Class I freight railroad that operates approximately 10,500 route miles in the Northeast and Midwest of the United States and the Province of Quebec, Canada, and which possesses superior access to certain major northeast markets, including the New York and Boston metropolitan areas. NSC owns an eastern Class I freight railroad, Norfolk Southern Railway Company.

Under the CSX/NSC Agreement, the Company and NSC acquired all outstanding shares of Conrail not already owned by them (the "Shares") for \$115 in cash per Share through a jointly owned acquisition entity (the "Acquisition Entity"). Each of the Company and NSC possesses 50% of the voting and management rights of the Acquisition Entity, and non-voting equity is apportioned between the parties to achieve overall economic allocations of 42% for CSX and 58% for NSC (their respective "Percentages"). Following approval by the Surface Transportation Board (the "STB") as described below, Conrail's assets will be segregated within Conrail, and the Company and NSC will each benefit from the operation of a specified portion of the Conrail routes and other assets through the use of various operating arrangements, and certain Conrail assets will be operated for the joint benefit of the Company and NSC.

Acquisition of most of the Conrail Shares was effected under a tender offer, initiated by the Company in December 1996 and amended in April 1997 to include NSC as a co-bidder (the "Joint Tender Offer"), which closed in May 1997. Shortly thereafter, Conrail was merged with a wholly-owned subsidiary of the Acquisition Entity and all remaining Conrail Shares not tendered were converted into the right to receive \$115 in cash per share. The aggregate cost of the Joint Tender Offer, the merger and the shares of Conrail already acquired by the Company and NSC was approximately \$9.9 billion. Pursuant to the CSX/NSC Agreement, the Company has paid 42%, or approximately \$4.2 billion, and NSC has paid 58%, or approximately \$5.7 billion, of such cost. These totals include approximately \$2.0 billion spent by the Company and \$1.0 billion spent by NSC to acquire approximately 30%, in the aggregate, of Conrail's shares prior to the Joint Tender Offer. Including its capitalized transaction costs, the Company's aggregate purchase price was approximately \$4.3 billion.

Conrail Shares purchased in the Joint Tender Offer and the merger, together with all Conrail shares previously purchased by the Company and NSC, have been deposited into a voting trust pending STB approval of the joint acquisition, control and division of Conrail by the Company and NSC. Furthermore, by entering into the CSX/NSC Agreement, the Company is obligated under the Pennsylvania anti-takeover laws to purchase any Conrail Shares "put" to the Company in accordance with the procedures of such laws for at least \$115 per share in cash.

#### *Joint CSX/NSC STB Application*

The exercise of control over Conrail by the Company and NSC remains subject to a number of conditions and approvals, including approval by the STB, which has the authority to modify contract terms and impose additional conditions, including with respect to divestitures, grants of trackage rights and other terms of continuing operations. The Company and NSC intend to file a joint application with the STB in June 1997 for control and division of Conrail and for such other matters as may be required to be approved by the STB. The joint STB application will address traffic flows, operations and related matters; will outline the capital investments each company plans to make in new connections and facilities and to increase capacity on critical routes; and will detail operating savings and other public benefits resulting from the transaction. The application also will contain certain historical and pro forma financial information required by the STB. The STB has issued a scheduling order that provides for issuance of a final STB decision no later than 350 days after the Company and NSC file their joint application. No assurance can be given with respect to the receipt of STB approval or the modifications or conditions that may be imposed in connection therewith.

#### *Proposed Division of Conrail Routes*

Until the date the Company and NSC are permitted by the STB to assume control over Conrail (the "Control Date"), Conrail will continue to be managed by its current Board of Directors and management. After



the Control Date, Conrail will segregate its assets primarily into two groups to facilitate their separate operation pursuant to leasing, operating, partnership or other similar arrangements. The remaining assets and liabilities of Conrail, including joint facilities, generally will either be shared or allocated ratably between the Company and NSC according to their Percentages. In arriving at the proposed division of Conrail and their Percentages, the Company and NSC negotiated with a view toward producing the best fits with their existing systems and optimizing service to their respective customers. The maps reprinted on the front inside cover and back inside cover of this Prospectus show, respectively, the proposed post-Transaction (as defined below) CSXT route system and the approximate division of Conrail's routes as contemplated by the CSX/NSC Agreement. These maps are included for illustrative purposes only and are qualified in their entirety by reference to the CSX/NSC Agreement. See "Incorporation of Certain Documents by Reference."

The acquisition by the Company of the Conrail Shares and the right to use the assets allocated to or shared by the Company pursuant to the CSX/NSC Agreement and the liabilities allocated to or shared by it pursuant to the CSX/NSC Agreement will be referred to in this Prospectus as the "Transaction." Many of the terms of the Transaction will be detailed in further definitive documentation that is currently being negotiated between CSX and NSC (the "Definitive Documentation").

For additional information regarding the Transaction and the CSX/NSC Agreement, reference is made to the Company's Tender Offer Statement on Schedule 14D-1, together with exhibits thereto, initially filed with the Commission on December 6, 1996, as amended.

#### *Financing Arrangements*

The Company spent approximately \$2.2 billion to purchase its portion of the outstanding Shares pursuant to the Joint Tender Offer and the merger. The Company previously paid approximately \$2 billion to acquire about 20% of Conrail's shares in November 1996. At that time, the Company arranged a five-year \$4.8 billion bank credit facility (the "Credit Agreement") to finance an acquisition of Conrail and to meet general working capital needs. The Company used the majority of the net proceeds from the sale of the Old Debentures to finance the balance of its contribution under the Joint Tender Offer and the merger. On May 6, 1997, in connection with the consummation of the sale of Old Debentures, the Company reduced by \$2.3 billion the lenders' commitments under the Credit Agreement. See "Capitalization."

Such financings have resulted in the Company's having outstanding a combination of long-term debt with staggered maturities and commercial paper. The Company expects its long-term debt levels (including the Company's portion of Conrail debt) to peak in 1998 at approximately \$6.8 billion, with related interest charges (including interest payments on the Company's portion of Conrail debt) to peak at approximately \$520.0 million. While the Definitive Documentation is not complete, the Company and NSC contemplate that payments to Conrail under operating or similar arrangements and through capital contributions to the Acquisition Entity will be sufficient to pay obligations on Conrail's outstanding debt instruments in accordance with their terms, or to refinance such obligations, as appropriate. The Company and NSC have agreed in the CSX/NSC Agreement that such debt will be shared ratably according to their Percentages.

#### **Benefits of the Transaction**

##### *Broadest Geographic Network in Eastern United States*

The Transaction will significantly enhance the Company's position as a leading global transportation company. The Company will remain the largest railroad in the eastern United States and become the third largest railroad in the nation, measured in terms of route miles and ton-miles. The Company, as a result of the Transaction, will be adding approximately 3,500 route miles, or 19%, to its rail network, and sharing with NSC approximately 1,200 additional route miles. The Company will have approximately 22,000 route miles in 22 states, the District of Columbia and the Provinces of Ontario and Quebec, Canada, and will provide direct access to virtually every major metropolitan area east of the Mississippi River and to eleven of the largest east coast and gulf ports.

### *Enhanced Operating Efficiencies and Revenue Growth*

Management expects the integration of Conrail operations resulting from the Transaction to add approximately \$1.6 billion, or 15%, to the Company's annual revenue beginning in the first twelve months following the Control Date. Management believes that the Transaction will also result in growth of the Company's rail revenue base through expansion of single-line service and the Company's ability to compete more effectively on certain routes along which large quantities of goods are now transported by truck. Single-line service is preferred by shippers over joint-line service because of lower transaction costs, reduced delays, less damage from interchange operations and single-carrier accountability. The addition of Conrail lines to the Company's rail network also will improve operational efficiency through better asset utilization. Optimization of train sizes, increased length of haul, improved backhauls, shorter routes to many destinations and fewer empty movements are all expected to produce cost reductions for the combined rail network. Other significant savings will be achieved through the realization of economies of scale, rationalization of administrative and other overhead expenses and consolidation of duplicative facilities.

### *Financial Effects*

The Company expects that the benefits from the Transaction will begin to build from the Control Date and should be largely realized within a three-year period thereafter. Therefore, for the purposes of the following discussion, Year 1, Year 2 and Year 3 correspond to the three consecutive 12-month periods following the Control Date. Based on joint efforts of the Company and Conrail to identify potential cost savings, management currently estimates that the Transaction will lead to quantifiable pretax benefits from increased traffic and cost efficiencies of approximately \$75 million, \$170 million and \$240 million annually in Years 1, 2 and 3, respectively, compared to the separate operation of the Company and its share of Conrail. These benefits include estimated incremental operating income of \$25 million, \$54 million and \$75 million expected through increased traffic in Years 1, 2 and 3, respectively. The remaining pretax benefits will be in the form of operating cost savings, with \$50 million, \$116 million and \$165 million expected to be realized in Years 1, 2 and 3, respectively. Further, management expects a reduction in the requirement for annual capital expenditures of approximately \$12 million, \$28 million and \$40 million in Years 1, 2 and 3, respectively. Management estimates that the Company will, in Years 1 and 2, incur one-time transition capital expenditures in connection with the integration of operations. Those are expected to be \$310 million in Year 1 and \$178 million in Year 2. The Company is continuing to evaluate the foregoing estimates, some or all of which may be refined in the joint application to be filed with the STB.

The overall purchase price, including transaction costs, paid by the Company is expected to exceed the historical net book value of the Company's share of the underlying Conrail assets by approximately \$2.9 billion. Although purchase accounting adjustments will not be finalized until the Transaction is completed, a substantial portion of the excess purchase price is expected to be allocated to specific net assets and amortized over the remaining useful lives of those assets. The remainder of the excess purchase price will be allocated to goodwill and amortized over 40 years.

Because of the time required to obtain necessary regulatory and other approvals, the Company does not expect integrated operations to have a significant effect on operating and financial results prior to fiscal 1998. The primary impact of the proposed Transaction on net earnings prior to the integration of operations is likely to be the after-tax effect of the Company's share of Conrail's net earnings, reported under the equity method of accounting, less amortization of the excess purchase price and interest on debt incurred to acquire Conrail shares. Net cash flow prior to operational integration is expected to be reduced by interest payments on such debt. The average interest rate in 1996 on debt incurred to acquire Conrail shares was approximately 5.6%. The degree of negative impact on net earnings or net cash flow during 1997 will be significantly affected by the net earnings reported by Conrail and the average interest rate and timing of interest payments on the related debt.

THE ABOVE ESTIMATES AND FORECASTS ARE BASED UPON NUMEROUS ESTIMATES AND ASSUMPTIONS ABOUT COMPLEX ECONOMIC AND OPERATING FACTORS WITH RESPECT TO

INDUSTRY PERFORMANCE, GENERAL BUSINESS AND ECONOMIC CONDITIONS AND OTHER MATTERS THAT CANNOT BE PREDICTED ACCURATELY AND THAT ARE SUBJECT TO CONTINGENCIES OVER WHICH THE COMPANY HAS NO CONTROL. SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. CERTAIN OF THOSE RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY INCLUDE: (A) FUTURE ECONOMIC CONDITIONS IN THE MARKETS IN WHICH THE COMPANY AND CONRAIL OPERATE; (B) FINANCIAL MARKET CONDITIONS; (C) INFLATION RATES; (D) CHANGING COMPETITION; (E) CHANGES IN THE REGULATORY CLIMATE IN THE UNITED STATES RAILROAD INDUSTRY; (F) THE ABILITY TO ELIMINATE DUPLICATIVE ADMINISTRATIVE FUNCTIONS; AND (G) ADVERSE CHANGES IN APPLICABLE LAWS, REGULATIONS OR RULES GOVERNING ENVIRONMENTAL, TAX OR ACCOUNTING MATTERS. THESE FORWARD LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS PROSPECTUS. THE COMPANY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE COMPANY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

#### USE OF PROCEEDS

The Company will not receive any proceeds from the Exchange Offers. On May 6, 1997, the Company issued \$350,000,000 principal amount of Old 2002 Debentures, \$300,000,000 principal amount of Old 2004 Debentures, \$450,000,000 principal amount of Old 2007 Debentures, \$400,000,000 principal amount of Old 2017 Debentures, \$500,000,000 principal amount of Old 7.95% 2027 Debentures, \$100,000,000 principal amount of Old 6.95% 2027 Debentures and \$250,000,000 principal amount of Old 7.25% 2027 Debentures, and on May 8, 1996 the Company issued \$150,000,000 principal amount of Old 2032 Debentures (together, the "Offering"). The Old Debentures were sold by the Company to Salomon Brothers Inc, Credit Suisse First Boston Corporation, Chase Securities Inc., Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated and NationsBanc Capital Markets, Inc. (the "Initial Purchasers") and were in turn sold by the Initial Purchasers to a limited number of qualified institutional buyers and accredited investors pursuant to Rule 144A and Regulation D, respectively, under the Securities Act and exemptions from applicable state securities laws, and the Offering was not subject to the registration requirements of the Securities Act and applicable state securities laws. The net proceeds from the sale of the Old Debentures sold in the Offering primarily were used to fund a portion of the Company's obligations under the CSX/NSC Agreement, including the purchase of Conrail Shares pursuant to the Joint Tender Offer and the merger. The balance of the net proceeds were used for general corporate purposes, including, without limitation, repayment of borrowings, working capital and capital expenditures. See "The Company—Joint CSX/NSC Acquisition of Conrail."



## CAPITALIZATION

The following table sets forth (i) the unaudited historical consolidated capitalization of the Company as of March 28, 1997, (ii) the adjustment to give effect to the issuance of the Old Debentures on May 6 and May 8, 1997, and (iii) the pro forma consolidated capitalization after such adjustment. For additional information as to the capitalization of the Company, see "Selected Historical Financial Data for the Company" contained herein and Management's Discussion and Analysis of Results of Operations and Financial Condition and the consolidated financial statements of the Company and the related notes thereto in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 1997 and its Annual Report on Form 10-K for the fiscal year ended December 27, 1996 incorporated herein by reference.

	As of March 28, 1997		
	Historical	Adjustment	Pro Forma
	(Dollars in millions, except per share data) (unaudited)		
<b>Long-Term Debt</b>			
Commercial paper (1) .....	\$2,300	\$ (300)	\$ 2,000
Notes payable .....	483		483
Debentures .....	649	2,500	3,149
Equipment obligations .....	709		709
Mortgage bonds .....	76		76
Other obligations, including capital leases .....	169		169
Current maturities of long-term debt .....	(143)		(143)
Total long-term debt .....	4,243	2,200	6,443
<b>Shareholders' Equity</b>			
Common stock, \$1 par value (300,000,000 shares authorized, 217,662,928 shares issued and outstanding) .....	218		218
Other capital .....	1,470		1,470
Retained earnings .....	3,546		3,546
Minimum pension liability .....	(107)		(107)
Total shareholders' equity .....	5,127		5,127
Total capitalization .....	\$9,370	\$2,200	\$11,570
<b>Total Long-Term Debt to Total Capitalization .....</b>	<b>45%</b>		<b>56%</b>

- (1) Commercial paper borrowings of \$2.3 billion, including approximately \$2.0 billion incurred to acquire a 19.9% investment in Conrail, were classified as long-term debt at March 28, 1997 based on the Company's ability and intent to maintain this debt outstanding for more than one year. Approximately \$2.2 billion of the proceeds from the issuance of the Old Debentures was used to fund the Company's obligation under the Joint Tender Offer and the merger, and the remaining \$300 million was used to reduce long-term commercial paper borrowings.



**CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES  
AND SELECTED FINANCIAL RATIO**

The Company's consolidated ratio of earnings to fixed charges and ratio of total long-term debt to total capitalization for each of the fiscal periods indicated are as follows:

	For the Fiscal Quarters Ended		For the Fiscal Years Ended				
	Mar. 28, 1997	Mar. 29, 1996	Dec. 27, 1996	Dec. 29, 1995 (b)	Dec. 30, 1994	Dec. 31, 1993 (c)	Dec. 31, 1992 (d)
Ratio of earnings to fixed charges (a) .....	2.8x	3.1x	4.0x	3.2x	3.1x	2.3x	1.0x
Total long-term debt to total capitalization....	45%	34%	46%	34%	41%	50%	52%

- (a) For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings (loss) before income taxes plus interest expense on indebtedness, amortization of debt discount, the interest portion of fixed rent expense, undistributed earnings of unconsolidated subsidiaries and minority interest expense. Fixed charges include interest on indebtedness (whether expensed or capitalized), amortization of debt discount and the interest portion of fixed rent expense.
- (b) Operating income includes a charge of \$257 million to recognize the estimated costs of initiatives to revise, restructure and consolidate specific operations and administrative functions at the Company's rail and container-shipping units. Excluding the impact of the charge, the ratio of earnings to fixed charges would have been 3.7x.
- (c) Operating income includes a charge of \$93 million to recognize the estimated costs of restructuring certain operations and functions at the Company's container-shipping unit. Excluding the impact of the charge, the ratio of earnings to fixed charges would have been 2.5x.
- (d) Operating income includes a charge of \$699 million to recognize the estimated costs of buying out certain trip-based compensation elements paid to train crews at the Company's rail unit. Excluding the impact of the charge, the ratio of earnings to fixed charges would have been 2.5x.

## SELECTED HISTORICAL FINANCIAL DATA FOR THE COMPANY

The selected financial data presented below for the fiscal quarters ended March 28, 1997 and March 29, 1996 and the fiscal years ended December 27, 1996, December 29, 1995, December 30, 1994, December 31, 1993 and December 31, 1992 and as of the end of each such fiscal period is derived from the consolidated financial statements of the Company and should be read in conjunction with the information and consolidated financial statements and related notes and Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 1997 and its Annual Report on Form 10-K for the fiscal year ended December 27, 1996, incorporated herein by reference. The consolidated financial statements for the fiscal years ended December 27, 1996, December 29, 1995, December 30, 1994, December 31, 1993 and December 31, 1992 have been audited by Ernst & Young LLP, independent auditors. The consolidated financial statements for the fiscal quarters ended March 28, 1997 and March 29, 1996 are unaudited but, in the opinion of management, include all adjustments necessary for a fair presentation.

	As of or for the Fiscal Quarters Ended		As of or for the Fiscal Years Ended				
	Mar. 28, 1997	Mar. 29, 1996	Dec. 27, 1996	Dec. 29, 1995	Dec. 30, 1994	Dec. 31, 1993	Dec. 31, 1992
(Dollars in millions, except per share data)							
<b>Income Statement Data</b>							
Operating revenue .....	\$ 2,567	\$ 2,514	\$10,536	\$10,304	\$ 9,409	\$ 8,766	\$ 8,549
Operating income .....	324	296	1,522	1,126	1,182	881	214
Net earnings .....	151	146	855	618	652	359	20
<b>Per Share Data</b>							
Net earnings per common share .....	\$ 0.70	\$ 0.69	\$ 4.00	\$ 2.94	\$ 3.12	\$ 1.73	\$ 0.10
Book value .....	23.56	20.69	23.04	20.15	17.81	15.27	14.37
Cash dividends per common share .....	0.26	0.26	1.04	.092	0.88	0.79	0.76
<b>Balance Sheet Data</b>							
Total assets .....	\$16,888	\$14,366	\$16,965	\$14,282	\$13,724	\$13,420	\$13,049
Total debt, including current maturities .....	4,673	3,077	4,767	2,856	3,131	3,443	3,459
Stockholders' equity .....	5,127	4,374	4,995	4,242	3,731	3,180	2,975

### Fiscal Quarter Ended:

Mar. 28, 1997— The Company incurred net costs before income taxes of \$24 million with respect to its investment in Conrail common stock. These net costs, principally interest on debt issued to acquire the investment less dividends received on the stock, reduced net earnings by \$16 million, seven cents per share.

### Fiscal Years Ended:

Dec. 29, 1995— Operating income includes a charge of \$257 million 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. The Company also 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.

Dec. 30, 1994— Net earnings includes an accelerated pretax gain of \$69 million, \$42 million after tax, 20 cents per share on the satisfaction by the state of Florida of its remaining unfunded obligation issued in 1988 to consummate the purchase of 80 miles of track and right of way.

Dec. 31, 1993— Operating income includes a charge of \$93 million to recognize the estimated costs of restructuring certain operations and functions at the Company's container-shipping unit. The restructuring charge reduced net earnings by \$61 million, 30 cents per share. Net earnings also includes charges of \$56 million, 25 cents per share, relating to the revision of the Company's estimated annual effective tax rate to reflect the change in the federal statutory income tax rate from 34% to 35%.

Dec. 31, 1992— Operating income includes a charge of \$699 million to recognize the estimated costs of buying out certain trip-based compensation elements paid to train crews. The charge reduced net earnings by \$450 million, \$2.19 per share.

**Restatement:**

Beginning with the quarter ended June 28, 1996, the Company changed its earnings presentation to exclude non-transportation activities from operating revenue and expense. These activities, principally real estate and resort operations, are now included in other income. Amounts for periods prior to June 28, 1996 have been restated to conform to the revised presentation.

All per share data for periods prior to December 21, 1995 have been adjusted for the two- for-one common stock split distributed to shareholders on that date.

## SELECTED HISTORICAL FINANCIAL DATA FOR CONRAIL

The selected financial data presented below for the quarters ended March 31, 1997 and 1996 and the years ended December 31, 1996, 1995, 1994 and 1993 are derived from the consolidated financial statements of Conrail and its subsidiaries and should be read in conjunction with the information and consolidated statements and related notes and Management's Discussion and Analysis of Results of Operations and Financial Condition contained in Conrail's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 and its Annual Report on Form 10-K for the year ended December 31, 1996. Reports on Form 10-K for years prior to 1993 were filed by Consolidated Rail Corporation, Conrail's only significant subsidiary and primary asset for those time periods, and 1992 historical data presented herein are with respect to such corporation.

	As of or for the Quarters Ended March 31,		As of or for the Years Ended December 31,				
	1997	1996	1996	1995	1994	1993	1992
(Dollars in millions, except per share data)							
<b>Income Statement Data</b>							
Revenues .....	\$ 906	\$ 889	\$3,714	\$3,686	\$3,733	\$3,453	\$3,345
Operating income .....	116	69	601	456	606	591	534
Income before cumulative effect of changes in accounting principles .....	61	31	342	264	324	234	282
Net income .....	61	31	342	264	324	160	282
<b>Per Share Data</b>							
Income per common share before the cumulative effect of changes in accounting principles:							
Primary .....	\$ 0.74	\$ 0.36	\$ 4.25	\$ 3.19	\$ 3.90	\$ 2.74	\$ 3.28
Fully diluted .....	0.70	0.35	3.89	2.94	3.56	2.51	2.99
Net income							
Primary .....	\$ 0.74	\$ 0.36	\$ 4.25	\$ 3.19	\$ 3.90	\$ 1.82	\$ 3.28
Fully diluted .....	0.70	0.35	3.89	2.94	3.56	1.70	2.99
Book Value .....	38.32	35.42	37.91	35.66	36.69	34.57	34.16
Cash dividends per common share .....	0.475	0.425	1.80	1.60	1.40	1.20	1.00
<b>Balance Sheet Data</b>							
Total assets .....	\$8,470	\$8,432	\$8,402	\$8,424	\$8,322	\$7,948	\$7,315
Total debt, including current maturities ..	2,036	2,157	2,105	2,181	2,182	2,184	1,911
Shareholders' equity .....	3,152	2,944	3,107	2,977	2,925	2,784	2,748
Ratio of Earnings to Fixed Charges .....	2.5x	1.8x	3.2x	2.5x	3.2x	3.0x	3.3x

### Quarter Ended March 31,

1997— Operating income includes merger-related costs of \$22 million. These costs reduced net income by \$14 million and earnings per share ("EPS") 17 cents on a primary basis and 16 cents on a fully diluted basis.

### Years Ended December 31,

1996— Operating income includes a charge of \$135 million for voluntary separation programs, which reduced net income by \$83 million and EPS \$1.07 on a primary basis and 95 cents on a fully diluted basis. Operating income also includes merger-related costs of \$16 million, which reduced net income by \$10 million and EPS by 13 cents on a primary basis and 11 cents on a fully-diluted basis.

1995— Operating income includes an asset disposition charge of \$285 million for rail lines and other assets written down to estimated net realizable value, which reduced net income by \$176 million and EPS \$2.24 on a primary basis and \$1.98 on a fully diluted basis. Net income also includes a one-time \$21 million benefit related to a decrease in a state income tax rate which increased EPS 27 cents on a primary basis and 23 cents on a fully diluted basis.



- 1994— Included in operating income is a charge of \$84 million (\$51 million after tax benefits) for a voluntary early retirement program and related costs. This reduced EPS 64 cents on a primary basis and 57 cents on a fully diluted basis.
- 1993— Net income includes charges of \$74 million as a result of the adoption of required changes in accounting for income taxes and postretirement benefits other than pensions which reduced EPS 92 cents on a primary basis and 81 cents on a fully diluted basis; \$50 million (\$80 million before tax benefit of \$30 million) for the disposition of a subsidiary which decreased EPS 62 cents on a primary basis and 55 cents on a fully diluted basis; and \$34 million for the increase in the federal corporate income tax rate which decreased EPS 42 cents on a primary basis and 37 cents on a fully diluted basis.

## UNAUDITED PRO FORMA FINANCIAL STATEMENTS

On May 23, 1997, the Joint Tender Offer for the Conrail Shares expired. As a result of the contribution by the Company and NSC of Conrail shares owned by them before the Joint Tender Offer as well as the contribution of funds to complete the Joint Tender Offer and the merger, they have, respectively, a 42 percent and a 58 percent economic interest in the Acquisition Entity which now owns all of the Conrail shares. Such shares are being held in a voting trust pending STB approval. The Company and NSC also each may exercise a 50 percent voting interest in the Acquisition Entity and each has the right to appoint half of that entity's directors and a full-time Co-Chief Executive Officer. Under the CSX/NSC Agreement, subject to STB approval, the Company will operate routes and assets (or rights thereto) that generated approximately 42 percent of Conrail's 1995 revenues.

The Unaudited Pro Forma Financial Statements included herein present a Condensed Consolidated Statement of Financial Position for the Company as of March 28, 1997, and Condensed Consolidated Statements of Earnings for the fiscal quarter ended March 28, 1997, and the fiscal year ended December 27, 1996. The pro forma financial statements reflect (i) the completion by the Company and NSC of their Joint Tender Offer for the Conrail Shares and the merger at \$115 per share through the Acquisition Entity; and (ii) the related borrowings by the Company, including the Debentures.

These events are reflected in the Pro Forma Condensed Consolidated Statement of Financial Position as if they had occurred on March 28, 1997, and in the Pro Forma Condensed Consolidated Statements of Earnings as if they had occurred at the beginning of the period presented. The financial information for Conrail was based upon its historical financial statements for the quarter ended March 31, 1997, and for the year ended December 31, 1996, as reported in its Form 10-Q and Form 10-K, respectively. Conrail's 1996 results included a special charge of \$135 million (pre-tax) for voluntary separation programs.

The Company is using the equity method of accounting for its interest in Conrail following consummation of the Joint Tender Offer and the merger and continuing as long as the Conrail shares are held in the voting trust—a period that will extend at least until the effective date of the STB's decision approving the transactions contemplated by the CSX/NSC Agreement (if such approval is obtained). In accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," the excess of the Company's purchase price over the underlying net assets acquired ("Excess") is being amortized. Based on a preliminary analysis of the fair value of the underlying net assets of Conrail, the Company believes a significant portion of the Excess will be allocated to long-lived assets other than goodwill. Further information as to the values of assets and liabilities, as well as specific allocations to the Company or NSC, may affect these preliminary estimates.

The method of accounting for the investment in Conrail subsequent to dissolution of the voting trust will depend on the final terms of the ownership arrangement between the Company and NSC approved by the STB. Additionally, the ultimate terms of leases, operating partnerships and other arrangements will affect the accounting. It is also expected that some of the assets and operations of Conrail will remain subject to joint control by the Company and NSC and, thus, will continue to be accounted for using the equity method of accounting even after STB approval.

The unaudited pro forma financial statements do not reflect synergies and, accordingly, do not account for any potential increases in operating income, any estimated cost savings, any adjustments to conform accounting practices or any capital expenditures to be realized or made by either the Company or Conrail to achieve such improvements. The unaudited pro forma financial statements are prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that might have occurred had the applicable transactions actually taken place on the date indicated, or of future results of operations or financial position of the standalone or combined entities.

The unaudited pro forma financial statements are based on the historical consolidated financial statements of the Company and Conrail and should be read in conjunction with such historical financial statements and the notes thereto.

**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As of March 28, 1997**  
**Unaudited**  
(Dollars in Millions)

	<u>CSX Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma CSX with Conrail Investment</u>
<b>Assets</b>			
Current assets .....	\$ 1,941		\$ 1,941
Properties—net .....	11,924		11,924
Investment in Conrail .....	1,955	\$2,251 <sup>(1)</sup>	4,206
Other long-term assets .....	1,068	50 <sup>(1)</sup>	1,118
Total assets .....	<u>\$16,888</u>	<u>\$2,301</u>	<u>\$19,189</u>
<b>Liabilities</b>			
Current liabilities .....	\$ 2,571	\$ 101 <sup>(1)</sup>	\$ 2,672
Long-term debt .....	4,243	2,200 <sup>(1)</sup>	6,443
Deferred income taxes .....	2,743		2,743
Other long-term liabilities .....	2,204		2,204
Total liabilities .....	<u>11,761</u>	<u>2,301</u>	<u>14,062</u>
<b>Shareholders' Equity</b>			
Common stock .....	218		218
Other capital .....	1,470		1,470
Retained earnings .....	3,546		3,546
Minimum pension liability .....	(107)		(107)
Total shareholders' equity .....	<u>5,127</u>	<u>—</u>	<u>5,127</u>
Total liabilities & shareholders' equity .....	<u>\$16,888</u>	<u>\$2,301</u>	<u>\$19,189</u>

*See accompanying Notes to Unaudited Pro Forma Financial Statements.*



**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS**  
**Fiscal Quarter Ended March 28, 1997**  
**Unaudited**  
(Dollars in Millions, Except Per Share Data)

	<u>CSX Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma CSX with Conrail Investment (5)</u>
Operating revenue .....	\$ 2,567		\$ 2,567
Operating expense .....	<u>2,243</u>		<u>2,243</u>
Operating income .....	324		324
Other income (expense) .....	(7)	\$ 1 <sup>(3)</sup>	(6)
Interest expense .....	<u>84</u>	<u>46</u> <sup>(2)</sup>	<u>130</u>
Earnings before income taxes .....	233	(45)	188
Income tax expense .....	<u>82</u>	<u>(16)</u> <sup>(4)</sup>	<u>66</u>
Net earnings .....	<u>\$ 151</u>	<u>\$ (29)</u>	<u>\$ 122</u>
Earnings per share .....	\$ 0.70	\$(0.14)	\$ 0.56
Average common shares outstanding (thousands) .....	217,227		217,227

*See accompanying Notes to Unaudited Pro Forma Financial Statements.*



**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS**

**Fiscal Year Ended December 27, 1996**

**Unaudited**

**(Dollars in Millions, Except Per Share Data)**

	<u>CSX Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma CSX with Conrail Investment (\$)</u>
Operating revenue .....	\$10,536		\$10,536
Operating expense .....	9,014		9,014
Operating income .....	1,522		1,522
Other income .....	43	\$ 70 <sup>(3)</sup>	113
Interest expense .....	249	285 <sup>(2)</sup>	534
Earnings before income taxes .....	1,316	(215)	1,101
Income tax expense .....	461	(96) <sup>(4)</sup>	365
Net earnings .....	<u>\$ 855</u>	<u>\$ (119)</u>	<u>\$ 736</u>
Earnings per share .....	\$4.00	\$(0.55)	\$3.45
Average common shares outstanding (thousands) .....	213,633		213,633

*See accompanying Notes to Unaudited Pro Forma Financial Statements.*

**NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS**  
(Dollars in Millions, Except Per Share Data)

**Note 1. Preliminary Calculation of Purchase Price**

Pursuant to the CSX/NSC Agreement, CSX has invested approximately \$4.156 billion (including \$1.955 billion expended in November 1996, and excluding transaction costs) to acquire, through its ownership interest in Conrail, various Conrail routes and assets or rights thereto. The acquisition was financed with a combination of debentures and commercial paper. The purchase price has been preliminarily calculated as follows:

Estimated Conrail shares outstanding at May 23, 1997 (000's) .....	86,475
Less: Shares acquired pursuant to CSX's first tender offer (a) .....	(17,775)
Shares acquired pursuant to NSC's first tender offer .....	(8,200)
Shares acquired pursuant to Joint Tender Offer and merger .....	60,500
Joint Tender Offer and merger price per share .....	\$ 115
Cost of shares acquired pursuant to Joint Tender Offer and merger .....	\$ 6,958
Plus: Cost of shares acquired pursuant to CSX's first tender offer (a) .....	1,955
Cost of shares acquired pursuant to NSC's first tender offer .....	943
Unexercised Conrail stock options .....	39
Joint purchase price .....	9,895
CSX's allocation .....	42%
Joint purchase price payable by CSX .....	4,156
Estimated transaction fees payable by CSX .....	50
Purchase price payable by CSX, including transaction fees .....	4,206
Less: Cost of shares held at March 28, 1997 .....	(1,955)
Pro forma adjustment to Conrail investment .....	2,251
Pro forma adjustment for debt issuance costs .....	50
Pro forma adjustment to debt .....	2,301
Less: Current portion of commercial paper .....	(101)
Pro forma adjustment to long-term debt .....	\$ 2,200

(a) Exclusive of 85,000 shares previously sold by CSX at an average price of \$98.983 per share.

**Note 2. Debt**

Long-term debt has been increased by \$2.2 billion and short-term debt has been increased by \$0.1 billion to reflect the net additional borrowing subsequent to March 28, 1997 to finance the Company's purchase price (including transaction fees and debt issuance costs) in excess of the \$1.955 billion previously paid. This net additional borrowing is inclusive of the proceeds of the \$2.5 billion of Debentures, reduced by net repayments of commercial paper previously outstanding. As a consequence of the Company's first tender offer and its share of the subsequent Joint Tender Offer and merger, short-term and long-term debt of \$4.256 billion is outstanding, as follows:

	Principal Amount	Weighted- Average Interest Rate for Pro Forma Adjustment
Debentures .....	\$2,500	7.55% (fixed)
Commercial paper .....	1,756	5.70% (variable)
Total debt incurred by CSX .....	<u>\$4,256</u>	6.79%

Pro forma interest expense has been increased as a result of the additional debt incurred, as noted below. Debt placement fees, debt discount and related costs are being amortized on the interest method and, together

with annual commitment fees, approximate \$7 million in the first year after consummation of the Joint Tender Offer. Inclusive of these costs, the effective interest rate is approximately 6.95%. If interest rates assumed were to change by one-eighth of one percent, the pro forma interest expense on variable rate debt associated with the transaction would vary by \$2 million annually.

	Fiscal Quarter Ended Mar. 28, 1997	Fiscal Year Ended Dec. 27, 1996
Effective interest on \$4.256 billion of debt .....	\$ 74	\$296
Less: interest already recognized in historical financial statements* .....	(28)	(11)
Pro forma adjustment .....	<u>\$ 46</u>	<u>\$285</u>

\* Resulting from long-term debt incurred to finance the first tender offer.

### Note 3. Other Income

The equity method of accounting will be applied to the Company's investment in Conrail throughout the period the investment is held in the voting trust. In accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," other income includes 42% of Conrail's historical net income, adjusted for amortization, net of tax, of the difference between the Company's investment in Conrail and 42% of Conrail's underlying equity in net assets. The difference is primarily attributable to the estimated fair value of property and equipment, net of the related deferred taxes, and includes approximately \$757 million in goodwill. This allocation is based on preliminary estimates of fair values of all Conrail assets and liabilities and is likely to change after the Definitive Documentation is finalized and regulatory approvals are obtained. To the extent that specific assets and liabilities are allocated to Conrail entities over which the Company will have a controlling financial interest, the allocation will be redesignated to follow the method in which the investment is accounted for subsequent to the approval by the STB. The preliminary estimates are also likely to change as additional information concerning fair values and remaining useful lives becomes available. An appraisal of the assets is currently underway. The Company intends to amortize any goodwill resulting from the purchase over a period of 40 years. Adjustments to property and equipment are depreciated over their estimated remaining useful lives, which range from 2 to 102 years.

#### Preliminary Allocation of Purchase Price

Net assets of Conrail at March 31, 1997 .....	\$ 3,152
CSX's economic interest .....	× 42%
CSX's share of Conrail net assets .....	1,324
Estimated fair value adjustments, principally property and equipment .....	3,480
Deferred taxes on estimated fair value adjustments and transaction fees .....	(1,305)
Estimated goodwill .....	757
Purchase price payable by CSX (including transaction costs) .....	<u>\$ 4,256</u>

#### Detail of Pro Forma Adjustment

	Fiscal Quarter Ended Mar. 28, 1997	Fiscal Year Ended Dec. 27, 1996
Conrail net income .....	\$ 61	\$342
CSX's economic interest .....	× 42%	× 42%
Equity earnings from investment in Conrail .....	26	144
Depreciation .....	(19)	(77)
Amortization of goodwill (40-year life) .....	(5)	(19)
Tax benefit on depreciation .....	7	30
Net impact on other income .....	9	78
Less: dividend amounts previously recognized (cost method) ..	(8)	(8)
Pro forma adjustment to Other Income (Expense) .....	<u>\$ 1</u>	<u>\$ 70</u>



#### Note 4. Income Tax Expense

Income tax expense includes the tax benefit on the additional interest expense (see Note 2) as well as the tax effect on equity income:

	Fiscal Quarter Ended Mar. 28, 1997	Fiscal Year Ended Dec. 27, 1996
Tax benefit on acquisition debt interest expense .....	\$(26)	\$(104)
Tax expense on dividends received .....	<u>1</u>	<u>5</u>
Net tax benefit .....	(25)	(99)
Less tax benefit previously recognized .....	<u>(9)</u>	<u>(3)</u>
Pro forma adjustment to income tax expense .....	<u>\$(16)</u>	<u>\$ (96)</u>

#### Note 5. Unusual Events

As described in Note 3, pro forma amounts reflected in the Pro Forma Condensed Consolidated Statements of Earnings were calculated and presented in accordance with the equity method of accounting. If the effects of 42% of Conrail's after-tax merger-related costs of \$14 million had been excluded for the fiscal quarter ended March 28, 1997, pro forma net earnings and pro forma earnings per share would have been \$128 million and 59 cents, respectively. If the effects of 42% of Conrail's one-time after-tax charge of \$83 million related to voluntary separation programs and after-tax merger-related costs of \$10 million had been excluded for the fiscal year ended December 27, 1996, pro forma net earnings and pro forma earnings per share would have been \$775 million and \$3.63, respectively.

#### Note 6. Summarized Consolidated Conrail Financial Data

Because of the numerous agreements that must be negotiated and completed, and because STB approval must be obtained, it is not possible to present some or most of the Company's investment in Conrail based on separate assets, liabilities and operations. However, the Company has a 42% economic interest in the entity formed to acquire Conrail Shares. It is expected that in some form, yet to be finally determined, the Company will have a primary operating interest in the routes and facilities, as described more fully in "The Company—Joint CSX/NSC Acquisition of Conrail". The following historical Conrail financial data, as of and for the quarter ended March 31, 1997 and the year ended December 31, 1996, respectively, is presented to facilitate an understanding of the Company's ultimate economic interest in Conrail:

#### Conrail Inc.

#### Summarized Consolidated Statement of Income (Dollars in millions)

	Quarter Ended March 31, 1997	Year Ended December 31, 1996
Revenues .....	\$906	\$3,714
Operating expenses .....	<u>790</u>	<u>3,113*</u>
Income from operations .....	116	601
Interest expense .....	(45)	(182)
Other income—net .....	<u>27</u>	<u>112</u>
Income before income taxes .....	98	531
Income taxes .....	<u>37</u>	<u>189</u>
Net income .....	<u>\$ 61</u>	<u>\$ 342</u>

\* Operating expenses include a \$135 million charge for voluntary separation programs, \$83 million after tax.

**Conrail Inc.**  
**Summarized Consolidated Balance Sheet**  
(Dollars in millions)

	<u>As of March 31, 1997</u>	<u>As of December 31, 1996</u>
<b>Assets</b>		
Current assets .....	\$1,162	\$1,117
Property and equipment .....	6,599	6,590
Other assets .....	709	695
Total assets .....	<u>\$8,470</u>	<u>\$8,402</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities .....	\$1,078	\$1,092
Long-term debt .....	1,889	1,876
Other long-term liabilities .....	2,351	2,327
Total liabilities .....	5,318	5,295
Stockholders' equity .....	3,152	3,107
Total liabilities and stockholders' equity .....	<u>\$8,470</u>	<u>\$8,402</u>

## THE EXCHANGE OFFERS

The Old Debentures were sold by the Company on May 6, 1997 (except for the Old 2032 Debentures which were sold on May 8, 1997) to the Initial Purchasers, who in turn sold the Old Debentures to a limited number of qualified institutional buyers and accredited investors pursuant to Rule 144A and Regulation D, respectively, under the Securities Act. In connection with the sale of the Old Debentures, the Company and the Initial Purchasers entered into a registration rights agreement dated as of May 6, 1997 (the "Registration Rights Agreement"), which requires the Company to file with the Commission a registration statement under the Securities Act with respect to the New Debentures of the Company, which are identical in all material respects to the Old Debentures, and to use its best efforts to cause such registration statement to become effective under the Securities Act. The Company is further obligated, upon the effectiveness of that registration statement, to offer the holders of the Old Debentures the opportunity to exchange their Old Debentures for a like principal amount of New Debentures, which will be issued without a restrictive legend and may be reoffered and resold by the holder without restrictions or limitations under the Securities Act. In the event certain circumstances occur which would result in either the New Debentures not becoming freely tradeable or certain holders of the Old Debentures not being eligible to participate in the Exchange Offer, then the Company is required to file a Shelf Registration Statement and use its best efforts to cause the Old Debentures to be registered under the Securities Act. A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Exchange Offers are being made pursuant to the Registration Rights Agreement to satisfy the Company's obligations thereunder. The term "Holder" with respect to the Exchange Offers means any person in whose name Old Debentures are registered on the security registrar's books or any other person who has obtained a properly completed assignment from the registered holder or any participant in the DTC system whose name appears on a security position listing as the holder of such Old Debentures and who desires to deliver such Old Debentures by book-entry transfer at DTC. See "Description of the New Debentures—Registration Rights Agreement."

Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal (which together constitute the Exchange Offers), the Company will accept for exchange Old Debentures which are properly tendered on or prior to the Expiration Date and not withdrawn as permitted below. As used herein, the term "Expiration Date" means 5:00 p.m., New York City time, on           , 1997; provided, however, that if the Company, in its sole discretion, has extended the period of time during which any or all of the Exchange Offers are open, the term "Expiration Date" means the latest time and date to which the applicable Exchange Offer is extended.

As of the date of this Prospectus, \$350,000,000 aggregate principal amount of the Old 2002 Debentures, \$300,000,000 aggregate principal amount of the Old 2004 Debentures, \$450,000,000 aggregate principal amount of the Old 2007 Debentures, \$400,000,000 aggregate principal amount of the Old 2017 Debentures, \$500,000,000 aggregate principal amount of the Old 7.95% 2027 Debentures, \$100,000,000 aggregate principal amount of the Old 6.95% 2027 Debentures, \$250,000,000 aggregate principal amount of the Old 7.25% 2027 Debentures, and \$150,000,000 aggregate principal amount of the Old 2032 Debentures, are outstanding. This Prospectus, together with the Letter of Transmittal, is first being sent on or about           , 1997 to all Holders of Old Debentures known to the Company. The Company's obligation to accept Old Debentures for exchange pursuant to the Exchange Offers is subject to certain customary conditions as set forth under "—Certain Conditions to the Exchange Offers" below.

The Company expressly reserves the right, at any time or from time to time, to extend the period of time during which any or all of the Exchange Offers are open, and thereby delay acceptance for exchange of any Old Debentures, by giving oral or written notice of such extension to the Holders thereof as described below. During any such extension, all Old Debentures previously tendered will remain subject to the Exchange Offers and may be accepted for exchange by the Company. Any Old Debentures not accepted for exchange for any reason will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offers.



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Old Debentures tendered in the Exchange Offers must be in denominations of principal amount of \$1,000 or any integral multiple thereof.

The Company expressly reserves the right to amend or terminate any or all of the Exchange Offers, and not to accept for exchange any Old Debentures not theretofore accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offers specified below under "*—Certain Conditions to the Exchange Offers.*" The Company will give oral or written notice of any extension, amendment, non-acceptance or termination to the Holders of the Old Debentures as promptly as practicable, such notice in the case of any extension to be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

#### **Procedures For Tendering Old Debentures**

Only a Holder of Old Debentures may tender such Old Debentures in the Exchange Offers. The tender to the Company of Old Debentures by a Holder thereof as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering Holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. A Holder who wishes to tender Old Debentures for exchange pursuant to any or all of the Exchange Offers must transmit a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to The Chase Manhattan Bank (the "Exchange Agent") at the address set forth below under "*—Exchange Agent*" or (in the case of a book-entry transfer) an Agent's Message in lieu of the Letter of Transmittal on or prior to the Expiration Date. In addition, either (i) certificates for such Old Debentures must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Debentures, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date, or (iii) the Holder must comply with the guaranteed delivery procedures described below (see "*—Guaranteed Delivery Procedures*").

THE METHOD OF DELIVERY OF OLD DEBENTURES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDERS. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTERS OF TRANSMITTAL OR CERTIFICATES FOR OLD DEBENTURES SHOULD BE SENT TO THE COMPANY. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OF OTHER NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to and received by the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by the Letter of Transmittal and that the Company may enforce the Letter of Transmittal against such participant.

Any beneficial owner whose Old Debentures are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and who wishes to tender should contact the registered Holder promptly and instruct such registered Holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Debentures, either make appropriate arrangements to register ownership of the Old Debentures in such beneficial owner's name or obtain a properly completed bond power from the registered Holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal described below (see "—Withdrawal Rights"), as the case may be, must be guaranteed (see "—Guaranteed Delivery Procedures") unless the Old Debentures surrendered for exchange pursuant thereto are tendered (i) by a registered Holder of the Old Debentures who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution (as defined below). In the event that signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantees must be by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Program or the Stock Exchanges Medallion Program (collectively, "Eligible Institutions"). If Old Debentures are registered in the name of a person other than a signer of the Letter of Transmittal, the Old Debentures surrendered for exchange must be endorsed by or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered Holder exactly as the name or names of the registered Holder or Holders appear on the Old Debentures with the signature thereon guaranteed by an Eligible Institution.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Old Debentures tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all tenders of any particular Old Debentures not properly tendered or not to accept any particular Old Debentures which acceptance might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any defects or irregularities or conditions of the Exchange Offers as to any particular Old Debentures either before or after the Expiration Date (including the right to waive the ineligibility of any Holder who seeks to tender Old Debentures in the Exchange Offers). The interpretation of the terms and conditions of the Exchange Offers as to any particular Old Debentures either before or after the Expiration Date (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Debentures for exchange must be cured within such reasonable period of time as the Company shall determine. None of the Company, the Exchange Agent or any other person shall be under any duty to give notification of any defect or irregularity with respect to any tender of Old Debentures for exchange, nor shall any of them incur any liability for failure to give such notification.

If the Letter of Transmittal or any Old Debentures or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such person should so indicate when signing and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted with the Letter of Transmittal.

By tendering, each Holder will represent to the Company that, among other things, the New Debentures acquired pursuant to the Exchange Offers are being obtained in the ordinary course of business of the person receiving such New Debentures, whether or not such person is the Holder, and that neither the Holder nor such other person has any arrangement or understanding with any person to participate in the distribution of the New Debentures. If any Holder or any such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company or is engaged in or intends to engage in, or has an arrangement or understanding with any person to participate in, a distribution of such New Debentures to be acquired pursuant to the Exchange Offers, such Holder or any such other person (i) may not rely on the applicable interpretation of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Debentures for its own account in exchange for Old Debentures, where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. See "Plan of Distribution." The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.



### **Acceptance of Old Debentures For Exchange; Delivery of New Debentures**

Upon satisfaction or waiver of all of the conditions to the Exchange Offers, the Company will accept on, or promptly after, the Expiration Date, all Old Debentures properly tendered and will issue the New Debentures promptly after acceptance of the Old Debentures. See "—Certain Conditions to the Exchange Offers" below. For purposes of the Exchange Offers, the Company will be deemed to have accepted properly tendered Old Debentures for exchange when, as and if the Company has given oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent.

For each Old Debenture accepted for exchange, the Holder of such Old Debenture will receive as set forth below under "Description of the New Debentures—Book-Entry, Delivery and Form" a New Debenture having a principal amount equal to that of the surrendered Old Debenture. Accordingly, registered Holders of New Debentures on the relevant record date for the first interest payment date following the consummation of the Exchange Offers will receive interest accruing from the most recent date to which interest has been paid on the Old Debentures or, if no interest has been paid, from May 1, 1997. Old Debentures accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offers. Holders whose Old Debentures are accepted for exchange will not receive any payment in respect of accrued interest on such Old Debentures otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offers. In the event that (i) by November 2, 1997 (or November 4, 1997 with respect to the Old 2032 Debentures), neither the Exchange Offer Registration Statement is declared effective nor (if the Exchange Offers are not permitted as described above) the Shelf Registration Statement is filed with the Commission, or (ii) by December 2, 1997 (or December 4, 1997 with respect to the Old 2032 Debentures), one or more of the Exchange Offers with respect to any series of Debentures is not consummated or the Shelf Registration Statement is not declared effective with respect thereto (each such event referred to in clauses (i) or (ii), a "Registration Default"), interest will accrue on the applicable Old Debentures (in addition to stated interest on such Old Debentures) from and including the next day following each such Registration Default. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each May 1 and November 1, at a rate per annum equal to 0.25% of the principal amount of such Old Debentures for each such Registration Default. The aggregate amount of Special Interest payable pursuant to the above provisions will in no event exceed 0.25% per annum of the principal amount of such Old Debentures. Upon (a) the effectiveness of the Exchange Offer Registration Statement or the filing of the Shelf Registration Statement after the date set forth in clause (i) above or (b) the consummation of the Exchange Offer for such Old Debentures or the effectiveness of a Shelf Registration Statement, as the case may be, after the date set forth in clause (ii) above, the Special Interest payable on such Old Debentures as a result of the applicable Registration Default will cease to accrue.

In all cases, issuance of New Debentures for Old Debentures that are accepted for exchange pursuant to the Exchange Offers will be made only after timely receipt by the Exchange Agent of certificates for such Old Debentures or a timely Book-Entry Confirmation of such Old Debentures into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal or an Agent's Message in lieu thereof and all other required documents. If any tendered Old Debentures are not accepted for any reason set forth in the terms and conditions of the Exchange Offers or if Old Debentures are submitted for a greater principal amount than the Holder desires to exchange, such unaccepted or non-exchanged Old Debentures will be returned without expense to the tendering Holder thereof (or, in the cases of Old Debentures tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry procedures described below, such non-exchanged Old Debentures will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offers.

### **Book-Entry Transfer**

The Exchange Agent will make a request to establish an account with respect to the Old Debentures at the Book-Entry Transfer Facility for purposes of the Exchange Offers within two business days after the date of this

Prospectus unless the Exchange Agent already has established an account with the Book-Entry Transfer Facility suitable for the Exchange Offers, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Debentures by causing the Book-Entry Transfer Facility to transfer such Old Debentures into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Debentures may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or a facsimile thereof, with any required signature guarantees or an Agent's Message in lieu thereof and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at the address set forth below under "—Exchange Agent" on or prior to the Expiration Date or the guaranteed procedures described below must be complied with.

#### **Guaranteed Delivery Procedures**

If a registered Holder of the Old Debentures desires to tender such Old Debentures and time will not permit such Holder's Old Debentures or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) on or prior to 5:00 p.m., New York City time, on the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder of Old Debentures and the amount of Old Debentures tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Debentures, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Debentures, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees, and any other documents required by the Letter of Transmittal are deposited by the Eligible Institution within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

#### **Withdrawal Rights**

Tenders of Old Debentures may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. For a withdrawal to be effective, a written notice or facsimile transmission notice of withdrawal must be received by the Exchange Agent at the address set forth below under "—Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Debentures to be withdrawn, identify the Old Debentures to be withdrawn (including the principal amount of such Old Debentures), and (where certificates for Old Debentures have been transmitted) specify the name in which such Old Debentures are registered, if different from that of the withdrawing Holder. If certificates for Old Debentures have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates the withdrawing Holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such Holder is an Eligible Institution in which case such guarantee will not be required. If Old Debentures have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Debentures and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination will be final and binding on all parties. Any Old Debentures so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offers. Any Old Debentures which have been

tendered for exchange but which are not exchanged for any reason will be returned to the Holder thereof without cost to such Holder (or, in the case of Old Debentures tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Old Debentures will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Debentures) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offers. Properly withdrawn Old Debentures may be retendered by following one of the procedures described under "—Procedures for Tendering Old Debentures" above at any time on or prior to the Expiration Date.

#### **Certain Conditions to The Exchange Offers**

Notwithstanding any other provisions of the Exchange Offers, and subject to its obligations pursuant to the Registration Rights Agreement, the Company shall not be required to accept for exchange, or to issue New Debentures in exchange for, any Old Debentures and may terminate or amend any or all of the Exchange Offers, if at any time before the acceptance of such New Debentures for exchange, any of the following events shall occur:

- (i) any injunction, order or decree shall have been issued by any court or any governmental agency that would prohibit, prevent or otherwise materially impair the ability of the Company to proceed with any of the respective Exchange Offers; or
- (ii) the Exchange Offers will violate any applicable law or any applicable interpretation of the staff of the Commission.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company in whole or in part at any time and from time to time upon advice of outside counsel. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, the Company will not accept for exchange any Old Debentures tendered and no New Debentures will be issued in exchange for any such Old Debentures, if at such time any stop order is threatened by the Commission or in effect with respect to the Registration Statement of which this Prospectus is a part or the qualification of the Indenture with respect to the New Debentures under the Trust Indenture Act of 1939, as amended.

The Exchange Offer is not conditioned on any minimum principal amount of Old Debentures being tendered for exchange.

#### **Exchange Agent**

The Chase Manhattan Bank has been appointed as the Exchange Agent for the Exchange Offers. All executed Letters of Transmittal should be directed to the Exchange Agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notices of Guaranteed Delivery should be directed to the Exchange Agent addressed as follows:

The Chase Manhattan Bank, Exchange Agent  
By Mail, Overnight Courier or Hand Delivery:  
450 West 33rd Street  
15th Floor  
New York, New York 10001-2597  
Attention: Ronald J. Halleran

By Facsimile:  
212-946-8158  
212-946-8159

Confirm by Telephone:  
212-946-3068



DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

#### **Fees And Expenses**

The Company will not make any payment to brokers, dealers or others soliciting acceptances of the Exchange Offers.

The expenses to be incurred in connection with the Exchange Offers will be paid by the Company. Such expenses include registration fees, fees and expenses of the Exchange Agent and Trustee, accounting and legal fees and printing costs, among others.

#### **Transfer Taxes**

Holders who tender their Old Debentures for exchanges will not be obligated to pay any transfer taxes in connection therewith, except that Holders who instruct the Company to register New Debentures in the name of, or request that Old Debentures not tendered or not accepted in the Exchange Offers be returned to, a person other than the registered tendering Holder will be responsible for the payment of any applicable transfer tax thereon.

#### **Consequences of Failure to Exchange Old Debentures**

Holders of Old Debentures who do not exchange their Old Debentures for New Debentures pursuant to the Exchange Offers will continue to be subject to the provisions in the Old Debentures regarding transfer and exchange of the Old Debentures and the restrictions on transfer of such Old Debentures as set forth in the legend thereon as a consequence of the issuance of the Old Debentures pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Debentures may not be offered or sold, unless registered under the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register under the Securities Act Old Debentures not tendered. See "Description of the New Debentures—Registration Rights Agreement."

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, the Company believes that New Debentures issued pursuant to the Exchange Offers in exchange for Old Debentures may be offered for resale, resold or otherwise transferred by Holders thereof (other than any such Holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such Holders' business and such Holders, other than broker-dealers, have no arrangement or understanding with any person to participate in the distribution of such New Debentures. However, the Commission has not considered the Exchange Offers in the context of a no-action letter and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offers as in such other circumstances. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement or understanding to participate in a distribution of New Debentures. If any Holder is an affiliate of the Company or is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Debentures to be acquired pursuant to the Exchange Offers, such Holder (i) may not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Debentures for its own account in exchange for Old Debentures pursuant to the Exchange Offers must acknowledge that such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities and that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed

to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that for a period of 180 days after the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such laws of certain jurisdictions, if applicable, where the New Debentures may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or any exemption from registration or qualification is available and is complied with. The Company has agreed, pursuant to the Registration Rights Agreement, subject to certain limitations specified therein, to register or qualify the New Debentures for offer or sale under the securities laws of such jurisdictions as any Holder reasonably requests in writing. Unless a Holder so requests, the Company does not currently intend to register or qualify the sale of the New Debentures in any such jurisdictions.

## DESCRIPTION OF NEW DEBENTURES

### General

The Old Debentures were issued under the Indenture and the New Debentures also will be issued under the Indenture. Each series of Old Debentures and the corresponding series of New Debentures will be treated as a single series of securities under the Indenture. The following summary of certain provisions of the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act of 1939, as amended. A copy of the Indenture is available from the Company upon request. Whenever defined terms of the Indenture not otherwise defined herein are referred to, such defined terms are incorporated herein by reference. The term "Debentures" means the New Debentures and the Old Debentures treated as a single class.

The Indenture does not limit the aggregate principal amount of securities that can be issued thereunder. Securities may be issued in one or more series as may be authorized from time to time by the Company. Ten series of securities, including the Debentures, are currently outstanding under the Indenture.

Payments of interest on the Debentures may be made at the option of the Company by check mailed to the registered holders thereof or, at the option of a holder, by wire transfer to an account maintained by the payee with a bank located in the United States designated by such holder.

The Debentures may be transferred or exchanged at an office or agency to be maintained by the Company, subject to the limitations provided in the Indenture, without the payment of any service charge, other than any tax or governmental charge payable in connection therewith. Each series of Debentures is issuable in denominations of \$1,000 and multiples thereof.

All moneys deposited with the Trustee or any Paying Agent, or held by the Company, in trust for the payment of principal of or interest on any Debentures and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holders of such Debentures will thereafter look only to the Company for payment thereof.

### Certain Terms of the 2002 Debentures

The 2002 Debentures will be limited to \$350 million aggregate principal amount and will mature on May 1, 2002. The 2002 Debentures will bear interest at the rate of 7.05% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 2002 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2002 Debentures will not be subject to any sinking fund.

### Certain Terms of the 2004 Debentures

The 2004 Debentures will be limited to \$300 million aggregate principal amount and will mature on May 1, 2004. The 2004 Debentures will bear interest at the rate of 7.25% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 2004 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall



accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2004 Debentures will not be subject to any sinking fund.

#### **Certain Terms of the 2007 Debentures**

The 2007 Debentures will be limited to \$450 million aggregate principal amount and will mature on May 1, 2007. The 2007 Debentures will bear interest at the rate of 7.45% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 2007 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2007 Debentures will not be subject to any sinking fund.

#### **Certain Terms of the 2017 Debentures**

The 2017 Debentures will be limited to \$400 million aggregate principal amount and will mature on May 1, 2017. The 2017 Debentures will bear interest at the rate of 7.90% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 2017 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2017 Debentures will not be subject to any sinking fund.

#### **Certain Terms of the 7.95% 2027 Debentures**

The 7.95% 2027 Debentures will be limited to \$500 million aggregate principal amount and will mature on May 1, 2027. Such Debentures will bear interest at the rate of 7.95% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 7.95% 2027 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 7.95% 2027 Debentures will not be subject to any sinking fund.

#### **Certain Terms of the 6.95% 2027 Debentures**

The 6.95% 2027 Debentures will be limited to \$100 million aggregate principal amount and will mature on May 1, 2027. Such Debentures will bear interest at the rate of 6.95% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 6.95% 2027 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day

year consisting of twelve 30-day months. The 6.95% 2027 Debentures will not be subject to any sinking fund, but are subject to repurchase at the option of the holder. See "—Purchase at Option of Holder."

#### **Certain Terms of the 7.25% 2027 Debentures**

The 7.25% 2027 Debentures will be limited to \$250 million aggregate principal amount and will mature on May 1, 2027. Such Debentures will bear interest at the rate of 7.25% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 7.25% 2027 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 7.25% 2027 Debentures will not be subject to any sinking fund, but are subject to repurchase at the option of the holder. See "—Purchase at Option of Holder."

#### **Certain Terms of the 2032 Debentures**

The 2032 Debentures will be limited to \$150 million aggregate principal amount and will mature on May 1, 2032. The 2032 Debentures will bear interest at the rate of 8.30% per annum from May 1, 1997, payable semiannually in arrears on May 1 and November 1 of each year, commencing November 1, 1997, to the persons in whose names the 2032 Debentures are registered at the close of business on the preceding April 15 or October 15, each a record date, as the case may be. If an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall not be postponed; provided, however, that any payment required to be made on such date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2032 Debentures will not be subject to any sinking fund, but are subject to redemption at the option of the Company. See "—Redemption."

#### **Redemption**

Other than the 2032 Debentures, none of the other series of Debentures is subject to redemption prior to maturity.

The 2032 Debentures are not redeemable prior to May 1, 2007. On or after May 1, 2007 and prior to maturity, the Company, at its option, may redeem all or, from time to time, any part of the 2032 Debentures on at least 30 days' but not more than 60 days' notice, as provided in the Indenture, at the following redemption prices (expressed in percentages of the principal amount) during the 12-month periods beginning May 1:

2007 .....	104.150%
2008 .....	103.735%
2009 .....	103.320%
2010 .....	102.905%
2011 .....	102.490%
2012 .....	102.075%
2013 .....	101.660%
2014 .....	101.245%
2015 .....	100.830%
2016 .....	100.415%

and thereafter at 100%, together in each case with accrued interest to the date fixed for redemption.

### **Purchase at Option of Holder**

Each holder of 6.95% 2027 Debentures and each holder of 7.25% 2027 Debentures will have the right to require the Company to repurchase all or a portion of such series of Debentures owned by such holder (the "Put Option") on May 1, 2002 and May 1, 2005, respectively (the "Put Option Exercise Date"), at a purchase price equal to 100% of the principal amount of such Debentures tendered by such holder plus accrued interest thereon. On and after the Put Option Exercise Date, interest will cease to accrue on such Debentures or any portion thereof tendered for repayment. On or before the Put Option Exercise Date, the Company shall deposit with a paying agent (or the Trustee) money sufficient to pay the principal of and any accrued interest on such Debentures to be tendered for repayment.

A holder must provide the Company with notice of such holder's intention to exercise the Put Option during the period from and including March 1, 2002 through and including April 1, 2002 (with respect to the 6.95% 2027 Debentures) and the period from and including March 1, 2005 through and including April 1, 2005 (with respect to the 7.25% 2027 Debentures). Such notice, once given, will be irrevocable unless waived by the Company.

The Company will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act if required and will file Schedule 13E-4 or any other schedule if required thereunder in connection with any offer by the Company to purchase the 6.95% 2027 Debentures or the 7.25% 2027 Debentures.

### **Ranking**

The Debentures will be senior securities of the Company and the indebtedness evidenced thereby will rank *pari passu* with all other unsubordinated and unsecured indebtedness of the Company.

### **Certain Covenants and Agreements of the Company**

The Indenture does not limit the amount of indebtedness or lease obligations that may be incurred by the Company and its subsidiaries. The Indenture does not contain provisions which would give holders of the Debentures the right to require the Company to repurchase their Debentures in the event of a decline in the credit rating of the Company's debt securities resulting from a takeover, recapitalization or similar restructuring.

### *Limitation on Liens on Stock or Indebtedness of Principal Subsidiaries*

The Indenture provides that, with respect to the Debentures, the Company may not, nor may it permit any Subsidiary to, create, assume, incur or suffer to exist any mortgage, pledge, lien, encumbrance, charge or security interest of any kind upon any stock or indebtedness, whether owned on the date of the Indenture or thereafter acquired, of any Principal Subsidiary, to secure any Obligation (other than the Debentures) of the Company, any Subsidiary or any other Person, without in any such case making effective provision whereby all of the outstanding Debentures (and other outstanding debt securities issued from time to time pursuant to the Indenture) shall be directly secured equally and ratably with such Obligation. This provision does not restrict any other property of the Company or its Subsidiaries. The Indenture defines "Obligation" as indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness; "Principal Subsidiary" as CSXT, Sea-Land and ACL; and "Subsidiary" as a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company or one or more Subsidiaries, or by the Company and one or more Subsidiaries. The Indenture does not prohibit the sale by the Company or any Subsidiary of any stock or indebtedness of any Subsidiary.

### *Consolidation, Merger and Sale of Assets*

The Indenture provides that the Company may, without the consent of the holders of any of the outstanding Debentures of a series, consolidate with, merge into or transfer its assets substantially as an entirety to any



corporation organized under the laws of any domestic or foreign jurisdiction, *provided* that (i) the successor corporation assumes the due and punctual payment of the principal of and interest on all debt securities issued under the Indenture and the performance of every covenant of the Indenture, (ii) immediately after giving effect thereto, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing, and (iii) certain other conditions are met.

#### **Events of Default and Remedies**

An Event of Default with respect to the Debentures of any series is defined in the Indenture as being a:

(a) default in the payment of any interest upon any Debenture of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of the principal of or any premium on any Debenture of that series at its Maturity; or

(c) default in the performance, or breach, of any covenant or warranty of the Company in the Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere specifically dealt with or which has expressly been included in the Indenture solely for the benefit of series of Debentures other than that series), and continuance of such default or breach for a period of 90 days after there has been given written notice of such default to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in principal amount of the outstanding Debentures of that series; or

(d) certain events of bankruptcy, insolvency or reorganization of the Company.

No Event of Default with respect to any particular series of Debentures necessarily constitutes an Event of Default with respect to any other series of Debentures. The Indenture provides that the Trustee thereunder may withhold notice to the holders of the Debentures of the occurrence of a default with respect to such Debentures (except a default in payment of principal, premium, if any, or interest) if the Trustee in good faith determines it is in the interest of the holders to do so.

The Indenture provides that if an Event of Default with respect to any Debentures of any series then outstanding issued thereunder shall occur and be continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of such Debentures then outstanding may declare the principal amount of all such Debentures of that series to be due and payable immediately, but upon certain conditions such declaration may be rescinded and annulled by the holders of a majority in aggregate principal amount of such Debentures then outstanding.

Subject to the provisions of the Trust Indenture Act of 1939, as amended, requiring each Trustee, during an Event of Default under the relevant Indenture, to act with the requisite standard of care, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of any Debentures unless such holders have offered the Trustee reasonable indemnity. Subject to the foregoing, holders of a majority in aggregate principal amount of Debentures of any series then outstanding issued under the Indenture shall have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture with respect to such Debentures. The Indenture requires the annual filing by the Company with the Trustee of a certificate as to whether or not the Company is in default under the terms of the Indenture.

#### **Book-Entry, Delivery and Form**

Except as described below, each series of Debentures sold will be issued in the form of one or more Global Securities. The Global Securities will be deposited with, or on behalf of, the Depositary and registered in the name of the Depositary or its nominee. Except as set forth below, the Global Securities may be transferred, in whole and not in part, only to the Depositary or another nominee of the Depositary. Investors may hold their



beneficial interests in the Global Securities directly through the Depositary if they have an account with the Depositary or indirectly through organizations which have accounts with the Depositary.

Debentures (i) originally purchased by or transferred to institutional "accredited investors" who are not QIBS or (ii) except as described below, purchased by or transferred to Persons outside the United States pursuant to sales in accordance with Regulation S under the Securities Act (collectively referred to herein as the "Non-Global Purchasers"), will be in registered form without interest coupons ("Certificated Debentures"). Upon the transfer to a QIB of Certificated Debentures initially issued to a Non-Global Purchaser, such Certificated Debentures will be exchanged for an interest in the Global Security. For a description of the restrictions on transfer of Certificated Debentures, see "Notice to Investors."

Debentures originally purchased by persons outside the United States pursuant to sales in accordance with Regulation S under the Securities Act will be represented upon issuance by a temporary global Debenture certificate in fully registered form without interest coupons (the "Temporary Certificate") which will not be exchangeable for Certificated Debentures until the expiration of the "40-day restricted period" within the meaning of Rule 903(c)(3) of Regulation S under the Securities Act. The Temporary Certificate will be registered in the name of, and held by, a temporary certificate holder until the expiration of such 40-day period, at which time the Temporary Certificate will be delivered to the Trustee in exchange for Certificated Debentures registered in the names requested by such temporary certificate holder. In addition, until the expiration of such 40-day period, transfers of interests in the Temporary Certificate can only be effected through such temporary certificate holder in accordance with the requirements set forth in "Notice to Investors."

The Depositary has advised the Company as follows: The Depositary is a limited-purpose trust company and organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and "a clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary was created to hold securities of institutions that have accounts with the Depositary ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depositary's participants include securities brokers and dealers (which may include the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the Depositary's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly ("indirect participants").

Upon the issuance of the Global Securities, the Depositary or its custodian will credit, on its book-entry registration and transfer system, the principal amount of the Debentures represented by such Global Securities to the accounts of participants. The accounts to be credited shall be designated by the Initial Purchasers (as defined below) of such series of Debentures. Ownership of beneficial interests in the Global Securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in the Global Securities will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depositary or its nominee (with respect to participants' interests) and such participants (with respect to the owners of beneficial interests in the Global Securities other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the Global Securities.

So long as the Depositary, or its nominee, is the registered holder and owner of the Global Securities, the Depositary or such nominee, as the case may be, will be considered the sole legal owner and holder of the related Debentures for all purposes of such Debentures and the Indenture. Except as set forth below, owners of beneficial interests in the Global Securities will not be entitled to have the Debentures represented by the Global Securities registered in their names, will not receive or be entitled to receive physical delivery of certificated Debentures in definitive form and will not be considered to be the owners or holders of any Debentures under the Global

Securities. The Company understands that under existing industry practice, in the event an owner of a beneficial interest in the Global Securities desires to take any action that the Depositary, as the holder of the Global Securities, is entitled to take, the Depositary would authorize the participants to take such action, and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Payment of principal of and interest on Debentures represented by the Global Securities registered in the name of and held by the Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner and holder of the Global Securities.

The Company expects that the Depositary or its nominee, upon receipt of any payment of principal of or interest on the Global Securities, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Securities as shown on the records of the Depositary or its nominee. The Company also expects that payments by participants to owners of beneficial interests in the Global Securities held through such participants will be governed by standing instructions and customary practices and will be the responsibility of such participants. The Company will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Securities for any Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the Depositary and its participants or the relationship between such participants and the owners of beneficial interests in the Global Securities owning through such participants.

Unless and until exchanged in whole or in part for certificated Debentures in definitive form, the Global Securities for each series of Debentures may not be transferred except as a whole by the Depositary to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by the Depositary or any nominee to a successor of the Depositary or a nominee of such successor.

Although the Depositary has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Securities among participants of the Depositary, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trustee nor the Company will have any responsibility for the performance by the Depositary or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The Global Securities representing the Debentures are exchangeable for definitive Debentures in registered form, of like tenor and of an equal aggregate principal amount, only if (x) the Depositary notifies the Company that it is unwilling, unable or ineligible to continue as Depositary for such Global Securities or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act, (y) the Company in its sole discretion determines that the Global Securities representing the Debentures shall be exchangeable for definitive Debentures in registered form or (z) any event shall have happened and be continuing which, after notice or lapse of time, or both, would become an Event of Default with respect to such Debentures. In the event that any Global Security representing the Debentures is exchangeable pursuant to the preceding sentence, it shall be exchangeable in whole for definitive Debentures in registered form, of like tenor and of an equal aggregate principal amount, in denominations of \$1,000 and integral multiples thereof. Such definitive Debentures shall be registered in the name or names of such person or persons as the Depositary shall instruct the security registrar. It is expected that such instructions may be based upon directions received by the Depositary from its participants with respect to ownership of Debentures.

#### **Modification of the Indenture**

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the relevant series of Debentures, as the case may be, then outstanding and affected by a modification or amendment, to modify or amend any of the provisions of the Indenture or of such Debentures or the rights of the holders of such Debentures under the Indenture, *provided*

that no such modification or amendment shall, without the consent of each holder of each outstanding Debenture affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any such Debenture or reduce the principal amount thereof or any premium thereon, or reduce the rate of interest thereon, or change the coin or currency in which any Debenture or any premium or interest thereon is payable, or impair the holder's right to institute suit to enforce the payment of any such Debentures on or after the Stated Maturity,

(ii) reduce the aforesaid percentage in principal amount of such Debentures, the consent of the holders of which is required for any such modification or amendment or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) or reduce the requirements for a quorum or voting at a meeting of holders of such Debentures,

(iii) change any obligation of the Company to maintain an office or agency in the places and for the purposes required by the Indenture, or

(iv) modify any of the above provisions.

The Indenture also contains provisions permitting the Company and the Trustee, without the consent of the holders of such Debentures issued thereunder, to modify or amend the Indenture in order, among other things:

(a) to add any additional Events of Default or add to the covenants of the Company for the benefit of the holders of all or any series of Debentures issued under the Indenture;

(b) to establish the form or terms of Debentures of any series;

(c) to cure any ambiguity, to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not adversely affect the interests of the holders of any debt securities issued thereunder in any material respect; or

(d) to change or eliminate any of the provisions of the Indenture, provided that any such change or elimination shall become effective only when there is no debt security outstanding of any series issued under the Indenture created prior to the execution of the supplemental indenture which is entitled to the benefit of such provision.

The holders of at least a majority in aggregate principal amount of outstanding Debentures of a series may, on behalf of the holders of Debentures of that series, waive compliance by the Company with certain restrictive provisions of the Indenture, including the covenant described above under "Certain Covenants of the Company—Limitation on Liens on Stock or Indebtedness of Principal Subsidiaries." The holders of not less than a majority in aggregate principal amount of such outstanding Debentures of any series may, on behalf of all holders of such series of Debentures, waive any past default under the Indenture with respect to such Debentures and its consequences, except a default in the payment of the principal of, premium, if any, or interest on such Debentures or in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding Debenture affected.

The Indenture contains provisions for convening meetings of the holders of the Debentures of any series. A meeting may be called at any time by the Trustee, and also, upon request, by the Company or the holders of at least 10% in aggregate principal amount of the outstanding Debentures of any series, in any such case upon notice given in accordance with the provisions of the Indenture. Except for any consent which must be given by the holder of each outstanding Debenture affected thereby, as described above, any resolution presented at a meeting or adjourned meeting duly reconvened at which a quorum (as described below) is present may be adopted by the affirmative vote of the holders of a majority in principal amount of such outstanding Debentures of that series; provided, however, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which may be made, given or taken by the holders of a specified



percentage, which is less than a majority, in principal amount of such outstanding Debentures may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the holders of such specified percentage in principal amount of such outstanding Debentures. Any resolution passed or decision taken at any meeting of holders of Debentures of any series duly held in accordance with the Indenture will be binding on all holders of such Debentures. The quorum required for any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of such outstanding Debentures, subject to certain exceptions.

#### **Satisfaction and Discharge of the Indenture; Defeasance**

The Indenture shall generally cease to be of any further effect if (a) the Company has delivered to the Trustee for cancellation all debt securities issued thereunder or (b) all debt securities issued thereunder not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and the Company shall have deposited with the Trustee as trust funds the entire amount sufficient to pay and discharge at Stated Maturity or upon redemption the entire indebtedness on all debt securities issued thereunder (and if, in either case, the Company has paid or caused to be paid all other sums payable under the Indenture by the Company and the Company has delivered an officers' certificate and an opinion of counsel each stating that the requisite conditions have been complied with).

In addition, the Company shall have a "legal defeasance option" (pursuant to which it may terminate, with respect to any series of Debentures, all of its obligations under such Debentures and the Indenture with respect to such Debentures) and a "covenant defeasance option" (pursuant to which it may terminate, with respect to any series of Debentures, its obligations with respect to such Debentures under certain specified covenants contained in the Indenture, including its obligations described under "Limitation on Liens on Stock and Indebtedness of Principal Subsidiaries"). If the Company exercises its legal defeasance option with respect to any series of Debentures, payment of such Debentures may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option with respect to any series of Debentures, payment of such Debentures may not be accelerated because of an Event of Default related to the specified covenants. The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

The Company may exercise its legal defeasance option or its covenant defeasance option with respect to any series of Debentures, only if (a) the Company irrevocably deposits in trust with the Trustee cash and/or U.S. Government Obligations for the payment of principal, premium, if any, and interest with respect to such Debentures to maturity or redemption, as the case may be, and the Company delivers to the Trustee a certificate from a nationally recognized firm of independent public accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay the principal, premium, if any, and interest when due with respect to all such Debentures to maturity or redemption, as the case may be, (b) no Event of Default with respect to the Debentures of such series shall have occurred and be continuing (i) on the date of such deposit or (ii) with respect to certain bankruptcy defaults, at any time during the period ending on the 123rd day after the date of such deposit, (c) such legal defeasance or covenant defeasance does not result in the trust arising from such deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended, (d) the legal defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Company is a party or by which it is bound, (e) the Company delivers to the Trustee an opinion of counsel that the holders of such Debentures will not recognize income, gain or loss for United States federal income tax purposes as a result of such legal defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance or covenant defeasance had not occurred, and (f) the Company delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that all



conditions precedent to the defeasance and discharge of such Debentures as contemplated by the Indenture have been complied with. The opinion of counsel, with respect to legal defeasance, referred to in clause (e) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture.

The Trustee shall hold in trust cash or U.S. Government Obligations deposited with it as described above and shall apply the deposited cash and the proceeds from deposited U.S. Government Obligations to the payment of principal, premium, if any, and interest with respect to such Debentures.

#### **Concerning the Trustee**

The Company has the right to replace the Trustee under certain circumstances, including (subject to the Company's satisfying certain conditions) if the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets to another corporation or banking association.

The Company and certain of its subsidiaries may from time to time maintain lines of credit, and have other customary banking and commercial relationships, with the Trustee and its affiliates. The Trustee also acts as trustee under another indenture pursuant to which the Company issued its 9% Debentures Due 2006. The Trustee is the Administrative Agent under the Credit Agreement and is an affiliate of one of the Initial Purchasers, Chase Securities Inc. In addition, the Trustee and certain of its affiliates may own Debentures.

#### **Registration Rights Agreement**

The Company entered into the Registration Rights Agreement with the Initial Purchasers in connection with the sale of the Old Debentures pursuant to which the Company has agreed, for the benefit of the holders of each series of Old Debentures, at the Company's cost, to (i) file the Exchange Offer Registration Statement, of which this Prospectus is a part, within 150 days after the date of original issuance of such Old Debentures (May 8, 1997 for the Old 2032 Debentures and May 6, 1997 for the other Old Debentures, the "Issue Date") with the Commission with respect to the Exchange Offers and (ii) use its best efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act within 180 days after the Issue Date. Promptly after the Exchange Offer Registration Statement is declared effective, the Company will consummate the Exchange Offers. The Company will keep the Exchange Offers open for not less than 30 days (or longer if required by applicable law) after the date notice of the Exchange Offers is mailed to the holders of Old Debentures.

In the event that any changes in law or applicable interpretations of the staff of the Commission do not permit the Company to effect the Exchange Offers with respect to any series of Old Debentures, or if for any reason the Exchange Offer Registration Statement is not declared effective within 180 days following the Issue Date, or upon the request of the Initial Purchasers under certain circumstances, the Company will, in lieu of effecting the registration of the applicable New Debentures pursuant to the Exchange Offer Registration Statement and at its cost, (i) as promptly as practicable, file with the Commission a Shelf Registration Statement covering resales of the applicable Old Debentures, (ii) use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act by the 210th day after the Issue Date (or promptly in the event of a request by the Initial Purchasers) and (iii) keep effective the Shelf Registration Statement until the earliest of (x) the second anniversary of the Issue Date (or the first anniversary of the effective date if such Shelf Registration Statement is filed at the request of the Initial Purchasers), (y) the time when the Old Debentures registered thereunder can be sold by non-affiliates pursuant to Rule 144 under the Securities Act without limitation under clauses (c), (e), (f) and (h) of Rule 144, or (z) such time as all the Old Debentures registered thereunder have been sold. During any consecutive 365-day period, the Company will have the ability to suspend the availability of the Shelf Registration Statement for up to two periods of up to 45 consecutive days, but no more than an aggregate of 60 days during any 365-day period. The Company will, in the event of the filing of a Shelf Registration Statement, provide to each holder of such applicable Old Debentures copies of the prospectus which is part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement for such Old Debentures has become effective and take certain other actions as are required to permit unrestricted

resales of such Old Debentures. A holder of such Old Debentures that sells such Old Debentures pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to the purchaser, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder (including certain indemnification obligations). In addition, each Holder of such Old Debentures will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Old Debentures included in the Shelf Registration Statement and to benefit from the provisions regarding Special Interest set forth in the following paragraph. If the Company has consummated the Exchange Offers, then, subject to certain limited exceptions, the Company will have no obligation to file or to maintain the effectiveness of a Shelf Registration Statement with respect to any Old Debentures that are not tendered in the Exchange Offers.

In the event that (i) by the 150th day following the Issue Date, the Exchange Offer Registration Statement is not filed with the Commission, (ii) by the 180th day following the Issue Date, neither the Exchange Offer Registration Statement is declared effective nor (if the Exchange Offers are not permitted as described above) the Shelf Registration Statement is filed with the Commission, or (iii) by the 210th day following the Issue Date, one or more of the Exchange Offers with respect to any series of Old Debentures is not consummated or the Shelf Registration Statement is not declared effective with respect thereto (each such event referred to in clauses (i) through (iii), a "Registration Default"), interest will accrue on the applicable Old Debentures (in addition to stated interest on such Old Debentures) from and including the next day following each such Registration Default. In each case such additional interest (the "Special Interest") will be payable in cash semiannually in arrears each May 1 and November 1, at a rate per annum equal to 0.25% of the principal amount of such Old Debentures for each such Registration Default. The aggregate amount of Special Interest payable pursuant to the above provisions will, however, in no event exceed 0.25% per annum of the principal amount of such Old Debentures. Upon (a) the filing of the Exchange Offer Registration Statement after the 150-day period described in clause (i) above, (b) the effectiveness of the Exchange Offer Registration Statement or the filing of the Shelf Registration Statement after the 180-day period described in clause (ii) above or (c) the consummation of the Exchange Offer for such Old Debentures or the effectiveness of a Shelf Registration Statement, as the case may be, after the 210-day period described in clause (iii) above, the Special Interest payable on such Old Debentures as a result of the applicable Registration Default will cease to accrue. For purposes of the preceding sentence, the curing of a Registration Default by the means described in clause (b) above shall constitute a cure of the Registration Defaults described in clauses (i) and (ii) above, and the curing of a Registration Default by the means described in clause (c) above shall constitute a cure of the Registration Defaults described in clauses (i), (ii) and (iii) above.

In the event that a Shelf Registration Statement is declared effective pursuant to the paragraph preceding the immediately preceding paragraph, if the Company fails to keep such Registration Statement continuously effective for the period required by the Registration Rights Agreement (except as specifically permitted therein), then from such time as the Shelf Registration Statement is no longer effective until the earlier of (i) the date that the Shelf Registration Statement is again deemed effective and (ii) the date that is the earliest of (x) the second anniversary of the Issue Date (or until the first anniversary of the effective date if the Shelf Registration Statement is filed at the request of the Initial Purchasers), (y) the time when the Old Debentures registered thereunder can be sold by non-affiliates pursuant to Rule 144 under the Securities Act without any limitation under clauses (c), (e), (f) and (h) of Rule 144, or (z) the date as of which all such Old Debentures are sold pursuant to the Shelf Registration Statement, Special Interest shall accrue at a rate per annum equal to 0.25% of the principal amount of the Old Debentures and shall be payable in cash semiannually in arrears each May 1 and November 1.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of which is available upon request to the Company.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE EXCHANGE OFFERS**

An exchange of the Old Debentures for the New Debentures pursuant to the Exchange Offers will not constitute a taxable event for federal income tax purposes. As a result, holders who exchange their Old Debentures for New Debentures should not recognize any income, gain or loss for federal income tax purposes with respect to such exchange. An exchanging holder will have the same adjusted basis and holding period in the New Debentures as it had in the Old Debentures immediately before the exchange.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF EXCHANGING OLD DEBENTURES FOR NEW DEBENTURES IN THE EXCHANGE OFFERS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS.

## **PLAN OF DISTRIBUTION**

Each broker-dealer that receives New Debentures for its own account pursuant to the Exchange Offers must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

The Company will not receive any proceeds from any sale of New Debentures by broker-dealers. New Debentures received by broker-dealers for their own account pursuant to the Exchange Offers may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Debentures or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Debentures. Any broker-dealer that resells New Debentures that were received by it for its own account pursuant to the Exchange Offers and any broker or dealer that participates in a distribution of such New Debentures may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Debentures and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offers (including the expenses of one counsel for the holders of the Old Debentures) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Old Debentures (including any broker dealers) against certain liabilities, including liabilities under the Securities Act.

## **VALIDITY OF DEBENTURES**

The validity of the New Debentures offered hereby will be passed upon for the Company by McGuire, Woods, Battle & Boothe, L.L.P., Richmond, Virginia. Robert L. Burrus, Jr., a partner of McGuire, Woods, Battle & Boothe, L.L.P., is a director of the Company and owns 4,449 shares of the Company's common stock.



## EXPERTS

The consolidated financial statements of the Company, incorporated by reference in this Prospectus and elsewhere in the Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated by reference in this Prospectus and in the Registration Statement in reliance upon such report given upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Conrail as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996 have been incorporated by reference in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited consolidated financial information of Conrail for the quarters ended March 31, 1997 and 1996, incorporated by reference in this Prospectus, Price Waterhouse LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated April 16, 1997 incorporated by reference herein, states that they did not audit and they do not express an opinion on that unaudited consolidated financial information. Price Waterhouse LLP has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Price Waterhouse LLP is not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited consolidated financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by Price Waterhouse LLP within the meaning of Sections 7 and 11 of the Securities Act.



Map does not distinguish in all cases between trackage rights and ownership, nor does it indicate the grant of trackage rights by CSX or NSC to the other over the routes allocated above.

No dealer, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer made hereby except as contained or incorporated by reference in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference herein or in the affairs of the Company since the date hereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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**\$2,500,000,000**

## CSX Corporation

**\$350,000,000**

**7.05% Debentures Due 2002**

**\$300,000,000**

**7.25% Debentures Due 2004**

**\$450,000,000**

**7.45% Debentures Due 2007**

**\$400,000,000**

**7.90% Debentures Due 2017**

**\$500,000,000**

**7.95% Debentures Due 2027**

**\$100,000,000**

**6.95% Debentures Due 2027**

**\$250,000,000**

**7.25% Debentures Due 2027**

**\$150,000,000**

**8.30% Debentures Due 2032**



**Preliminary Prospectus**

**Dated , 1997**



**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 20. Indemnification of Directors and Officers**

Article 10 of the Virginia Stock Corporation Act allows, in general, for indemnification, in certain circumstances, by a corporation of any person threatened with or made a party to any action, suit or proceeding by reason of the fact that he or she is, or was, a director, officer, employee or agent of such corporation. Indemnification is also authorized with respect to a criminal action or proceeding where the person had no reasonable cause to believe that his or her conduct was unlawful. Article 9 of the Virginia Stock Corporation Act provides limitations on damages payable by officers and directors, except in cases of willful misconduct or knowing violation of criminal law or any federal or state securities law.

Article VII of the Company's Amended and Restated Articles of Incorporation provides for mandatory indemnification of any director or officer of the Company who is, was or is threatened to be made a party to any proceeding (including any proceeding by or on behalf of the Company) by reason of the fact that he or she is or was a director or officer of the Company against all liabilities and reasonable expenses incurred in the proceeding, except such liabilities and expenses as are incurred because of such director's or officer's willful misconduct or knowing violation of the criminal law.

The Company's Amended and Restated Articles of Incorporation also provide that in every instance permitted under Virginia corporate law in effect from time to time, the liability of a director or officer of the Company to the Company or its shareholders arising out of a single transaction, occurrence or course of conduct shall be limited to one dollar.

The Company maintains a standard policy of officers' and directors' liability insurance.

Reference is made to the Purchase Agreement included herein as an exhibit to the Registration Statement for provisions regarding indemnification of the Company's officers, directors and controlling persons against certain liabilities.

**Item 21. Exhibits**

**Exhibit**

- 4.1 Indenture, dated August 1, 1990, between the Company and The Chase Manhattan Bank, as Trustee (incorporated herein by reference to the Company's Form SE, dated September 7, 1990, filed with the Commission)
- 4.2 First Supplemental Indenture, dated as of June 15, 1991, between the Company and The Chase Manhattan Bank, as Trustee (incorporated herein by reference to Exhibit 4(c) to the Company's Form SE, dated May 28, 1992, filed with the Commission)
- 4.3 Second Supplemental Indenture, dated as of May 6, 1997, between the Company and The Chase Manhattan Bank, as Trustee (a)
- 4.4 Purchase Agreement, dated as of May 6, 1997, between the Company and Salomon Brothers Inc, individually and as representative of the Initial Purchasers (a)
- 4.5 Registration Rights Agreement, dated May 6, 1997, between the Company and Salomon Brothers Inc, individually and as representative of the Initial Purchasers (a)
- 4.6 Form of New 7.05% Debenture Due 2002 (b)
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- 4.9 Form of New 7.90% Debenture Due 2017 (b)
- 4.10 Form of New 7.95% Debenture Due 2027 (b)
- 4.11 Form of New 6.95% Debenture Due 2027 (b)

**Exhibit**

- 4.12 Form of New 7.25% Debenture Due 2027 (b)
- 4.13 Form of New 8.30% Debenture Due 2032 (b)
- 5.1 Opinion of McGuire, Woods, Battle & Boothe, L.L.P., regarding validity of New Debentures being registered (b)
- 12.1 Statement regarding the computation of the ratio of earnings to fixed charges (a)
- 15.1 Awareness Letter of Price Waterhouse LLP, Independent Accountants (a)
- 23.1 Consent of Ernst & Young LLP, Independent Auditors (a)
- 23.2 Consent of Price Waterhouse LLP, Independent Accountants (a)
- 23.3 Consent of McGuire, Woods, Battle & Boothe, L.L.P. contained in the opinion filed as Exhibit 5.1 hereto
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- 25.1 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee under the Indenture (a)
- 99.1 Form of Letter of Transmittal (b)
- 99.2 Form of Exchange Agent Agreement between the Company and The Chase Manhattan Bank, as Exchange Agent (b)

(a) Filed herewith.

(b) To be filed by amendment.

**Item 22. Undertakings**

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any acts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement (notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act of 1933 if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement); (iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement; *provided, however*, that subparagraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those subparagraphs is contained in periodic reports filed by the Company pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby further undertakes that, for the purpose of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant, pursuant to the provisions described under Item 15 or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification by it is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first-class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.



## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Richmond, Commonwealth of Virginia, on the 4th day of June, 1997.

CSX CORPORATION

By           /s/ JAMES L. ROSS            
James L. Ross  
Vice President and Controller

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on the 4th day of June, 1997.

<u>Signature</u>	<u>Title</u>
<u>          /s/ JOHN W. SNOW*          </u> John W. Snow	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)
<u>          /s/ PAUL R. GOODWIN*          </u> Paul R. Goodwin	Executive Vice President—Finance and Chief Financial Officer (Principal Financial Officer)
<u>          /s/ JAMES L. ROSS*          </u> James L. Ross	Vice President and Controller (Principal Accounting Officer)
<u>          /s/ ELIZABETH E. BAILEY*          </u> Elizabeth E. Bailey	Director
<u>          /s/ ROBERT L. BURRUS, JR.*          </u> Robert L. Burrus, Jr.	Director
<u>          /s/ BRUCE C. GOTTWALD*          </u> Bruce C. Gottwald	Director
<u>          /s/ JOHN R. HALL*          </u> John R. Hall	Director
<u>          /s/ ROBERT D. KUNISCH*          </u> Robert D. Kunisch	Director
<u>          /s/ HUGH L. MCCOLL, JR.*          </u> Hugh L. McColl, Jr.	Director

Signature

Title

/s/ JAMES W. MCGLOTHLIN\* Director  
James W. McGlothlin

/s/ SOUTHWOOD J. MORCOTT\* Director  
Southwood J. Morcott

/s/ CHARLES E. RICE\* Director  
Charles E. Rice

/s/ WILLIAM C. RICHARDSON\* Director  
William C. Richardson

/s/ FRANK S. ROYAL\* Director  
Frank S. Royal

\*By: /s/ ALAN A. RUDNICK  
Alan A. Rudnick  
Attorney-in-Fact

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- 12.1 Statement regarding the computation of the ratio of earnings to fixed charges (a)
- 15.1 Awareness Letter of Price Waterhouse LLP, Independent Accountants (a)
- 23.1 Consent of Ernst & Young LLP, Independent Auditors (a)
- 23.2 Consent of Price Waterhouse LLP, Independent Accountants (a)
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- 25.1 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee under the Indenture (a)
- 99.1 Form of Letter of Transmittal (b)
- 99.2 Form of Exchange Agent Agreement between the Company and The Chase Manhattan Bank, as Exchange Agent (b)

(a) Filed herewith.

(b) To be filed by amendment.



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EXHIBIT 4.3

EXECUTION COPY

CSX CORPORATION

AND

THE CHASE MANHATTAN BANK,  
Trustee

-----  
SECOND SUPPLEMENTAL  
INDENTURE

Dated as of May 6, 1997  
-----

Senior Securities

SECOND SUPPLEMENTAL INDENTURE, dated as of May 6, 1997 between CSX Corporation, a Virginia corporation (the "Company"), and The Chase Manhattan Bank, a New York banking corporation, Trustee (the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a certain indenture, dated as of August 1, 1990 and supplemented by the First Supplemental Indenture, dated as of June 15, 1991 (herein called the "Indenture"), pursuant to which one or more series of unsecured debentures, securities or other evidences of indebtedness of the Company (herein called the "Securities") may be issued from time to time;

WHEREAS, Section 901 of the Indenture provides that the Company, when authorized by a Board Resolution, and the Trustee may at any time and from time to time enter into an indenture supplemental to the Indenture for the purpose, among other things, of (i) changing or eliminating any of the provisions of the Indenture, provided that such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision, (ii) establishing the form or terms of Securities of any series and any related coupons as permitted by Sections 201 and 301, (iii) making any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the Holders of Securities of any series or any related

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coupons in any material respect or (iii) to establish the form of Securities of any series and any related coupons pursuant to Sections 201 and 301;

WHEREAS, the Company, pursuant to the foregoing authority, proposes in and by this Second Supplemental Indenture to amend the Indenture in certain respects with respect to the following Securities: \$350,000,000 of its 7.05% Debentures Due 2002 (the "2002 Debentures"), \$300,000,000 of its 7.25% Debentures Due 2004 (the "2004 Debentures"), \$450,000,000 of its 7.45% Debentures Due 2007 (the "2007 Debentures"), \$400,000,000 of its 7.90% Debentures Due 2017 (the "2017 Debentures"), \$500,000,000 of its 7.95% Debentures Due 2027 (the "7.95% 2027 Debentures"), \$100,000,000 of its 6.95% Debentures Due 2027 (the "6.95% 2027 Debentures"), \$250,000,000 of its 7.25% Debentures Due 2027 (the "7.25% 2027 Debentures") and \$150,000,000 of its 8.30% Debentures Due 2032 (the "2032 Debentures" and, collectively with the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures, the "May 1997 Securities" or the "Initial Securities"); and

WHEREAS, all things necessary to make this Second Supplemental Indenture a valid agreement of the Company and the Trustee and a valid amendment of and supplement to the Indenture have been done.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the May 1997 Securities, as follows:

#### ARTICLE ONE

Solely with respect to the May 1997 Securities, and not with respect to any other Securities previously established, the Indenture is hereby amended and supplemented as specified below.

Section 1.1 Definitions. Section 101 of the Indenture is hereby amended and supplemented by adding the following definitions:

"Agent Member" has the meaning provided in Section 312.

"Depository" means The Depository Trust Company, its nominees and successors.

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"Exchange Offer" means the offer by the Company to the Holders of the Initial Securities to exchange all of the Initial Securities for Exchange Securities, as provided in the Registration Rights Agreement.

"Exchange Securities" refers to any Security containing terms substantially identical to the Initial Securities (except that (i) such Exchange Securities shall not contain terms with respect to transfer restrictions and shall be registered under the Securities Act, and (ii) certain provisions relating to an increase in the stated rate of interest thereon shall be eliminated) that are issued and exchanged for the Initial Securities in accordance with the Exchange Offer, as provided in the Registration Rights Agreement and this Indenture.

"Initial Purchasers" means Salomon Brothers Inc, Credit Suisse First Boston Corporation, Chase Securities Inc., Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated and NationsBanc Capital Markets, Inc.

"Initial Securities" has the meaning stated in the recitals to this Indenture.

"Issue Date" means, with respect to a Security, the date on which the Trustee authenticated such Security.

"Offshore Securities Exchange Date" has the meaning provided in Section 201.

"Non-U.S. Person" means a person who is not a U.S. person, as defined in Regulation S.

"Permanent Offshore Physical Securities" has the meaning provided in Section 201.

"Physical Securities" has the meaning provided in Section 201.

"Principal Subsidiary" means CSX Transportation, Inc. ("CSXT"), Sea-Land Service, Inc. ("Sea-Land") and American Commercial Lines, Inc. ("ACL").

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registration Rights Agreement" means the Registration Rights Agreement dated as of May 6, 1997 among the Company and the Initial Purchasers and certain permitted assigns specified therein.

"Registration Statement" means the Registration Statement as defined and described in the Registration Rights Agreement.

"Regulation S" means Regulation S under the Securities Act.



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"Repayment Date" means, when used with respect to any Security to be repaid at the option of the Holder, the date fixed for such repayment by or pursuant to such Security.

"Restricted Period" has the meaning provided in Regulation S.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities Act" means the Securities Act of 1933.

"Temporary Offshore Global Securities" has the meaning provided in Section 201.

"U.S. Global Securities" has the meaning provided in Section 201.

"U.S. Physical Securities" has the meaning provided in Section 201.

Section 1.2 Forms Generally. Section 201 of the Indenture is amended by adding the following four paragraphs to that Section:

Initial Securities offered and sold in reliance on Rule 144A may be issued in the form of one or more permanent global securities substantially in the form set forth in Annex I hereto (the "U.S. Global Securities") deposited with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the U.S. Global Securities may from time to time be increased or decreased by adjustments made on the records of the Security Registrar, as custodian for the Depositary or the Trustee, as hereinafter provided.

Initial Securities offered and sold in reliance on Regulation S shall be issued initially in the form of temporary global Securities in registered form substantially in the form set forth in Annex I hereto (the "Temporary Offshore Global Securities"). The Temporary Offshore Global Securities will be registered in the name of, and held by, a temporary certificate holder designated by the Initial Purchasers until the later of the completion of the distribution of the Initial Securities and the termination of the Restricted Period with respect to the offer and sale of the Initial Securities (the "Offshore Securities Exchange Date"). At any time following the Offshore Securities Exchange Date, upon receipt by the Trustee and the Company of a certificate substantially in the form set forth in Section 205, the Company shall execute, and the Trustee shall execute and deliver, one or more permanent certificated Securities substantially in the form set forth in Annex I hereto (the "Permanent

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Offshore Physical Securities") in exchange for the Temporary Offshore Global Securities of like tenor and amount.

Initial Securities offered and sold other than as described in the preceding two paragraphs shall be issued in the form of permanent certificated Securities in Registered form in substantially the same form set forth in Annex I hereto (the "U.S. Physical Securities"). The Temporary Offshore Global Securities, Permanent Offshore Physical Securities and U.S. Physical Securities are sometimes collectively herein referred to as the "Physical Securities".

Section 1.3 Restrictive Legends. The Indenture is amended and  
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supplemented by adding the following Section 204 to read as follows:

Section 204. Restrictive Legends.  
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Unless and until (i) an Initial Security is sold under an effective Registration Statement or (ii) an Initial Security is exchanged for an Exchange Security in connection with an effective Registration Statement, in each case pursuant to the Registration Rights Agreement, each such U.S. Global Security, Temporary Offshore Global Security and U.S. Physical Security shall bear the following legend (the "Private Placement Legend") on the face thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE

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"TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, SUBJECT TO THE RIGHT OF THE TRUSTEE AND THE COMPANY PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (ii) PURSUANT TO CLAUSE (E), TO REQUIRE THAT THE TRANSFEROR DELIVER TO THE TRUSTEE A LETTER FROM THE TRANSFEREE SUBSTANTIALLY IN THE FORM OF ANNEX A TO THE OFFERING MEMORANDUM DATED MAY 1, 1997. SUCH HOLDER FURTHER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH HEREON RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.

Each U.S. Global Security, whether or not an Initial Security, shall also bear the following legend on the face thereof:

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE



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DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 313 OF THE INDENTURE.

Section 1.4 Form of Certificate to Delivered upon Termination of  
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Restricted Period. The Indenture is amended and supplemented by adding the  
-----  
following Section 205 to read as follows:

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Section 205. Form of Certificate to Be Delivered in Connection with  
Transfers Pursuant to Regulation S upon Termination of Restricted Period.

The following certificate, to be dated on or after expiration of the Restricted Period, shall be delivered by a Holder in connection with transfers pursuant to Regulation S.

THE CHASE MANHATTAN BANK  
Global Trust Services  
450 West 33rd Street, 15th Floor  
New York, NY 10001

Re: CSX Corporation (the "Company")  
\_\_\_\_\_% Securities due May 1, 20\_\_\_\_ (the "Securities")

Ladies and Gentlemen:

This letter relates to U.S. \$\_\_\_\_\_ principal amount of Securities represented by a temporary global security certificate (the "Temporary Certificate") which bears a legend outlining restrictions upon transfer of such Temporary Certificate. Pursuant to Section 201 of the Indenture dated as of August 1, 1990, as supplemented and amended by the First Supplemental Indenture dated as of June 15, 1991 and the Second Supplemental Indenture dated as of May 6, 1997 relating to the Securities (the "Indenture"), we hereby certify that we are (or we will hold such Securities on behalf of) a person outside the United States to whom the Securities could be transferred in accordance with Rule 904 of Regulation S promulgated under the U.S. Securities Act of 1933, as amended. Accordingly, you are hereby requested to exchange the Temporary Certificate for an unlegended certificate representing an identical principal amount of Securities, all in the manner provided for in the Indenture.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Holder]

By:

-----  
Authorized Signature

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Section 1.5 Form of Security. The Security Form attached as Exhibit A  
-----  
to the Indenture is amended to read in its entirety as set forth in Annex I to  
this Second Supplemental Indenture.

Section 1.6 Book-Entry Provisions for U.S. Global Security. The  
-----  
Indenture is amended and supplemented by adding the following Section 312 to  
read as follows:

Section 312. Book-Entry Provisions for U.S. Global Security.  
-----

(a) The U.S. Global Security initially shall (i) be registered in the  
name of the Depositary for such global Security or the nominee of such  
Depositary, (ii) be delivered to the Trustee as custodian for such Depositary  
and (iii) bear legends as set forth in Section 204.

Members of, or participants in, the Depositary ("Agent Members") shall  
have no rights under this Indenture with respect to any U.S. Global Security  
held on their behalf by the Depositary, or the Trustee as its custodian, or  
under the U.S. Global Security, and the Depositary may be treated by the  
Company, the Trustee and any agent of the Company or the Trustee as the absolute  
owner of such U.S. Global Security for all purposes whatsoever. Notwithstanding  
the foregoing, nothing herein shall prevent the Company, the Trustee or any  
agent of the Company or the Trustee from giving effect to any written  
certification, proxy or other authorization furnished by the Depositary or shall  
impair, as between the Depositary and its Agent Members, the operation of  
customary practices governing the exercise of the rights of a Holder of any  
Security.

(b) Transfers of the U.S. Global Security shall be limited to  
transfers of such U.S. Global Security in whole, but not in part, to the  
Depositary, its successors or their respective nominees. Interests of beneficial  
owners in the U.S. Global Security may be transferred in accordance with the  
rules and procedures of the Depositary and the provisions of Section 313. U.S.  
Physical Securities shall be transferred to all beneficial owners in exchange  
for their beneficial interests in the U.S. Global Security if (i) the Depositary  
notifies the Company that it is unwilling, unable or ineligible to continue as  
Depositary for the U.S. Global Security or if at any time the Depositary ceases  
to be a clearing agency registered under the Exchange Act, (ii) the Company in  
its sole discretion determines that the U.S. Global Security shall be  
exchangeable for U.S. Physical Securities, or (iii) any event shall have  
happened and be continuing which, after notice or lapse of time, or both, would  
become an Event of Default with respect to such Securities.

(c) In connection with any transfer of a portion of the beneficial  
interest in the U.S. Global Security pursuant to subsection (b) of this Section  
to beneficial owners who are required to hold U.S. Physical Securities, the  
Security Registrar shall reflect on its books and records the date and a  
decrease in the principal amount of the U.S. Global Security in an amount equal  
to the principal amount of the beneficial interest in the U.S. Global Security  
to



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be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more U.S. Physical Securities of like tenor and amount.

(d) In connection with the transfer of the entire U.S. Global Security to beneficial owners pursuant to subsection (b) of this Section, the U.S. Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the U.S. Global Security, an equal aggregate principal amount of U.S. Physical Securities of authorized denominations.

(e) Any U.S. Physical Security delivered in exchange for an interest in the U.S. Global Security pursuant to subsection (c) or subsection (d) of this Section shall, except as otherwise provided by paragraph (a)(i)(x) and paragraph (f) of Section 313, bear the applicable legend regarding transfer restrictions applicable to the U.S. Physical Security set forth in Section 204.

(f) The registered holder of the U.S. Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

Section 1.7 Special Transfer Provisions. The Indenture is amended and supplemented by adding the following Section 313 to read as follows:

Section 313. Special Transfer Provisions.

Unless and until (i) an Initial Security is sold under an effective Registration Statement, or (ii) an Initial Security is exchanged for an Exchange Security in connection with an effective Registration Statement, in each case pursuant to the Registration Rights Agreement, the following provisions shall apply:

(a) Transfers to Non-QIB Institutional Accredited Investors. The following provisions shall apply with respect to the registration of any proposed transfer of an Initial Security to any institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) which is not a QIB (excluding Non-U.S. Persons):

(i) The Security Registrar shall register the transfer of any Initial Security, whether or not such Initial Security bears the Private Placement Legend, if (x) the requested transfer is at least two years after the original issue date of the Initial Security or (y) the proposed transferee has delivered to the Security Registrar a certificate substantially in the form set forth in Section 314.

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interest in the U.S. Global Security, upon receipt by the Security Registrar of (x) the documents, if any, required by paragraph (i) and (y) instructions given in accordance with the Depositary's and the Security Registrar's procedures therefor, the Security Registrar shall reflect on its books and records the date and a decrease in the principal amount of the U.S. Global Security in an amount equal to the principal amount of the beneficial interest in the U.S. Global Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more U.S. Physical Securities of like tenor and amount.

(b) Transfers to QIBs. The following provisions shall apply with respect to the registration of any proposed transfer of an Initial Security to a QIB (excluding Non-U.S. Persons):

- (i) If the Security to be transferred consists of U.S. Physical Securities, Temporary Offshore Global Securities or Permanent Offshore Physical Securities, the Security Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on the form of Initial Security stating, or has otherwise advised the Company and the Security Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Initial Security stating, or has otherwise advised the Company and the Security Registrar in writing, that it is purchasing the Initial Security for its own account or an account with respect to which it exercises sole investment discretion and that it, or the person on whose behalf it is acting with respect to any such account, is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A.
- (ii) If the proposed transferee is an Agent Member, and the Initial Security to be transferred consists of U.S. Physical Securities, Temporary Offshore Global Securities or Permanent Offshore Physical Securities, upon receipt by the Security Registrar of instructions given in accordance with the Depositary's and the Security Registrar's procedures therefor, the Security Registrar shall reflect on its books and records the date and an increase in the principal amount of the U.S. Global Security in an amount equal to the principal amount of the U.S. Physical Securities, Temporary Offshore Global Securities or Permanent

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Offshore Physical Securities, as the case may be, to be transferred, and the Trustee shall cancel the Physical Security so transferred.

(c) Transfers by Non-U.S. Persons Prior to Expiration of the Restricted Period. The following provisions shall apply with respect to registration of any proposed transfer of an Initial Security by a Non-U.S. Person prior to expiration of the Restricted Period:

- (i) The Security Registrar shall register the transfer of any Initial Security (x) if the proposed transferee is a Non-U.S. Person and the proposed transferor has delivered to the Security Registrar a certificate substantially in the form set forth in Section 315 or (y) if the proposed transferee is a QIB and the proposed transferor has checked the box provided for on the form of Initial Security stating, or has otherwise advised the Company and the Security Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Initial Security stating, or has otherwise advised the Company and the Security Registrar in writing, that it is purchasing the Initial Security for its own account or an account with respect to which it exercises sole investment discretion and that it, or the person on whose behalf it is acting with respect to any such account, is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A. Unless clause (ii) below is applicable, the Company shall execute, and the Trustee shall authenticate and deliver, one or more Temporary Offshore Global Securities of like tenor and amount.
- (ii) If the proposed transferee is an Agent Member, upon receipt by the Security Registrar of instructions given in accordance with the Depository's and the Security Registrar's procedures therefor, the Security Registrar shall reflect on its books and records the date and an increase in the principal amount of the U.S. Global Security in an amount equal to the principal amount of the Temporary Offshore Global Security to be transferred, and the Security Registrar shall cancel the Temporary Offshore Global Securities so transferred.



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(d) Transfers by Non-U.S. Persons on or After Expiration of the  
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Restricted Period. The following provisions shall apply with respect to any  
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transfer of an Initial Security by a Non-U.S. Person on or after expiration of  
the Restricted Period:

- (i) (x) If the Initial Security to be transferred is a Permanent Offshore Physical Security, the Security Registrar shall register such transfer, (y) if the Initial Security to be transferred is a Temporary Offshore Global Security, upon receipt of a certificate substantially in the form set forth in Section 315 from the proposed transferor, the Security Registrar shall register such transfer and (z) in the case of either clause (x) or (y), unless clause (ii) below is applicable, the Company shall execute, and the Trustee shall authenticate and deliver, one or more Permanent Offshore Physical Securities of like tenor and amount.
- (ii) If the proposed transferee is an Agent Member, upon receipt by the Security Registrar of instructions given in accordance with the Depositary's and the Security Registrar's procedures therefor, the Security Registrar shall reflect on its books and records the date and an increase in the principal amount of the U.S. Global Security in an amount equal to the principal amount of the Temporary Offshore Global Security or of the Permanent Offshore Physical Security to be transferred, and the Trustee shall cancel the Global Security so transferred.

(e) Transfers to Non-U.S. Persons on or After Expiration of the  
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Restricted Period. The following provisions shall apply with respect to any  
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transfer of an Initial Security to a Non-U.S. Person:

- (i) Prior to expiration of the Restricted Period, the Security Registrar shall register any proposed transfer of an Initial Security to a Non-U.S. Person upon receipt of a certificate substantially in the form set forth in Section 315 from the proposed transferor and the Company shall execute, and the Trustee shall authenticate and make available for delivery, one or more Temporary Offshore Physical Securities.
- (ii) On and after expiration of the Restricted Period, the Security Registrar shall register any proposed transfer to any Non-U.S. Person (w) if the Initial Security to be transferred is a Permanent Offshore Physical Security, (x) if the Initial Security to be transferred is a Temporary Offshore Global Security, upon receipt of a certificate substantially in the form set forth in Section 315 from the proposed transferor, (y) if the Initial Security to be transferred is a U.S. Physical Security or an interest in the U.S. Global Security, upon receipt of a certificate

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substantially in the form set forth in Section 315 from the proposed transferor and (z) in the case of either clause (w), (x) or (y), the Company shall execute, and the Trustee shall authenticate and deliver, one or more Permanent Offshore Physical Securities of like tenor and amount.

- (iii) If the proposed transferor is an Agent Member holding a beneficial interest in the U.S. Global Security, upon receipt by the Security Registrar of (x) the document, if any, required by paragraph (i), and (y) instructions in accordance with the Depositary's and the Security Registrar's procedures therefor, the Security Registrar shall reflect on its books and records the date and a decrease in the principal amount of the U.S. Global Security in an amount equal to the principal amount of the beneficial interest in the U.S. Global Security to be transferred and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Permanent Offshore Physical Securities of like tenor and amount.

(f) Private Placement Legend. Upon the transfer, exchange or replacement of Securities not bearing the Private Placement Legend, the Security Registrar shall deliver Securities that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Securities bearing the Private Placement Legend, the Security Registrar shall deliver only Securities that bear the Private Placement Legend unless either (i) the circumstances contemplated by the fifth paragraph of Section 201 (with respect to Permanent Offshore Physical Securities) or paragraph (a)(i)(x), (d)(i) or (e)(ii) of this Section 313 exist or (ii) there is delivered to the Security Registrar an Opinion of Counsel reasonably satisfactory to the Company and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

(g) General. By its acceptance of any Security bearing the Private Placement Legend, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Security only as provided in this Indenture.

The Security Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 312 or this Section 313. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Security Registrar.

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Section 1.8 Form of Certificate to Be Delivered in Connection with  
Transfers to Non-QIB Institutional Accredited Investors. The Indenture is  
amended and supplemented by adding the following Section 314 to read as follows:

Section 314. Form of Certificate to Be Delivered in Connection with  
Transfers to Non-QIB Institutional Accredited Investors.

[date]

THE CHASE MANHATTAN BANK  
Global Trust Services  
450 West 33rd Street, 15th Floor  
New York, NY 10001

Re: CSX Corporation (the "Company")  
\_\_\_\_% Securities due May 1, 20\_\_ (the "Securities")

Ladies and Gentlemen:

1. We understand that the \_\_\_\_% Securities due May 1, \_\_\_\_, (the "Offered Securities") of CSX Corporation (the "Company") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and may not be offered or sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing the Offered Securities that, if, prior to the date which is two years after the later of the date of original issue of the Offered Securities and the last date on which the Company or any affiliate of the Company was the owner of such Offered Securities (the "Resale Restriction Termination Date"), we decide to offer, sell or otherwise transfer any such Offered Securities, such offer, sale or transfer will be made only (a) to the Company, (b) pursuant to an effective registration statement under the Securities Act, (c) so long as the Offered Securities are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring Offered Securities for its own account or for the account of such an institutional accredited investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, (e) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the Securities Act or (f) pursuant to another available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirements of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state securities laws. The foregoing restrictions on resale will



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not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Offered Securities is proposed to be made pursuant to clause (d) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Trustee, which shall provide as applicable, among other things, that the transferee is an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring such Offered Securities for investment purposes and not for distribution in violation of the Securities Act. We acknowledge on our behalf and on behalf of any investor account for which we are purchasing Offered Securities that the Company and the Trustee reserve the right prior to any offer, sale or other transfer pursuant to clause (d), (e) or (f) prior to the Resale Restriction Termination Date of the Offered Securities to require the delivery of any opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee. We understand that the certificates for any Offered Security that we receive will bear a legend substantially to the effect of the foregoing.

2. We are an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act purchasing for our own account or for the account of such an institutional "accredited investor," and we are acquiring the Offered Securities for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Offered Securities, and we and any account for which we are acting are each able to bear the economic risks of our or its investment.

3. We are acquiring the Offered Securities purchased by us for our own account (or for one or more accounts as to each of which we exercise sole investment discretion and have authority to make, and do make, the statements contained in this letter) and not with a view to any distribution of the Offered Securities, subject, nevertheless, to the understanding that the disposition of our property will at all times be and remain within our control.

4. We acknowledge that (a) none of the Company, or the Initial Purchasers (as defined in the Offering Memorandum dated May 1, 1997 relating to the Offered Securities (the "Final Memorandum")) nor any person acting on behalf of the Company or the Initial Purchasers has made any representation to us with respect to the Company or the offer or sale of any Offered Securities and (b) any information we desire concerning the Company and the Offered Securities or any other matter relevant to our decision to purchase the Offered Securities (including a copy of the Final Memorandum) is or has been made available to us.

5. We acknowledge that the Company, the Trustee, Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations,

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warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements made by us herein with respect to our purchase of the Offered Securities are no longer accurate, we shall promptly notify the Initial Purchasers.

Very truly yours,

-----  
(Name of Purchaser)

By: \_\_\_\_\_

Date: \_\_\_\_\_

Upon transfer, the Offered Securities would be registered in the name of the new beneficial owner as follows:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Taxpayer ID Number: \_\_\_\_\_

Section 1.9 Form of Certificate to Delivered in Connection with Transfers  
Pursuant to Regulation S. The Indenture is amended and supplemented by adding  
the following Section 315 to read as follows:

Section 315. Form of Certificate to Be Delivered in Connection with  
Transfers Pursuant to Regulation S.

[date]

THE CHASE MANHATTAN BANK  
Global Trust Services  
450 West 33rd Street, 15th Floor  
New York, NY 10001

Re: CSX Corporation (the "Company")  
\_\_\_\_% Securities due May 1, 20\_\_ (the "Securities")  
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Ladies and Gentlemen:

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In connection with our proposed sale of U.S.\$\_\_\_\_\_ aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended, and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States;

(2) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States;

(3) no directed selling efforts have been made by us, any affiliate of ours, or any Person acting on our or their behalf, in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act of 1933.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: \_\_\_\_\_

Authorized Signature

Section 1.10 Covenants. Section 1005 of the Indenture is hereby amended and supplemented to read as follows:

Section 1005. Limitation on Liens on Stock of the Principal Subsidiaries.  
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The Company will not, nor will it permit any Subsidiary to, create, assume, incur or suffer to exist any Lien upon any stock or indebtedness, whether owned on the date of this Indenture or hereafter acquired, of any Principal Subsidiary, to secure any Obligation (other than the Securities) of the Company, any Subsidiary or any other Person, without in any such case making effective provision whereby all of the Outstanding Securities shall be directly secured equally and ratably with such Obligation.



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Section 1.11 Redemption of Securities. Section 1102 of the Indenture is hereby amended and supplemented to read as follows:

Section 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In the case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company, notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

Section 1.12 Repayment at the Option of Holders. The Indenture is amended and supplemented by adding the following Article Fifteen:

#### ARTICLE FIFTEEN

##### REPAYMENT AT THE OPTION OF HOLDERS

Section 1501. Applicability of Article. Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified by the terms of such series established pursuant to Section 301) in accordance with this Article.

Section 1502. Repayment of Securities. Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest, if any, thereon accrued to the Repayment Date specified in or pursuant to the terms of such Securities. The Company covenants that on or before the Repayment Date it will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the principal (or, if so provided by the terms of the Securities of any series, a percentage of the principal) of, and (except if the Repayment Date shall be an Interest Payment Date) accrued interest on, all the Securities or portions thereof, as the case may be, to be repaid on such date.

Section 1503. Exercise of Option. Securities of any series subject to repayment at the option of the Holders thereof will contain an "Option of Holder to Elect Purchase" form on such Securities. In order for any Security to be repaid at the option of the Holder, the Trustee must receive at the Place to Payment therefor specified in the terms of such Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Securities) not earlier than 60 days nor later than 30 days prior to the Repayment Date (1) the Security so providing for such repayment together with the "Option of Holder to Elect Purchase" form duly completed by the Holder (or by the Holder's

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attorney duly authorized in writing) or (2) a telegram, facsimile transmission or a letter from a member of a national securities exchange, or the National Association of Securities Dealers, Inc. ("NASD"), or a commercial bank or trust company in the United States setting forth the name of the Holder of Security, the principal amount of the Security, the amount of the Security to be repaid, the certificate number or a description of the tenor and terms of the Security, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Security to be repaid, together with the duly completed form entitled "Option of Holder to Elect Purchase", will be received by the Trustee not later than the fifth Business Day after the date of such telegram, facsimile transmission or letter; provided, however, that such telegram, facsimile transmission or letter shall only be effective if such Security and form duly completed are received by the Trustee by such fifth Business Day. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of the minimum denomination for Securities of such series, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid, must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

Section 1504. When Securities Presented for Repayment Become Due and Payable. If the Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in this Article and as provided by or pursuant to the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) such Securities so to be repaid shall cease to bear interest. Upon surrender of any such Security for repayment in accordance with such provisions, the principal amount of such Security so to be repaid shall be paid by the Company, together with accrued interest, if any, to the Repayment Date; provided that, installments of interest, if any, whose Stated Maturity is on or prior to the Repayment Date shall be payable (but without interest thereon, unless the Company shall default in the payment thereof) to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If the principal amount of any Security surrendered for repayment shall not be so repaid upon surrender thereof, such principal amount (together with interest, if any,

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thereon accrued to such Repayment Date) shall, until paid, bear interest from the Repayment Date at the rate of interest set forth in such Security.

Section 1505. Securities Repaid in Part. Upon surrender of any

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Registered Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Registered Security or Securities of the same series, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

Section 1506. Compliance with Exchange Act. In connection with any

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Repayment of Securities pursuant to this Article, the Company will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Securities Exchange Act of 1934, if required, and will file Schedule 13E-4 or any other schedule, if required.

ARTICLE TWO

Section 2.1 Incorporation of Indenture. All the provisions of this

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Second Supplemental Indenture shall be deemed to be incorporated in, and made a part of, the Indenture; and the Indenture, as supplemented by this Second Supplemental Indenture, shall be read, taken and construed as one and the same instrument and shall be binding upon all the Holders of Securities.

Section 2.2 Counterparts. This Second Supplemental Indenture may be

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executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and same instrument.

Section 2.3 Successors and Assigns. All covenants and agreements in

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this Second Supplemental Indenture by the Company and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 2.4 Separability Clause. In case any provision in this Second

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Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.5 Benefits of Second Supplemental Indenture. Nothing in

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this Second Supplemental Indenture, express or implied, shall give any person, other than the parties hereto and their successors hereunder and the Holders of the May 1997 Securities, any benefit or any legal or equitable right, remedy or claim under this Second Supplemental Indenture. This Second Supplemental Indenture applies only to the May 1997 Securities.



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Except as expressly supplemented or amended as set forth in this Second Supplemental Indenture, the Indenture is hereby ratified and confirmed, and all the terms, provisions and conditions thereof shall be and continue in full force and effect. The Trustee accepts the trusts created by the Indenture, as amended and supplemented by this Second Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture as amended and supplemented by this Second Supplemental Indenture.

Section 2.6. Defined Terms. All terms used in this Second

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Supplemental Indenture which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CSX CORPORATION

[Seal]

By: /s/ David D. Owen

-----  
Name: David D. Owen  
Title: Managing Director--Corporate Finance

Attest:

/s/ Alan A. Rudnick

-----  
Corporate Secretary

THE CHASE MANHATTAN BANK, as Trustee

By: /s/ Ronald J. Halleran

-----  
Name: Ronald J. Halleran  
Title: Second Vice President

Brendan P. Gilligan  
Notary Public, State of New York  
No. 01G15073591

State of New York  
County of \_\_\_\_\_ ss.:

Qualified in New York County  
Commission Expires, February 24, 1999

On the 6th day of May, 1997, before me personally came David D. Owen to me known, who, being by me duly sworn, did depose and say that he is Managing Director--Corporate Finance of CSX Corporation, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

(Notarial Seal) /s/ Brendan P. Gilligan  
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ANNEX I  
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THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, SUBJECT TO THE RIGHT OF THE TRUSTEE AND THE COMPANY PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (ii) PURSUANT TO CLAUSE (E), TO REQUIRE THAT THE TRANSFEROR DELIVER TO THE TRUSTEE A LETTER FROM THE TRANSFEREE SUBSTANTIALLY IN THE FORM OF ANNEX A TO THE OFFERING MEMORANDUM DATED MAY 1, 1997. SUCH HOLDER FURTHER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY



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WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH HEREON RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 313 OF THE INDENTURE.

3

\$ \_\_\_\_\_  
% DEBENTURE DUE 20 \_\_\_\_\_

[CUSIP] [CINS] [\_\_\_\_\_] [\_\_\_\_\_] [\_\_\_\_\_]  
[ISIN] [\_\_\_\_\_] [\_\_\_\_\_] [\_\_\_\_\_] [\_\_\_\_\_]

The Company, for value received, hereby promises to pay to \_\_\_\_\_ or its registered assigns, the principal sum of \$ \_\_\_\_\_ ([DOLLARS]) on May 1, 20\_\_\_\_, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if the date of this Security is an Interest Payment Date to which interest has been paid or duly provided for, then from the date hereof, semiannually in arrears on May 1 and November 1 in each year,

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commencing November 1, 1997, and at Maturity at the rate of \_\_\_% per annum, until the principal hereof is paid or duly made available for payment. The Company shall pay interest on overdue principal and premium, if any, and (to the extent lawful) interest on overdue installments of interest at the rate per annum borne by the Security. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the April 15 or October 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such Defaulted Interest, notice whereof shall be given to the Holder of this Security not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Security of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture. Notwithstanding the foregoing, interest payable on this Security at Maturity will be payable to the person to whom principal is payable.

(Additional Interest (the "Special Interest") shall become payable in respect of the Security as follows, if any of the following events occur with respect to such Security (each such event in clauses (i) through (iv) below, a "Registration Default"):

(i) if a registration statement for an exchange offer (the "Exchange Offer") under the Securities Act with respect to the Securities (an "Exchange Offer Registration Statement") is not filed with the Commission on or prior to 150 days after the Issue Date;

(ii) if neither the Exchange Offer Registration Statement is declared effective nor (if the Exchange Offer is not permitted for the reasons described in the Registration Rights Agreement dated as of May 6, 1997 among the Company and the Initial Purchasers (the "Registration Rights Agreement")) a shelf registration statement under the Securities Act with respect to the Securities (the "Shelf Registration Statement") is filed with the Commission on or prior to 180 Days after the Issue Date;

(iii) if one or more of the Exchange Offers is not consummated with respect to the Securities of this series or the Shelf Registration Statement is declared effective on or prior to 210 days after the Issue Date; or

(iv) if, after 210 days after the Issue Date, and after the Shelf Registration Statement is declared effective, the Company fails to keep the Shelf Registration Statement effective (except as permitted by the proviso to Section 3(b) of the Registration Rights



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Agreement) then from such time as the Shelf Registration Statement is no longer effective until the earlier of (i) the date that the Shelf Registration Statement is again deemed effective and (ii) the date that is the earliest of (x) the second anniversary of the Issue Date (or until the first anniversary of the effective date of the Shelf Registration Statement if the Shelf Registration Statement is filed at the request of the Initial Purchaser), (y) the time when the Security registered under the Shelf Registration Statement can be sold by non-Affiliates pursuant to Rule 144 under the Act without any limitations under clauses (c), (e), (f) and (h) of Rule 144, or (z) the date as of which all of such Securities are sold pursuant to the Shelf Registration Statement.

The holder of this Security is entitled to the benefits of the Registration Rights Agreement.

Special Interest shall accrue on the Security, over and above the interest rate set forth in the Indenture applicable to such Security following the occurrence of each Registration Default set forth in clauses (i), (ii), (iii) and (iv) above from and including the next day following each such Registration Default, in each case at a rate equal to 0.25% per annum of the principal amount of such Security, provided, however, that the aggregate amount of Special Interest payable will in no event exceed 0.25% per annum of the principal amount of the Security. The Special Interest attributable to each Registration Default shall cease to accrue from the date such Registration Default is cured. Upon (a) the filing of the Exchange Offer Registration Statement after the period described in clause (i) above, (b) the effectiveness of the Exchange Offer Registration Statement or the filing of the Shelf Registration Statement after the period described in clause (ii) above or (c) the consummation of the Exchange Offer for such Security or the effectiveness of a Shelf Registration Statement, as the case may be, after the period described in clause (iii) above, Special Interest payable on such Security as a result of the applicable Registration Default will cease to accrue. For purposes of the preceding sentence, the curing of a Registration Default by the means described in clause (b) above shall constitute a cure of the Registration Defaults described in clauses (i) and (ii) above, and the curing of a Registration Default by the means described in clause (c) above shall constitute a cure of the Registration Defaults described in clauses (i), (ii) and (iii) above.

Any amounts of Special Interest due pursuant to the foregoing paragraphs will be payable in cash on May 1 and November 1 of each year to the holders of record on the preceding April 15 and October 15, respectively.]\*

This Security is exchangeable in whole or from time to time in part for definitive Registered Securities of this series only as provided in this paragraph. If (x) the U.S. Depository with respect to the Securities of this series (the "U.S. Depository") notifies

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\* Only for a Security not registered under the Securities Act.

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the Company that it is unwilling, unable or ineligible to continue as U.S. Depository for this Security or if at any time the U.S. Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, (y) the Company in its sole discretion determines that this Security shall be exchangeable for definitive Registered Securities and executes and delivers to the Trustee a Company Order providing that this Security shall be so exchangeable or (z) there shall have happened and be continuing an Event of Default or any event which, after notice or lapse of time, or both, would become an Event of Default with respect to the Securities of the series of which this Security is a part, this Security or any portion hereof shall, in the case of clause (x) above, be exchanged for definitive Registered Securities of this series, and in the case of clauses (y) and (z) above, be exchangeable for definitive Registered Securities of this series, provided that the definitive Security so issued in exchange for this Security shall be in authorized denominations and be of like tenor and of an equal aggregate principal amount as the portion of the Security to be exchanged, and provided further that, in the case of clauses (y) and (z) above, definitive Registered Securities of this series will be issued in exchange for this Security, or any portion hereof, only if such definitive Registered Securities were requested by written notice to the Security Registrar by or on behalf of a Person who is a beneficial owner of an interest herein given through the Holder hereof. Any definitive Registered Security of this series issued in exchange for this Security, or any portion hereof, shall be registered in the name or names of such Person or Persons as the Holder hereof shall instruct the Security Registrar. Except as provided above, owners of beneficial interests in this Security will not be entitled to receive physical delivery of Security in definitive form and will not be considered the Holders thereof for any purpose under the Indenture.

Any exchange of this Security or portion hereof for one or more definitive Registered Securities of this series will be made at the New York office of the Security Registrar. Upon exchange of any portion of this Security for one or more definitive Registered Securities of this series, the Trustee shall endorse Exhibit A of this Security to reflect the reduction of its Principal Amount by an amount equal to the aggregate principal amount of the definitive Registered Securities of this series so issued in exchange, whereupon the Principal Amount hereof shall be reduced for all purposes by the amount so exchanged and noted. Except as otherwise provided herein or in the Indenture, until exchanged in full for one or more definitive Registered Securities of this series, this Security shall in all respects be subject to and entitled to the same benefits and conditions under the Indenture as a duly authenticated and delivered definitive Registered Security of this series.

The principal and any interest in respect of any portion of this Security payable in respect of an Interest Payment Date or at the Stated Maturity thereof, in each case occurring prior to the exchange of such portion for a definitive Registered Security or Securities of this series, will be paid, as provided herein, to the Holder hereof which will undertake in such circumstances to credit any such principal and interest received by it in respect of this Security to the respective accounts of the Persons who are the beneficial owners of such interests on such Interest Payment Date or at Stated Maturity. If a definitive

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Registered Security or Registered Securities of this series are issued in exchange for any portion of this Security after the close of business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, then interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Holder hereof, and the Holder hereof will undertake in such circumstances to credit such interest to the account or accounts of the Persons who were the beneficial owners of such portion of this Security on such Regular Record Date or Special Record Date, as the case may be.

Payment of the principal of and any such interest on this Security will be made at the offices of The Chase Manhattan Bank, as Paying Agent, in the Borough of Manhattan, The City of New York, or at such other office or agency of the Company as may be designated by it for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts by check mailed to the registered Holders thereof; provided, however, that at the option of the Holder, payment of interest may be

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made by wire transfer of immediately funds to an account of the Person entitled hereto as such account shall be provided to the Security Registrar and shall appear in the Security Register.

[The Company may be required to repurchase the Securities of this series, in whole or in part (the "Put Option"), on May 1, 20\_\_, (the "Put Option Exercise Date") at a purchase price equal to 100% of the principal amount tendered by the Holder, plus accrued interest, if any, to the Put Option Exercise Date. On or before the Put Option Exercise Date, the Company shall deposit with the Trustee money sufficient to pay the principal of and any interest accrued on the such Securities to be tendered for repayment. On and after the Put Option Exercise Date, interest will cease to accrue on such Securities or any portion thereof tendered for repayment.]

In the event of repurchase of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

A holder must provide the Company with notice of its intention to exercise the Put Option during the period from and including March 1, 20\_\_ through and including April 1, 20\_\_. Such notice, once given, will be irrevocable unless waived by the Company.]

[The Securities of this series are subject to redemption on or after May 1, 2007, in whole or in part, at the election of the Company, at the following Redemption



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Prices (expressed as percentages of the principal amount): if redeemed during the 12-month period beginning May 1 of the years indicated,

<TABLE>

<CAPTION>

YEAR	REDEMPTION PRICE
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<S>	<C>
2007	104.150%
2008	103.735
2009	103.320
2010	102.905
2011	102.490
2012	102.075
2013	101.660
2014	101.245
2015	100.830
2016	100.415
2017 and thereafter	100.000

</TABLE>

in each case with accrued interest to the Redemption Date; provided, however, that installments of interest on this Security whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holder of this Security, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof all as provided in the Indenture. Notice of redemption will be given by mail to Holders of Securities, not less than 30 nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series (including this Security and the interests represented hereby) may be declared due and payable in the manner and with the effect provided in the Indenture. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and any interest on the Securities of this series (including this Security and the interests represented hereby) shall terminate.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Security and (b) certain restrictive covenants and the related defaults and Events of Default, upon compliance with certain conditions set forth therein, which provisions shall apply to this Security.

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The provisions of Article Fourteen of the Indenture apply to Securities of this series.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding of each series affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities of each series at the time Outstanding on behalf of the Holders of all Securities of such series to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and the Persons who are beneficial owners of interests represented hereby, and of any Security issued in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security of this series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities of this series a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional to pay the principal of (and premium, if any) and interest on this Security at the time, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of Registered Securities of the series of which this Security is a part may be registered on the Security Register of the Company, upon surrender of such Securities for registration of transfer at the office of the Security Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by the Holder thereof or his attorney duly authorized in

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writing, and thereupon one or two more new Securities of this Series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer or exchange of Securities as provided above, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series of which this Security is a part are issuable only in registered form without coupons, in denominations of \$1,000.00 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

The Securities of this series shall be dated the date of their authentication.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Unless the certificate of authentication hereon has been executed by or on behalf of The Chase Manhattan Bank, the Trustee under the Indenture, or its successor thereunder, by the manual signature of one of its authorized officers, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.



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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: May \_\_, 1997

CSX CORPORATION

[Seal]

By:

-----  
Name: David D. Owen  
Title: Managing Director--Corporate Finance

Attest:

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Corporate Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of a series issued under the Indenture described herein.

THE CHASE MANHATTAN BANK, as Trustee

By:

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Authorized Officer

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[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s),  
assign(s) and transfer(s) unto

Insert Taxpayer Identification No.  
-----

-----  
Please print or typewrite name and address including zip code of assignee  
-----

the within Note and all rights thereunder, hereby irrevocably constituting and  
appointing

----- attorney to transfer said Note on  
the books of the Company with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED  
ON ALL SECURITIES OTHER THAN EXCHANGE SECURITIES,  
OFFSHORE GLOBAL SECURITIES AND  
OFFSHORE PHYSICAL SECURITIES]

In connection with any transfer of this Note occurring prior to the  
date which is the earlier of (i) the date of an effective Registration Statement  
or (ii) the end of the period referred to in Rule 144(k) under the Securities  
Act, the undersigned confirms that without utilizing any general solicitation or  
general advertising that:

[Check One]  
-----

[ ] (a) this Note is being transferred in compliance with the exemption from  
registration under the Securities Act of 1933, as amended, provided by Rule 144A  
thereunder.

or  
--

[ ] (b) this Note is being transferred other than in accordance with (a) above  
and documents are being furnished which comply with the conditions of transfer  
set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee or the Security  
Registrar shall not be obligated to register this Note in the name of any Person  
other than the Holder hereof unless and until the conditions to any such  
transfer of registration set forth herein and in Section 313 of the Indenture  
shall have been satisfied.

Date:  
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NOTICE: The signature to this assignment  
must correspond with the name as written  
upon the face of the within-mentioned  
instrument in every particular, without  
alteration or any change whatsoever.

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TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: \_\_\_\_\_

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NOTICE: To be executed by an executive officer



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[OPTION OF HOLDER TO ELECT PURCHASE]

If you wish to have all or a portion of this Security purchased by the Company pursuant to Article Fifteen of the Indenture, state the amount (in principal amount): \$\_\_\_\_\_.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears elsewhere on this Security)

Signature Guarantee: \_\_\_\_\_ ]

STB

FD

33388

6-23-97

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180274V7A

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[[1]]FINEDG:[64098.EX4\_3]00038.PIP  
[[1]]CSX Corporation

EDGAR only  
Prospectus

EDG: 30-MAY-1997 02:40 BLK: 00-000-0000 00:00  
R.R. Donnelley (804) 644-0655 WP2EDG

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EXHIBIT A

Schedule of Exchanges



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EXHIBIT 4.4

EXECUTION COPY

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CSX CORPORATION

\$2,500,000,000

\$350,000,000	7.05% Debentures Due 2002
\$300,000,000	7.25% Debentures Due 2004
\$450,000,000	7.45% Debentures Due 2007
\$400,000,000	7.90% Debentures Due 2017
\$500,000,000	7.95% Debentures Due 2027
\$100,000,000	6.95% Debentures Due 2027
\$250,000,000	7.25% Debentures Due 2027
\$150,000,000	8.30% Debentures Due 2032

PURCHASE AGREEMENT

Dated: May 1, 1997

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CSX CORPORATION

\$2,500,000,000

\$350,000,000	7.05% Debentures Due 2002
\$300,000,000	7.25% Debentures Due 2004
\$450,000,000	7.45% Debentures Due 2007
\$400,000,000	7.90% Debentures Due 2017
\$500,000,000	7.95% Debentures Due 2027
\$100,000,000	6.95% Debentures Due 2027
\$250,000,000	7.25% Debentures Due 2027
\$150,000,000	8.30% Debentures Due 2032

PURCHASE AGREEMENT

May 1, 1997

Salomon Brothers Inc  
As Representative of the Initial Purchasers  
Seven World Trade Center  
New York, New York 10048

Ladies and Gentlemen:

CSX CORPORATION, a Virginia corporation (the "Company"), proposes to issue and sell to the parties named in Schedule I hereto (the "Initial Purchasers"), for whom you are acting as representative (the "Representative"), \$350,000,000 principal amount of its 7.05% Debentures due 2002 (the "2002 Debentures"), \$300,000,000 principal amount of its 7.25% Debentures due 2004 (the "2004 Debentures"), \$450,000,000 principal amount of its 7.45% Debentures due 2007 (the "2007 Debentures"), \$400,000,000 principal amount of its 7.90% Debentures due 2017 (the "2017 Debentures"), \$500,000,000 principal amount of its 7.95% Debentures due 2027 (the "7.95% 2027 Debentures"), \$100,000,000 principal amount of its 6.95% Debentures due 2027 (the "6.95% 2027 Debentures"), \$250,000,000 principal amount of its 7.25% Debentures due 2027 (the "7.25% 2027 Debentures") and \$150,000,000 principal amount of its 8.30% Debentures due 2032 (the "2032 Debentures" and, collectively with the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures, the "Securities"). The Securities are to be issued under an indenture (the "Indenture") dated as of August 1, 1990 between the Company and The Chase Manhattan Bank, as trustee, as supplemented and amended by the First Supplemental Indenture dated as of June 15, 1991 and the Second Supplemental Indenture to be dated as of the First Closing Date (as defined below).

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The sale of the Securities to the Initial Purchasers will be made without registration of the Securities under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon exemptions from the registration requirements of the Securities Act. You have advised the Company that the Initial Purchasers will offer and sell the Securities purchased by them hereunder in accordance with Section 4 hereof as soon as you deem advisable.

Holders of the Securities will be entitled to the benefits of the Registration Rights Agreement (the "Registration Rights Agreement"), to be dated the First Closing Date (as defined below), in each case among the Company and the Initial Purchasers. The Registration Rights Agreement will be as described in the Preliminary Offering Memorandum (as defined below), with such changed, other or additional terms reasonably acceptable to the Company and the Initial Purchasers.

In connection with the sale of the Securities, the Company has prepared a preliminary offering memorandum, dated April 22, 1997 (including any and all exhibits thereto and any information incorporated by reference therein, the "Preliminary Memorandum") and a final offering memorandum, dated May 1, 1997 (including any and all exhibits thereto and any information incorporated by reference therein, the "Final Memorandum"). Each of the Preliminary Memorandum and the Final Memorandum sets forth certain information concerning the Company and the Securities. The Company hereby confirms that it has authorized the use of the Preliminary Memorandum and the Final Memorandum, and any amendment or supplement thereto, in connection with the offer and sale of the Securities by the Initial Purchasers. Unless stated to the contrary, all references herein to the Final Memorandum are to the Final Memorandum at the Execution Time (as defined below) and are not meant to include any amendment or supplement, or any information incorporated by reference therein, subsequent to the Execution Time, and any reference to the terms "amend," "amendment" or "supplement" with respect to the Final Memorandum shall be deemed to refer to and include any information filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subsequent to the Execution Time which is incorporated by reference therein.

1. Representations and Warranties. The Company represents and warrants to, and agrees with, each Initial Purchaser as set forth below in this Section 1. Any reference to persons acting on behalf of the Company, or on behalf of any of the Company's Affiliates (as defined below), does not include any of the Initial Purchasers, with respect to whom the Company makes no representation.

(a) The Final Memorandum, at the date hereof, does not, and at the First Closing Date and the Second Closing Date will not (and any amendment or supplement thereto, at the date thereof and at the First Closing Date and the Second Closing Date, will not), contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that



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the Company makes no representation or warranty as to the information contained in or omitted from the Final Memorandum, or any amendment or supplement thereto, in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of the Initial Purchasers through the Representative specifically for inclusion therein. All documents incorporated by reference in the Final Memorandum which were filed under the Exchange Act on or before the Execution Time complied, and all such documents which are filed under the Exchange Act after the Execution Time and on or before the applicable Closing Date will comply, in all material respects with the applicable requirements of the Exchange Act and the rules thereunder.

(b) The Company has not taken and will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of the Securities (other than any stabilization done by the Initial Purchasers, as to which the Company makes no representation).

(c) Neither the Company, nor any of its Affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")), nor any person acting on its or their behalf has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, which are or could be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Securities Act.

(d) Neither the Company, nor any person acting on its behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D) in connection with any offer or sale of the Securities in the United States.

(e) Assuming the accuracy of the representations and warranties and compliance with the agreements made by the Initial Purchasers herein, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers under, or in connection with the initial resale of such Securities by the Initial Purchasers in the manner contemplated by, this Agreement to register the Securities under the Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(f) No securities of the Company are of the same class (within the meaning of Rule 144A under the Securities Act) as the Securities and listed on a national securities exchange registered under Section 6 of the Exchange Act, or quoted in a U.S. automated inter-dealer quotation system.

(g) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf has engaged in any directed selling efforts with respect to the

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Securities, and each of them has complied with the offering restrictions requirement of Regulation S ("Regulation S") under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 902(b) of Regulation S.

(h) The Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act.

(i) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act"), without taking account of any exemption arising out of the number of holders of the Company's securities.

(j) The Company has not paid or agreed to pay to any person any compensation for soliciting another to purchase any securities of the Company (except as contemplated by this Agreement).

(k) The information, if any, provided by the Company pursuant to Section 5(h) hereof will not, at the date thereof, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. Purchase and Sale. Subject to the terms and conditions and in

reliance upon the representations and warranties herein set forth, the Company agrees to sell to each Initial Purchaser, and each Initial Purchaser agrees, severally and not jointly, to purchase from the Company, at a purchase price equal to the percentage of principal amount as set forth on Schedule I hereto, the principal amount of 2002 Debentures, 2004 Debentures, 2007 Debentures, 2017 Debentures, 7.95% 2027 Debentures, 6.95% 2027 Debentures, 7.25% 2027 Debentures and 2032 Debentures, plus, in each case accrued interest, if any, from May 6, 1997 (except with respect to the 2032 Debentures, on which interest will accrue, if at all, from May 8, 1997), set forth opposite such Initial Purchaser's name in Schedule II hereto.

3. Delivery and Payment. Delivery of and payment for (i) the 2002

Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures shall be made at 10:00 AM, New York City time, on May 6, 1997, or such later date (not later than May 13, 1997) as the Representative shall designate and (ii) the 2032 Debentures shall be made at 10:00 A.M., New York City time on May 8, 1997, or such later date (not later than May 15, 1997) as the Representative shall designate, in each case which date and time may be postponed by agreement between the Representative and the Company or as provided in Section 9 hereof (such date and time of delivery and payment for the 2002 Debentures, the 2004 Debenture, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures being herein called the "First Closing Date" and such date and time of delivery and payment for the 2032 Debentures being herein called the Second Closing Date and, together with the First Closing Date, the

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"Closing Dates"). Delivery of the Securities shall be made to the Representative for the respective accounts of the Initial Purchasers against payment by the Initial Purchasers through the Representative of the purchase price thereof to or upon the order of the Company by wire transfer of Federal funds or other immediately available funds or in such other manner of payment as may be agreed by the Company and the Representative.

Delivery of any Securities to be issued in definitive certificated form shall be made on the applicable Closing Date at such location, and in such names and denominations, as the Representative shall designate at least two business days in advance of the applicable Closing Date. Each Company agrees to have the Securities available for inspection, checking and packaging by the Representative in New York, New York, not later than 1:00 PM on the business day prior to the applicable Closing Date. Each closing for the purchase and sale of the Securities shall occur at the office of Shearman & Sterling, 599 Lexington Avenue, New York, New York ("Counsel for the Initial Purchasers") or such other place as the parties hereto shall agree.

4. Offering of Securities. Each Initial Purchaser, severally and not jointly, represents and warrants to and agrees with the Company that:

(a) It has not offered or sold, and will not offer or sell, any Securities except (i) to those it reasonably believes to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) and that, in connection with each such sale, it has taken or will take reasonable steps to ensure that the purchaser of such Securities is aware that such sale is being made in reliance on Rule 144A, (ii) to other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D) who provide to it and to the Company a letter in the form of Annex A to the Final Memorandum or (iii) in accordance with the restrictions set forth in Exhibit A hereto.

(b) Neither it, nor any person acting on its behalf, has engaged, or will engage in any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D) in connection with any offer or sale of Securities in the United States, except as contemplated by the Registration Rights Agreement.

(c) Each Initial Purchaser shall deliver to each purchaser of Securities therefrom, in connection with its original distribution of the Securities, a copy of the Final Memorandum, as amended and supplemented at the date of such purchase, except with respect to sales of Securities made to non-U.S. persons in reliance on Regulation S.



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5. Agreements. The Company agrees with each Initial Purchaser that:  
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(a) The Company will furnish to each Initial Purchaser and to Counsel for the Initial Purchasers, without charge, during the period referred to in paragraph (c) below, as many copies of the Final Memorandum and any amendments and supplements thereto as it may reasonably request. The Company will pay the expenses of printing or other production of all documents relating to the offering.

(b) The Company will not amend or supplement the Final Memorandum (other than by filing documents under the Exchange Act which are incorporated by reference therein), without having previously advised and furnished to the Representative a copy of such amendment or supplement to which the Representative, on advice from counsel, has not reasonably objected; provided, however, that, prior to the completion of the

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distribution of the Securities by the Initial Purchasers (as determined by the Representative), the Company will not file any document under the Exchange Act which is incorporated by reference in the Final Memorandum unless, prior to such proposed filing, the Company has furnished the Representative with a copy of such document. The Company will promptly advise the Representative when any document filed under the Exchange Act which is incorporated by reference in the Final Memorandum shall have been filed with the Securities and Exchange Commission (the "Commission").

(c) If at any time prior to the earlier of (i) completion of the sale of the Securities by the Initial Purchasers (as determined by the Representative), (ii) the effectiveness of the Exchange Offer Registration (as defined in the Registration Rights Agreement), provided that the

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Initial Purchasers are eligible to participate in the Exchange Offer thereunder and as a result thereof are eligible to sell the Securities exchanged in connection therewith without restriction, (iii) the effectiveness of the Shelf Registration Statement (as defined in the Registration Rights Agreement) as contemplated by the Registration Rights Agreement or (iv) six months from the date hereof, any event occurs as a result of which the Final Memorandum, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it should be necessary to amend or supplement the Final Memorandum (including any document incorporated by reference therein which was filed under the Exchange Act) to comply with the Exchange Act or the rules thereunder or other applicable law, the Company will promptly notify the Representative of the same and, subject to the requirements of paragraph (b) of this Section 5, will prepare and provide to the Representative pursuant to paragraph (a) of this Section 5 an amendment or supplement which will correct such statement or omission or effect such compliance and, in the event that such an amendment or supplement is required to be filed under the Exchange Act and is to be incorporated by reference in the Final Memorandum, will file such amendment or supplement with the Commission. The Representative will promptly

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advise the Company, in writing, of the completion of the initial distribution of the Securities.

(d) The Company will cooperate with the Initial Purchasers and their counsel in arranging for the qualification of the Securities for sale by the Initial Purchasers under the laws of such jurisdictions as the Initial Purchasers may designate and will maintain such qualifications in effect so long as required for the sale of the Securities; provided, however, that in

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connection therewith, the Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction or subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject. The Company will promptly advise the Representative of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(e) The Company will not, and will not permit any of its Affiliates to, resell any Securities that have been acquired by any of them.

(f) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, which are or could be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Securities Act.

(g) Neither the Company, nor any person acting on its behalf, will engage in any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D) in connection with any offer or sale of the Securities in the United States, except as contemplated by the Registration Rights Agreement.

(h) So long as any of the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) of the Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Securities Act.

(i) The Company shall, during any period in the two years after the Closing Date in which the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, timely file all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any other reports, statements, documents, registrations, filings or submissions required to be filed by the Company with the Commission pursuant to the Exchange Act.

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(j) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf will engage in any directed selling efforts with respect to the Securities, and each of them will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Rule 902(b) of Regulation S.

(k) The Company will cooperate with the Representative and use its reasonable best efforts to permit the Securities to be eligible for clearance and settlement through The Depository Trust Company.

(l) If requested by the Initial Purchasers, the Company shall use its reasonable best efforts to cause Securities sold in reliance on Rule 144A to be eligible for the PORTAL trading system of the National Association of Securities Dealers, Inc.

(m) Until such time as any Security is registered under the Securities Act pursuant to the Registration Rights Agreement and transferred pursuant to such registration, the Company shall include a legend on the Securities to the effect as set forth under "Notice to Investors" in the Final Memorandum.

6. Conditions to the Obligations of the Initial Purchasers. The obligations of the Initial Purchasers to purchase the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein at the date and time that this Agreement is executed and delivered by the parties hereto (the "Execution Time"), and, with respect to the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures, the First Closing Date and, with respect to the 2032 Debentures, the Second Closing Date, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) The Company shall have furnished to the Initial Purchasers the opinion of the General Counsel, or an Assistant General Counsel, of the Company, dated the applicable Closing Date, to the effect that:

(i) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the Commonwealth of Virginia, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Final Memorandum; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which it owns or leases substantial properties or in which the conduct of its business requires such qualification except where the failure to so qualify or be in good standing would not have a



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material adverse effect on the Company and its subsidiaries, considered as one enterprise;

(ii) Each significant subsidiary as defined in Rule 405 of Regulation C of the Securities Act (each a "Significant Subsidiary") of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Final Memorandum; and, to the best of such counsel's knowledge, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, except where the failure to so qualify or be in good standing would not have a material adverse effect on the Company and its subsidiaries, considered as one enterprise; all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued, is fully paid and nonassessable, and, except for directors' qualifying shares, if any, is owned by the Company free and clear of any mortgage, pledge, lien, encumbrance, claim or equity;

(iii) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated herein, except such as may be required under state securities laws; and

(iv) The execution, delivery and performance of the Indenture, this Agreement, the Registration Rights Agreement and the issuance and sale of the Securities and compliance with the terms and provisions thereof will not result in a material breach or violation of any of the terms and provisions of, or constitute a default under, any statute, rule, regulation or order of any governmental agency or body or any court having jurisdiction over the Company or any Significant Subsidiary or any of their properties or, to the best of such counsel's knowledge, any agreement or instrument to which the Company or any of its Significant Subsidiaries is a party or by which the Company or any Significant Subsidiary is bound or to which any of the properties of the Company or any Significant Subsidiary is subject, or the charter or by-laws of the Company or any Significant Subsidiary, and the Company has full power and authority to authorize, issue and sell the Securities as contemplated by this Agreement.

In addition, such counsel shall state that he or she has participated in conferences with officers and other representatives of the Company, representatives of Ernst & Young, independent auditors for the Company, and the Representative, at which the contents of the Final Memorandum and any amendment thereof or supplement thereto and related matters were discussed and although such counsel has

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not undertaken to investigate or verify independently, and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Memorandum or any amendment thereof or supplement thereto, no facts have come to the attention of such counsel which would lead such counsel to believe that at the Execution Time the Final Memorandum (other than the historical, proforma, projected or other financial statements, information and data and statistical information and data included or incorporated by reference therein, in each case as to which no opinion need be given) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that the Final Memorandum (other than the historical, proforma, projected or other financial statements, information and data and statistical information and data included or incorporated by reference therein, in each case as to which no opinion need be given) at the applicable Closing Date includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Except as otherwise set forth herein, all references in this Section 6(a) to the Final Memorandum shall be deemed to include any amendment or supplement thereto at the applicable Closing Date.

(b) The Company shall have furnished to the Initial Purchasers the opinion of McGuire, Woods, Battle & Boothe, L.L.P., counsel for the Company, dated the applicable Closing Date, to the effect that:

(i) The Indenture has been duly authorized, executed and delivered by the Company; the Securities have been duly authorized, executed, issued and delivered by the Company; the Indenture and the Securities, when authenticated in the manner provided in the Indenture, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles (in rendering such opinion, such counsel may assume that the Indenture has been duly authorized, executed and delivered, and the Securities have been duly authenticated, by the Trustee); and the Securities conform to the description thereof contained in the Final Memorandum;

(ii) The Registration Rights Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles (in rendering such opinion, such counsel may assume due authorization, execution

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and delivery by parties thereto other than the Company), provided, however, that no opinion is rendered as to the enforceability against the Company of any rights to indemnification or contribution included therein; and the Registration Rights Agreement conforms to the description thereof contained in the Final Memorandum;

(iii) This Agreement has been duly authorized, executed and delivered by the Company;

(iv) Assuming the accuracy of the representations and warranties and compliance with the agreements made by the Company and the Initial Purchasers herein, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers under, or in connection with the initial resale of such Securities by the Initial Purchasers in the manner contemplated by, this Agreement to register the Securities under the Securities Act or to qualify the indenture, as amended, under the Trust Indenture Act of 1939, as amended;

(vi) The Company is not an "investment company" within the meaning of the Investment Company Act without taking account of any exemption arising out of the number of holders of the Company's securities;

(vii) The statements in the Final Memorandum under the captions "Description of Debentures" and "Exchange Offers; Registration Rights", insofar as they purport to summarize certain provisions of the Securities and the Registration Rights Agreement, are accurate summaries of such provisions; and

(viii) The information contained in the Final Memorandum under the caption "Certain Federal Income Tax Considerations for Non-U.S. Holders", to the extent that it constitutes matters of law or legal conclusions, has been reviewed by such counsel and is correct in all material respects.

In addition, subject to such counsel's customary qualifications about the scope of its obligations in connection with its participation in the preparation of documents, such counsel shall state that they have participated in conferences with officers and other representatives of the Company, representatives of Ernst & Young, independent auditors for the Company, the Representative, and Counsel for the Initial Purchasers at which the contents of the Final Memorandum and any amendment thereof or supplement thereto and related matters were discussed and although such counsel have not undertaken to investigate or verify independently, and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Memorandum or any amendment thereof or supplement thereto, and did not participate in the preparation of the documents incorporated by reference in the Final



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Memorandum, no facts have come to the attention of such counsel which would lead such counsel to believe that at the Execution Time the Final Memorandum (other than the historical, proforma, projected or other financial statements, information and data and statistical information and data included or incorporated by reference therein, in each case as to which no opinion need be given) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or that the Final Memorandum at the applicable Closing Date (other than the historical, proforma, projected or other financial statements, information and data and statistical information and data included or incorporated by reference therein, in each case as to which no opinion need be given) includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, McGuire, Woods, Battle & Boothe, L.L.P. may rely (A) as to matters governed by New York law upon the opinion of Counsel for the Initial Purchasers, referred to below and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and public officials. Except as otherwise set forth herein, all references in this Section 6(b) to the Final Memorandum shall be deemed to include any amendment or supplement thereto at the applicable Closing Date.

(c) The Representative shall have received from Counsel for the Initial Purchasers such opinion or opinions, dated the Closing Date, with respect to the issuance and sale of the Securities, the Final Memorandum (as amended or supplemented at the applicable Closing Date) and other related matters as they may require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters. In rendering such opinion, Counsel for the Initial Purchasers may rely as to the incorporation of the Company on the opinion of the General Counsel or Assistant General Counsel of the Company and as to all other matters governed by Virginia law upon the opinion of McGuire, Woods, Battle & Boothe, L.L.P., referred to above.

(d) The Company shall have furnished to the Representative a certificate of the Company, signed by the Chairman of the Board or the President or an Executive Vice President or the Managing Director-Corporate Finance and another person who is the principal financial or accounting officer of the Company, dated the applicable Closing Date, to the effect that the signers of such certificate have examined the Final Memorandum, any amendment or supplement to the Final Memorandum and this Agreement and that, to the best of their knowledge after reasonable investigation:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the

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applicable Closing Date with the same effect as if made on and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; and

(ii) since the date of the most recent financial statements incorporated by reference in the Final Memorandum, there has been no material adverse change in the condition (financial or other), earnings, business or properties of the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated by the Final Memorandum (exclusive of any amendment or supplement thereto) or as described in such certificate.

(e) (A) At the Execution Time, Ernst & Young, LLP shall have furnished to the Representative a letter, dated as of the Execution Time, in form and substance satisfactory to the Representative, confirming that they are independent accountants within the meaning of the Securities Act and the applicable rules and regulations thereunder and containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Final Memorandum and (B) at the applicable Closing Date, Ernst & Young, LLP shall have furnished to the Representative a letter dated such date, to the effect that they reaffirm the statements made in the letter furnished pursuant to clause (A), except that the specified date referred to shall be a date not more than three business days prior to the applicable Closing Date.

(f) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Final Memorandum, there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (e) of this Section 6 or (ii) any change, or any development involving a prospective change, in or affecting the business or properties of the Company and its subsidiaries the effect of which, in any case referred to in clause (i) or (ii) above, is, in the reasonable judgment of the Representative, so material and adverse as to make it impractical or inadvisable to market the Securities as contemplated by the Final Memorandum (exclusive of any amendment or supplement thereof or thereto).

(g) Subsequent to the Execution Time, there shall not have been any decrease in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act) or any notice given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

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Prior to the applicable Closing Date, the Company shall furnish to the Representative such conformed copies of such opinions, certificates, letters and documents as the Representative may reasonably request.

If any of the conditions specified in this Section 6 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representative and Counsel for the Initial Purchasers, this Agreement and all obligations of the Initial Purchasers hereunder with respect to the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debenture, the 7.25% 2027 Debentures, and/or the 2032 Debentures, as the case may be, may be canceled at, or at any time prior to, the applicable Closing Date by the Representative. Notice of such cancellation shall be given to the Company in writing or by telephone or telefax confirmed in writing.

The documents required to be delivered by this Section 6 will be delivered at the office of Counsel for the Initial Purchasers, at 599 Lexington Avenue, New York, New York, on the applicable Closing Date.

7. Reimbursement of Expenses. If the sale of the Securities provided

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for herein is not consummated because of cancellation by the Representative pursuant to Section 6 hereof, because of any termination pursuant to Section 10 hereof or because of any refusal, inability or failure on the part of the Company to perform any material agreement herein or comply with any material provision hereof other than by reason of a default by any of the Initial Purchasers in payment for the Securities on the applicable Closing Date, the Company will reimburse the Initial Purchasers severally upon demand for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of Counsel for the Initial Purchasers) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities.

8. Indemnification and Contribution. (a) The Company agrees to

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indemnify and hold harmless each Initial Purchaser, the directors, officers, employees and agents of each Initial Purchaser and each person who controls any Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Memorandum, the Final Memorandum, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in



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connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the

Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made in the Preliminary Memorandum or the Final Memorandum, or in any amendment thereof or supplement thereto, in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Initial Purchaser through the Representative specifically for inclusion therein. The foregoing indemnity with respect to any untrue statement contained in or any omission from the Preliminary Memorandum shall not inure to the benefit of any Initial Purchaser (or the directors, officers, employees or agents of each Initial Purchaser or any person who controls such Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) from whom the person asserting any such loss, claim, damage or liability purchased any of the Securities that are the subject thereof if such person was not sent or given a copy of the Final Memorandum (or any amendment or supplement thereto) at or prior to the written confirmation of the sale of such Securities to such person and the untrue statement contained in or the omission from such Preliminary Memorandum was corrected in the Final Memorandum (or any amendment or supplement thereto), unless such failure resulted from noncompliance by the Company with its obligations hereunder to furnish the Initial Purchasers with copies of the Final Memorandum. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Initial Purchaser severally agrees to indemnify and hold harmless the Company, its directors, its officers, and each person who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to each Initial Purchaser, but only with respect to claims and actions based upon written information relating to such Initial Purchaser furnished to the Company by or on behalf of such Initial Purchaser through the Representative specifically for inclusion in the Preliminary Memorandum or the Final Memorandum (or in any amendment or supplement thereto). This indemnity agreement will be in addition to any liability which any Initial Purchaser may otherwise have. The Company acknowledges that the statements set forth in the first two sentences of the last paragraph of the cover page, and the first and second sentences of the second paragraph, the second sentence of the third paragraph and the first three sentences of the last paragraph under the heading "Plan of Distribution" in the Preliminary Memorandum and the Final Memorandum constitute the only information furnished in writing by or on behalf of the Initial Purchasers for inclusion in the Preliminary Memorandum or the Final Memorandum (or in any amendment or supplement thereto).

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above

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unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably

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satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), however, the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel only if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded upon advice of counsel that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding. An indemnifying party shall not be liable under this Section 8 to any indemnified party regarding any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise, or consent is consented to by such indemnifying party, which consent shall not be unreasonably withheld.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 8 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company and the Initial Purchasers agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company and one or more of the Initial Purchasers may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and by the Initial

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Purchasers from the offering of the Securities; provided, however, that in no case shall any Initial Purchaser (except as may be provided in any agreement among the Initial Purchasers relating to the offering of the Securities) be responsible for any amount in excess of the purchase discount or commission applicable to the Securities purchased by such Initial Purchaser hereunder, in each case as set forth on the cover page of the Final Memorandum. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company and the Initial Purchasers shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and of the Initial Purchasers in connection with the statements or omissions which resulted in such losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses), and benefits received by the Initial Purchasers shall be deemed to be equal to the total purchase discounts and commissions received by the Initial Purchasers from the Company in connection with the purchase of the Securities hereunder, in each case as set forth on the cover page of the Final Memorandum. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the Company or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Initial Purchasers agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Purchasers' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective purchase obligations and not joint. For purposes of this Section 8, each person who controls an Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each director, officer, employee and agent of an Initial Purchaser shall have the same rights to contribution as such Initial Purchaser, and each person who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each officer and director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

9. Default by an Initial Purchaser. If any one or more Initial

Purchasers shall fail to purchase and pay for any of the Securities agreed to be purchased by such Initial Purchaser hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Initial Purchasers shall be obligated severally to take up and pay for (in the respective proportions which the principal amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate principal amount of Securities set forth opposite the names of all the remaining Initial Purchasers) the Securities which the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase; provided,

however, that in the event that the aggregate principal amount of Securities

which the defaulting Initial Purchaser or Initial Purchasers



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agreed but failed to purchase shall exceed 10% of the aggregate principal amount of Securities set forth in Schedule I hereto, the remaining Initial Purchasers shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such non-defaulting Initial Purchasers do not purchase all the Securities within 36 hours of such default, this Agreement will terminate without liability to any non-defaulting Initial Purchaser or the Company except as otherwise provided in Section 11. In the event of a default by any Initial Purchaser as set forth in this Section 9, the applicable Closing Date shall be postponed for such period, not exceeding seven days, as the Representative shall determine in order that the required changes in the Final Memorandum or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Initial Purchaser of its liability, if any, to the Company or to any non-defaulting Initial Purchaser for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representative, by notice given to the Company prior to delivery of and payment for the applicable Securities, if prior to such time (i) there shall have occurred any change, or any development involving a prospective change, in or affecting particularly the business or properties of the Company or its subsidiaries which, in the judgment of the Representative, materially impairs the investment quality of the Securities, (ii) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating), (iii) trading in any of the Company's securities shall have been suspended by the Commission or the New York Stock Exchange or trading in securities generally on the New York Stock Exchange shall have been suspended or materially limited or minimum prices shall have been established on such exchange, (iv) a banking moratorium shall have been declared either by federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Representative, impracticable or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Final Memorandum (exclusive of any amendment or supplement thereof or thereto).

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers and of the Initial Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Initial Purchasers or the Company or any of the officers, directors or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancellation of this Agreement.

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12. Fees, Expenses. The Company covenants and agrees with the

Representative that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the issue of the Securities and all other expenses in connection with the preparation and printing of the Preliminary Memorandum and Final Memorandum and any amendments and supplements thereto and the mailing and delivering of copies thereof to the Initial Purchasers; (ii) the cost of printing or other production of all documents relating to the offering, purchase, sale and delivery of the Securities as provided in Section 4(a); (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws, including the fees and disbursements of Counsel for the Initial Purchasers in connection with such qualification and in connection with any Blue Sky surveys; (iv) any fees charged by securities rating services for rating the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Securities; (vii) any cost incurred in connection with the designation of the Securities for trading in PORTAL (viii) any fees charged by DTC; and (ix) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section 12, including through payment or reimbursement of any roadshow expenses incurred by or on behalf of the Company. It is understood, however, that except as provided in Sections 7 and 12 hereof, the Initial Purchasers will pay all of their own costs and expenses, including the fees, disbursements and expenses of their counsel and any marketing expenses connected with any offers they may make.

13. Notices. All communications hereunder will be in writing and

effective only on receipt, and, if sent to the Representative, will be mailed, delivered or telefaxed and confirmed to them, care of Salomon Brothers Inc, at Seven World Trade Center, New York, New York, 10048, facsimile (212) 783-2274; or, if sent to the Company, will be mailed, delivered or telefaxed and confirmed to it at One James Center, 901 East Cary Street, Richmond, Virginia 23219, attention: David D. Owen, Managing Director-Corporate Finance, telefax number (804) 783-1346.

14. Successors. This Agreement will inure to the benefit of and be

binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8 hereof, and, except as expressly set forth in Section 5(h) hereof, no other person will have any right or obligation hereunder.

15. Applicable Law. This Agreement will be governed by and construed

in accordance with the laws of the State of New York.

16. Business Day. For purposes of this Agreement, "business day"

means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York, New York are authorized or obligated by law, executive order or regulation to close.

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17. Counterparts. This Agreement may be executed in one or more  
-----  
counterparts, each of which will be deemed to be an original, but all such  
counterparts will together constitute one and the same instrument.

18. Headings. The section headings are for convenience only and  
-----  
shall not affect the construction hereof.



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If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this Agreement and your acceptance shall represent a binding agreement between the Company and the Initial Purchasers.

Very truly yours,

CSX CORPORATION

By /s/ David D. Owen

-----  
Name: David D. Owen

Title: Managing Director Corporate Finance

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Salomon Brothers Inc

By /s/ James J. Ryan

-----  
Name: James J. Ryan

Title: Managing Director

For themselves and the other  
Initial Purchasers named in  
Schedule I to the foregoing Agreement

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SCHEDULE I

<TABLE>  
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Security		Purchase Price/**
-----		-----
<S>	<C>	<C>
	2002 Debentures.....	99.335
	2004 Debentures.....	99.355
	2007 Debentures.....	99.199
	2017 Debentures.....	99.067
7.95%	2027 Debentures.....	98.607
6.95%	2027 Debentures/1/.....	99.335
7.25%	2027 Debentures/2/.....	99.126
	2032 Debentures/3/.....	99.125

</TABLE>

/\*\* Expressed as a percentage of principal amount

/1/ Puttable on May 1, 2002

/2/ Puttable on May 1, 2005

/3/ Non-callable until May 1, 2007. Callable thereafter at the redemption prices set forth below, together with accrued interest, if any, to the date of purchase if redeemed during the 12-month period beginning May 1 of the years indicated below:

<TABLE>  
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Year	Redemption Price
-----	-----
<S>	<C>
2007	104.150%
2008	103.735%
2009	103.320%
2010	102.905%
2011	102.490%
2012	102.075%
2013	101.660%
2014	101.245%
2015	100.830%
2016	100.415%
2017 and thereafter	100.000%

</TABLE>

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SCHEDULE II

<TABLE>  
<CAPTION>

Initial Purchasers -----	Principal Amount of 2002 Debentures to be Purchased -----
<S>	<C>
Salomon Brothers Inc.....	\$81,668,000
Credit Suisse First Boston Corporation.....	81,666,000
Chase Securities Inc.....	81,666,000
Goldman, Sachs & Co.....	35,000,000
Morgan Stanley & Co. Incorporated.....	35,000,000
NationsBanc Capital Markets, Inc.....	35,000,000
	-----
Total.....	\$350,000,000 =====

</TABLE>

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Initial Purchasers -----	Principal Amount of 2004 Debentures to be Purchased -----
<S>	<C>
Salomon Brothers Inc.....	\$70,000,000
Credit Suisse First Boston Corporation.....	70,000,000
Chase Securities Inc.....	70,000,000
Goldman, Sachs & Co.....	30,000,000
Morgan Stanley & Co. Incorporated.....	30,000,000
NationsBanc Capital Markets, Inc.....	30,000,000
	-----
Total.....	\$300,000,000 =====

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Initial Purchasers

Principal Amount of  
2007 Debentures  
to be Purchased

<S>	<C>
Salomon Brothers Inc.....	\$105,000,000
Credit Suisse First Boston Corporation.....	105,000,000
Chase Securities Inc.....	105,000,000
Goldman, Sachs & Co.....	45,000,000
Morgan Stanley & Co. Incorporated.....	45,000,000
NationsBanc Capital Markets, Inc.....	45,000,000

Total.....	\$450,000,000
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</TABLE>

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<CAPTION>

Initial Purchasers

Principal Amount of  
2017 Debentures  
to be Purchased

<S>	<C>
Salomon Brothers Inc.....	\$93,334,000
Credit Suisse First Boston Corporation.....	93,333,000
Chase Securities Inc.....	93,333,000
Goldman, Sachs & Co.....	40,000,000
Morgan Stanley & Co. Incorporated.....	40,000,000
NationsBanc Capital Markets, Inc.....	40,000,000

Total.....	\$400,000,000
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Initial Purchasers  
-----

Principal Amount of  
7.95% 2027  
Debentures  
to be Purchased  
-----

<S>	<C>
Salomon Brothers Inc.....	\$116,668,000
Credit Suisse First Boston Corporation.....	116,666,000
Chase Securities Inc.....	116,666,000
Goldman, Sachs & Co.....	50,000,000
Morgan Stanley & Co. Incorporated.....	50,000,000
NationsBanc Capital Markets, Inc.....	50,000,000
	-----
Total.....	\$500,000,000
	=====

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<CAPTION>

Initial Purchasers  
-----

Principal Amount of  
6.95% 2027  
Debentures  
to be Purchased  
-----

<S>	<C>
Salomon Brothers Inc.....	\$23,334,000
Credit Suisse First Boston Corporation.....	23,333,000
Chase Securities Inc.....	23,333,000
Goldman, Sachs & Co.....	10,000,000
Morgan Stanley & Co. Incorporated.....	10,000,000
NationsBanc Capital Markets, Inc.....	10,000,000
	-----
Total.....	\$100,000,000
	=====

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Principal Amount of  
7.25% 2027  
Debentures  
to be Purchased

Initial Purchasers

<S>	<C>
Salomon Brothers Inc.....	\$58,334,000
Credit Suisse First Boston Corporation.....	58,333,000
Chase Securities Inc.....	58,333,000
Goldman, Sachs & Co.....	25,000,000
Morgan Stanley & Co. Incorporated.....	25,000,000
NationsBanc Capital Markets, Inc.....	25,000,000

Total.....	\$250,000,000
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Principal Amount of  
2032 Debentures  
to be Purchased

Initial Purchasers

<S>	<C>
Salomon Brothers Inc.....	\$35,000,000
Credit Suisse First Boston Corporation.....	35,000,000
Chase Securities Inc.....	35,000,000
Goldman, Sachs & Co.....	15,000,000
Stanley & Co. Incorporated.....	15,000,000
NationsBanc Capital Markets, Inc.....	15,000,000

Total.....	\$150,000,000
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EXHIBIT A

Selling Restrictions for Offers and  
-----  
Sales Outside the United States  
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(1) (a) The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Initial Purchaser represents and agrees that, except as otherwise permitted by Section 4(a)(i) or (ii) of the Agreement to which this is an exhibit, it has offered and sold the Securities, and will offer and sell the Securities, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the applicable Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Initial Purchaser represents and agrees that neither it, nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Securities, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Initial Purchaser agrees that, at or prior to the confirmation of sale of Securities (other than a sale of Securities pursuant to Section 4(a)(i) or (ii) of the Agreement to which this is an exhibit), it shall have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it during the restricted period a confirmation or notice substantially to the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the applicable Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."

(b) Each Initial Purchaser also represents and agrees that it has not entered and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Securities, except with its affiliates or with the prior written consent of the Company.

(c) Terms used in this section have the meanings given to them by Regulation S.

(2) Each Initial Purchaser represents and agrees that (i) it has not offered or sold, and prior to the expiration of the period six months from the applicable Closing Date herein will not offer or sell any Securities to persons in the United Kingdom except to those

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persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purpose of their business or otherwise in circumstances that have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 of the United Kingdom with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom, and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Securities to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

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EXHIBIT 4.5

EXECUTION COPY

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CSX CORPORATION

\$2,500,000,000

\$350,000,000	7.05%	Debentures	due 2002
\$300,000,000	7.25%	Debentures	due 2004
\$450,000,000	7.45%	Debentures	due 2007
\$400,000,000	7.90%	Debentures	due 2017
\$500,000,000	7.95%	Debentures	due 2027
\$100,000,000	6.95%	Debentures	due 2027
\$250,000,000	7.25%	Debentures	due 2027
\$150,000,000	8.30%	Debentures	due 2032

REGISTRATION RIGHTS AGREEMENT

Dated: May 6, 1997

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CSX CORPORATION

\$2,500,000,000

\$350,000,000 7.05% DEBENTURES DUE 2002  
\$300,000,000 7.25% DEBENTURES DUE 2004  
\$450,000,000 7.45% DEBENTURES DUE 2007  
\$400,000,000 7.90% DEBENTURES DUE 2017  
\$500,000,000 7.95% DEBENTURES DUE 2027  
\$100,000,000 6.95% DEBENTURES DUE 2027  
\$250,000,000 7.25% DEBENTURES DUE 2027  
\$150,000,000 8.30% DEBENTURES DUE 2032

REGISTRATION RIGHTS AGREEMENT

New York, New York  
May 6, 1997

Salomon Brothers Inc  
Seven World Trade Center  
New York, New York 10048

Dear Sirs:

CSX Corporation, a Virginia corporation (the "Company"), proposes to issue and sell to certain purchasers (the "Purchasers"), upon the terms set forth in a purchase agreement of even date herewith (the "Purchase Agreement"), its 7.05% Debentures due 2002 (the "2002 Debentures"), its 7.25% Debentures due 2004 (the "2004 Debentures"), its 7.45% Debentures due 2007 (the "2007 Debentures"), its 7.90% Debentures due 2017 (the "2017 Debentures"), its 6.95% Debentures due 2027 (the "6.95% 2027 Debentures"), its 7.95% Debentures due 2027 (the "7.95% 2027 Debentures"), its 7.25% Debentures due 2027 (the "7.25% 2027 Debentures") and its 8.30% Debentures due 2032 (the "2032 Debentures" and, together with the 2002 Debentures, the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures, the "Securities") (the "Initial Placement"). As an inducement to the Purchasers to enter into the Purchase Agreement and in satisfaction of a

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condition to the obligations of the Initial Purchasers thereunder, the Company agrees with you, (i) for your benefit and the benefit of the other Purchasers and (ii) for the benefit of the holders from time to time of the Securities (including you and the other Purchasers) (each of the foregoing a "Holder" and together the "Holders"), as follows:

1. Definitions. Capitalized terms used herein without definition

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shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder, each as the same may be amended from time to time.

"Affiliate" of any specified person means any other person which, -----  
directly or indirectly, is in control of, is controlled by, or is under common control with, such specified person. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" means any day other than a Saturday, a Sunday, or a day -----  
on which banking institutions in New York are authorized or required by law or executive order to close.

"Closing Date" means May 6, 1997 with respect to the 2002 Debentures, -----  
the 2004 Debentures, the 2007 Debentures, the 2017 Debentures, the 7.95% 2027 Debentures, the 6.95% 2027 Debentures and the 7.25% 2027 Debentures, and May 8, 1997 with respect to the 2032 Debentures.

"Commission" means the Securities and Exchange Commission.  
-----

"Exchange Act" means the Securities Exchange Act of 1934, as amended, -----  
and the rules and regulations of the Commission promulgated thereunder, each as the same may be amended from time to time.

"Exchange Offer Registration Period" means the 180-day period -----  
following the consummation of the Registered Exchange Offers, exclusive of any period during which any stop order shall be in effect suspending the effectiveness of the Exchange Offer Registration Statement.

"Exchange Offer Registration Statement" means a registration statement -----  
of the Company on an appropriate form under the Act with respect to the Registered Exchange

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Offers, all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchange Securities" means, with respect to the 2002 Debentures, the 2002 Exchange Debentures, with respect to the 2004 Debentures, the 2004 Exchange Debentures, with respect to the 2007 Debentures, the 2007 Exchange Debentures, with respect to the 2017 Debentures, the 2017 Exchange Debentures, with respect to the 7.95% 2027 Debentures, the 7.95% 2027 Exchange Debentures, with respect to the 6.95% 2027 Debentures, the 6.95% 2027 Exchange Debentures, with respect to the 7.25% 2027 Debentures, the 7.25% 2027 Exchange Debentures and with respect to the 2032 Debentures, the 2032 Exchange Debentures.

"Exchange Securities Indenture" means the indenture, if any, between the Company and the Exchange Securities Trustee, identical in all material respects with the Indenture (except that the interest rate step-up provisions and the transfer restrictions will be modified or eliminated, as appropriate).

"Exchanging Dealer" means any Holder (which may include any Purchaser) which is a broker-dealer, electing to exchange Securities acquired for its own account as a result of market-making activities or other trading activities for Exchange Securities.

"Final Memorandum" has the meaning set forth in the Purchase Agreement.

"Holder" has the meaning set forth in the preamble hereto or means any holder of Exchange Securities, as the case may be.

"Indenture" means an indenture dated as of August 1, 1990 between the Company and The Chase Manhattan Bank, as trustee, as supplemented by the First Supplemental Indenture dated as of June 15, 1991 and the Second Supplemental Indenture dated as of May 6, 1997, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Placement" has the meaning set forth in the preamble hereto.

"Majority Holders" means the Holders of a majority of the aggregate principal amount of Securities or Exchange Securities registered under a Registration Statement.

"Managing Underwriters" means the investment banker or investment bankers and manager or managers that shall administer an underwritten offering.



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"Prospectus" means the prospectus included in any Registration

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Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities or the Exchange Securities, covered by such Registration Statement, and all amendments and supplements to the Prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchaser" has the meaning set forth in the preamble hereto.

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"Purchase Agreement" has the meaning set forth in the preamble hereto.

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"Registered Exchange Offers" means the proposed offers to Holders to issue and deliver to such Holders a like principal amount of (i) 2002 Exchange Debentures, in exchange for 2002 Debentures, (ii) 2004 Exchange Debentures, in exchange for 2004 Debentures, (iii) 2007 Exchange Debentures, in exchange for 2007 Debentures, (iv) 2017 Exchange Debentures, in exchange for 2017 Debentures, (v) 7.95% 2027 Exchange Debentures, in exchange for 7.95% 2027 Debentures, (vi) 6.95% 2027 Exchange Debentures, in exchange for 6.95% 2027 Debentures, (vii) 7.25% 2027 Exchange Debentures, in exchange for 7.25% 2027 Debentures and (viii) 2032 Exchange Debentures, in exchange for 2032 Debentures.

"Registration Statement" means any Exchange Offer Registration

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Statement or Shelf Registration Statement of the Company that covers any of the Securities or the Exchange Securities pursuant to the provisions of this Agreement and amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Securities" has the meaning set forth in the preamble hereto.

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"Shelf Registration" means a registration effected pursuant to Section 3 hereof.

"Shelf Registration Period" has the meaning set forth in Section 3(b) hereof.

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"Shelf Registration Statement" means a "shelf" registration statement of the Company pursuant to the provisions of Section 3 hereof which covers some or all of the Securities or Exchange Securities, as applicable, on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, and all amendments and supplements to such registration statement, including post-effective

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amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Trustee" means the trustee with respect to the Securities under the Indenture.

"2002 Debentures" has the meaning set forth in the preamble hereto.

"2002 Exchange Debentures" means the debentures of the Company which are identical in all material respects to the 2002 Debentures (except that the 2002 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 2002 Debentures.

"2004 Debentures" has the meaning set forth in the preamble hereto.

"2004 Exchange Debentures" means the debentures of the Company which are identical in all material respects to the 2004 Debentures (except that the 2004 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 2004 Debentures.

"2007 Debentures" has the meaning set forth in the preamble hereto.

"2007 Exchange Debentures" means the debentures of the Company which are identical in all material respects to the 2007 Debentures (except that the 2007 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 2007 Debentures.

"2017 Debentures" has the meaning set forth in the preamble hereto.

"2017 Exchange Debentures" means the debentures of the Company which are identical in all material respects to the 2017 Debentures (except that the 2017 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 2017 Debentures.

"7.25% 2027 Debentures" has the meaning set forth in the preamble hereto.

"7.25% 2027 Exchange Debentures" means the debentures of the Company which are identical in all material respects to the 7.25% 2027 Debentures (except that the 7.25% 2027 Exchange Debentures will not contain terms with respect to transfer restrictions

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or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 7.25% 2027 Debentures.

"7.95% 2027 Debentures" has the meaning set forth in the preamble  
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hereto.

"7.95% 2027 Exchange Debentures" means the debentures of the Company  
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which are identical in all material respects to the 7.95% 2027 Debentures (except that the 7.95% 2027 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 7.95% 2027 Debentures.

"6.95% 2027 Debentures" has the meaning set forth in the preamble  
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hereto.

"6.95% 2027 Exchange Debentures" means the debentures of the Company  
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which are identical in all material respects to the 6.95% 2027 Debentures (except that the 6.95% 2027 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 6.95% 2027 Debentures.

"2032 Debentures" has the meaning set forth in the preamble hereto.  
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"2032 Exchange Debentures" means the debentures of the Company which  
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are identical in all material respects to the 2032 Debentures (except that the 2032 Exchange Debentures will not contain terms with respect to transfer restrictions or interest rate step-up provisions) to be issued under the Registered Exchange Offers in exchange for the 2032 Debentures.

"underwriter" means any underwriter of Securities in connection with  
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an offering thereof under a Shelf Registration Statement.

2. Registered Exchange Offers; Resales of Exchange Securities by  
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Exchanging Dealers; Private Exchange. (a) The Company shall prepare and, not  
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later than 150 days following the Closing Date, shall file with the Commission the Exchange Offer Registration Statement. The Company shall use its best efforts to cause the Exchange Offer Registration Statement to become effective under the Act within 180 days of the Closing Date.

(b) Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Registered Exchange Offers, it being the objective of such Registered Exchange Offers to enable each Holder electing to exchange Securities for Exchange Securities (assuming that such Holder is not an Affiliate of the Company within the meaning of the Act, acquires the Exchange Securities in the ordinary



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course of such Holder's business and at the time of the commencement of the Exchange Offers, has no arrangements with any person to participate in the distribution (within the meaning of the Act) of the Exchange Securities) to transfer such Exchange Securities from and after their receipt without any limitations or restrictions under the Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

(c) In connection with the Registered Exchange Offers, the Company shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Registered Exchange Offer open for not less than 30 days (or longer if required by applicable law);

(iii) utilize the services of a depository for the Registered Exchange Offers with an address in the Borough of Manhattan, The City of New York; and

(iv) comply in all respects with all applicable laws.

(d) As soon as practicable after the close of each Registered Exchange Offer, the Company shall:

(i) accept for exchange all Securities tendered and not validly withdrawn pursuant to such Registered Exchange Offer;

(ii) deliver, or cause to be delivered, to the Trustee for cancellation all Securities so accepted for exchange; and

(iii) cause the Trustee promptly to authenticate and deliver to each Holder of tendered Securities a principal amount of Exchange Securities equal in principal amount to the Securities of such Holder so accepted for exchange.

(e) The Purchasers and the Company acknowledge that, pursuant to interpretations by the Commission's staff of Section 5 of the Act, and in the absence of an applicable exemption therefrom, each Exchanging Dealer is required to deliver a Prospectus in connection with a sale of any Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offers in exchange for Securities acquired for its own account as a result of market-making activities or other trading activities. Accordingly, the Company shall:

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(i) include the information set forth in Annex A hereto on the cover of the Exchange Offer Registration Statement, in Annex B hereto in the forepart of the Exchange Offer Registration Statement in a section setting forth details of the Registered Exchange Offers, and in Annex C hereto in the underwriting or plan of distribution section of the Prospectus forming a part of the Exchange Offer Registration Statement, and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offers; and

(ii) use its best efforts to keep the Exchange Offer Registration Statement continuously effective under the Act during the Exchange Offer Registration Period for delivery of the Prospectus forming a part thereof by Exchanging Dealers in connection with sales of Exchange Securities received pursuant to the Registered Exchange Offers, as contemplated by Section 4(h) below.

3. Shelf Registration. If (i) because of any change in law or

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applicable interpretations thereof by the Commission's staff, the Company determines upon advice of its outside counsel that it is not permitted to effect the Registered Exchange Offer as contemplated by Section 2 hereof, or (ii) for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days following the Closing Date, or (iii) for any other reason the Registered Exchange Offers are not consummated within 210 days following the Closing Date, or (iv) any Purchaser so requests with respect to Securities not eligible to be exchanged for Exchange Securities in a Registered Exchange Offer and held by it following consummation of the Registered Exchange Offers, or (v) in the reasonable opinion of Shearman & Sterling, pursuant to any applicable laws or applicable interpretations thereof any Holder at the time of the Registered Exchange Offers (including any Purchaser) is not eligible to participate in the Registered Exchange Offers or (vi) any Holder that participates in a Registered Exchange Offer (other than an Exchanging Dealer), does not receive freely tradeable thereafter Exchange Securities in exchange for tendered Securities, the following provisions shall apply:

(a) The Company shall at its own cost, as promptly as practicable, file with the Commission, and thereafter shall use its best efforts to cause to be declared effective under the Act within 210 days after the Closing Date (or promptly in the event of a request by a Purchaser), a Shelf Registration Statement relating to the offer and sale of the Securities or the Exchange Securities, as applicable, by the applicable Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement; provided that, with respect to Exchange Securities received by a Purchaser

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in exchange for Securities constituting any portion of an unsold allotment, the Company may, if permitted by current interpretations by the Commission's staff, file a post-effective amendment to the Exchange Offer Registration Statement containing the information required by Regulation S-K Items 507 and/or 508, as applicable, in satisfaction of its obligations

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under this paragraph (a) with respect thereto, and any such Exchange Offer Registration Statement, as so amended, shall be referred to herein as, and governed by the provisions herein applicable to, a Shelf Registration Statement.

(b) The Company shall keep the Shelf Registration Statement continuously effective until the earliest of (i) the second anniversary of the Closing Date (or the first anniversary of the effective date of the Shelf Registration Statement if such Shelf Registration Statement is filed at the request of any Purchaser), (ii) the time when the Securities registered under the Shelf Registration Statement can be sold by non-affiliates pursuant to Rule 144 under the Act without any limitation under clauses (c), (e) (f) and (h) of Rule 144 or (iii) such time when all the Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement (in any such case, such period being called the "Shelf Registration Period"); provided, however, that the

Company will have the ability to suspend the availability of the Shelf Registration Statement during any consecutive 365-day period for up to two periods of up to 45 consecutive days each, but no more than an aggregate of 60 days during any 365-day period (a "Suspension"), provided that the

Company notifies the holder of the Securities covered thereby of any such Suspension.

#### 4. Registration Procedures. In connection with any Shelf

Registration Statement and, to the extent applicable, any Exchange Offer Registration Statement, the following provisions shall apply:

(a) The Company shall furnish to the Purchasers, prior to the filing thereof with the Commission, a copy of any Shelf Registration Statement and any Exchange Offer Registration Statement, and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein, and shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as you reasonably may propose.

(b) The Company shall ensure that (i) any Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto complies in all material respects with the Act and the rules and regulations thereunder, (ii) any Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Registration Statement, and any amendment or supplement to such Prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.



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(c) (1) The Company shall advise you and, in the case of a Shelf Registration Statement, the Holders of Securities covered thereby, and, if requested by you or any such Holder, confirm such advice in writing:

(i) when a Registration Statement and any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective; and

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus included therein or for additional information.

(2) The Company shall advise you and, in the case of a Shelf Registration Statement, the Holders of Securities covered thereby, and, in the case of an Exchange Offer Registration Statement, any Exchanging Dealer which has provided in writing to the Company a telephone or facsimile number and address for notices, and, if requested by you or any such Holder or Exchanging Dealer, confirm such advice in writing of the inability to use the Shelf Registration Statement for resales of the Securities or the Exchange Securities as a result of:

(i) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(ii) the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included therein for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(iii) a Suspension; and

(iv) the happening of any event that requires the making of any changes in the Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made).

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(d) The Company shall use its best efforts to prevent the issuance and if issued to obtain the withdrawal of any order suspending the effectiveness of any Registration Statement at the earliest possible time.

(e) The Company shall furnish to each Holder of Securities included within the coverage of any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request; and the Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Securities in connection with the offering and sale of the Securities covered by the Prospectus or any amendment or supplement thereto.

(g) The Company shall furnish to each Exchanging Dealer that so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, any documents incorporated by reference therein, and, if the Exchanging Dealer so requests in writing, all exhibits (including those incorporated by reference).

(h) The Company shall, during the Exchange Offer Registration Period, promptly deliver to each Exchanging Dealer, without charge, as many copies of the Prospectus included in such Exchange Offer Registration Statement and any amendment or supplement thereto as such Exchanging Dealer may reasonably request for delivery by such Exchanging Dealer in connection with a sale of Exchange Securities received by it pursuant to the Registered Exchange Offers; and the Company consents to the use of the Prospectus or any amendment or supplement thereto by any such Exchanging Dealer, as aforesaid.

(i) Prior to the Registered Exchange Offers or any other offering of Securities pursuant to any Registration Statement, the Company shall use its reasonable best efforts to register or qualify or cooperate with the Holders of Securities included therein and their respective counsel in connection with the registration or qualification of such Securities for offer and sale under the securities or blue sky laws of such jurisdictions as any such Holders reasonably request in writing and do any and all other acts or things necessary or advisable to enable the

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offer and sale in such jurisdictions of the securities covered by such Registration Statement; provided, however, that the Company will not be required

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to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject.

(j) Unless the applicable securities shall be in book-entry only form, the Company shall cooperate with the Holders of Securities or Exchange Securities to facilitate the timely preparation and delivery within the times required by normal way of settlement of certificates representing securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such authorized denominations and registered in such names as Holders may request prior to sales of securities pursuant to such Registration Statement.

(k) Upon the occurrence of any event contemplated by paragraphs (c)(1)(ii) or (c)(2)(iv) above, the Company shall promptly prepare a post-effective amendment to any Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to purchasers of the securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) Not later than the effective date of any Shelf Registration Statement hereunder, the Company shall provide a CUSIP number for the Securities or Exchange Securities, as the case may be, registered under such Registration Statement, and provide the applicable trustee with printed certificates for such Securities or Exchange Securities, in a form eligible for deposit with The Depository Trust Company.

(m) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders as soon as practicable after the effective date of the applicable Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Act.

(n) The Company shall cause the Indenture or the Exchange Securities Indenture, as the case may be, to be qualified under the Trust Indenture Act in a timely manner.

(o) The Company may require each Holder of Securities to be sold pursuant to any Shelf Registration Statement to furnish to the Company such



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information regarding such Holder and the distribution of such Securities as the Company may from time to time reasonably require for inclusion in such Registration Statement.

(p) The Company shall, if requested by the Managing Underwriters or the Holders of Securities covered by such Shelf Registration Statement incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement, such information with respect to such Managing Underwriters and Holders as such Managing Underwriters and Majority Holders reasonably agree should be included therein and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practically possible after written notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(q) In the case of any Shelf Registration Statement, the Company shall enter into such agreements (including underwriting agreements) and take all other appropriate actions in order to expedite or facilitate the registration or the disposition of the Securities or the Exchange Securities, as the case may be, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 6 (or such other provisions and procedures acceptable to the Majority Holders and the Managing Underwriters, if any) with respect to all parties to be indemnified pursuant to Section 6.

(r) If a Shelf Registration Statement is filed pursuant to Section 3, the Company shall make reasonably available for inspection by any selling Holder of such Securities being sold, any underwriter participating in any such disposition of Securities, if any, and any attorney, accountant or other agent retained by any such selling Holder or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business

hours, all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries (collectively, the "Records") as

shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Company and its subsidiaries to supply all relevant information in each case reasonably requested by any such Inspector in connection with such Registration Statement; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Holders by the Initial Purchasers and on behalf of the other parties by one counsel designated by the Initial Purchasers. Records which the Company determines, in good faith, to be confidential and any records which the Company notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a material misstatement or omission in such Registration Statement,

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(ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or is necessary in connection with any action, suit or proceeding or (iii) the information in such Records has been made generally available to the public. Each selling Holder of such Securities will be required as a condition to the receipt of such information to agree in writing that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Company unless and until such is made generally available to the public. Each selling Holder of such Securities will be required to further agree in writing that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential; (iii) make such representations and warranties to the Holders of securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement; (iv) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters (it being agreed that the matters to be covered by such opinion may be subject to customary qualifications and exceptions); (v) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each selling Holder of Securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and (vi) deliver such documents and certificates as may be reasonably requested by the Majority Holders and the Managing Underwriters, if any, including those to evidence compliance with Section 4(k) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The foregoing actions set forth in clauses (iii), (iv), (v) and (vi) of this Section 4(r) shall be performed at (A) the effectiveness of such Registration Statement and each post-effective amendment thereto and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

5. Registration Expenses. The Company shall bear all expenses

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incurred in connection with the performance of its obligations under Sections 2, 3 and 4 hereof and, in the event of any Shelf Registration Statement, will reimburse the Holders for the

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reasonable fees and disbursements of one firm or counsel, reasonably satisfactory to the Company, designated by the Majority Holders to act as counsel for the Holders in connection therewith, and, in the case of any Exchange Offer Registration Statement, will reimburse the Purchasers for the reasonable fees and disbursements of one counsel, reasonably satisfactory to the Company, acting in connection therewith.

6. Indemnification and Contribution. (a) In connection with any

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Registration Statement, the Company agrees to indemnify and hold harmless each Holder of Securities or Exchange Securities, as the case may be, covered thereby (including each Purchaser and, with respect to any Prospectus delivery as contemplated in Section 4(h) hereof, each Exchanging Dealer), the directors, officers, employees and agents of each such Holder and each person who controls any such Holder within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however,

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that the Company will not be liable in any case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any such Holder specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

The Company also agrees to indemnify or contribute to Losses of, as provided in Section 6(d), any underwriters of Securities or Exchange Securities registered under a Shelf Registration Statement, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of the Purchaser and the selling Holders provided in this Section 6(a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 4(q) hereof.

(b) Each Holder of Securities or Exchange Securities covered by a Registration Statement (including each Purchaser and, with respect to any Prospectus delivery as contemplated in Section 4(h) hereof, each Exchanging Dealer) severally agrees to



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indemnify and hold harmless (i) the Company, (ii) each of its directors, (iii) each of its officers who signs such Registration Statement and (iv) each person who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to claims and actions based upon written information relating to such Holder furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the commencement thereof; but the failure to so notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above or paragraph (d) below unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such

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counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), however, the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel (and local counsel) only if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded upon advice of counsel that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement,

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compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding. An indemnifying party shall not be liable under this Section 6 to any indemnified party regarding any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise, or consent is consented to by such indemnifying party, which consent shall not be unreasonably withheld.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 6 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and the Registration Statement which resulted in such Losses; provided, however, that in

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no case shall any Purchaser or any subsequent Holder of any Security or Exchange Security be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Security, or in the case of an Exchange Security, applicable to the Security which was exchangeable into such Exchange Security, as set forth on the cover page of the Final Memorandum, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the securities purchased by such underwriter under the Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the sum of (x) the total net proceeds from the Initial Placement (before deducting expenses) as set forth on the cover page of the Final Memorandum and (y) the total amount of additional interest which the Company was not required to pay as a result of registering the securities covered by the Registration Statement which resulted in such Losses. Benefits received by the Purchasers shall be deemed to be equal to the total purchase discounts and commissions as set forth on the cover page of the Final Memorandum, and benefits received by any other Holders shall be deemed to be equal to the value of the net proceeds received by such Holder from the sale of Securities or Exchange Securities, as applicable, registered under the Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Registration Statement

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which resulted in such Losses. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6, each person who controls a Holder within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 6 will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder, the Company or any of the officers, directors or controlling persons referred to in this Section 6, and will survive the sale by a Holder of securities covered by a Registration Statement.

7. Miscellaneous.  
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(a) No Inconsistent Agreements. The Company has not, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to the Securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Holders of at least a majority of the then outstanding aggregate principal amount of Securities (or, after the consummation of any Exchange Offer in accordance with Section 2 hereof, of Exchange Securities); provided that, with respect to any matter that directly or indirectly affects the rights of any Purchaser hereunder, the Company shall obtain the written consent of each such Purchaser against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Securities are being sold pursuant to a Registration



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Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of securities being sold rather than registered under such Registration Statement.

(c) Notices. All notices and other communications provided for or  
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permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(1) if to a Holder, at the most current address given by such Holder to the Company in accordance with the provisions of this Section 7(c), which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture, with a copy in like manner to Salomon Brothers Inc;

(2) if to you, initially at the address set forth in the Purchase Agreement; and

(3) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

The Purchasers or the Company by notice to the other may designate additional or different addresses or telex or telecopy numbers for subsequent notices or communications.

(d) Successors and Assigns. This Agreement shall inure to the benefit  
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of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders of Securities and/or Exchange Securities. The Company hereby agrees to extend the benefits of this Agreement to any Holder of Securities and/or Exchange Securities and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

(e) Counterparts. This Agreement may be executed in any number of  
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counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

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(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in said State.

(h) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(i) Securities Held by the Company, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities or Exchange Securities is required hereunder, Securities or Exchange Securities, as applicable, held by the Company or its Affiliates (other than subsequent Holders of Securities or Exchange Securities if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Securities or Exchange Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

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[[1]]CSX Corporation

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E.R. Donnelley (804) 644-0655 WP2EDG

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Please confirm that the foregoing correctly sets forth the agreement between the Company and you.

Very truly yours,

CSX CORPORATION

By: /s/ David D. Owen

-----  
Name: David D. Owen  
Title: Managing Director-  
Corporate Finance

Accepted in New York, New York

May 6, 1997

SALOMON BROTHERS INC

By: /s/ Fred Larsen

-----  
Name: Fred Larsen  
Title: Vice President



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ANNEX A

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Securities where such Exchange Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date (as defined in the Exchange Offer) and ending on the close of business 180 days after the consummation of the Exchange Offer, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution".

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[[1]]CSX Corporation

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ANNEX B

Each broker-dealer that receives Exchange Securities for its own account in exchange for Securities, where such Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any sale or transfer of the Exchange Securities. See "Plan of Distribution."

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ANNEX C

#### PLAN OF DISTRIBUTION

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Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Securities where such Securities were acquired as a result of market-making activities or other trading activities. The Company has agreed that, starting on the Expiration Date and ending on the close of business on the first anniversary of the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

The Company will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Act and any profit from any such resale of Exchange Securities and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Act.

For a period of 180 days after the consummation of the Exchange Offer, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Act.



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[[1]]CSX Corporation

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[If applicable, add information required by Regulation S-K Items 507  
and/or 508.]

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ANNEX D

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE  
ADDITIONAL COPIES OF THE PROSPECTUS AND COPIES OF ANY AMENDMENTS  
OR SUPPLEMENTS THERETO.

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Number of copies: \_\_\_\_

The undersigned represents that it is not an affiliate of the Company, that any Exchange Securities to be received by it will be acquired in the ordinary course of business and that at the time of the commencement of the Registered Exchange Offer it had no arrangement with any person to participate in a distribution of Exchange Securities.

In addition, if the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Securities, it represents that the Securities to be exchanged for Exchange Securities were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

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EXHIBIT 12.1

CSX Corporation  
Ratio of Earnings to Fixed Charges  
(Dollars in millions)

<TABLE>

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	For the Fiscal Quarters Ended		For the Fiscal Years Ended				
	Mar. 28, 1997	Mar. 29, 1996	Dec. 27, 1996	Dec. 29, 1995	Dec. 30, 1994	Dec. 31, 1993	Dec. 31, 1992
	----	----	----	----	----	----	----
Earnings							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings (loss) before income taxes	\$ 233	\$ 224	\$1,316	\$ 974	\$1,006	\$ 635	\$ (7)
Interest expense	84	60	249	270	281	298	276
Amortization of debt discount	---	---	2	2	3	1	1
Interest portion of fixed rent	48	47	189	184	206	206	216
Undistributed earnings (loss) of unconsolidated subsidiaries	(1)	(2)	(6)	3	10	7	(2)
Minority interest	10	8	42	32	21	14	15
	-----	-----	-----	-----	-----	-----	-----
Earnings, as Adjusted	\$ 374	\$ 337	\$1,792	\$1,465	\$1,527	\$1,159	\$499
	=====	=====	=====	=====	=====	=====	=====
Fixed Charges							
Interest expense	\$ 84	\$ 60	\$ 249	\$ 270	\$ 281	\$ 298	\$276
Capitalized interest expense	1	1	5	6	9	6	6
Amortization of debt discount	---	---	2	2	3	1	1
Interest portion of fixed rent	48	47	189	184	206	206	216
	-----	-----	-----	-----	-----	-----	-----
Fixed Charges	\$ 133	\$ 108	\$ 445	\$ 462	\$ 499	\$ 511	\$499
	=====	=====	=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	2.8x	3.1x	4.0x	3.2x	3.1x	2.3x	1.0x
	=====	=====	=====	=====	=====	=====	=====

</TABLE>



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EXHIBIT 15.1

AWARENESS LETTER OF PRICE WATERHOUSE LLP, INDEPENDENT ACCOUNTANTS

June 2, 1997

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Dear Sirs:

We are aware that CSX Corporation has incorporated by reference our report dated April 16, 1997 related to Conrail Inc. (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in its Registration Statement on Form S-4 to be filed on June 4, 1997. We are also aware of our responsibilities under the Securities Act of 1933.

Very truly yours,

/s/ Price Waterhouse LLP  
Thirty South Seventeenth Street  
Philadelphia, PA 19103

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EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the references to our firm under the captions "Selected Historical Financial Data for the Company" and "Experts" in the Registration Statement (Form S-4) and related Prospectus of CSX Corporation and subsidiaries, and to the incorporation by reference therein of our report dated January 31, 1997 (except for Note 2, as to which the date is March 7, 1997), with respect to the consolidated financial statements of CSX Corporation and subsidiaries included in its Annual Report on Form 10-K for the year ended December 27, 1996, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Richmond, Virginia  
May 30, 1997

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EXHIBIT 23.2

CONSENT OF PRICE WATERHOUSE LLP, INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-4 of CSX Corporation of our report dated January 21, 1997, except as to Note 2, which is as of March 7, 1997, on the consolidated financial statements of Conrail Inc. for the year ended December 31, 1996, which appears in the Current Report on Form 8-K of CSX Corporation filed June 4, 1997. We also consent to the references to us under the heading "Experts" in such Prospectus.

/s/ Price Waterhouse LLP  
Philadelphia, PA

June 2, 1997



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R.R. Donnelley (804) 644-0655 EDITOR V2.7-3 \*\*\*

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EXHIBIT 24.1

POWERS OF ATTORNEY OF CERTAIN DIRECTORS AND OFFICERS OF THE COMPANY

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shultz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 30th day of May, 1997.

/s/ John W. Snow

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John W. Snow

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 30th day of May, 1997.

/s/ Paul R. Goodwin

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Paul R. Goodwin



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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 30th day of May, 1997.

/s/ James L. Ross

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James L. Ross

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shultz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 30th day of May, 1997.

/s/ Elizabeth E. Bailey

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Elizabeth E. Bailey



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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 2nd day of April, 1997.

/s/ Robert L. Burrus, Jr.

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Robert L. Burrus, Jr.

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 1st day of April, 1997.

/s/ Bruce C. Gottwald

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Bruce C. Gottwald

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 30th day of May, 1997.

/s/ John R. Hall

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John R. Hall



<PAGE>

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 31st day of March, 1997.

/s/ Robert D. Kunisch

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Robert D. Kunisch

<PAGE>

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 31st day of March, 1997.

/s/ Hugh L. McColl, Jr.

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Hugh L. McColl, Jr.

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 31st day of March, 1997.

/s/ James W. McGlothlin

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James W. McGlothlin



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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 31st day of March, 1997.

/s/ Southwood J. Morcott

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Southwood J. Morcott

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POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 31st day of March, 1997.

/s/ Charles E. Rice

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Charles E. Rice

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POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 28th day of March, 1997.

/s/ William C. Richardson

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William C. Richardson



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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned officer or director of CSX CORPORATION, a Virginia corporation (the "Corporation"), hereby constitutes and appoints Alan A. Rudnick, Peter J. Shudtz and Gregory R. Weber, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file (i) one or more Registration Statements on Form S-3 (or other appropriate form) for filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and any other documents in support thereof or supplemental or amendatory thereto, with respect to the issuance of debentures, notes, and other debt obligations, preferred stock, common stock, common stock issuable upon exchange or conversion of such debt obligations or preferred stock which, by their terms, are exchangeable for or convertible into common stock, warrants or rights to purchase debt obligations, preferred stock or common stock, and depositary shares representing fractional interests in preferred stock, which will generate proceeds of up to \$3,000,000,000 (or the equivalent in foreign denominated currency), of the Corporation, and (ii) a Registration Statement, and any and all amendments thereto, relating to the offering covered thereby filed pursuant to Rule 462(b) under the Securities Act, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 1st day of April, 1997.

/s/ Frank S. Royal

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Frank S. Royal

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EXHIBIT 25.1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF  
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF  
A TRUSTEE PURSUANT TO SECTION 305(b)(2) \_\_\_\_\_

THE CHASE MANHATTAN BANK

(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a national bank)

13-4994650  
(I.R.S. employer  
identification No.)

270 Park Avenue  
New York, New York  
(Address of principal executive offices)

10017  
(Zip Code)

William H. McDavid  
General Counsel  
270 Park Avenue  
New York, New York 10017  
Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

CSX CORPORATION

(Exact name of obligor as specified in its charter)

Virginia  
(State or other jurisdiction of  
incorporation or organization)

62-1051971  
(I.R.S. employer  
identification No.)

One James Center  
Richmond, Virginia  
(Address of principal executive offices)

23219  
(Zip Code)

Debt Securities  
(Title of the indenture securities)

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GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York  
12110.

Board of Governors of the Federal Reserve System, Washington, D.C.,  
20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street,  
New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

-2-



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Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 19th day of May, 1997.

THE CHASE MANHATTAN BANK

By, s/ R. J. Halleran

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R. J. Halleran  
Second Vice President

<PAGE>

Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2  
CONSOLIDATED REPORT OF CONDITION OF

The Chase Manhattan Bank  
of 270 Park Avenue, New York, New York 10017  
and Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System,

at the close of business December 31, 1996, in  
accordance with a call made by the Federal Reserve Bank of this  
District pursuant to the provisions of the Federal Reserve Act.

<TABLE>  
<CAPTION>

ASSETS

Dollar Amounts  
in Millions  
<C>

<S>

Cash and balances due from depository institutions:	
Noninterest-bearing balances and	
currency and coin.....	\$ 11,509
Interest-bearing balances.....	8,457
Securities:.....	
Held to maturity securities.....	3,128
Available for sale securities.....	40,534
Federal Funds sold and securities purchased under	
agreements to resell in domestic offices of the	
bank and of its Edge and Agreement subsidiaries,	
and in IEF's:	
Federal funds sold.....	9,222
Securities purchased under agreements to resell.....	422
Loans and lease financing receivables:	
Loans and leases, net of unearned income \$133,935	
Less: Allowance for loan and lease losses 2,789	
Less: Allocated transfer risk reserve.... 16	
	-----
Loans and leases, net of unearned income,	
allowance, and reserve.....	131,130
Trading Assets.....	49,876
Premises and fixed assets (including capitalized	
leases).....	2,877
Other real estate owned.....	290
Investments in unconsolidated subsidiaries and	
associated companies.....	124
Customer's liability to this bank on acceptances	
outstanding.....	2,313
Intangible assets.....	1,316
Other assets.....	11,231
TOTAL ASSETS.....	\$272,429
	=====

</TABLE>

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<CAPTION>

LIABILITIES	
<S>	<C>
Deposits	
In domestic offices.....	\$87,006
Noninterest-bearing.....\$35,783	
Interest-bearing.....51,223	
In foreign offices, Edge and Agreement subsidiaries, and IBF's.....	73,206
Noninterest-bearing.....\$ 4,347	
Interest-bearing.....68,859	
Federal funds purchased and securities sold under agree- ments to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's Federal funds purchased.....	14,980
Securities sold under agreements to repurchase.....	10,125
Demand notes issued to the U.S. Treasury.....	1,867
Trading liabilities.....	34,783
Other borrowed money:	
With a remaining maturity of one year or less.....	14,639
With a remaining maturity of more than one year.....	425
Mortgage indebtedness and obligations under capitalized leases.....	40
Bank's liability on acceptances executed and outstanding	2,267
Subordinated notes and debentures.....	5,471
Other liabilities.....	11,343
TOTAL LIABILITIES.....	256,152
Limited-Life Preferred stock and related surplus.....	550
EQUITY CAPITAL	
Common stock.....	1,251
Surplus.....	10,243
Undivided profits and capital reserves.....	4,526
Net unrealized holding gains (Losses) on available-for-sale securities.....	(309)
Cumulative foreign currency translation adjustments....	16
TOTAL EQUITY CAPITAL.....	15,727
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK AND EQUITY CAPITAL.....	\$272,429

</TABLE>

I, Joseph L. Sclafani, S.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

WALTER V. SHIPLEY )  
EDWARD D. MILLER ) DIRECTORS  
THOMAS G. LABRECQUE )



[[1]]FINEDG:[64098.COVLTR]00001.PIP  
[[1]]CSX Corporation

EDGAR only  
Prospectus

R.R. Donnelley

EDG: 4-JUN-1997 14:45  
(804) 644-0655

BLK: 00-000-0000 00:00  
EDITOR V2.7-3 \*\*\*

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[McGUIRE, WOODS, BATTLE & BOOTHE, L.L.P. LETTERHEAD]

Direct Dial: (804) 775-4307

June 4, 1997

VIA EDGAR  
Securities and Exchange Commission  
Division of Corporation Finance  
450 Fifth Street, N.W.  
Washington, D.C. 20549

CSX CORPORATION  
REGISTRATION STATEMENT ON FORM S-4

Ladies and Gentlemen:

On behalf of CSX Corporation (the "Company"), we enclose for filing via the EDGAR system and pursuant to the requirements of the Securities Act of 1933 (the "Act") and the applicable rules and regulations under the Act, the Company's Registration Statement on Form S-4 and certain exhibits thereto (the "Registration Statement").

If you have any questions or require any further information with respect to the Registration Statement or any matters relating to this filing, please call me at (804) 775-4307 or Karl Strait at (804) 775-1133.

Very truly yours,

/s/ Joseph C. Carter, III

Joseph C. Carter, III

JCC/kms  
Enclosure