
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
(AMENDMENT NO. 27)
TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

CONRAIL INC.
(Name of Subject Company)

NORFOLK SOUTHERN CORPORATION
ATLANTIC ACQUISITION CORPORATION
(Bidders)

COMMON STOCK, PAR VALUE \$1.00 PER SHARE
(INCLUDING THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
(Title of Class of Securities)

208368 10 0
(CUSIP Number of Class of Securities)

SERIES A ESOP CONVERTIBLE JUNIOR
PREFERRED STOCK, WITHOUT PAR VALUE
(INCLUDING THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
(Title of Class of Securities)

NOT AVAILABLE
(CUSIP Number of Class of Securities)

JAMES C. BISHOP, JR.
EXECUTIVE VICE PRESIDENT-LAW
NORFOLK SOUTHERN CORPORATION
THREE COMMERCIAL PLACE
NORFOLK, VIRGINIA 23510-2191
TELEPHONE: (757) 629-2750
(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:
RANDALL H. DOUD, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 735-3000
CALCULATION OF FILING FEE

TRANSACTION VALUATION*
\$12,248,085,000

AMOUNT OF FILING FEE**
\$2,449,617

* For purposes of calculating the filing fee only. This calculation assumes the purchase of all outstanding shares of Common Stock, par value \$1.00 per share (the "Common Shares"), and Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares"), of Conrail Inc. (the "Company") at \$115 net per share in cash. According to information included in the Tender Offer Statement on Schedule 14D-1, dated December 6, 1996, filed by CSX Corporation ("CSX") with the Securities and Exchange Commission and attributed to the Company, on November 27, 1996, 82,248,741 Common Shares and 7,303,920 ESOP Preferred Shares were outstanding and 8,263,682 Common Shares were reserved for issuance upon conversion of the ESOP Preferred Shares or pursuant to the Company's Long-Term Incentive Plans. Also according to such Schedule 14D-1, pursuant to a Stock Option Agreement, dated as of October 14, 1996, by and between

the Company and CSX, the Company has granted CSX the option to purchase in certain circumstances up to 15,955,477 Common Shares.

** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by Atlantic Acquisition Corporation for such number of Shares.

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

Amount Previously Paid:	\$2,456,439	Filing Party:	Norfolk Southern Corporation and Atlantic Acquisition Corporation
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Form or Registration No.:	Schedule 14D-1	Date Filed:	November 8, 1996 and October 24, 1996
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This Amendment No. 27 amends the Tender Offer Statement on Schedule 14D-1 filed on October 24, 1996, as amended (the "Schedule 14D-1"), by Norfolk Southern Corporation, a Virginia corporation ("Parent"), and its wholly owned subsidiary, Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser"), relating to Purchaser's offer to purchase all outstanding shares of (i) Common Stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc. (the "Company"), including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as amended and supplemented by the Supplement, dated November 8, 1996 (the "First Supplement") and the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and in the revised Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings given such terms in the Offer to Purchase, the First Supplement, the Second Supplement or the Schedule 14D-1.

ITEM 1. SECURITY AND SUBJECT COMPANY.

Item 1 is hereby amended and supplemented by the following:

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

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

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

Item 3 is hereby amended and supplemented by the following:

(a) and (b) The information set forth in the Introduction, Section 7 ("Background of the Offer; Contacts with the Company") and Section 8 ("Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations") of the Second Supplement is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Item 4 is hereby amended and supplemented by the following:

(a) and (b) The information set forth in Section 6 ("Source and Amount of Funds") of the Second Supplement is incorporated herein by reference.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

Item 5 is hereby amended and supplemented by the following:

The information set forth in the Introduction, Section 7 ("Background of the Offer; Contacts with the Company") and Section 8 ("Purpose of the Offer and Merger; Plans for the Company; Certain Considerations") of the Second Supplement is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

Item 7 is hereby amended and supplemented by the following:

The information set forth in Section 9 ("Conditions to the Offer") and Section 10 ("Certain Legal Matters; Regulatory Approvals; Certain Litigation") of the Second Supplement is incorporated herein by reference.

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ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

Item 9 is hereby amended and supplemented by the following:

The information set forth in Section 5 ("Certain Information Concerning Parent and Purchaser") of the Second Supplement is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

Item 10 is hereby amended and supplemented by the following:

(b) The information set forth in the Introduction and Section 8 ("Purpose of the Offer and the Merger; Plans for the Company; Certain Considerations") of the Second Supplement is incorporated herein by reference.

(e) The information set forth in Section 10 ("Certain Legal Matters; Regulatory Approvals; Certain Litigation") of the Second Supplement is incorporated herein by reference.

(f) The information set forth in the Second Supplement and the revised Letter of Transmittal, copies of which are attached hereto as Exhibits (a) (72) and (a) (73), respectively, is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

Item 11 is hereby amended to add the following:

- (a) (71) Text of Press Release issued by Parent on December 19, 1996.
- (a) (72) Second Supplement to the Offer to Purchase, dated December 20, 1996.
- (a) (73) Revised Letter of Transmittal.
- (a) (74) Revised Notice of Guaranteed Delivery.
- (a) (75) Revised Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a) (76) Revised Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

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SIGNATURE

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

Dated: December 20, 1996

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice
President-Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.

Title: Vice President and
General Counsel

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE
(a) (71)	Text of Press Release issued by Parent on December 19, 1996.	
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(a) (74)	Revised Notice of Guaranteed Delivery.	
(a) (75)	Revised Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(a) (76)	Revised Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	

FOR IMMEDIATE RELEASE
DECEMBER 19, 1996

Media Contact: Robert Fort
757-629-2714

NORFOLK SOUTHERN INCREASES CASH BID FOR CONRAIL TO \$115 PER SHARE
COMPANY TO CHALLENGE CONRAIL/CSX EXTENSION OF 'LOCKUP' PROVISION

NORFOLK, VA -- Norfolk Southern Corporation (NYSE: NSC) today announced that it has increased to \$115 per share its all-cash offer for all of Conrail Inc.'s outstanding common shares and Series A ESOP convertible junior preferred shares. The \$115 per-share offer gives shareholders a premium of more than \$14 per share (or 14 percent) over the remaining blended value of CSX's revised cash-and-stock proposal for Conrail.*

As with its earlier offers, Norfolk Southern's revised proposal continues to offer significant benefits to Conrail shareholders. The increased offer provides for an immediate cash payment for shares purchased into a voting trust and is not contingent upon any federal regulatory approval.

Norfolk Southern's offer is worth over \$1 billion more than CSX's latest proposal. CSX's proposed deal also still depends on the uncertain value of CSX stock at some time in the future.

"Our increased offer underscores our determination to acquire Conrail," said David R. Goode, Norfolk Southern's Chairman, President and Chief Executive Officer. "We remain committed to giving shareholders a fair choice and achieving a Conrail/Norfolk Southern combination because it is the perfect combination for shareholders, employees, shippers and consumers."

Norfolk Southern said it will challenge the legality of a provision in the CSX/Conrail agreement that extends the lockup period until December 31, 1998. Norfolk Southern said the U.S. District Court in Philadelphia has scheduled a hearing on that issue for January 9, 1997. The Court has also agreed to consider a second issue regarding whether CSX now owns 20 percent of Conrail's shares and is an interested shareholder, which would require CSX to pay all Conrail shareholders \$110 per share in cash under Pennsylvania's Fair Value Statute.

In agreeing not to discuss any other merger proposal for two years, Conrail's board has again shown its disdain for the interests of the corporation and its shareholders, Norfolk Southern said. Norfolk Southern is convinced the courts ultimately will not approve the Conrail board's wholesale abrogation of its fiduciary duties to all of its constituencies.

Norfolk Southern reiterated that its offer for Conrail ensures balanced competition in the East with the least disruption to operations and service. The size and scope of the divestitures which would be required to make a CSX/Conrail combination acceptable would impose significant costs on the new company. These costs are for the most part avoidable with a Norfolk Southern/Conrail combination because the two railroads have much less overlap.

*Based on the closing price of CSX stock on 12/19/96.

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SECOND SUPPLEMENT TO THE OFFER TO PURCHASE FOR CASH DATED OCTOBER 24, 1996

ATLANTIC ACQUISITION CORPORATION,

A WHOLLY OWNED SUBSIDIARY OF

NORFOLK SOUTHERN CORPORATION

HAS INCREASED THE PRICE OF ITS OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES

OF

COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK

(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)

OF

CONRAIL INC.

TO

\$115 NET PER SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, JANUARY 10, 1997, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS NOW CONDITIONED UPON, AMONG OTHER THINGS, PRIOR TO THE EXPIRATION OF THE OFFER, (1) ATLANTIC ACQUISITION CORPORATION ("PURCHASER"), A WHOLLY OWNED SUBSIDIARY OF NORFOLK SOUTHERN CORPORATION ("PARENT"), AND PARENT HAVING OBTAINED, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER, (2) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES AND ESOP PREFERRED SHARES WHICH TOGETHER CONSTITUTE AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (3) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F OF CHAPTER 25 OF THE PENNSYLVANIA BUSINESS CORPORATION LAW HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER, (4) THE COMMON STOCK PURCHASE RIGHTS HAVING BEEN REDEEMED BY THE BOARD OF DIRECTORS OF CONRAIL INC. OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUCH COMMON STOCK PURCHASE RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER, AND (5) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER, AS AMENDED, BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE. SEE THE INTRODUCTION TO THE OFFER TO PURCHASE AND TO THIS SECOND SUPPLEMENT.

The Dealer Managers for the Offer are:

J.P. MORGAN & CO.

MERRILL LYNCH & CO.

December 20, 1996

IMPORTANT

PURCHASER IS CURRENTLY REVIEWING ITS OPTIONS WITH RESPECT TO THE OFFER AND MAY CONSIDER, AMONG OTHER THINGS, CHANGES TO THE MATERIAL TERMS OF THE OFFER. IN ADDITION, PARENT AND PURCHASER INTEND TO CONTINUE TO SEEK TO NEGOTIATE WITH THE COMPANY WITH RESPECT TO THE ACQUISITION OF THE COMPANY BY PARENT OR PURCHASER. PURCHASER RESERVES THE RIGHT TO AMEND THE OFFER (INCLUDING AMENDING THE NUMBER OF SHARES TO BE PURCHASED, THE PURCHASE PRICE AND THE PROPOSED MERGER CONSIDERATION) UPON ENTERING INTO A MERGER AGREEMENT WITH THE COMPANY OR TO NEGOTIATE A MERGER AGREEMENT WITH THE COMPANY NOT INVOLVING A TENDER OFFER PURSUANT TO WHICH PURCHASER WOULD TERMINATE THE OFFER AND THE COMMON SHARES (AS DEFINED HEREIN) AND ESOP PREFERRED SHARES (AS DEFINED HEREIN, AND TOGETHER WITH THE COMMON SHARES, THE "SHARES") WOULD, UPON

CONSUMMATION OF SUCH MERGER, BE CONVERTED INTO CASH, COMMON STOCK OF PARENT AND/OR OTHER SECURITIES IN SUCH AMOUNTS AS ARE NEGOTIATED BY PARENT AND THE COMPANY.

ANY SHAREHOLDER DESIRING TO TENDER ALL OR ANY PORTION OF SUCH SHAREHOLDER'S SHARES SHOULD EITHER (I) COMPLETE AND SIGN THE REVISED LETTER OF TRANSMITTAL DELIVERED HERewith OR ONE OF THE LETTERS OF TRANSMITTAL PREVIOUSLY DELIVERED TO SUCH SHAREHOLDER BY PARENT AND PURCHASER (OR ANY FACSIMILES OF SUCH LETTERS OF TRANSMITTAL) IN ACCORDANCE WITH THE INSTRUCTIONS IN SUCH LETTERS OF TRANSMITTAL, HAVE SUCH SHAREHOLDER'S SIGNATURE THEREON GUARANTEED IF REQUIRED BY INSTRUCTION 1 TO SUCH LETTERS OF TRANSMITTAL, MAIL OR DELIVER ONE OF SUCH LETTERS OF TRANSMITTAL (OR SUCH FACSIMILE THEREOF) AND ANY OTHER REQUIRED DOCUMENTS TO THE DEPOSITARY AND EITHER DELIVER THE CERTIFICATES FOR SUCH SHARES AND, IF SEPARATE, THE CERTIFICATES REPRESENTING THE ASSOCIATED RIGHTS (AS DEFINED HEREIN) TO THE DEPOSITARY ALONG WITH ONE OF SUCH LETTERS OF TRANSMITTAL (OR A FACSIMILE THEREOF) OR DELIVER SUCH SHARES (AND RIGHTS, IF APPLICABLE) PURSUANT TO THE PROCEDURE FOR BOOK-ENTRY TRANSFER SET FORTH IN SECTION 3 OF THE OFFER TO PURCHASE (AS DEFINED HEREIN) PRIOR TO THE EXPIRATION OF THE OFFER OR (II) REQUEST SUCH SHAREHOLDER'S BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO EFFECT THE TRANSACTION FOR SUCH SHAREHOLDER. A SHAREHOLDER HAVING SHARES (AND, IF APPLICABLE, RIGHTS) REGISTERED IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE MUST CONTACT SUCH BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE IF SUCH SHAREHOLDER DESIRES TO TENDER SUCH SHARES (AND, IF APPLICABLE, RIGHTS). UNLESS AND UNTIL PURCHASER DECLARES THAT THE RIGHTS CONDITION (AS DEFINED IN THE OFFER TO PURCHASE) IS SATISFIED, SHAREHOLDERS WILL BE REQUIRED TO TENDER ONE RIGHT FOR EACH SHARE TENDERED IN ORDER TO EFFECT A VALID TENDER OF SUCH SHARE. THE TENDER OF RIGHTS IS ALSO REQUIRED FOR THE VALID TENDER OF ESOP PREFERRED SHARES.

PARTICIPANTS IN THE COMPANY'S MATCHED SAVINGS PLAN (THE "ESOP") DESIRING THAT FIDELITY MANAGEMENT TRUST COMPANY, AS TRUSTEE UNDER THE ESOP (THE "ESOP TRUSTEE"), TENDER THE ESOP PREFERRED SHARES ALLOCATED TO THEIR ACCOUNTS, WHICH WILL BE CONVERTED INTO COMMON SHARES UPON CONSUMMATION OF THE OFFER, SHOULD SO INSTRUCT THE ESOP TRUSTEE BY COMPLETING THE FORM THAT WILL BE PROVIDED TO PARTICIPANTS FOR THAT PURPOSE. ESOP PARTICIPANTS CANNOT TENDER SHARES ALLOCATED TO THEIR ESOP ACCOUNTS BY EXECUTING ONE OF THE LETTERS OF TRANSMITTAL.

ANY SHAREHOLDER WHO DESIRES TO TENDER SHARES (AND, IF APPLICABLE, RIGHTS) AND WHOSE CERTIFICATES FOR SUCH SHARES (AND, IF APPLICABLE, RIGHTS) ARE NOT IMMEDIATELY AVAILABLE, OR WHO CANNOT COMPLY WITH THE PROCEDURES FOR BOOK-ENTRY TRANSFER DESCRIBED IN THE OFFER TO PURCHASE ON A TIMELY BASIS, MAY TENDER SUCH SHARES (AND, IF APPLICABLE, RIGHTS) BY FOLLOWING THE PROCEDURES FOR GUARANTEED DELIVERY SET FORTH IN SECTION 3 OF THE OFFER TO PURCHASE.

QUESTIONS AND REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO THE INFORMATION AGENT OR THE DEALER MANAGERS AT THEIR RESPECTIVE ADDRESSES AND TELEPHONE NUMBERS SET FORTH ON THE BACK COVER OF THIS SECOND SUPPLEMENT. ADDITIONAL COPIES OF THE OFFER TO PURCHASE, THE FIRST SUPPLEMENT (AS DEFINED HEREIN), THIS SECOND SUPPLEMENT, THE REVISED LETTER OF TRANSMITTAL OR OTHER TENDER OFFER MATERIALS MAY BE OBTAINED FROM THE INFORMATION AGENT.

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

INTRODUCTION

The following information amends and supplements the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as previously amended and supplemented by the Supplement to the Offer to Purchase, dated November 8, 1996 (the "First Supplement"), of Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), pursuant to which Purchaser is offering to purchase all outstanding shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"). Purchaser has increased the price to be paid in the Offer (as defined below) to \$115 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, as amended and supplemented by the First Supplement and this Second Supplement, and in the revised Letter of Transmittal (which, as amended from time to time, collectively constitute the "Offer"). Unless the context otherwise requires, all references to Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights, and all references to the Rights shall include the benefits that may enure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. Parent is seeking to negotiate with the Company a definitive merger agreement pursuant to which the Company would, as soon as practicable following consummation of the Offer, consummate a merger or similar business combination with Purchaser or another direct or indirect subsidiary of Parent (the "Proposed Merger"). In the Proposed Merger, each Common Share and ESOP Preferred Share then outstanding (other than Shares held by the Company or any subsidiary of the Company and Shares owned by Parent, Purchaser or any direct or indirect subsidiary of Parent) would be converted into the right to receive an amount in cash equal to the price per Common Share and ESOP Preferred Share paid pursuant to the Offer. If Purchaser acquires 80% or more of the outstanding Shares in the Offer, Purchaser intends to effect the Proposed Merger as a "short-form" merger under the Pennsylvania Business Corporation Law (the "PBCL"), without a vote of the Company's shareholders or the Board of Directors of the Company (the "Company Board"). See Sections 11 and 12 of the Offer to Purchase, Sections 5 and 6 of the First Supplement and Sections 7 and 8 of this Second Supplement.

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

The Offer is no longer conditioned upon the satisfaction or waiver of either the Voting Trust Approval Condition or the HSR Condition. See Sections 9 and 10 of this Second Supplement.

On November 21, 1996, CSX announced that Green Acquisition Corp., a wholly owned subsidiary of CSX, had accepted for payment in the CSX Offer 17,860,124 Shares, purportedly representing 19.9% of the Company's then outstanding Shares. The CSX Offer expired at midnight, New York City time, on Wednesday, November 20, 1996.

On December 6, 1996, CSX commenced a second tender offer (the "CSX Second Offer") to purchase for cash an aggregate of up to 18,344,845 Shares of the Company at a price of \$110 in cash per Share. The CSX Second Offer is currently scheduled to expire at 5 p.m., New York City time, on January 22, 1997, unless extended.

On December 19, 1996, the Company and CSX announced that an amendment to the CSX Merger Agreement (the "Second Amendment") had been entered into pursuant to which CSX increased the consideration to be paid in the Proposed CSX Merger. Pursuant to the Second Amendment, the 60% of the Shares expected to be outstanding at the time of the consummation of the Proposed CSX Merger (assuming the Proposed CSX Merger is consummated) and not owned by CSX will be exchanged for (i) CSX Common Stock at a rate of 1.85619 Shares of CSX Common Stock for each Share and (ii) an additional \$16 per Share in CSX convertible preferred stock, the terms of which will be set prior to the Proposed CSX Merger so that such securities would trade at par on a fully distributed basis. Based on the closing sale price of the CSX Common Stock on the New York Stock Exchange (the "NYSE") on December 19, 1996, the total per Share consideration in the Proposed CSX Merger was worth approximately \$97.21.

By reason of the increase in the Offer Price, the increased punitive effect of the CSX Lockup Option on Parent will be approximately \$80 million. On such basis, in the event that the CSX Termination Fee is paid and the CSX Lockup Option Agreement is exercised by CSX, the aggregate additional cost to an acquiror of the Company (including Parent) by reason of the CSX Lockup Option Agreement and the CSX Termination Fee will amount to approximately \$660 million (assuming an acquisition of the Company at \$115 per Share). In the Pennsylvania Litigation, Parent and Purchaser are contesting the validity of both the CSX Lockup Option Agreement and the CSX Termination Fee. See Section 15 of the Offer to Purchase and Section 8 of the First Supplement.

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

In the Second Amendment, the Company also agreed to extend the term of the No Negotiation Provision from July 12, 1997 to December 31, 1998, with the intended effect of preventing the Company from considering or otherwise facilitating any competing proposal to acquire the Company, such as the Offer and the Proposed Merger, until such time.

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

Also on December 19, 1996, the Company announced that the date of the special meeting of the Company's shareholders (the "Pennsylvania Special Meeting") to seek approval of an amendment (the "Articles Amendment") to the Company's Articles of Incorporation to "opt out" of Subchapter E of Chapter 25 of the PBCL had been changed to January 17, 1997. Parent has been soliciting proxies against the adoption of the Articles Amendment and intends to continue to solicit proxies against the Articles Amendment at any meeting of the Company's shareholders held to consider the Articles Amendment.

THIS SECOND SUPPLEMENT DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR THE PENNSYLVANIA SPECIAL MEETING OR ANY OTHER MEETING OF THE COMPANY'S SHAREHOLDERS. ANY SUCH SOLICITATION WHICH PARENT OR PURCHASER MIGHT MAKE WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT").

THE OFFER TO PURCHASE, THE FIRST SUPPLEMENT, THIS SECOND SUPPLEMENT AND THE REVISED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER; EXPIRATION DATE. The discussion set forth in Section 1 of the Offer to Purchase and Section 1 of the First Supplement is hereby amended and supplemented as follows:

The price to be paid for Shares purchased pursuant to the Offer has been increased from \$110 to \$115 per Share, net to the seller in cash without interest thereon, upon the terms and subject to the conditions of the Offer.

As previously announced, the term "Expiration Date" has been amended to mean 12:00 Midnight, New York City time, on Friday, January 10, 1997, unless and until Purchaser, in its sole discretion, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

2. PROCEDURES FOR TENDERING SHARES. The discussion set forth in Section 3 of the Offer to Purchase and Section 2 of the First Supplement is hereby amended and supplemented as follows:

The revised Letter of Transmittal and the revised Notice of Guaranteed Delivery distributed with this Second Supplement may be used to tender Shares. Tendering shareholders may also continue to use the Letters of Transmittal and the Notices of Guaranteed Delivery previously distributed with the Offer to Purchase or the First Supplement to tender Shares.

SHAREHOLDERS WHO HAVE PREVIOUSLY VALIDLY TENDERED SHARES PURSUANT TO THE OFFER AND NOT PROPERLY WITHDRAWN SUCH SHARES HAVE VALIDLY TENDERED SUCH SHARES FOR PURPOSES OF THE OFFER, AS AMENDED, AND NEED NOT TAKE ANY FURTHER ACTION IN ORDER TO RECEIVE THE INCREASED PRICE OF \$115 NET PER SHARE PURSUANT TO THE OFFER.

3. PRICE RANGE OF SHARES; DIVIDENDS. The discussion set forth in Section 6 of the Offer to Purchase and Section 3 of the First Supplement is hereby amended and supplemented as follows:

According to public sources, the high and low closing sale prices per Common Share on the NYSE for the Fourth Quarter of 1996 (through December 19, 1996) were \$100 3/4 and \$68 1/2, respectively. On December 19, 1996, the last full trading day prior to Parent's announcement that it was amending the terms of the Offer upon the terms set forth in this Second Supplement, the reported closing sale price per Common Share on the NYSE Composite Tape was \$100 3/4. SHAREHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE COMMON SHARES.

According to public sources, the Company paid its regular quarterly cash dividend of \$0.475 per Common Share on December 16, 1996.

4. CERTAIN INFORMATION CONCERNING THE COMPANY. The discussion set forth in Section 8 of the Offer to Purchase is hereby amended and supplemented as follows:

Financial Information. Set forth below is certain selected consolidated financial information relating to the Company and its subsidiaries which has been excerpted or derived from the unaudited financial statements contained in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996 (the "Company Form 10-Q") and other documents filed by the Company with the SEC. More comprehensive financial information is included in the Company Form 10-Q and such other documents, and the financial information that follows is qualified in its entirety by reference to the Company Form 10-Q and such other documents. The Company Form 10-Q and such other documents may be examined and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth in Section 8 of the Offer to Purchase.

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30,	
1996	1995

INCOME STATEMENT DATA:

Revenues	\$2,771	\$2,735
Operating expenses	2,413	2,233
Operating income	358	502
Net income to common shareholders	195	294

INCOME PER COMMON SHARE INFORMATION:

Net earnings per Common Share		
Primary	2.39	3.61
Fully diluted	2.21	3.28

AT SEPTEMBER 30,	
1996	1995

BALANCE SHEET DATA:

Current assets	\$1,199	\$1,187
Property and equipment (net)	6,495	6,680
Total assets	8,387	8,683
Current liabilities	1,250	1,238
Long-term debt, excluding current portion	1,891	2,037
Total shareholders' equity	2,938	3,080

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5. CERTAIN INFORMATION CONCERNING PARENT AND PURCHASER. The discussion set forth in Section 9 of the Offer to Purchase is hereby amended and supplemented as follows:

Parent. Set forth below is certain selected consolidated financial information relating to Parent and its subsidiaries which has been excerpted or derived from the unaudited financial statements contained in Parent's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996 (the "Parent Form 10-Q") and other documents filed by Parent with the SEC. More comprehensive financial information is included in the Parent Form 10-Q and such other documents, and the financial information that follows is qualified in its entirety by reference to the Parent Form 10-Q and such other documents. The Parent Form 10-Q and such other documents may be examined and copies may be obtained from the offices of the SEC or the NYSE in the manner set forth in Section 9 of the Offer to Purchase.

NORFOLK SOUTHERN CORPORATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30,	
1996	1995

INCOME STATEMENT DATA:

Revenues	\$ 3,590.1	\$ 3,512.8
Operating expenses	2,702.9	2,681.5
Operating income	887.2	831.3
Net income to common shareholders	569.9	535.8

NET INCOME PER COMMON SHARE: 4.49 4.07

AT SEPTEMBER 30,

	1996	1995
--	------	------

BALANCE SHEET DATA:

Current assets	\$ 1,456.6	\$ 1,340.3
Property and equipment (net)	9,460.2	9,233.1
Total assets	11,261.5	10,872.9
Current liabilities	1,208.4	1,180.9
Long-term debt, excluding current portion	1,811.2	1,588.3
Total shareholders' equity	4,854.6	4,808.1

6. SOURCE AND AMOUNT OF FUNDS. The discussion set forth in Section 10 of the Offer to Purchase and Section 4 of the First Supplement is hereby amended and supplemented as follows:

Purchaser estimates that the total amount of funds now required to acquire Shares pursuant to the Offer and the Proposed Merger (in each case as amended as described in this Second Supplement), to pay all related costs and expenses, to refinance Parent's and the Company's existing debt and for working capital purposes will be approximately \$13 billion.

As of December 19, 1996, signed commitments (including the commitments of the Arrangers and their affiliates as Lenders) in excess of the amount needed to complete Parent's proposed acquisition of the Company had been received by the Arrangers from banks and other financial institutions (the "Potential Syndicate Members") in respect of the \$12.5 billion financing for Parent's \$110 per Share Offer described in the Summary of Terms and Conditions previously filed as an exhibit to the Schedule 14D-1, as amended, of Parent and Purchaser filed in connection with the Offer (the "Schedule 14D-1"). The respective commitments of the Potential Syndicate Members will expire on March 1, 1997 if a satisfactory definitive credit agreement is not entered into on or prior to such date.

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In order to finance the Offer and the Proposed Merger at the \$115 per Share Offer Price, Parent has begun the process of seeking confirmations from the Potential Syndicate Members that their respective commitments may apply to a \$13 billion (as opposed to a \$12.5 billion) financing for Parent in connection with the \$115 per Share Offer Price. Parent has already received oral confirmations from the Arrangers (and their affiliates as Lenders) in respect of their original commitments of \$2 billion each, and Parent and the Arrangers are highly confident that such confirmations will also be received from the other Potential Syndicate Members in respect of their original commitments in the near future. The terms and conditions on which the Potential Syndicate Members would be willing to make such confirmations, as well as the structure and pricing they may require for a larger financing, may vary from those previously disclosed by Parent and Purchaser in the Schedule 14D-1, as modified by the disclosure immediately below.

After giving effect to the confirmations being sought from the Potential Syndicate Members, it is contemplated that the size and scheduled maturities of the three term loan facilities included in the Credit Facility will be as described below. One term loan facility will have a principal amount of \$3.5 billion, \$1 billion of which will be repayable on the first anniversary of the initial borrowing under the Credit Facility and the remainder of which will be repayable on the date (the "Final Term Loan I Maturity Date") which is the earlier of (i) six months from the date on which the STB issues its final order with respect to the acquisition of control of the Company by Parent and (ii) the third anniversary of the Closing Date. The second term loan facility will have a principal amount of \$3.5 billion repayable 24 months after the Final Term Loan I Maturity Date. The third term loan facility will have a principal amount of \$3 billion repayable in unequal quarterly installments during the period from and including March 31, 1997 (subject to extension under certain circumstances) through and including June 30, 2003. It is contemplated that the size and maturity of the revolving portion of the Credit Facility will continue to be as previously disclosed.

To the extent Parent elects that any loans under the Credit Facility bear interest at a rate based on the adjusted CD rate, it is currently anticipated

that such loans shall bear interest at the adjusted CD rate plus a margin which will initially be .875% and may be adjusted depending upon Parent's senior unsecured long-term debt ratings following the announcement of the Offer to between .350% and .100%.

It is currently anticipated that, during all times that both the Parent's senior unsecured long-term debt and the loans under the Credit Facility have ratings below subinvestment grade, such loans will bear interest at a rate per annum equal to the rates described in the Schedule 14D-1 (as modified hereby in the case of adjusted CD rate loans) that would otherwise be applicable to such loans plus an additional margin of .125%.

7. BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY. The discussion set forth in Section 11 of the Offer to Purchase and Section 5 of the First Supplement is hereby amended and supplemented as follows.

On December 8, 1996, Parent announced its pledge that it will not be a party to any agreement with CSX or the Company that delivers anything less to the Company's shareholders than a \$110 all-cash, all-Shares offer -with prompt payment through use of a voting trust --so long as the Company's shareholders reject the maneuvering by CSX and the Company's management to pay shareholders less than what Parent believes the Company's shareholders deserve for their Shares.

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

December 11, 1996

BY FAX

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

Attn: Chairman

Gentlemen:

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

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

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

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

Very truly yours,

/s/ DAVID R. GOODE

David R. Goode

Parent has extended such pledge to its \$115 per Share Offer.

8. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY; CERTAIN CONSIDERATIONS. The discussion set forth in Section 12 of the Offer to Purchase and Section 6 of the First Supplement is hereby amended and supplemented as follows:

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

9. CONDITIONS OF THE OFFER. The discussion set forth in the Introduction and Sections 1 and 14 of the Offer to Purchase and the Introduction to the First Supplement is hereby amended and supplemented as follows:

On November 18, 1996, the staff of the STB issued an informal, nonbinding opinion to the effect that the Voting Trust Agreement, as proposed by Parent to be modified to delete the "proportional voting" provision modelled on CSX's proposed voting trust agreement, is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. In the same opinion, the staff of the

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STB reaffirmed its November 1, 1996 informal, nonbinding opinion concerning the Voting Trust Agreement as originally proposed and rejected various arguments submitted by the Company requesting the staff to rescind such November 1 opinion. Accordingly, Purchaser has determined that the Offer is no longer subject to the satisfaction or waiver of the Voting Trust Approval Condition.

On the basis of a confirmation from the Premerger Office of the FTC that the Offer and the Proposed Merger are not subject to, or are exempt from, the HSR Act, Purchaser also has determined that the Offer is no longer subject to the satisfaction or waiver of the HSR Condition.

10. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS; CERTAIN LITIGATION. The discussion set forth in Section 15 of the Offer to Purchase and Section 8 of the First Supplement is hereby amended and supplemented as follows:

STB Matters; The Voting Trust. On November 18, 1996, the staff of the STB issued an informal, nonbinding opinion to the effect that the Voting Trust Agreement (as amended) is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. See Section 9 of this Second Supplement.

STB Matters; Acquisition of Control. On November 27, 1996, the STB requested public comment on a proposed schedule pursuant to which the STB would issue a final order 300 days from the filing of the application (the "STB Application") by Parent seeking approval of the Proposed Merger. Parent has not yet filed the STB Application. The STB is required by statute to enter a final order with respect to the STB Application within approximately 16 months after it is filed. The STB's proposed schedule is subject to a public comment process with written comments due no later than December 13, 1996 and Parent's reply due by December 23, 1996, after which the STB is then expected to issue a final schedule which may or may not be identical to the proposed schedule. Regardless of the final scheduling order, there can be no assurance that the STB will issue a final decision any sooner than the approximately 16-month period permitted by law, or that the decision, when issued, will be favorable to the Proposed Merger.

Certain Litigation. On November 15, 1996, Parent, Purchaser and a Company shareholder (collectively, the "Plaintiffs") filed a Motion for Leave to Supplement and Amend the Complaint in the litigation (the "Pennsylvania Litigation") brought by Plaintiffs against the Company, its directors and CSX (collectively, the "Defendants") in the United States District Court for the Eastern District of Pennsylvania (the "District Court"). On December 5, 1996, Defendants consented to such motion, and Plaintiffs filed their Second Amended Complaint with the District Court on December 12, 1996. In the Second Amended Complaint, Plaintiffs updated the description of counts contained in their earlier complaints and added certain additional allegations of disclosure and fiduciary duty violations relating to such updated description

of events. In particular, inter alia, the Second Amended Complaint included allegations (i) concerning the coercive front-end loaded, two-tier structure of the Proposed CSX Transaction (and the fundamental unfairness thereof) and (ii) concerning material misrepresentations and omissions by Defendants in connection with the supplement to CSX's Offer to Purchase and with the Company Board's Schedule 14D-9 statements relating to the Proposed CSX Transaction and Parent's Offer and Proposed Merger.

On November 19, 1996, the District Court issued an oral ruling denying Plaintiffs' motion for preliminary injunctive relief after two days of hearings. After the ruling, Plaintiffs asked the District Court for an injunction pending appeal which was denied. On the same date, Plaintiffs filed an emergency motion for an injunction pending appeal and a motion seeking an expedited appeal to the United States Court of Appeals for the Third Circuit (the "Third Circuit"). On November 20, 1996, the Third Circuit denied Plaintiffs' motion for an injunction pending appeal.

On November 21, 1996, Parent announced that, in view of CSX's purchase of 19.9% of the Shares pursuant to the CSX Offer, no purpose would be served by seeking expedited review by the Third Circuit of the decision not to enjoin the CSX Offer. While the closing of the CSX Offer has made the need for an expedited review unnecessary, Parent continues to pursue its appeal on an unexpedited basis.

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

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

On December 17, 1996, the District Court held a hearing to consider Plaintiffs' Motion for a Preliminary Injunction. At the conclusion of the hearing, the District Court issued an order enjoining the Defendants from failing to convene, and/or from postponing, and/or from adjourning the

Pennsylvania Special Meeting scheduled for Monday, December 23, 1996, by reason of the Company or its nominees not having received sufficient proxies to assure approval of the proposal set forth in the Company's "Notice of Special Meeting of Shareholders" and in the Company's proxy materials to "opt-out" of Subchapter E of Chapter 25 of the PBCL.

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

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

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

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

ATLANTIC ACQUISITION CORPORATION

December 20, 1996

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

The Depositary for the Offer is:

THE BANK OF NEW YORK

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

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

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

For Information Telephone:
(800) 507-9357

Any questions or requests for assistance may be directed to the Information Agent or the Dealer Managers at their respective telephone numbers and locations listed below. Additional copies of the Offer to

Purchase, the First Supplement, this Second Supplement, the revised Letter of Transmittal and the revised Notice of Guaranteed Delivery may be obtained from the Information Agent at its address and telephone numbers set forth below. Holders of Shares may also contact their broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

[GEORGESON & COMPANY INC. LOGO]

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

The Dealer Managers for the Offer are:

J.P. MORGAN & CO.	MERRILL LYNCH & CO.
60 Wall Street	World Financial Center
Mail Stop 2860	North Tower
New York, New York 10260	New York, New York 10281-1305
(800) 576-5070 (toll free)	(212) 449-8211 (call collect)

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK AND
SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
OF

CONRAIL INC.

PURSUANT TO THE OFFER TO PURCHASE, DATED OCTOBER 24, 1996
AS AMENDED AND SUPPLEMENTED BY
THE SUPPLEMENT, DATED NOVEMBER 8, 1996,
AND THE SECOND SUPPLEMENT, DATED DECEMBER 20, 1996
BY

ATLANTIC ACQUISITION CORPORATION,
A WHOLLY OWNED SUBSIDIARY
OF
NORFOLK SOUTHERN CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY
TIME, ON FRIDAY, JANUARY 10, 1997, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:
THE BANK OF NEW YORK

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

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

For Information Telephone:
(800) 507-9357

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

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

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

THIS REVISED LETTER OF TRANSMITTAL OR EITHER OF THE LETTERS OF TRANSMITTAL
PREVIOUSLY DELIVERED TO SHAREHOLDERS IS TO BE COMPLETED BY SHAREHOLDERS OF
CONRAIL INC. EITHER IF CERTIFICATES EVIDENCING SHARES AND/OR RIGHTS (EACH AS
DEFINED BELOW) ARE TO BE FORWARDED HERewith, OR IF DELIVERY OF SHARES AND/OR
RIGHTS IS TO BE MADE BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT
THE DEPOSITARY TRUST COMPANY OR THE PHILADELPHIA DEPOSITARY TRUST COMPANY
(EACH, A "BOOK-ENTRY TRANSFER FACILITY" AND COLLECTIVELY, THE "BOOK-ENTRY
TRANSFER FACILITIES") PURSUANT TO THE BOOK-ENTRY TRANSFER PROCEDURE DESCRIBED
IN "PROCEDURES FOR TENDERING SHARES" OF THE OFFER TO PURCHASE AS SUPPLEMENTED
BY THE FIRST SUPPLEMENT AND THE SECOND SUPPLEMENT (EACH AS DEFINED BELOW).
DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH
SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY
TO THE DEPOSITARY.

SHAREHOLDERS WHO HAVE PREVIOUSLY VALIDLY TENDERED SHARES AND/OR RIGHTS TO
SHAREHOLDERS PURSUANT TO THE OFFER USING EITHER OF THE LETTERS OF TRANSMITTAL
PREVIOUSLY DELIVERED TO SHAREHOLDERS OR EITHER OF THE NOTICES OF GUARANTEED
DELIVERY PREVIOUSLY DELIVERED TO SHAREHOLDERS AND WHO HAVE NOT PROPERLY
WITHDRAWN SUCH SHARES AND/OR RIGHTS HAVE VALIDLY TENDERED SUCH SHARES AND/OR
RIGHTS FOR THE PURPOSES OF THE OFFER, AS AMENDED, AND NEED NOT TAKE ANY
FURTHER ACTION.

Unless the Rights are redeemed prior to the Expiration Date (as defined in

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

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

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

Name of Tendering Institution: _____

Check Box of Applicable Book-Entry Transfer Facility:

- [] The Depository Trust Company
[] Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

2

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

Name of Tendering Institution: _____

Check Box of Applicable Book-Entry Transfer Facility:

- [] The Depository Trust Company
[] Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

[] CHECK HERE IF TENDERED SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF

GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

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

Window Ticket No. (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

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

☐ The Depository Trust Company

☐ Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

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

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

Window Ticket No. (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

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

☐ The Depository Trust Company

☐ Philadelphia Depository Trust Company

Account Number _____

Transaction Code Number _____

3

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	SHARE CERTIFICATE(S) TENDERED (ATTACH ADDITIONAL LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S) *	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)	NUMBER OF SHARES TENDERED**
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). Unless the context requires otherwise, all references herein to the Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights, and all references to the Rights shall include all benefits that may inure to the holders of the Rights pursuant to the Rights Agreement.

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

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

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

By executing this Letter of Transmittal, the undersigned irrevocably appoints David R. Goode, James C. Bishop, Jr. and Henry C. Wolf as proxies of the undersigned, each with full power of substitution, to the full extent of the undersigned's rights with respect to the Shares and Rights tendered by the undersigned and accepted for payment by Purchaser (and any and all

Distributions). All such proxies shall be considered coupled with an interest in the tendered Shares and Rights. This appointment will be effective if, when, and only to the extent that, Purchaser accepts such Shares and Rights for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Shares, Rights, Distributions and other securities will, without further action, be revoked, and no subsequent proxies may be given. The individuals named above as proxies will, with respect to the Shares, Rights, Distributions and other

securities for which the appointment is effective, be empowered (subject to the terms of the Voting Trust Agreement (as defined in the Offer to Purchase) so long as it shall be in effect with respect to the Shares) to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, by written consent or otherwise, and Purchaser reserves the right to require that, in order for Shares, Rights, Distributions or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares and Rights, Purchaser or Purchaser's designee must be able to exercise full voting rights with respect to such Shares and Rights.

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

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

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

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

hereby.

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SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7 OF THIS
LETTER OF TRANSMITTAL)

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

Issue check and/or certificates to:

Name -----

(PLEASE PRINT)

Address -----

(INCLUDE ZIP CODE)

(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

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

Check appropriate box:

[] The Depository Trust Company

[] Philadelphia Depository Trust Company

ACCOUNT NUMBER

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7 OF THIS
LETTER OF TRANSMITTAL)

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

Mail check and/or certificates to:

Name -----

(PLEASE PRINT)

Address -----

(INCLUDE ZIP CODE)

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SIGN HERE
(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

(SIGNATURE(S) OF HOLDER(S))

Dated: , 199

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

Name(s) _____

(PLEASE PRINT)

Capacity (full title) _____

Address _____

(INCLUDE ZIP CODE)

Area Code and Telephone Number _____

Tax Identification or Social Security No. _____

(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5 OF THIS LETTER OF TRANSMITTAL)

Authorized Signature _____

Name _____

(PLEASE PRINT)

Title _____

Name of Firm _____

Address _____

(INCLUDE ZIP CODE)

Area Code and Telephone Number _____

Dated: _____, 199 _____

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INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

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

payment or not tendered is to be returned, to a person other than the registered holder(s), then the Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Certificate, with the signature(s) on such Certificate or stock powers guaranteed as described above. See Instruction 5.

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

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE SOLE OPTION AND RISK OF THE TENDERING SHAREHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

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

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

4. Partial Tenders. (Not applicable to shareholders who tender by

book-entry transfer.) If fewer than all the Shares or Rights evidenced by any Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares or Rights which are to be tendered in the box entitled "Number of Shares Tendered." In such cases, new Certificate(s) evidencing the remainder of the Shares or Rights that were evidenced by the Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions," as soon as practicable after the expiration or termination of the Offer. All Shares or Rights evidenced by Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

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

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

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

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

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

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

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

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATE(S) EVIDENCING THE SHARES TENDERED HEREBY.

7. Special Payment and Delivery Instructions. If a check for the purchase price of any Shares or Rights tendered hereby is to be issued, or Certificate(s) evidencing Shares or Rights not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to

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

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

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

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

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF), PROPERLY COMPLETED AND DULY EXECUTED, WITH ANY REQUIRED SIGNATURE GUARANTEES, OR AN AGENT'S MESSAGE (TOGETHER WITH SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A PROPERLY COMPLETED AND DULY EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE SECOND SUPPLEMENT).

IMPORTANT TAX INFORMATION

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

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and

reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

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

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares or Rights purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting

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a TIN), and (b) that (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

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

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PAYER'S NAME: THE BANK OF NEW YORK, AS DEPOSITARY

SUBSTITUTE
FORM W-9
Department of the Treasury
Internal Revenue Service

Part I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT
RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

Social Security Number
OR

Employer Identification
Number
(If awaiting TIN write
"Applied For")

PAYER'S REQUEST FOR
TAXPAYER IDENTIFICATION
NUMBER (TIN)

PART II -- For Payees Exempt From Backup Withholding, see the enclosed
Guidelines and complete as instructed therein.

CERTIFICATION -- Under penalties of perjury, I certify that:

- (1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ("IRS") or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number), and
- (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends or (c) the IRS has notified me that I am no longer subject

to backup withholding.

CERTIFICATE INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)

SIGNATURE _____

DATE _____, 199 _____

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

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

THE INFORMATION AGENT FOR THE OFFER IS:

GEORGESON
& COMPANY INC.

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

THE DEALER MANAGERS FOR THE OFFER ARE:

J.P. Morgan & Co.
60 Wall Street
Mail Stop 2860
New York, New York 10260
(800) 576-5070 (toll free)

Merrill Lynch & Co.
World Financial Center
North Tower
New York, New York 10281-1305
(212) 449-8211 (call collect)

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF
COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
OF
CONRAIL INC.
TO
ATLANTIC ACQUISITION CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF
NORFOLK SOUTHERN CORPORATION
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

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

The Depositary for the Offer is:
THE BANK OF NEW YORK

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

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

For Information Telephone:
(800) 507-9357

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

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

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

LADIES AND GENTLEMEN:

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

"Procedures for Tendering Shares" of the Offer to Purchase, the First Supplement and the Second Supplement.

Number of Shares (including the associated Rights): _____

Name(s) of Record Holder(s) _____

(PLEASE TYPE OR PRINT)

Address(es): _____
(INCLUDE ZIP CODE)

Area Code and Telephone Number: _____

Certificate Number(s) (if available) _____

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

☐ The Depository Trust Company

☐ Philadelphia Depository Trust Company

Signature(s): _____

Account Number _____

Dated _____, 199_____

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GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

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

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

Eligible Institution.

Name of Firm:

(AUTHORIZED SIGNATURE)

Address:

(INCLUDE ZIP CODE)

Area Code and
Telephone Number:

Name:

(PLEASE TYPE OR PRINT)

Title:

Date _____, 199

NOTE: DO NOT SEND CERTIFICATES FOR SHARES OR RIGHTS WITH THIS NOTICE. SUCH
CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

ATLANTIC ACQUISITION CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF

NORFOLK SOUTHERN CORPORATION

HAS INCREASED THE PRICE OF ITS
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES

OF
COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
OF
CONRAIL INC.
TO
\$115 NET PER SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY
TIME, ON FRIDAY, JANUARY 10, 1997, UNLESS THE OFFER IS EXTENDED.

December 20, 1996

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been engaged by Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to act as Dealer Managers in connection with Purchaser's offer to purchase all outstanding shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated July 19, 1989, by and between the Company and First Chicago Trust Company of New York, as Rights Agent (as amended, the "Rights Agreement") at a price of \$115 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), the Supplement, dated November 8, 1996 (the "First Supplement"), the Second Supplement, dated December 20, 1996 (the "Second Supplement"), and the revised Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). The Second Supplement and the revised Letter of Transmittal are enclosed herewith.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Second Supplement), holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the First Supplement) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to the number of Shares tendered must be delivered to the Depositary (as defined in the Offer to Purchase)

or, if available, a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depositary with respect thereto. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Offer, Rights may be tendered prior to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a

tender of Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depositary within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depositary receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the relating Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Offer and such shareholder's Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the revised Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

THE OFFER IS NOW CONDITIONED UPON, AMONG OTHER THINGS, PRIOR TO THE EXPIRATION OF THE OFFER, (1) PARENT AND PURCHASER HAVING OBTAINED, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER, (2) THERE BEING VALIDLY TENDERED AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF COMMON SHARES AND ESOP PREFERRED SHARES WHICH TOGETHER CONSTITUTE AT LEAST A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS, (3) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F OF CHAPTER 25 OF THE PENNSYLVANIA BUSINESS CORPORATION LAW HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER, (4) THE RIGHTS HAVING BEEN REDEEMED BY THE BOARD OF DIRECTORS OF THE COMPANY OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUCH RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER AND (5) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER, AS AMENDED, BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Second Supplement, dated December 20, 1996;
2. Revised Letter of Transmittal to be used by holders of Shares and Rights in accepting the Offer and tendering Shares and/or Rights;
3. Revised Notice of Guaranteed Delivery to be used to accept the Offer if the certificates evidencing such Shares and/or Rights are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis;
4. A revised letter which may be sent to your clients for whose accounts you hold Shares and/or Rights registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;
5. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. Return envelope addressed to the Depositary.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will purchase, by accepting for payment, and will pay for, all

Shares (and, if applicable, Rights) validly tendered prior to the Expiration Date promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in "Conditions of the Offer" of the Offer to Purchase as supplemented by the First Supplement and the Second Supplement. For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares and Rights if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares and Rights for payment. In all cases, payment for Shares and Rights purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares and Rights or timely confirmation of a book-entry transfer of such Shares and Rights, if such procedure is available, into the Depositary's account at The Depositary Trust Company or the Philadelphia Depositary Trust Company pursuant to the procedures set forth in "Procedures for Tendering Shares" of the Offer to Purchase, as supplemented by the First Supplement and the Second Supplement, (ii) the revised Letter of Transmittal delivered herewith or one of the Letters of Transmittal previously delivered to you (or any facsimilies of such Letters of Transmittal), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the revised Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Managers and the Information Agent as described in "Fees and Expenses" of the Offer to Purchase) in connection with the solicitation of tenders of Shares and Rights pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the revised Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, JANUARY 10, 1997, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Depositary, and certificates evidencing the tendered Shares or Rights should be delivered or such Shares and/or Rights should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the revised Letter of Transmittal, the Offer to Purchase, the First Supplement and the Second Supplement.

If holders of Shares and/or Rights wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures specified under "Procedures for Tendering Shares" of the Offer to Purchase as supplemented by the First Supplement and the Second Supplement.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Managers or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase, the First Supplement or the Second Supplement.

Additional copies of the enclosed materials may be obtained from J.P. Morgan Securities Inc. at 60 Wall Street, New York, New York 10260, telephone (800) 576-5070 (Toll Free), Merrill Lynch & Co. at World Financial Center, North Tower, New York, New York 10281-1305, telephone (212) 449-8211 (Collect) or the Information Agent, Georgeson & Company Inc. at Wall Street Plaza, New York, New York 10005, telephone (800) 223-2064 (Toll Free).

Very truly yours,

J.P. MORGAN & CO.

MERRILL LYNCH & CO.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PARENT, PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGERS, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE

ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER
THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

ATLANTIC ACQUISITION CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF

NORFOLK SOUTHERN CORPORATION

HAS INCREASED THE PRICE OF ITS
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES

OF

COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)

OF

CONRAIL INC.

TO

\$115 NET PER SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY
TIME, ON FRIDAY, JANUARY 10, 1997, UNLESS THE OFFER IS EXTENDED.

December 20, 1996

To Our Clients:

Enclosed for your consideration is the Second Supplement, dated December 20, 1996 (the "Second Supplement"), to the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), as supplemented by the Supplement, dated November 8, 1996 (the "First Supplement"), and the revised Letter of Transmittal (which, as amended from time to time, collectively constitute the "Offer") in connection with the offer by Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to purchase all of the outstanding shares of (i) common stock, par value \$1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement") at a price of \$115 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer. All references herein to the Common Shares, ESOP Preferred Shares, or Shares shall, unless the context otherwise requires, include the associated Rights.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Second Supplement), holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the First Supplement) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and (i) Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) Rights Certificates (as defined in the

Offer to Purchase) have been distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the Offer, in order for Rights (and the corresponding Shares) to be validly tendered, Rights Certificates representing a number of Rights equal to the number of Shares tendered must be delivered to the Depositary (as defined in the Offer to Purchase) or, if available, a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depositary with respect thereto. If the Distribution Date has occurred and (i) Purchaser has waived that portion of the Rights Condition requiring that a Distribution Date not have occurred and (ii) Rights Certificates have not been distributed prior to the time Shares are purchased pursuant to the Offer, Rights may be tendered prior

to a shareholder receiving Rights Certificates by use of the guaranteed delivery procedure described in Section 3 of the Offer to Purchase. In any case, a tender of Shares constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depository within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depository receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the related Shares for payment pursuant to the Offer if the Distribution Date has occurred prior to the Expiration Date.

If a shareholder desires to tender Shares and Rights pursuant to the Offer and such shareholder's Share Certificates (as defined in the Offer to Purchase) or, if applicable, Rights Certificates are not immediately available (including, if the Distribution Date has occurred and Purchaser waives that portion of the Rights Condition requiring that a Distribution Date not have occurred, because Rights Certificates have not yet been distributed) or time will not permit all required documents to reach the Depository prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares or Rights may nevertheless be tendered according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the revised Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depository.

THE MATERIAL IS BEING SENT TO YOU AS THE BENEFICIAL OWNER OF SHARES HELD BY US FOR YOUR ACCOUNT BUT NOT REGISTERED IN YOUR NAME. WE ARE THE HOLDER OF RECORD OF SHARES HELD BY US FOR YOUR ACCOUNT. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE REVISED LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price has been increased to \$115 per Share, net to the seller in cash.

2. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Friday, January 10, 1997, unless the Offer is extended.

3. The Offer is being made for all of the outstanding Shares.

4. The Offer is now conditioned upon, among other things, prior to the expiration of the Offer, (1) Parent and Purchaser having obtained, on terms reasonably acceptable to Parent, sufficient financing to enable consummation of the Offer and the Proposed Merger, (2) there being validly tendered and not properly withdrawn prior to the expiration of the Offer a number of Common Shares and ESOP Preferred Shares which together constitute at least a majority of the Shares outstanding on a fully diluted basis, (3) Purchaser being satisfied, in its sole discretion, that Subchapter F of Chapter 25 of the Pennsylvania Business Corporation Law has been complied with or is invalid or otherwise inapplicable to the Offer and the Proposed Merger, (4) the Rights having been redeemed by the Board of Directors of the Company or Purchaser being satisfied, in its sole discretion, that such Rights are invalid or otherwise inapplicable to the Offer and the Proposed Merger and (5) Purchaser being satisfied, in its sole discretion, that the previously announced Agreement and Plan of Merger, as amended, between the Company and CSX Corporation has been terminated in accordance with its terms or otherwise.

5. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the revised Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer.

The Offer is made solely by the Offer to Purchase, the First Supplement, the Second Supplement and the revised Letter of Transmittal and is being made to all holders of Shares. Purchaser is not aware of any state where the

making of the Offer

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is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by the Dealer Managers or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form contained in this letter. An envelope in which to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth in this letter. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

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

The undersigned acknowledge(s) receipt of your letter and the enclosed Second Supplement, dated December 20, 1996, and the revised Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"), in connection with the offer by Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to purchase all outstanding shares of (i) common stock, par value \$1.00 per share (the "Common Shares") and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent. All references herein to the Common Shares, ESOP Preferred Shares or Shares shall include the associated Rights.

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

NUMBER OF SHARES AND RIGHTS
TO BE TENDERED:*

Shares and Rights

- - - - -

Account Number: _____

Dated: _____, 199

SIGN HERE

Signature(s)

Please Type or Print Name(s)

Please Type or Print Address(es) Here

Area Code and Telephone Number

Taxpayer Identification or Social Security Number(s)

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