SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

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*	AMOUNT OF FILING FEE**
$11,165,630,500	$2,233,127

* 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 $100 net per share in cash. According to information included in the Solicitation/Recommendation Statement on Schedule 14D-9, dated October 16, 1996, filed by the Company with the Securities and Exchange Commission, on October 10, 1996, 80,178,281 Common Shares and 9,571,086 ESOP Preferred Shares were outstanding and 5,951,461 Common Shares were reserved for issuance pursuant to the Company's Long-Term Incentive Plans. Also according to such Schedule 14D-9, pursuant to a Stock Option Agreement, dated as of October 14, 1996, by and between the Company and CSX Corporation ("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.

[ ]* 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:	Not applicable	Filing Party:	Not applicable
Form or Registration No.:	Not applicable	Date Filed:	Not applicable

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14D-1

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
NORFOLK SOUTHERN CORPORATION (E.I.N.: 52-1188014)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [ ] (b) [X]

3. SEC USE ONLY

4. SOURCE OF FUNDS
BK, WC

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION
Virginia

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
0

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

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
0.0%

10. TYPE OF REPORTING PERSON
HC and CO

CUSIP NO. 208368 10 0 PAGE 2 OF 2

14D-1

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
ATLANTIC ACQUISITION CORPORATION (E.I.N.: Applied For)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [ ] (b) [X]

3. SEC USE ONLY

4. SOURCE OF FUNDS	AF
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) or 2(f)	[ ]
6. CITIZENSHIP OR PLACE OF ORGANIZATION	Pennsylvania
7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	100 Common Shares
8. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES	[ ]
9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)	0.0%
10. TYPE OF REPORTING PERSON	CO

ITEM 1. SECURITY AND SUBJECT COMPANY.

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

(b) This Tender Offer Statement on Schedule 14D-1 relates to the offer by Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), to purchase all outstanding shares of (i) Common Stock, par value $1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of the Company, including, in each case, the associated Common Stock Purchase Rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") at a purchase price of $100 per Share, net to the tendering shareholder in cash. According to information included in the Solicitation/Recommendation Statement on Schedule 14D-9, dated October 16, 1996, filed by the Company with the Securities and Exchange Commission, on October 10, 1996, 80,178,281 Common Shares and 9,571,086 ESOP Preferred Shares were outstanding and 5,951,461 Common Shares were reserved for issuance pursuant to the Company's Long-Term Incentive Plans. Also according to such Schedule 14D-9, pursuant to a Stock Option Agreement, dated as of October 14, 1996, by and between the Company and CSX Corporation ("CSX"), the Company has granted CSX the option to purchase in certain circumstances up to 15,955,477 Common Shares. The information set forth under "Introduction" in the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

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

ITEM 2. IDENTITY AND BACKGROUND.

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

(e)-(f) During the last five years, neither Purchaser, Parent nor any persons controlling Purchaser, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I to the Offer to Purchase (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial

or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

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

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

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

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

(c) Not applicable.

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

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

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

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

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

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

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

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

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

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

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

ITEM 10. ADDITIONAL INFORMATION.

(a) Not applicable.

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

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

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

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

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a) (1) Offer to Purchase, dated October 24, 1996.
(2) Letter of Transmittal.
(3) Notice of Guaranteed Delivery.
(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(7) Text of Press Release issued by Norfolk Southern Corporation on October 23, 1996.
(8) Summary Advertisement dated October 24, 1996.
(9) Text of Press Release issued by Norfolk Southern Corporation on October 24, 1996.
(10) Text of a presentation made to the financial community beginning October 24, 1996.

(b) (1) Commitment Letter dated October 22, 1996 from Morgan Guaranty Trust Company of New York, J.P. Morgan Securities Inc., Merrill Lynch Capital Corporation and Merrill Lynch & Co. to Norfolk Southern Corporation.

(c) (1) Form of Voting Trust Agreement.

(d) Not applicable.

(e) Not applicable.

(f) Not applicable.

(g) (1) Complaint filed by Norfolk Southern Corporation, Atlantic Acquisition Corporation and Kathryn B. McQuade against Conrail Inc., CSX Corporation et. al. (dated October 23, 1996, United States District Court for the Eastern District of Pennsylvania).

SIGNATURE

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

Dated: October 24, 1996

NORFOLK SOUTHERN CORPORATION

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

Name: James C. Bishop, Jr.

Title: Executive Vice President --Law

ATLANTIC ACQUISITION CORPORATION

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

Name: James C. Bishop, Jr.
Title: Vice President and General Counsel

EXHIBIT INDEX

EXHIBIT NUMBER		PAGE
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(e)	Not applicable.	
(f)	Not applicable.	
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OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES

OF

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

OF

CONRAIL INC.

AT

$100 NET PER SHARE

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 THURSDAY, NOVEMBER 21, 1996, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THE RECEIPT BY ATLANTIC ACQUISITION CORPORATION ("PURCHASER"), A WHOLLY OWNED SUBSIDIARY OF NORFOLK SOUTHERN CORPORATION ("PARENT"), PRIOR TO THE EXPIRATION OF THE OFFER, OF AN INFORMAL WRITTEN OPINION IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO PURCHASER FROM THE STAFF OF THE SURFACE TRANSPORTATION BOARD (THE "STB"), WITHOUT THE IMPOSITION OF ANY CONDITIONS UNACCEPTABLE TO PURCHASER, THAT THE USE OF A VOTING TRUST IN CONNECTION WITH THE OFFER AND THE PROPOSED MERGER IS CONSISTENT WITH THE POLICIES OF THE STB AGAINST UNAUTHORIZED ACQUISITIONS OF CONTROL OF A REGULATED CARRIER, (2) THE RECEIPT BY PURCHASER, PRIOR TO THE EXPIRATION OF THE OFFER, OF AN INFORMAL STATEMENT FROM THE PREMERGER NOTIFICATION OFFICE OF THE FEDERAL TRADE COMMISSION THAT THE TRANSACTIONS CONTEMPLATED BY THE OFFER AND THE PROPOSED MERGER ARE NOT SUBJECT TO, OR ARE EXEMPT FROM, THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED (THE "HSR ACT"), OR, IN THE ABSENCE OF THE RECEIPT OF SUCH INFORMAL STATEMENT, ANY APPLICABLE WAITING PERIOD UNDER THE HSR ACT HAVING EXPIRED OR BEEN TERMINATED PRIOR TO THE EXPIRATION OF THE OFFER, (3) PARENT AND PURCHASER HAVING OBTAINED, (continued)

The Dealer Managers for the Offer are:

J.P. MORGAN & CO. MERRILL LYNCH & CO.

October 24, 1996

PRIOR TO THE EXPIRATION OF THE OFFER, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER, (4) 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, (5) 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, (6) 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 (7) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE

WITH ITS TERMS OR OTHERWISE. SEE SECTION 14.

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 Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal, have such shareholder's signature thereon guaranteed if required by Instruction 1 to the Letter of Transmittal, mail or deliver the Letter of Transmittal (or such facsimile thereof) and any other required documents to the Depositary and either deliver the certificates for such Shares and, if separate, the certificates representing the associated Rights (as defined herein) to the Depositary along with the Letter of Transmittal (or a facsimile thereof) or deliver such Shares (and Rights, if applicable) pursuant to the procedure for book-entry transfer set forth in Section 3 prior to the expiration of the Offer or (ii) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder having Shares (and, if applicable, Rights) registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Shares (and, if applicable, Rights). Unless and until Purchaser declares that the Rights Condition (as defined herein) is satisfied, shareholders will be required to tender one Right for each Share tendered in order to effect a valid tender of such Share. The tender of Rights is also required for the valid tender of ESOP Preferred Shares.

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 the Letter of Transmittal.

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

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

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

INTRODUCTION

Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), hereby offers to purchase all outstanding shares of (i) common stock, par value $1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), at a price of $100 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "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.

Promptly upon the purchase by Parent, Purchaser or their affiliates of Common Shares and ESOP Preferred Shares which constitute at least a majority of the outstanding Shares on a fully diluted basis, such Common Shares and ESOP Preferred Shares will be deposited in an independent voting trust (the "Voting Trust") in accordance with the terms of a proposed Voting Trust Agreement to be entered into with the trustee thereof (the "Voting Trust Agreement") pending approval by the Surface Transportation Board (the "STB") of the acquisition of control by Parent of the Company. The Offer is not conditioned upon such STB approval. See Section 14. The Proposed Merger (as defined below) would also not be conditioned on such STB approval. Immediately prior to consummation of the Proposed Merger, Parent would place all of the shares of common stock of Purchaser (which may become stock of the surviving corporation upon consummation of the Proposed Merger) into the Voting Trust. The Offer is conditioned upon the receipt by Purchaser, prior to the expiration of the Offer, of an informal written opinion in form and substance reasonably satisfactory to Purchaser from the staff of the STB,

without the imposition of any conditions unacceptable to Purchaser, that the use of the Voting Trust in connection with the Offer and the Proposed Merger is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier.

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

Participants in the Company's Matched Savings Plan (the "ESOP") desiring that Fidelity Management Trust Company, as trustee under the ESOP (the "ESOP Trustee"), tender the 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 the Letter of Transmittal.

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 Section 11 and Section 12.

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

On two recent occasions, in late September and again on October 4, 1996, Mr. Goode contacted Mr. LeVan to reiterate Parent's strong interest in acquiring the Company and request a meeting at which he could present a concrete proposal. In each case, Mr. Goode emphasized that he wished to communicate Parent's proposal so that the Company Board would be aware of it during their next meeting. Also in each case, Mr. LeVan stated that it was unnecessary for Mr. Goode to do so.

On October 15, 1996, the Company and CSX Corporation, a Virginia corporation ("CSX"), announced that they had entered into a definitive merger agreement (the "CSX Merger Agreement") pursuant to which control of the Company would be swiftly sold to CSX pursuant to the CSX Offer (as defined below) and then the Proposed CSX Merger (as defined below) would be consummated following required regulatory approvals. The CSX Offer and the Proposed CSX Merger are sometimes referred to collectively as the "Proposed

CSX Transaction". Integral to the Proposed CSX Transaction are covenants substantially increasing Mr. LeVan's compensation and severance benefits and guaranteeing that he will succeed John Snow, the Chairman and Chief Executive Officer of CSX, as the combined company's Chairman and Chief Executive Officer.

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

On October 22, Parent's Board of Directors (the "Parent Board") met to review its strategic options in light of announcement of the Proposed CSX Transaction. Because the Parent Board believes that a combination of Parent and the Company would offer compelling benefits to both companies, their shareholders, and their other constituencies, it determined that Parent should make a competing offer for the Company.

On October 23, 1996, Parent submitted to the Company Board a written proposal for the acquisition of the Company by Purchaser pursuant to the Offer and the Proposed Merger and announced its intention to commence the Offer. In its proposal, Parent indicated that it was prepared to consider locating the corporate offices of the combined company in Philadelphia following consummation of the Proposed Merger and was prepared to consider substituting a continued equity interest in the combined company for a substantial portion of the consideration offered in the Offer.

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

According to the Offer to Purchase included as Exhibit (a)(1) to the Schedule 14D-1 filed by CSX with the Securities and Exchange Commission (the "SEC") on October 16, 1996 (the "CSX Schedule 14D-1"), the Company entered into the CSX Merger Agreement with CSX, pursuant to which (i) CSX has commenced the CSX Offer to purchase for cash an aggregate of 17,860,124 Shares at a price of $92.50 per Share (the "CSX Offer") and (ii) following the completion of the CSX Offer and the satisfaction or waiver of certain conditions, the Company would be merged with and into a subsidiary of CSX and would become a subsidiary of CSX (the "Proposed CSX Merger"). Pursuant to the Proposed CSX Merger, each outstanding Share would be converted, at the election of the holder of Shares and subject to certain limitations, into the right to receive (i) $92.50 in cash, without interest, (ii) 1.85619 shares of common stock, par value $1.00 per share, of CSX (the "CSX Common Stock") or (iii) a combination of such cash and shares of CSX Common Stock.

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

The obligations of CSX and the Company to effect the Proposed CSX Merger are subject to various conditions, including the approval of the shareholders of the Company of the Proposed CSX Merger (the "Company Shareholder Approval"), the approval of the shareholders of CSX with respect to, among other things, the issuance of shares of CSX Common Stock in the Proposed CSX Merger (the "CSX Shareholder Approval"), and the STB having issued a final decision approving, exempting or otherwise authorizing consummation of the Proposed CSX Merger and all other material transactions contemplated by the CSX Merger Agreement as may require such authorizations and which, among other things, does not impose on CSX, the Company or any of their respective subsidiaries, terms or conditions that materially and adversely affect the long-term benefits expected to be received by CSX from the transactions contemplated by the CSX Merger Agreement. See Section 11.

In the CSX Merger Agreement, the Company has agreed to a provision (the "No Negotiation Provision") providing that, subject to certain exceptions, neither the Company nor any of its subsidiaries, officers, directors, employees or representatives will, directly or indirectly through another person, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, directly or indirectly, any inquiries or the making of any Takeover Proposal (as defined in Section 11), or (ii) participate in any discussions or negotiations regarding any Takeover Proposal.

Except as permitted by the CSX Merger Agreement, the Company has agreed that neither the Company Board nor any committee thereof will (i) withdraw or modify (or propose publicly to do so), in a manner adverse to the other party, its approval or recommendation of the CSX Offer or its adoption and approval of the matters to be considered at the shareholders meetings of the Company, (ii) approve or recommend (or propose publicly to do so), any Takeover Proposal, or (iii) cause the Company to enter into any agreement (an "Acquisition Agreement") related to a Takeover Proposal. In addition, the CSX Merger Agreement provides that under certain circumstances in which the CSX Merger Agreement is terminated, the Company will have an obligation to pay a cash fee of $300 million to CSX (the "CSX Termination Fee"). In the event that the CSX Termination Fee is paid and the CSX Lockup Option Agreement is exercised by CSX, the aggregate additional cost to an acquiror of the Company by reason of the CSX Lockup Option Agreement and the CSX Termination Fee will amount to approximately $420 million (assuming an acquisition of the Company at $100 per Share). In the Pennsylvania Litigation, Parent and Purchaser are contesting the validity of both the CSX Lockup Option Agreement and the CSX Termination Fee. See Section 11 and Section 15.

The foregoing description of the CSX Merger Agreement and the CSX Lockup Option Agreement is qualified in its entirety by reference to the full text of the CSX Merger Agreement and the CSX Lockup Option Agreement, copies of which have been included by the Company as exhibits to the Schedule 14D-9, dated as of October 16, 1996, filed by the Company with respect to the CSX Offer (the "Schedule 14D-9") and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

Under Subchapter E of Chapter 25 of the PBCL (the "Pennsylvania Control Transaction Law"), unless a corporation's articles of incorporation or by-laws adopted by the shareholders otherwise provide, after the occurrence of a "control transaction", any holder of voting shares of a "registered corporation" (such as the Company) may make written demand on the "controlling person" for payment of cash in an amount equal to the "fair value" of each voting share as of the date on which the control transaction occurs. A "control transaction" is the acquisition by a person or group of the status of a "controlling person"--that is, a person or group of persons acting in concert who have voting power over voting shares of the registered corporation that would entitle the holders thereof to cast at least 20% of the votes that all shareholders would be entitled to cast in an election of directors. See Section 15.

The Company's Articles of Incorporation (the "Company Articles") currently do not contain a provision by which the Company "opts out" of the

Pennsylvania Control Transaction Law. The Company has filed preliminary proxy materials with the SEC for a special meeting of the Company's shareholders (the "Pennsylvania Special Meeting") which it has publicly stated it expects to be held on November 14, 1996 for the purpose of voting on an amendment to the Company Articles (the "Articles Amendment") to opt out of the Pennsylvania Control Transaction Law. Under the Company Articles and the PBCL, the Articles Amendment must be approved by a majority of the votes cast by the holders of outstanding Shares, voting as a single class. The Company's shareholders need not approve the Articles Amendment to facilitate the Offer because, unlike CSX, Purchaser is prepared to pay cash to acquire all Shares.

As indicated in Parent's proposal, Parent intends to continue to seek to negotiate with the Company with respect to the acquisition of the Company by Parent or Purchaser, whether pursuant to the Offer and the Proposed Merger, or otherwise. If such negotiations result in a definitive merger agreement between the Company and Parent or Purchaser, the consideration to be received by holders of Shares could include or consist of consideration other than cash. Accordingly, such negotiations could result in, among other things, amendment or termination of the Offer and submission of a different acquisition proposal to the Company's shareholders for their approval. See Section 12 and Section 14.

In connection with the Offer and during its pendency, or in the event the Offer is terminated or not consummated, or after the expiration of the Offer and pending the consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent (alone or through affiliates) may explore any and all options which may be available to it. In this regard, Parent intends to solicit proxies against the adoption of the Articles Amendment at the Pennsylvania Special Meeting and has filed preliminary proxy materials with the SEC concerning such solicitation. Parent may also determine, whether or not the Offer is then pending, to conduct a proxy contest in connection with the Company's 1997 annual meeting of shareholders seeking to remove the current members of the Company Board and elect a new slate of directors designated by Parent. See Section 15. After expiration or termination of the Offer, Parent may seek to acquire additional Shares, through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the price to be paid per Share pursuant to the Offer and could be for cash or other consideration.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY 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").

CERTAIN CONDITIONS TO THE OFFER

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

THE VOTING TRUST APPROVAL CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE RECEIPT BY PURCHASER OF AN INFORMAL WRITTEN OPINION IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO PURCHASER FROM THE STAFF OF THE STB, WITHOUT THE IMPOSITION OF ANY CONDITIONS UNACCEPTABLE TO PURCHASER, THAT THE USE OF THE VOTING TRUST IN CONNECTION WITH THE OFFER AND THE PROPOSED MERGER IS CONSISTENT WITH THE POLICIES OF THE STB AGAINST UNAUTHORIZED ACQUISITIONS OF CONTROL OF A REGULATED CARRIER (THE "VOTING TRUST APPROVAL CONDITION").

The Voting Trust Agreement will provide that the Voting Trustee will have sole power to vote Shares it holds, and will contain certain other terms and conditions designed to ensure that neither Purchaser nor Parent would control the Company during the pendency of any necessary STB proceedings. Parent and Purchaser will promptly request the staff of the STB to issue such an opinion and believe that they will obtain such an opinion. Parent understands that in the past the STB staff generally has acted on such requests within two to

four weeks, although there can be no assurance that the STB staff will act this quickly in this instance. See Section 15.

HSR CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE RECEIPT OF AN INFORMAL STATEMENT FROM THE PREMERGER NOTIFICATION OFFICE OF THE FEDERAL TRADE COMMISSION (THE "FTC") THAT THE TRANSACTIONS CONTEMPLATED BY THE OFFER AND THE PROPOSED MERGER ARE NOT SUBJECT TO, OR EXEMPT FROM, THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED (THE "HSR ACT"), OR, IN THE ABSENCE OF RECEIPT OF SUCH INFORMAL STATEMENT, ANY APPLICABLE WAITING PERIOD UNDER THE HSR ACT HAVING EXPIRED OR BEEN TERMINATED PRIOR TO THE EXPIRATION OF THE OFFER (THE "HSR CONDITION").

Parent and Purchaser believe that the Offer and the Proposed Merger are not subject to, or are exempt from, the HSR Act. Parent and Purchaser will request the Premerger Notification Office of the FTC to confirm this understanding.

FINANCING CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PARENT AND PURCHASER OBTAINING, PRIOR TO THE EXPIRATION OF THE OFFER, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER (THE "FINANCING CONDITION").

See Section 10 for a description of the commitments of Merrill Lynch Capital Corporation and Morgan Guaranty Trust Company of New York ("Morgan"), as lenders (in such capacity, the "Lenders"), to provide Parent with an aggregate of $4 billion of loans in connection with the Offer and the Proposed Merger. Parent intends to obtain the balance of the approximately $11.5 billion in funds necessary to consummate the Offer and the Proposed Merger, to pay related fees and expenses, to refinance Parent's and the Company's existing debt and for working capital purposes through borrowings from a syndicate of financial institutions to be arranged by the Lenders. Parent expects to contribute such funds to Purchaser in order to finance the purchase of Shares pursuant to the Offer and the Proposed Merger. See Section 10.

THE MINIMUM CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THERE BEING VALIDLY TENDERED AND NOT 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 (THE "MINIMUM CONDITION").

According to the CSX Merger Agreement, as of the close of business on October 10, 1996, (i) 80,178,281 Common Shares were issued and outstanding, (ii) 5,951,461 Common Shares were reserved for issuance pursuant to the Company's stock-based incentive plans ("Incentive Shares"), (iii) 9,571,086 Common Shares were reserved for issuance upon conversion of the ESOP Preferred Shares, and (iv) 9,571,086 ESOP Preferred Shares were issued and outstanding, which shares are convertible into Common Shares on a one-for-one basis. Also according to the CSX Merger Agreement, 15,955,477 Common Shares have been reserved for issuance pursuant to the CSX Lockup Option Agreement. Upon the transfer of any ESOP Preferred Shares to Purchaser at the time of acceptance for payment of the ESOP Preferred Shares tendered pursuant to the Offer, such ESOP Preferred Shares will be automatically converted into Common Shares.

Based on the foregoing and disregarding for such purposes the 15,955,477 Common Shares purportedly issuable pursuant to the CSX Lockup Option Agreement, Purchaser believes there are

presently 95,700,828 Shares outstanding on a fully diluted basis. Accordingly, Purchaser believes that the Minimum Condition would be satisfied if at least an aggregate of 47,850,415 Common Shares and ESOP Preferred Shares are validly tendered pursuant to the Offer if no Common Shares are then issued or validly issuable under the CSX Lockup Option Agreement, or if at least an aggregate of 55,828,153 Common Shares and ESOP Preferred Shares are validly tendered pursuant to the Offer if all 15,955,477 Common Shares issuable under the CSX Lockup Option Agreement have then been issued or are then validly issuable. For purposes of the Offer, "fully diluted basis"

assumes (i) no dilution due to Rights, (ii) the issuance of all of the Incentive Shares, (iii) the conversion of the ESOP Preferred Shares into Common Shares, (iv) that no Shares were issued or acquired by the Company after October 10, 1996 (other than Common Shares issued pursuant to clauses (ii) and (iii) above) and no options, warrants, rights or other securities convertible into or exercisable or exchangeable for Shares were issued or granted after October 10, 1996 other than the CSX Lockup Option Agreement, and (v) as of the date of purchase the Company has no other obligations to issue Shares or other securities convertible into or exercisable for Shares.

THE SUBCHAPTER F CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F OF CHAPTER 25 OF THE PBCL HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER (THE "SUBCHAPTER F CONDITION").

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

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

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

THE RIGHTS CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON THE RIGHTS HAVING BEEN REDEEMED BY THE COMPANY BOARD OR PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE RIGHTS ARE INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER (THE "RIGHTS CONDITION").

The following is based upon the Form 8-K, dated July 31, 1989, filed by Consolidated Rail Corporation ("CRC"), which is the Company's current operating subsidiary and which prior to the

Company's adoption of a holding company structure on February 17, 1993 operated on a stand alone basis (the "July 1989 Form 8-K"), the Company's Form 8-B, dated as of September 25, 1995, and other amendments to the Rights

Agreement filed with the SEC.

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

Under the Rights Agreement, until the close of business on the Distribution Date (which is defined as the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (the "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 10% or more of the outstanding Shares and (ii) 10 business days (or such later date as the Company Board shall determine) following the commencement of a tender offer or exchange offer which would result in a person or group beneficially owning 10% or more of the outstanding Shares), the Rights will be evidenced by the certificates evidencing Shares (the "Share Certificates") and will be transferred with and only with Share Certificates. As soon as practicable after the Distribution Date, certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of the Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights.

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

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

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

Based on publicly available information, Purchaser believes that, as of the date of this Offer to Purchase, the Rights were not exercisable, Rights Certificates had not been issued and the Rights were evidenced by the Share Certificates. Purchaser believes that, as a result of Purchaser's public announcement of the Offer, the Distribution Date will be no later than November 7, 1996 unless prior to such date the Company Board redeems the Rights or amends the Rights Agreement to delay the Distribution Date.

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

CSX TERMINATION CONDITION. CONSUMMATION OF THE OFFER IS CONDITIONED UPON PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE CSX MERGER AGREEMENT HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE (THE "CSX TERMINATION CONDITION").

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

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

THIS OFFER TO PURCHASE AND THE 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. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), Purchaser will accept for payment and pay for all Shares which are validly tendered prior to the Expiration Date (as hereinafter defined) and not properly withdrawn in accordance with Section 4. The term "Expiration Date" means 12:00 Midnight, New York City time, on Thursday, November 21, 1996, 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.

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

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

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

Depositary and by making a public announcement thereof.

Purchaser acknowledges that (i) Rule 14e-1(c) under the Exchange Act requires Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the

Offer, and (ii) Purchaser may not delay acceptance for payment of, or payment for (except as provided in clause (i) of the first sentence of the preceding paragraph), any Shares upon the occurrence of any of the conditions specified in Section 15 without extending the period of time during which the Offer is open.

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

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

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

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

owned of record by the ESOP Trustee.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES. Upon the terms and subject to the conditions of the 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 which are validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) promptly after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in Section 14. Purchaser expressly reserves the right, in its discretion, to delay acceptance for payment of, or, subject to applicable rules of the SEC, payment for, Shares in order to comply in whole or in part with any applicable law.

In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the Share Certificates and Rights Certificates, if the Rights are at such time separately traded, or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Shares (and Rights, if applicable), if such procedure is available, into the Depositary's account at The Depository Trust Company or the Philadelphia Depository Trust Company (each a "Book-Entry Transfer Facility" and, collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or, in the case of a book-entry transfer, an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares (and Rights, if applicable) that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares (including the associated Rights) validly tendered and not properly withdrawn if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment. Payment for Shares (including the associated Rights) accepted pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payments from Purchaser and transmitting payments to such tendering shareholders. Under no circumstances will interest on the purchase price for Shares be paid by Purchaser, regardless of any delay in making such payment. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering shareholders, Purchaser's obligation to make such payment shall be satisfied and tendering shareholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal, as well as any charges and expenses of the Depositary and the Information Agent.

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

If, prior to the Expiration Date, Purchaser increases the consideration to

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

Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to Parent or one or more direct or indirect wholly owned subsidiaries of Parent, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, provided that 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.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender of Shares. In order for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (in the case of any book-entry transfer) and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this

Offer to Purchase prior to the Expiration Date and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary at one of such addresses or Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case prior to the Expiration Date, or (ii) the tendering shareholder must comply with the guaranteed delivery procedures described below.

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

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at each Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in either of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the tendering shareholder must comply with the guaranteed delivery procedures described below. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Signature Guarantee. Signatures on all Letters of Transmittal must be guaranteed by a firm which is a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program (each, an "Eligible Institution"), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

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

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

(i) the tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser herewith, is received by the Depositary as provided below prior to the Expiration Date; and

(iii) in the case of a guarantee of Shares, the Share Certificates for all tendered Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature

guarantee (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depositary within three New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery.

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

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

Distribution of Rights. Holders of Shares will be required to tender one Right for each Share tendered to effect a valid tender of such Share. Unless and until the Distribution Date (as defined in Section 12 below) occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date of the Offer, a tender of Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred, certificates representing a number of Rights equal to the number of Shares being tendered must be delivered to the Depositary in order for such Shares to be validly tendered. If a Distribution Date has occurred, a tender of Shares without Rights constitutes an agreement by the tendering shareholder to deliver certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depositary within three NYSE trading days after the date such certificates are distributed. Purchaser reserves the right to require that it receive such certificates prior to accepting Shares for payment. Payment for Shares tendered and purchased pursuant to the Offer will be made only after timely receipt by the Depositary of, among other things, such 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.

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

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

Appointment as Proxy. By executing a Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints designees of Purchaser as such shareholder's proxies, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares (including the associated Rights) tendered by such shareholder and accepted for payment by Purchaser (and any and all noncash dividends, distributions, rights, other Shares, or other securities issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies shall be considered coupled with an interest in the tendered Shares or Rights. This appointment will be effective if, when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares and other

securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered (subject to the terms of Voting Trust Agreement for so long as it shall be in effect with respect to the Shares or Rights) to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, by written consent or otherwise, and Purchaser reserves the right to require that, in order for Shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser (including through the Voting Trust) must be able to exercise full voting rights with respect to such Shares.

TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING WITH RESPECT TO PAYMENT TO CERTAIN SHAREHOLDERS OF THE PURCHASE PRICE FOR SHARES PURCHASED PURSUANT TO THE OFFER, EACH SUCH SHAREHOLDER MUST PROVIDE THE DEPOSITARY WITH SUCH SHAREHOLDER'S CORRECT TAXPAYER IDENTIFICATION NUMBER AND CERTIFY THAT SUCH SHAREHOLDER IS NOT SUBJECT TO BACKUP FEDERAL INCOME TAX WITHHOLDING BY COMPLETING THE SUBSTITUTE FORM W-9 IN THE LETTER OF TRANSMITTAL. IF BACKUP WITHHOLDING APPLIES WITH RESPECT TO A SHAREHOLDER, THE DEPOSITARY IS REQUIRED TO WITHHOLD 31% OF ANY PAYMENTS MADE TO SUCH SHAREHOLDER. SEE INSTRUCTION 9 OF THE LETTER OF TRANSMITTAL.

ESOP Preferred Shares. According to documents filed by the Company with the SEC, all outstanding ESOP Preferred Shares are owned of record by the ESOP Trustee and, accordingly, only the ESOP Trustee can effect a valid tender of such shares. The ESOP Trustee is required to request instructions from each participant in the ESOP as to whether ESOP Preferred Shares allocated to such participant's account should be tendered pursuant to the

Offer, and to tender such shares in accordance with such instructions. Pursuant to the organizational documents of the ESOP, the ESOP Trustee may not tender allocated ESOP Preferred Shares as to which no instructions are received. Unallocated shares are required to be tendered or not tendered in the same proportion as allocated shares for which instructions from participants are received.

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

4. WITHDRAWAL RIGHTS. Tenders of Shares made pursuant to the Offer are irrevocable except that such Shares may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after December 22, 1996.

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

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of Parent, Purchaser, the Dealer Managers, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

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

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES. The receipt of cash pursuant to the Offer or the Proposed Merger will be a taxable transaction for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and may also be a taxable transaction under applicable state, local, foreign and other tax laws. Generally, for federal income tax purposes, a tendering shareholder will recognize gain or loss equal to the difference, if any, between the amount of cash received by the shareholder pursuant to the Offer or Proposed Merger and the aggregate tax basis in the Shares tendered by the shareholder and purchased pursuant to the Offer or converted in the Proposed Merger, as the case may be. Gain or loss will be computed separately for each block of Shares (i.e., Shares acquired at the same time and price)

tendered and purchased pursuant to the Offer or converted in the Proposed Merger, as the case may be.

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

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

6. PRICE RANGE OF SHARES; DIVIDENDS. According to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "Company Form 10-K"), the Common Shares are listed and principally traded on the NYSE and are also listed and traded on the Philadelphia Stock Exchange, and quoted under the symbol "Conrail". The following table sets forth, for the quarters indicated, the high and low sales prices per Common Share on the NYSE and the amount of cash dividends paid per Common Share, as reported in the Company Form 10-K for periods in 1994 and 1995, and as reported by published financial sources with respect to periods in 1996:

	HIGH	LOW	CASH DIVIDENDS
YEAR ENDED DECEMBER 31, 1994:			
First Quarter	$69 1/4	$ 56 1/2	$.325
Second Quarter	59 1/8	50 3/8	.325
Third Quarter	58 1/8	48 3/8	.375
Fourth Quarter	55 1/4	48 1/8	.375
YEAR ENDED DECEMBER 31, 1995:			
First Quarter	57 5/8	50 1/2	.375
Second Quarter	56 1/4	51 1/8	.375
Third Quarter	70 1/4	55 1/8	.425
Fourth Quarter	74 3/8	65 1/2	.425
YEAR ENDING DECEMBER 31, 1996:			
First Quarter	77 1/4	67 5/8	.425
Second Quarter	73 1/4	66 1/4	.425
Third Quarter	74 5/8	63 3/4	.475
Fourth Quarter (through October 23, 1996)	98 1/4	68 1/2	N.A.

On October 22, 1996, the last full trading day prior to the announcement date of the Offer, the reported closing sales price of the Common Shares on the NYSE Composite Tape was $84 3/4 per Common Share. SHAREHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE COMMON SHARES.

According to information publicly filed by the Company, all of the outstanding ESOP Preferred Shares are held of record by the ESOP Trustee.

There is no trading market for the ESOP Preferred Shares. Since issuance of the ESOP Preferred Shares, the Company has paid quarterly cash dividends on the ESOP Preferred Shares of $.54125 per share. Each ESOP Preferred Share is convertible under certain circumstances into one Common Share.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE COMMON SHARES; EXCHANGE LISTING AND EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS. The purchase of Common Shares pursuant to the Offer will reduce the number of Common Shares that might otherwise trade publicly and could reduce the number of holders of Common Shares, which could adversely affect the liquidity and market value of the remaining Common Shares held by the public. Following consummation of the Offer, a large percentage of the outstanding Common Shares will be owned by Purchaser.

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

If the NYSE were to delist the Common Shares, it is possible that the Common Shares would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of shareholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Common Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below and other factors. Purchaser cannot predict whether the reduction in the number of Common Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Common Shares or whether it would cause future market prices to be higher or lower than the Offer Price.

The Common Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the SEC if the Common Shares are not listed on a national securities exchange and there are fewer than 300 record holders of the Common Shares. The termination of registration of the Common Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Common Shares and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with shareholders' meetings pursuant to Section 14(a), and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Common Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act").

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

8. CERTAIN INFORMATION CONCERNING THE COMPANY. The information concerning the Company contained in this Offer to Purchase, including financial information, has been taken from or based upon the Company Form 10-K and other publicly available documents and records on file with the SEC and other

public sources. Neither Parent, Purchaser nor the Dealer Managers assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Purchaser or the Dealer Managers.

According to information filed by the Company with the SEC, the Company is a Pennsylvania corporation whose principal executive offices are located at 2001 Market Street, Two Commerce Square, Philadelphia, Pennsylvania 19101. Through its wholly owned subsidiary, CRC, a Pennsylvania corporation, the Company provides freight transportation services within the northeast and midwest United States. The Company interchanges freight with other United States and Canadian railroads for transport to destinations within and outside the Company's service region. As of December 31, 1995, CRC (excluding its subsidiaries) maintained 17,715 miles of track on its 10,701 mile route system. Of total route miles, 8,860 are owned, 100 are leased or operated under contract and 1,741 are operated under trackage rights, including approximately 300 miles operated pursuant to an easement over Amtrak's Northeast Corridor. Also as of December 31, 1995, the Company had (owned or subject to capital lease) 2,023 locomotives and 51,404 freight cars (including 21,948 subject to operating leases), excluding locomotives and freight cars held by subsidiaries other than CRC, which have an immaterial number of locomotives and freight cars. The Company operates no significant line of business other than the freight railroad business and does not provide common carrier passenger or commuter train service.

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

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

CONRAIL INC.
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER COMMON SHARE AMOUNTS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
INCOME STATEMENT DATA:					
Revenues	$1,838	$1,812	$3,686	$3,733	$3,453
Operating expenses	1,715	1,518	3,230	3,127	2,862
Operating income	123	294	456	606	591
Net income to common shareholders	57	178	264	324	160
INCOME PER COMMON SHARE INFORMATION:					
Net earnings per Common Share before the cumulative effect of changes in accounting principles					

Primary	$ 0.66	$ 2.17	$ 3.19	$ 3.90	$ 2.74
Fully diluted	0.64	1.98	2.94	3.56	2.51
Net per Common Share cumulative effect of changes in accounting principles(1)					
Primary	--	--	--	--	(.92)
Fully diluted	--	--	--	--	(.81)
Net earnings per Common Share					
Primary	0.66	2.17	3.19	3.90	1.82
Fully diluted	0.64	1.98	2.94	3.56	1.70

	AT JUNE 30,		AT DECEMBER 31,		
	1996	1995	1995	1994	1993
BALANCE SHEET DATA:					
Current assets	$1,223	$1,124	$1,206	$1,125	$1,062
Property and equipment (net)	6,446	6,660	6,408	6,498	6,313
Total assets	8,341	8,609	8,424	8,322	7,948
Current liabilities	1,213	1,250	1,170	1,201	1,075
Long-term debt, excluding current portion	1,887	2,068	1,911	1,940	1,959
Total shareholders' equity	2,899	3,007	2,977	2,925	2,784

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

On October 15, 1996, the Company issued its earnings release in which it reported the following results for the three fiscal quarters ended September 30, 1996 as compared to the comparable period for 1995: revenues, $2,771 million versus $2,735 million; income from operations, $358 million versus $502 million; net income, $195 million versus $294 million; net income per Common Share, $2.39 (primary) and $2.21 (fully diluted) versus $3.61 (primary) and $3.28 (fully diluted).

The Company is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be

disclosed in proxy statements distributed to the Company's shareholders and filed with the SEC. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at prescribed rates at the following regional offices of the SEC: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the SEC's customary fees, from the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains an Internet web site at http://www.sec.gov that contains reports, proxy statements and other information. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Certain Operating Relationships. Various subsidiaries of each of Parent, on the one hand, and the Company, on the other hand, have operating relationships with each other. The principal interchange points between railroads of Parent and the Company are located at Hagerstown, Maryland, Buffalo, New York, and Cincinnati, Cleveland and Toledo, Ohio. In 1993, 1994 and 1995, the percentage of total loads handled by Parent and interchanged to or from the Company was 6.6%, 6.2% and 6.3%, respectively. In connection with interchanges, either or both railroads of Parent and the Company may be the party billing the shipper of such interchange freight, and in cases where one

of the parties bills for the entire shipment, such party periodically will remit to the other party the net amount of the proceeds due to such other carrier in accordance with standard industry practice. In addition, Parent and the Company, together with other railroads, cooperate in terminal switching operations at certain major locations and also have proprietary interests in various terminal companies in their service territories.

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

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

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

Doublestack Clearances. In connection with the creation of the TCS partnership, Parent and the Company agreed to cooperate to eliminate doublestack clearance impediments between New Jersey on

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

9. CERTAIN INFORMATION CONCERNING PURCHASER AND PARENT.

Purchaser. Purchaser is a newly incorporated Pennsylvania corporation organized in connection with the Offer and the Proposed Merger and has not carried on any activities other than in connection with the Offer and the Proposed Merger. The principal offices of Purchaser are located at Three

Commercial Place, Norfolk, Virginia 23510. The Purchaser is a wholly owned subsidiary of Parent. Until immediately prior to the time that Purchaser will purchase Shares pursuant to the Offer, it is not expected that Purchaser will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer and the Proposed Merger. Because Purchaser is newly formed and has minimal assets and capitalization, no meaningful financial information regarding Purchaser is available.

Parent. Parent is a Virginia corporation with its principal executive offices located at Three Commercial Place, Norfolk, Virginia 23510. Parent is a Virginia-based holding company that owns all the common stock of and controls a major freight railroad, Norfolk Southern Railway Company; a motor carrier, North American Van Lines, Inc. ("North American"); and a natural resources company, Pocahontas Land Corporation ("Pocahontas Land"). The railroad system's lines extend over more than 14,400 miles of road in 20 states, primarily in the Southeast and Midwest, and the Province of Ontario, Canada. North American provides household moving and specialized freight handling services in the United States and Canada, and offers certain motor carrier services worldwide. Pocahontas Land manages approximately 900,000 acres of coal, natural gas and timber resources in Alabama, Illinois, Kentucky, Tennessee, Virginia and West Virginia.

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

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

NORFOLK SOUTHERN CORPORATION
SELECTED CONSOLIDATED FINANCIAL DATA
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
INCOME STATEMENT DATA:					
Operating revenues	$ 2,378.8	$ 2,328.9	$ 4,668.0	$ 4,581.3	$ 4,460.1
Operating expenses	1,807.3	1,789.7	3,581.7	3,515.9	3,599.7

Operating income	571.5	539.2	1,086.3	1,065.4	860.4
Net income to common shareholders .	367.6	351.9	712.7	667.8	772.0
PER SHARE INFORMATION:					
Net earnings per common share before the cumulative effect of changes in accounting principles .	2.88	2.67	5.44	4.90	3.94
Net per common share cumulative effect of changes in accounting principles for:					
Income taxes	--	--	--	--	3.34
Postretirement benefits other than pensions; and postemployment benefits	--	--	--	--	(1.74)
NET EARNINGS PER COMMON SHARE	2.88	2.67	5.44	4.90	5.54

	AT JUNE 30,		AT DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
BALANCE SHEET DATA:					
Current assets	$ 1,280.6	$ 1,352.2	$ 1,342.8	$ 1,337.5	$ 1,563.5
Property, less accumulated depreciation	9,441.1	9,192.9	9,258.8	8,987.1	8,730.7
Total assets	11,053.4	10,829.4	10,904.8	10,587.8	10,519.8
Current liabilities	1,230.6	1,176.0	1,205.8	1,131.8	1,197.9
Long-term debt, excluding current portion	1,637.8	1,612.6	1,553.3	1,547.8	1,481.5
Total shareholders' equity	4,836.0	4,769.6	4,829.0	4,684.8	4,620.7

On October 23, 1996, Parent issued its earnings release in which it reported the following results for its three fiscal quarters ended September 30, 1996 as compared to the comparable period for 1995: revenues, $3,590.1 million versus $3,512.8 million; income from operations, $887.2 million versus $831.3 million; net income, $569.9 million versus $535.8 million; and net income per common share, $4.49 versus $4.07.

Parent has identified a number of synergies related to the Proposed Merger which its management believes can be achieved that will yield aggregate annual contribution to operating income by the year 2000 (in year 2000 dollars) of approximately $660 million, consisting of approximately $515 million of operating savings and $145 million of operating income from revenue enhancements. The operating savings are expected to result from reduced general and administrative expenses ($170 million), improved equipment utilization and improved equipment maintenance ($107 million) and improved use of rail yards and routes coupled with maintenance of way efficiencies ($77 million), and from more efficient transportation operations ($161 million). The net new business revenues totalling $525 million which will yield the

$145 million of incremental operating income are expected to be comprised of increased revenues generated by improved single line service ($215 million), revenues generated by new coal traffic ($134 million) and revenues generated by diverting truck traffic from highways ($316 million, of which $126 million is expected to come from highway to carload growth and the balance from conventional intermodal growth), decreased by $140 million of lost revenue due to enhanced competition. Partially based on such synergies, Parent projects that the impact of the Offer and the Proposed Merger on its earnings per share will be modestly accretive in the first year and significantly accretive in the second and third years, and that on a pro forma basis for fiscal year 1997 it will have revenues of $9 billion, EBITDA of $3.1 billion, an EBITDA to interest coverage of 3.1 to 1 and a total debt to total capitalization ratio of 72%.

The foregoing estimates of cost savings, synergies, projected earnings per share and pro forma financial information are "forward-looking" and inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Parent, including: (a) future economic conditions in the markets in which Parent and the Company operate; (b) financial market conditions; (c) inflation rates; (d) changing competition; (e) changes in the economic

regulatory climate in the United States railroad industry; (f) the ability to eliminate duplicative administrative functions; and (g) adverse changes in applicable laws, regulations or rules governing environmental, tax or accounting matters. There can be no assurance that the estimated savings, synergies, projected earnings per share and pro forma financial information will be achieved and actual savings, synergies, projected earnings per share and pro forma financial information may vary materially from those estimated. The inclusion of such estimates herein should not be regarded as an indication that Parent, Purchaser or any other party considers such estimates an accurate prediction of future events.

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

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

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

Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or Purchaser, or their respective subsidiaries, or, to the best knowledge of Parent or

Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, or a sale or other transfer of a material amount of assets.

10. SOURCE AND AMOUNT OF FUNDS. Purchaser estimates that the total amount of funds required to purchase Shares pursuant to the Offer and the Proposed Merger, to pay all related costs and expenses, to refinance Parent's and the Company's existing debt and for working capital/purposes will be approximately $11.5 billion. See also Section 16.

Parent and Purchaser intend to obtain the funds from loans to be arranged

by Merrill Lynch & Co. and J.P. Morgan Securities Inc. (in such capacity, the "Arrangers"). The Arrangers and the Lenders have entered into a commitment letter with Parent and Purchaser, dated October 22, 1996 (the "Financing Commitment"), pursuant to which the Lenders have each committed to provide $2 billion of a total of $11.5 billion in required borrowings pursuant to a senior credit facility (the "Credit Facility") to finance the Offer and the Proposed Merger, to pay related fees and expenses, to refinance Parent's and the Company's existing debt and for working capital purposes. It is anticipated that the Arrangers will arrange and/or syndicate the Credit Facility with a group of commercial banks.

The Lenders' commitments under the Financing Commitment are subject to the following conditions, among others: (i) the execution and delivery of satisfactory definitive documentation with respect to the Credit Facility; (ii) there having been validly tendered to Purchaser sufficient Shares to enable Parent to effect the Proposed Merger without the requirement of any action by any other shareholder of the Company; (iii) all conditions to the Offer having have been satisfied without waiver or amendment; (iv) Purchaser having accepted for purchase all such tendered Shares; and (v) the absence of material adverse change with respect to Parent, with respect to financial, bank syndication or capital market conditions and with respect to information disclosed concerning the Company.

The Credit Facility will consist of four facilities. Three of these facilities are term loan facilities. One term loan will have a principal amount of $2.5 billion repayable on the earlier of six months from the date on which the approval of the STB shall have been obtained and the third anniversary of the execution and delivery of definitive documentation providing for the Credit Facility (the "Closing Date"). The second term loan will have a principal amount of $3 billion repayable 24 months after the maturity of the first term loan. The third term loan will have a principal amount of $3 billion repayable six and one-half years from the Closing Date. Each of the term loans will bear interest at a rate per annum equal to, at the option of Parent and Purchaser, either (i) the Eurodollar rate plus a margin which will initially be .75% and may be adjusted depending upon Parent's senior unsecured long-term debt ratings following the announcement of the Offer to between .875% and .225%, (ii) an adjusted CD rate or (iii) the higher of Morgan's prime rate or the federal funds rate plus .50% (the "base rate"), and, depending upon Parent's senior unsecured long-term debt ratings following the announcement of the Offer, a margin of .25% (the "Variable Rate"). The fourth facility will be a revolving credit facility of $3 billion, which will bear interest at the Variable Rate or a money market rate, and will mature five years after the Closing Date. The Credit Facility also provides for a facility fee accruing on the total amount available or outstanding thereunder at a rate which will initially be .25% per annum and may be adjusted depending upon Parent's senior unsecured long-term debt ratings following the announcement of the Offer to between .125% and .375% per annum. The Credit Facility will contain certain financial covenants as well as certain restrictions on, among other things, (i) maturities or amortization of indebtedness prior to six months after the final maturity of the loans under the Credit Facility, (ii) indebtedness of subsidiaries, (iii) liens, (iv) mergers, consolidations, liquidations, dissolutions and sales of assets, (v) transactions with affiliates, and (vi) the ability of subsidiaries to pay dividends. The financial covenants require Parent to maintain specified (i) minimum interest coverage ratios, (ii) minimum net worth, and (iii) maximum leverage ratios. The financial covenants also restrict payments, transfers or other distributions from Parent to the Company prior to the later of the consummation of the Proposed Merger or the date on which the approval of the STB shall have been obtained.

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

It is anticipated that the indebtedness incurred by Parent and Purchaser under the Credit Facility will be repaid from funds generated internally by Parent and its subsidiaries (including, after the Proposed Merger, if consummated, funds generated by the Company and its subsidiaries),

through additional borrowings, or through a combination of such sources. No final decisions have been made concerning the method Parent will employ to repay such indebtedness. Such decisions when made will be based on Parent's review from time to time of the advisability of particular actions, as well as on prevailing interest rates and financial and other economic conditions.

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

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

In March of 1994, Mr. Hagen approached Mr. Goode to suggest that, under the current regulatory environment, the Company's management now believed that a business combination between the Company and Parent could be accomplished, and that the companies should commence discussion of such a transaction. Mr. Goode agreed to schedule a meeting between legal counsel for Parent and the Company for the purpose of discussing regulatory issues. Following that meeting, Mr. Goode met with Mr. Hagen to discuss in general terms a combination of the Company and Parent. Thereafter, during the period from April through August 1994, management and senior financial advisors of the respective companies met on numerous occasions to negotiate the terms of a combination of the Company and Parent. The parties entered into a confidentiality agreement on August 17, 1994. During these discussions, Mr. Hagen and other representatives of the Company pressed for a premium price to reflect the acquisition of control over the Company by Parent. Initially, Parent pressed instead for a stock-for-stock merger of equals in which no control premium would be paid to the Company's shareholders. The Company's management insisted on a control premium, however, and ultimately the negotiations turned toward a premium stock-for-stock acquisition of the Company.

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

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

At its September 24, 1996 meeting, the Parent Board reviewed its strategic alternatives and determined that Parent should press for an acquisition of the Company. Accordingly, Mr. Goode contacted Mr. LeVan to reiterate Parent's strong interest in acquiring the Company and request a meeting at which he could present a concrete proposal. Mr. LeVan responded that the Company Board would be

holding a strategic planning meeting and that he and Mr. Goode would be in contact after that meeting. Mr. Goode emphasized that he wished to communicate Parent's proposal so that the Company Board would be aware of it during the strategic planning meeting. Mr. LeVan stated that it was unnecessary for Mr. Goode to do so. At this point, the conversation concluded.

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

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

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

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

October 23, 1996

Board of Directors
Conrail Inc.
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101
Attention: David M. LeVan, Chairman

Dear Members of the Board:

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

On two recent occasions, in late September and again on October 4, I contacted Mr. LeVan to reiterate our strong interest in acquiring Conrail and request a meeting at which I could present a concrete proposal. In each case, I emphasized that I wished to communicate our proposal so that the Conrail Board would be aware of it during their next meeting. Also in each case, Mr. LeVan stated that it was unnecessary for me to do so.

In view of this background, it came as a disappointment to me when it was announced on October 15 that you had agreed to the proposed acquisition of Conrail by CSX Corporation. We regret that, despite knowing our long-term interest in joining Conrail with Norfolk Southern, your Chairman ignored our long-standing offer to submit a business combination proposal to you.

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

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

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

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

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

Besides the benefits for your shareholder constituency, we are confident that Conrail's employees, suppliers, customers, creditors and the communities in which Conrail is located will be better served by the combination of Norfolk Southern and Conrail as compared with the CSX proposal. Moreover, because a Norfolk Southern merger presents a substantially more favorable

competitive and regulatory picture, our proposal is more consistent with both the long and short-term interests of Conrail. We look forward to the opportunity to directly discuss these matters with you in the manner they would have been communicated before the hasty attempt to lock-up a deal with CSX. To ensure that your Board fulfills its fiduciary obligations and to resolve certain other issues, we have today commenced litigation in the Federal District Court for the Eastern District of Pennsylvania.

Our Board of Directors is fully supportive of our proposal and has authorized and approved it. Consistent with our Board's action, we and our advisors stand ready, willing and able to meet with you and your advisors at your earliest convenience. I want to stress that we are flexible as to all aspects of our proposal, including the possibility of substituting a substantial equity component to our present offer so that your shareholders could have a continuing interest in the combined enterprise, and are anxious to proceed to discuss and negotiate it with you as soon as possible.

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

Sincerely,

/s/ David R. Goode

David R. Goode

cc: All Directors

In the CSX Merger Agreement, the Company has agreed to the No Negotiation Provision providing that neither the Company nor any of its subsidiaries, officers, directors, employees or representatives will, directly or indirectly through another person, solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, directly or indirectly, any inquiries or the making of any proposal relating to the acquisition or purchase of more than 50% of the assets of the Company and its subsidiaries or more than 50% of the equity securities of the Company entitled to vote generally in the election of directors, any tender offer or exchange offer that if consummated would result in any person beneficially owning more than 50% of the equity securities of the Company entitled to vote generally in the election of directors, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company (a "Takeover Proposal"), other than the transactions contemplated by the CSX Merger Agreement or the Lockup Agreements. The No Negotiation Provision also provides that neither the Company nor any of its subsidiaries, officers, directors, employees or representatives will participate in any discussions or negotiations regarding any Takeover Proposal. Notwithstanding the No Negotiation Provision, the CSX Merger Agreement provides that if, at any time prior to the earlier of (x) the consummation of the CSX Offer and (y) the obtaining of the Company Shareholder Approval, in the case of the Company, or the CSX Shareholder Approval, in the case of CSX, or after 180 days from the date of the CSX Merger Agreement and prior to the Approval Date (as defined in the next paragraph), the Board of Directors of the Company or CSX, as applicable, determines in good faith, based on the advice of outside counsel, that it is necessary to do so to avoid a breach of its fiduciary duties to the Company under applicable law, the Company or CSX, as applicable, may, in response to a Takeover Proposal which was not solicited by it or which did not otherwise result from a breach of the terms of the CSX Merger Agreement described in this paragraph, and subject to compliance with certain notice provisions of the CSX Merger Agreement, (x) furnish information with respect to it and its subsidiaries to any person pursuant to a customary confidentiality agreement (as determined by the party receiving such Takeover Proposal after consultation with its outside counsel) the benefits of the terms of which, if more favorable to the other party to such confidentiality agreement than those in place with the other party to the CSX Merger Agreement, shall be extended to the other party to the CSX Merger Agreement, and (y) participate in negotiations regarding such Takeover Proposal.

Except as permitted by the CSX Merger Agreement, the Company and CSX have agreed that neither the Board of Directors of the Company or CSX, as applicable, nor any committee thereof will (i) withdraw or modify (or propose publicly to do so), in a manner adverse to the other party, its approval or recommendation of the CSX Offer or its adoption and approval of the matters to be considered at the respective shareholders meetings of the Company or CSX, (ii) approve or recommend (or propose publicly to do so), any Takeover Proposal, or (iii) cause the Company or CSX, as applicable, to enter into any Acquisition Agreement related to a Takeover Proposal. However, the CSX Merger Agreement

provides that if at any time following 180 days after the date of the CSX Merger Agreement and prior to the earlier of (a) the time that at least 40% of the outstanding Shares on a fully diluted basis have been deposited in the voting trust contemplated by the CSX Merger Agreement and (b) the obtaining of Company Shareholder Approval (in the case of the Company) or CSX Shareholder Approval (in the case of CSX) (such earlier date referred to in clause (a) or (b) being the "Approval Date") there exists a Superior Proposal (as defined below), and such Board of Directors determines that (x) in the case of the Board of Directors of the Company, there is no substantial probability that CSX will succeed in acquiring 40% of the Shares in the CSX Offer and/or the second tender offer contemplated by the CSX Merger Agreement or otherwise (or if the approval by the Company's shareholders of an amendment to the Company's Articles to "opt out" of the Pennsylvania Control Transaction Law has not been obtained, there is no substantial probability that the Company Shareholder Approval will be obtained), in either case due to the existence of such Superior Proposal with respect to the Company or (y) in the case of the Board of Directors of CSX, there is no substantial probability that the CSX Shareholder Approval will be obtained due to the existence of such Superior Proposal with respect to CSX, the Board of Directors of the Company or CSX, as applicable, may (subject to this and the following sentences) withdraw or modify its approval or recommendation of the CSX Offer, the Proposed CSX Merger or the adoption and approval of the matters to be considered at their respective shareholder meetings and approve or recommend such Superior Proposal or terminate the CSX Merger Agreement (and concurrently, if it so chooses, cause the Company or CSX, as applicable, to enter into an Acquisition Agreement with respect to such Superior Proposal), but only after giving the notice required by the CSX Merger Agreement. As used in the CSX Merger Agreement, a "Superior Proposal" means any proposal made by a third party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the voting equity securities of the Company or CSX, as the case may be, or all or substantially all the assets of the Company or CSX, as the case may be, and otherwise on terms which the Board of Directors of such party determines in its good faith judgment (x) (based on the written opinion of a nationally recognized financial advisor) to be more favorable from a financial point of view to its shareholders than the CSX Offer and the Proposed CSX Merger and for which any required financing is then committed and (y) to be more favorable to such party than the CSX Offer and the Proposed CSX Merger after taking into account all constituencies (including shareholders) and pertinent factors permitted under applicable Pennsylvania or Virginia law, as the case may be.

The CSX Merger Agreement provides that, in the event that (i) a Takeover Proposal in respect of the Company shall have been made known to the Company or any of its subsidiaries or has been made directly to its shareholders generally or any person shall have publicly announced an intention (whether or not conditional) to make such a Takeover Proposal and thereafter the CSX Merger Agreement is terminated by either CSX or the Company as a result of the CSX Merger not having been consummated by December 31, 1998, or if the Company Shareholder Approval is not obtained in a meeting of the Company's shareholders duly convened therefor or at any adjournment or postponement thereof or (ii) the CSX Merger Agreement is terminated (x) by the Company pursuant to the No Negotiation Provision of the Merger Agreement or (y) by CSX if (I) the Company Board or, if applicable, any committee thereof, withdraws or modifies in a manner adverse to CSX its approval or recommendation of the CSX Offer or the Proposed CSX Merger or the matters to

be considered at the meetings of the Company's shareholders called to approve the Proposed CSX Merger and the other transactions contemplated by the CSX Merger Agreement or fails to reconfirm its recommendation within 15 business days after a written request to do so, or approves or recommends any Takeover Proposal in respect of the Company or (II) the Company Board or any committee thereof has resolved to take any of the foregoing actions; then the Company will (A) promptly, but in no event later than two days after the date of the termination, pay CSX the Termination Fee (except that no Termination Fee will be payable pursuant to clause (i) of this sentence unless and until within 24 months of such termination the Company or any of its subsidiaries enters into an Acquisition Agreement or consummates a Takeover Proposal).

The foregoing description of the CSX Merger Agreement and the CSX Lockup Option Agreement is qualified in its entirety by reference to the full text of the CSX Merger Agreement and the CSX Lockup Option Agreement, copies of which have been included by the Company as exhibits to the Schedule 14D-9 and may be obtained in the manner described in Section 8 (except that copies may not be available at regional offices of the SEC).

12. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY; CERTAIN CONSIDERATIONS.

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

Pursuant to the Proposed Merger, each Share outstanding (other than Shares held by the Company or any subsidiary of the Company and Shares owned by Parent, Purchaser or any direct or indirect subsidiary of Parent) would be converted into the right to receive an amount in cash equal to the price per Share paid pursuant to the Offer. Although it is the current intention of Parent and Purchaser to seek to enter into the Proposed Merger Agreement and to consummate the Proposed Merger as promptly as practicable following consummation of the Offer, such consummation depends upon a number of factors and circumstances, and there can be no assurance that the Proposed Merger will be consummated, or, if consummated, the timing thereof.

Consummation of the Proposed Merger will require approval by the Company Board and the affirmative vote of the holders of a majority of the votes cast by all outstanding Common Shares and ESOP Preferred Shares, voting as a single class. It is contemplated that the Voting Trust Agreement will provide, among other things, that, if Purchaser purchases Shares pursuant to the Offer, the Voting Trustee will seek to obtain maximum representation on the Company Board and otherwise to exercise control over the business and affairs of the Company and to vote all Shares held in the Voting Trust in favor of the Proposed Merger. If Purchaser purchases Shares pursuant to the Offer and the Minimum Condition is satisfied, the Voting Trustee would have a sufficient number of Shares to approve the Proposed Merger without the affirmative vote of any other holder of Shares and to elect directors as described above. Although the Voting Trustee would seek consummation of the Proposed Merger as soon as practicable following the purchase of Shares pursuant to the Offer, the exact timing and details of the Proposed Merger would depend on a variety of factors and legal requirements, including, among other things, whether the conditions to the Offer have been satisfied or waived. As described below, certain provisions of the Company Articles and the Company's By-Laws (the "Company By-Laws") may impair and delay the ability of the Voting Trustee to obtain a majority of the Company Board and to consummate the Proposed Merger.

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

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

In connection with the Offer and during its pendency, or in the event the Offer is terminated or not consummated, or after the expiration of the Offer and pending the consummation of the Proposed Merger, in accordance with applicable law and subject to the terms of any merger agreement that it may enter into with the Company, Parent may explore any and all options which may be available to it. In this regard, Parent intends to solicit proxies against the adoption of the Articles Amendment at the Pennsylvania Special Meeting and has filed preliminary proxy materials with the SEC concerning such solicitation. Parent may also determine, whether or not the Offer is then pending, to conduct a proxy contest in connection with the Company's 1997 annual meeting of shareholders seeking to remove the

current members of the Company Board and elect a new slate of directors designated by Parent. After expiration or termination of the Offer, Parent may seek to acquire additional Shares, through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it may determine, which may be higher or lower than the price to be paid pursuant to the Offer and could be for cash or other consideration.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY ANNUAL OR 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 IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT.

Whether or not the Offer is consummated, Purchaser reserves the right, subject to applicable legal restrictions, to sell or otherwise dispose of any or all Shares acquired pursuant to the Offer or otherwise. Such transactions may be effected on terms and at prices as it shall determine, which may be higher or lower than the price to be paid pursuant to the Offer and could be for cash or other consideration.

Plans for the Company. In connection with the Offer, Parent and Purchaser have reviewed, and will continue to review, on the basis of publicly available information, various possible business strategies that they might consider in the event that the Parent acquires control of the Company, whether pursuant to the Proposed Merger or otherwise. In addition, if and to the extent that Parent acquires control of the Company or, subject to applicable STB rules and regulations, otherwise obtains access to the books and records of the Company, Parent and Purchaser intend to conduct a detailed review of the Company and its assets, corporate structure, dividend policy, capitalization, operations, properties, policies, management and personnel and to consider and determine what, if any, changes would be desirable in light of the circumstances which then exist. Such strategies could include, among other things, changes in the Company's business, corporate structure, capitalization, management or dividend policy and changes to the Company Articles or Company By-Laws.

Except as indicated in this Offer to Purchase, neither Parent nor Purchaser has any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its

subsidiaries or any material change in the Company's capitalization or dividend policy or any other material changes in the Company's corporate structure or business, or the composition of the Company Board or management.

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

If the Proposed Merger is consummated without STB approval and if dissenters' rights are otherwise available to holders of Shares, such rights would be provided in accordance with Section 1571 et seq. of the PBCL. In such event, any issued and outstanding Shares held by persons who object to the Proposed Merger and comply with all the provisions of the PBCL concerning the right of holders of Shares to dissent from the Proposed Merger and require valuation of their Shares (a "Dissenting Shareholder") will not be converted into the right to receive the consideration to be paid pursuant to the Proposed Merger but will become the right to receive payment of the "fair value" of their Shares (exclusive of any element of appreciation or depreciation in anticipation of the Proposed Merger); provided, however, that the Shares outstanding immediately prior to the effective time of the Proposed Merger and held by a Dissenting Shareholder who will, after such time, withdraw his demand for payment or lose his right to dissent, in either case pursuant to the PBCL, will be deemed to be converted as of the effective time of the Proposed Merger into the right to receive the consideration to be paid pursuant to the Proposed Merger without interest.

Dissenters' rights cannot be exercised at this time. Shareholders who will be entitled to dissenters' rights, if any, in connection with the Proposed Merger (or similar business combination) will receive additional information concerning any available dissenters' rights and the procedures to be followed in connection therewith before such shareholders have to take any action relating thereto.

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

The Proposed Merger would have to comply with any applicable federal law operative at the time of its consummation. The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Proposed Merger. However, Rule 13e-3 would be inapplicable if (i) the Shares are deregistered under the Exchange Act prior to the Proposed Merger or other business combination or (ii) the Proposed Merger or other business combination is consummated within one year after the purchase of the Shares pursuant to the Offer and the amount paid per Share in the Proposed Merger or other business combination is at least equal to the amount paid per Share in the Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the fairness of the proposed transaction and the consideration offered to minority shareholders in such transaction be filed with the SEC and disclosed to shareholders prior to consummation of the transaction.

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

business to be brought before, an annual meeting of shareholders, and (iii) a provision that special meetings of shareholders may be called only by the Chairman of the Company Board, the Company Board or an Interested Shareholder.

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

If, following consummation of the Offer, the members of the Company Board in office at such time were to refuse to approve the Proposed Merger (or any other transaction or corporate action proposed by Purchaser that required approval of the Company Board), the Voting Trustee, in order to consummate the Proposed Merger (or any such other transaction or corporate action), would first have to replace at least a majority of the Company Board with its own designees. Parent believes that in such event the entire Company Board could be removed with or without cause at the next annual meeting of the Company's shareholders. Parent may also determine, whether or not the Offer is then pending, to conduct a proxy contest in connection with the Company's 1997 annual meeting of shareholders seeking to remove the current members of the Company Board and elect a new slate of directors designated by Parent. In the Pennsylvania Litigation, Parent and Purchaser are seeking a declaratory judgment that the members of the Company Board can be removed and replaced with a new slate of directors proposed by Parent. See "--Certain Litigation" below.

If the current members of the Company Board oppose the Offer or the Proposed Merger, it is contemplated that the Voting Trust Agreement will provide that the Voting Trustee will seek to take any action necessary to place a majority of its designees on the Company Board, including without limitation, seeking to amend the Company Articles and the Company By-Laws to remove the provisions described

above or to increase the number of seats available on the Company Board for its nominees and to solicit proxies from the shareholders of the Company for use at the next annual meeting of the Company's shareholders for the purpose of removing current members of the Company Board and electing new directors designated by the Voting Trustee.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF SUCH PROXIES AT ANY MEETING OF THE COMPANY'S SHAREHOLDERS. ANY SUCH SOLICITATION WHICH PARENT OR PURCHASER MAY MAKE WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT.

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

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

On July 19, 1989, the Board of Directors of CRC declared a dividend distribution of one Right for each share of common stock of CRC and executed the Rights Agreement. Upon adoption by the Company of a holding company structure on February 17, 1993, CRC assigned all of CRC's title and interest

under the Rights Agreement to the Company. On October 2, 1995, one Right was distributed with respect to each outstanding ESOP Preferred Share. Under the Rights Agreement, each Right entitles the holder to purchase one Common Share at an exercise price of $205.00, subject to adjustment. Based on publicly available information, Purchaser believes that, as of October 24, 1996, the Rights were not exercisable, Rights Certificates have not been issued and the Rights were evidenced solely by the Share Certificates. A general summary of certain provisions of the Rights and the Rights Agreement appears below.

Under the Rights Agreement, as amended, until the close of business on the Distribution Date (which is defined as the earlier of (i) 10 days following a public announcement that an Acquiring Person has acquired, or obtained the right to acquire, beneficial ownership of 10% or more of the outstanding Shares and (ii) 10 business days (or such later date as the Company Board shall determine) following the commencement of a tender offer or exchange offer which would result in a person or group beneficially owning 10% or more of the outstanding Shares), the Rights will be evidenced by the Share Certificates and will be transferred with and only with such Share Certificates. As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Shares as of the close of business on the Distribution Date, and thereafter the separate Rights Certificates alone will evidence the Rights.

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

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

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

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

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends.

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

Actions or determinations made by the Company Board in the administration of the Rights Agreement require the concurrence of a majority of (and at least two) Continuing Directors. A "Continuing Director" is a director who is not an Acquiring Person (or a representative or nominee thereof), and who either (i) was a member of the Company Board prior to September 20, 1995 or (ii) subsequently became a director of the Company and whose election or nomination for election is approved or recommended by a majority of the then Continuing Directors.

Pursuant to the CSX Merger Agreement, the Company has amended the Rights

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

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

Based on the foregoing, as a result of Purchaser's public announcement of the Offer, the Rights will become exercisable on a date no later than November 7, 1996, unless prior to such date the Company Board redeems the Rights or amends the Rights Agreement or otherwise takes action thereunder to delay the Distribution Date.

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

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

UNLESS THE RIGHTS ARE REDEEMED, SHAREHOLDERS WILL BE REQUIRED TO TENDER ONE RIGHT FOR EACH COMMON SHARE AND ESOP PREFERRED SHARE TENDERED IN ORDER TO EFFECT A VALID TENDER OF SUCH COMMON SHARES AND

ESOP PREFERRED SHARES IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN SECTION 3. IF SEPARATE CERTIFICATES FOR THE RIGHTS ARE NOT ISSUED, A TENDER OF COMMON SHARES AND ESOP PREFERRED SHARES WILL ALSO CONSTITUTE A TENDER OF THE ASSOCIATED RIGHTS. SEE SECTIONS 1 AND 3.

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

13. DIVIDENDS AND DISTRIBUTIONS. If, on or after the date of this Offer to

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

If, on or after the date of this Offer to Purchase, the Company should declare or pay any dividend on the Shares, other than regular quarterly dividends, or make any distribution (including, without limitation, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to shareholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to Purchaser's rights under Sections 1 and 14, (i) the purchase price per Share payable by Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) any such non-cash dividend, distribution or right to be received by the tendering shareholders will be received and held by such tendering shareholders for the account of Purchaser and will be required to be promptly remitted and transferred by each such tendering shareholder to the Depositary for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by Purchaser in its sole discretion.

14. CONDITIONS OF THE OFFER. Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) Purchaser's rights to extend and amend the Offer at any time in its sole discretion, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and may terminate the Offer as to any Shares not then paid for, if, in the sole judgment of Purchaser (1) at or prior to the expiration of the Offer any one or more of the Voting Trust Approval Condition, the HSR Condition, the Financing Condition, the Minimum Condition, the Subchapter F Condition, the Rights Condition or the CSX Termination Condition has not been satisfied, or (2) at any time on or after October 24, 1996 and prior to the acceptance for payment of Shares, any of the following events shall occur:

(a) there shall have been threatened, instituted or pending any action, proceeding, application or counterclaim before any court or governmental regulatory or administrative agency, authority, tribunal or commission, domestic or foreign, by any government or governmental authority or agency or commission, domestic or foreign, or by any other person, domestic or foreign (whether brought by the Company, an affiliate of the Company or any other person), which (i) challenges or seeks to challenge the acquisition by Parent or Purchaser or any affiliate of either of them of the Shares, restrains, delays or prohibits or seeks to restrain, delay or prohibit the making of the Offer, consummation of the transactions contemplated by the Offer or any other subsequent business combination, restrains or prohibits or seeks to restrain or prohibit the performance of any of the

contracts or other arrangements entered into by Purchaser or any of its affiliates in connection with the acquisition of the Company or obtains or seeks to obtain any material damages or otherwise directly or indirectly relating to the transactions contemplated by the Offer, the Proposed

Merger or any other subsequent business combination, (ii) prohibits or limits or seeks to prohibit or limit Parent's or Purchaser's ownership or operation of all or any portion of their or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries) or to compel or seeks to compel Parent or Purchaser to dispose of or hold separate all or any portion of their own or the Company's business or assets (including without limitation the business or assets of their respective affiliates and subsidiaries) or imposes or seeks to impose any limitation on the ability of Parent, Purchaser or any affiliate of either of them to conduct its own business or own such assets as a result of the transactions contemplated by the Offer or any other subsequent business combination, (iii) makes or seeks to make the acceptance for payment, purchase of, or payment for, some or all of the Shares pursuant to the Offer or the Proposed Merger illegal or results in a delay in, or restricts, the ability of Parent or Purchaser, or renders Parent or Purchaser unable, to accept for payment, purchase or pay for some or all of the Shares or to consummate the Proposed Merger, (iv) imposes or seeks to impose limitations on the ability of Parent or Purchaser or any affiliate of either of them effectively to acquire or hold or to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by them on an equal basis with all other Shares on all matters properly presented to the shareholders of the Company, (v) in the sole judgment of Parent or Purchaser, might adversely affect the Company or any of its subsidiaries or affiliates or Parent, Purchaser, or any of their respective affiliates or subsidiaries, (vi) in the sole judgment of Parent or Purchaser, might result in a diminution in the value of the Shares or the benefits expected to be derived by Parent or Purchaser as a result of the transactions contemplated by the Offer, (vii) in the sole judgment of Parent or Purchaser, imposes or seeks to impose any material condition to the Offer unacceptable to Parent or Purchaser or (viii) otherwise directly or indirectly relates to the Offer, the Proposed Merger or any other business combination with the Company;

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

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

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

of the Shares or in the securities or financial markets of the United States, or (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, in the sole judgment of Parent or Purchaser, a material acceleration or worsening thereof;

(e) other than the redemption of the Rights at the Redemption Price, the Company or any subsidiary of the Company shall have, at any time after October 24, 1996, (i) issued, distributed, pledged, sold or authorized, proposed or announced the issuance of or sale, distribution or pledge to any person of (A) any shares of its capital stock (other than sales or issuances pursuant to Options outstanding on October 24, 1996 in accordance with their terms as disclosed on such date or conversions of the ESOP Preferred Shares in accordance with their terms) of any class (including without limitation the Common Shares and the ESOP Preferred Shares) or securities convertible into any such shares of capital stock, or any rights, warrants or options to acquire any such shares or convertible securities or any other securities of the Company, or (B) any other securities in respect of, in lieu of or in substitution for Common Shares and ESOP Preferred Shares outstanding on October 24, 1996, (ii) purchased, acquired or otherwise caused a reduction in the number of, or proposed or offered to purchase, acquire or otherwise reduce the number of, any outstanding Common Shares, ESOP Preferred Shares or other securities, (iii) declared, paid or proposed to declare or pay any dividend or distribution on any Shares (other than the regular quarterly dividend on the Common Shares not in excess of the amount per share, and with record and payment dates, in accordance with recent practice) or on any ESOP Preferred Shares (other than the regular semi-annual dividend on the ESOP Preferred Shares not in excess of the amount per share payable in accordance with recent practice) or on any other security or issued, authorized, recommended or proposed the issuance or payment of any other distribution in respect of the Common Shares or the ESOP Preferred Shares, whether payable in cash, securities or other property, (iv) altered or proposed to alter any material term of any outstanding security, (v) incurred any debt other than in the ordinary course of business and consistent with past practice or any debt containing burdensome covenants, (vi) issued, sold or authorized or announced or proposed the issuance of or sale to any person of any debt securities or any securities convertible into or exchangeable for debt securities or any rights, warrants or options entitling the holder thereof to purchase or otherwise acquire any debt securities or incurred or announced its intention to incur any debt other than in the ordinary course of business and consistent with past practice, (vii) split, combined or otherwise changed, or authorized or proposed the split, combination or other change of the Common Shares, the ESOP Preferred Shares or its capitalization, (viii) authorized, recommended, proposed or entered into or publicly announced its intent to enter into any merger, consolidation, liquidation, dissolution, business combination, acquisition or disposition of a material amount of assets or securities, any material change in its capitalization, any waiver, release or relinquishment of any material contract rights or comparable right of the Company or any of its subsidiaries or any agreement contemplating any of the foregoing or any comparable event not in the ordinary course of business, or taken any action to implement any such transaction previously authorized, recommended, proposed or publicly announced, (ix) transferred into escrow any amounts required to fund any existing benefit, employment or severance agreements with any of its employees or entered into any employment, severance or similar agreement, arrangement or plan with any of its employees other than in the ordinary course of business and consistent with past practice or entered into or amended any agreements, arrangements or plans so as to provide for increased benefits to the employees as a result of or in connection with the transactions contemplated by the Offer or any other change in control of the Company, (x) except as may be required by law, taken any action to terminate or amend any employee benefit plan (as defined in Section 3(2) of ERISA) of the Company or any of its subsidiaries, or Parent or Purchaser shall have become aware of any such action which was not previously disclosed in publicly available filings, (xi) amended or proposed or authorized any amendment to its articles of incorporation or bylaws or similar organizational documents, (xii) authorized, recommended, proposed or entered into any other transaction that in the sole judgment of Parent or Purchaser could, individually or in the aggregate, adversely affect the value of the Shares to Parent or Purchaser or (xiii) agreed in writing or otherwise to take any of the foregoing actions or Parent or Purchaser

shall have learned about any such action which has not previously been publicly disclosed by the Company and also set forth in filings with the SEC;

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

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

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

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

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

15. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS; CERTAIN LITIGATION.

General. Except as otherwise disclosed herein, based on a review of publicly available information by the Company with the SEC, neither Purchaser nor Parent is aware of (i) any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by Parent or Purchaser pursuant to the Offer or the Proposed Merger, respectively, or (ii) any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required for the acquisition or ownership of Shares by Parent or Purchaser as contemplated herein. Should any such approval or other action be

required, Parent and Purchaser currently contemplate that such approval or action would be sought. While Purchaser does not currently intend to delay the acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or action, if needed, would be obtained or would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company, Purchaser or Parent or that certain parts of the businesses of the Company, Purchaser or Parent might not have to be disposed of in the event that such approvals were not obtained or any other actions were not taken. Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions. See Section 14.

Antitrust. Under the HSR Act and the rules that have been promulgated thereunder by the FTC, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and to the FTC and certain waiting period requirements have been satisfied. The notice and waiting period requirements of the HSR Act do not apply to the Offer and the Proposed Merger, provided that information and documentary material filed with the STB in connection with the seeking of STB approval of the acquisition by Parent of control of the Company and its subsidiaries are contemporaneously filed with the Antitrust Division and the FTC. Parent intends to comply with these contemporaneous filing requirements and therefore believes that the notice and waiting period requirements of the HSR Act do not apply to the Offer and the Proposed Merger. Parent and Purchaser believe that the Offer and the Proposed Merger are not subject to, or are exempt from, the HSR Act. Parent and Purchaser will request the Premerger Notification Office of the FTC to confirm this understanding.

STB Matters; The Voting Trust. Certain activities of subsidiaries of the Company are regulated by the STB. Provisions of subtitle IV, title 49 of the United States Code require approval of, or the granting of an exemption from approval by, the STB for the acquisition of control of two or more carriers subject to the jurisdiction of the STB ("Carriers") by a person that is not a Carrier and for the acquisition or control of a Carrier by a person that is not a Carrier but that controls any number of Carriers. STB approval or exemption is required for, among other things, Purchaser's acquisition of control of the Company. Purchaser intends, simultaneous with the acquisition of the Shares pursuant to the Offer, to deposit the Shares purchased pursuant to the Offer in the Voting Trust in order to ensure that Parent and its affiliates do not acquire and directly or indirectly exercise control over the Company and its affiliates prior to obtaining necessary STB approvals or exemptions. STB approval of the acquisition by Parent of control of the Company and its subsidiaries is not a condition to the Offer. The Offer is conditioned upon the issuance by the staff of the STB of an informal, nonbinding opinion, without the imposition of any conditions unacceptable to Purchaser, that the use of the Voting Trust is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier. Parent will request the staff of the STB to issue such an opinion. Under STB regulations that have been in effect since 1979, the STB staff has the power to issue such opinions. The proposed Voting Trust Agreement is modeled closely upon voting trust agreements that have been approved by the STB. However, there can be no assurance that the STB will not seek changes in, or request public comment regarding, the Voting Trust Agreement.

It is possible that the Department of Justice or railroad competitors of Parent and the Company, or others, may argue that Purchaser should not be permitted to use the voting trust mechanism to acquire Shares prior to final STB approval of the acquisition of control of the Company. Purchaser believes it is unlikely that such arguments would prevail, but there can be no assurance in this regard, nor can there be any assurance that if such arguments are made, it will not cause delay in obtaining a favorable STB staff opinion regarding the Voting Trust Agreement.

Pursuant to the terms of the proposed Voting Trust Agreement, it is expected that the Voting Trustee would hold such Shares until (i) the receipt of STB approval or (ii) the Shares are sold to a third party or otherwise

disposed of or (iii) the Voting Trust is otherwise terminated. It is expected that the Voting Trust Agreement submitted to the staff of the STB for approval will provide that the Voting Trustee will have sole power to vote the Shares in the Trust, will vote those Shares in favor of the Proposed Merger, and in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Proposed Merger, and against any other acquisition transaction, will vote the Shares in favor of any permitted disposition of the Shares and, on all other matters, will vote the Shares in proportion to the vote of all other shareholders of the Company. It is expected that the Voting Trust Agreement will contain certain other terms and conditions designed to ensure that neither Purchaser nor Parent will control the Company during the pendency of the STB proceedings. In addition, it is expected that the Voting Trust Agreement will provide that Purchaser or its successor in interest will be entitled to receive any cash dividends paid by the Company.

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

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

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

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

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

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

Under existing law, the STB is required to enter a final order with respect to the STB Application within approximately 15 months after such application is accepted. However, the STB can process such cases more quickly. Parent plans to ask the STB to adopt a more expedited schedule. Under existing law,

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

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

RECEIPT OF STB APPROVAL (OTHER THAN APPROVAL OF THE VOTING TRUST DESCRIBED ABOVE) IS NOT A CONDITION TO CONSUMMATION OF THE OFFER OR THE PROPOSED MERGER. IF THE STB APPROVAL IS NOT OBTAINED OR THE STB IMPOSES UNACCEPTABLE CONDITIONS, PURCHASER WILL BE REQUIRED TO USE ITS BEST EFFORTS TO SELL OR OTHERWISE DISPOSE OF THE SHARES DEPOSITED IN THE VOTING TRUST AFTER THE STB ORDER DENYING SUCH APPROVAL BECOMES FINAL OR PARENT DETERMINES NOT TO CONSUMMATE THE PROPOSED CONTROL TRANSACTION BECAUSE OF UNACCEPTABLE CONDITIONS. IN SUCH CASE, PURCHASER WOULD BE ENTITLED TO ANY PROCEEDS OF SUCH SALE OR OTHER DISPOSITION.

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

that such laws were applicable only under certain conditions.

The Pennsylvania Takeover Disclosure Law (the "PTDL") purports to regulate certain attempts to acquire a corporation which (1) is organized under the laws of Pennsylvania or (2) has its principal place of business and substantial assets located in Pennsylvania. The PTDL requires, among other things, that the offeror, 20 days prior to any takeover offer, file a registration statement for the takeover offer with the Pennsylvania Securities Commission (the "PSC") and publicly disclose the offering price of the disclosed offer. However, in Crane Co. v. Lam, 509 F. Supp. 782 (E.D. Pa. 1981), the United States District Court for the Eastern District of Pennsylvania preliminarily enjoined, on grounds arising under the United States Constitution, enforcement of at least the portion of the PTDL involving the pre-offer waiting period thereunder.

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

In addition to other provisions not applicable to the Offer or the Proposed Merger, Subchapter D of Chapter 25 of the PBCL includes provisions requiring approval of a merger of a registered corporation with an "interested shareholder" in which the "interested shareholder" is treated differently from other shareholders, by the affirmative vote of the shareholders entitled to cast at least a majority of the votes that all shareholders other than the interested shareholder are entitled to cast with respect to the transaction without counting the votes of the interested shareholders. This disinterested shareholder approval requirement is not applicable to a transaction (i) approved by a vote of the board of directors, without counting the votes of directors who are directors or officers of, or who have a material equity interest in, the interested shareholder, (ii) in which the consideration to be received by shareholders is not less than the highest amount paid by the interested shareholder in acquiring his shares, or (iii) effected without submitting the Proposed Merger to a vote of shareholders as permitted in Section 1924(b)(1)(ii) of the PBCL.

Purchaser believes that the approval requirements under Subchapter D would not apply to the Proposed Merger because, among other things, Purchaser expects that the value of the consideration offered to the Company's shareholders pursuant to the Proposed Merger would not be less than the highest amount paid by Purchaser in acquiring Shares pursuant to the Offer. If the approval requirements under Subchapter D were applicable to the Proposed Merger, the Proposed Merger would have to be approved by the affirmative vote of the holders of a majority of the votes which all shareholders other than Purchaser are entitled to cast. Purchaser reserves the right to challenge the applicability and validity of Subchapter D.

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

Subchapter F of Chapter 25 purports to prohibit under certain circumstances a "registered corporation" from engaging in a "Business

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

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

Under Subchapter F, the restrictions described above do not apply if, among other things, (i) the corporation's original certificate of incorporation contains a provision expressly electing not to be governed by Subchapter F, (ii) the board of directors of a corporation adopted an amendment to its by-laws by June 21, 1988 (and not subsequently rescinded by an amendment to the certificate of

incorporation or by-laws) expressly electing not to be governed by Subchapter F, or (iii) the corporation, by action of its shareholders, adopts an amendment to its certificate of incorporation expressly electing not to be governed by Subchapter F, provided that, in addition to any other vote required by law, such amendment to the certificate of incorporation must be approved by a majority of the corporation's voting shares, other than shares held by the Interested Shareholders, which amendment would not be effective until 18 months after the vote of such shareholders and would not apply to any Business Combination between the corporation and any person who became an Interested Shareholder prior to the effective date of the amendment. The Company is not exempt from operation of Subchapter F by reason of any of the foregoing exceptions.

Purchaser believes that, under applicable law and under circumstances of the Offer including the Company Board's approval of the CSX Merger Agreement, the Company Board is obligated by its fiduciary responsibilities to approve the Offer and the Proposed Merger for purposes of Subchapter F and that its

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

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

CONSUMMATION OF THE OFFER IS CONDITIONED UPON PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT SUBCHAPTER F HAS BEEN COMPLIED WITH OR IS INVALID OR OTHERWISE INAPPLICABLE TO THE OFFER AND THE PROPOSED MERGER.

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

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

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

Section 2504 of the PBCL provides that the applicability of Chapter 25 of the PBCL to a registered corporation having a class or series of shares entitled to vote generally in the election of directors

registered under the Exchange Act or otherwise satisfying the definition of a registered corporation under Section 2502(1) of the PBCL shall terminate immediately upon the termination of the status of the corporation as a registered corporation. Purchaser intends to seek to cause the Company to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Proposed Merger as the requirements for termination of the registration of the Shares are met.

Neither Purchaser nor Parent has currently complied with any state takeover statute or regulation. Purchaser reserves the right to challenge the

applicability or validity of any state law purportedly applicable to the Offer or the Proposed Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Proposed Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Offer or the Proposed Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Proposed Merger, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in consummating the Offer or the Proposed Merger. In such case, Purchaser may not be obliged to accept for payment or pay for any Shares tendered pursuant to the Offer.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, shareholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. Purchaser does not know whether any of these laws will, by their terms, apply to the Offer and has not complied with any such laws. Should any person seek to apply any state takeover law, Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws are applicable, and an appropriate court does not determine that such law is, or such laws are inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, Purchaser may not be obligated to accept for payment any Shares tendered. See Section 14.

Certain Litigation. On October 23, 1996, Parent, Purchaser and Kathryn B. McQuade, a shareholder of the Company, filed a Complaint for Declaratory and Injunctive Relief (the "Complaint") against the Company, its directors and CSX in the United States District Court for the Eastern District of Pennsylvania. The Complaint alleges, among other things, that the defendants have breached their fiduciary duties with respect to the Articles Amendment; that the defendants have breached their fiduciary duties with respect to the Rights Agreement; that the defendants have breached their fiduciary duties with respect to Subchapter F of the PBCL; that the defendants have breached their fiduciary duties with respect to certain lock-up provisions contained in the CSX Merger Agreement; that the "Continuing Director" requirement of the Rights Agreement is void under Pennsylvania law and under the Company's Articles and By-laws and constitutes a breach of the director defendants' duty of loyalty; that the defendants have violated Sections 14 (a), (d) and (e) of the Exchange Act and the rules and regulations promulgated thereunder; and that the Company and its directors are estopped from effectuating a sale of the Company without giving Parent an adequate opportunity to present its competing tender offer.

The plaintiffs seek declaratory relief and an order preliminarily and permanently enjoining the defendants, their directors, officers, partners, employees, agents, subsidiaries and affiliates, and all other persons acting in concert with or on behalf of the defendants directly or indirectly, from: (a) commencing or continuing a tender offer for Shares or other securities of the Company; (b) seeking the approval by the Company's shareholders of the Articles Amendment, or, in the event it has been approved by the Company's shareholders, from taking any steps to make the Articles Amendment effective; (c) taking any action to redeem the Rights or render the Rights Agreement inapplicable as to any offer by CSX without, at the same time, taking the same action as to the Offer; (d) taking any action to enforce the "Continuing Director" requirement of the Rights Agreement; (e) taking any action to enforce the CSX Termination Fee granted to CSX by the Company in the CSX Merger Agreement or the CSX Lockup Option

Agreement; (f) failing to take such action as is necessary to exempt Parent's

proposed acquisition of the Company from the provisions of Subchapter F of the PBCL; and (g) holding the Pennsylvania Special Meeting until all necessary corrective disclosures have been made and adequately disseminated to the Company's shareholders.

In addition, the plaintiffs seek compensatory damages, the costs and disbursements of the action and such other and further relief as the court deems just and proper. The plaintiffs also moved on October 23, 1996 for an order granting expedited discovery and scheduling concerning their request for preliminary injunctive relief.

On October 24, 1996, the District Court set a hearing date for November 12, 1996 to hear arguments concerning the plaintiffs' request for a preliminary injunction.

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

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

In addition, The Bank of New York has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws. Brokers, dealers, commercial banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding offering material to their customers.

17. MISCELLANEOUS. Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser cannot comply with any such state statute, the 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 one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR PURCHASER NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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

ATLANTIC ACQUISITION CORPORATION

October 24, 1996

SCHEDULE I

INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

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

asterisk. Each such person is a citizen of the United States.

NAME AND PRINCIPAL BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
David R. Goode*	Chairman, President and Chief Executive Officer (since September 1992); President (from October 1991 to September 1992); and prior thereto was Executive Vice President-Administration; Director, Caterpillar, Inc. (since June 1993); Director, Georgia-Pacific Corporation (since July 1992); Director, TRINOVA Corporation (since January 1993); Director, Texas Instruments (since February 1996).
D. Henry Watts	Vice Chairman (since October 1995); and prior thereto was Executive Vice President-Marketing.
James C. Bishop, Jr.	Executive Vice President-Law (since March 1996); and prior thereto was Vice President-Law.
R. Alan Brogan P.O. Box 988 Fort Wayne, IN 46801-0988	Executive Vice President-Transportation Logistics and President, North American Van Lines, Inc. (since December 1992); Vice President-Quality Management (from April 1991 to December 1992); and prior thereto was Vice President-Material Management and Property Services.
L. I. Prillaman	Executive Vice President-Marketing (since October 1995); Vice President-Properties (from December 1992 to October 1995); and prior thereto was Vice President and Controller.
Stephen C. Tobias	Executive Vice President-Operations (since July 1994); Senior Vice President-Operations (from October 1993 to July 1994); Vice President-Strategic Planning (from December 1992 to October 1993); and prior thereto was Vice President-Transportation; Director, TTX Company (since January 1993).
Henry C. Wolf	Executive Vice President-Finance (since June 1993); and prior thereto was Vice President-Taxation; Director, Greater Norfolk Corporation (since May 1994); Director, Shenandoah Life (since November 1995).
William B. Bales 110 Franklin Rd., S.E Roanoke, VA 24012	Senior Vice President-International (since October 1995); Vice President-Coal Marketing (from August 1993 to October 1995); and prior thereto was Vice President-Coal and Ore Traffic.
Paul N. Austin	Vice President-Personnel (since June 1994); Assistant Vice President-Personnel (from February 1993 to June 1994); and prior thereto was Director-Compensation.

NAME AND PRINCIPAL BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
John F. Corcoran 1500 K Street, N.W., Suite 375 Washington, DC 20005	Vice President-Public Affairs (since March 1992); and prior thereto was Assistant Vice President-Public Affairs.
David A. Cox	Vice President-Properties (since December 1995); and prior thereto was Assistant Vice President-Industrial Development.
Thomas L. Finkbiner	Vice President-Intermodal (since August 1993); Senior Assistant Vice President-International and Intermodal (from April to August 1993); and prior thereto was Assistant Vice President-International and Intermodal.
John W. Fox, Jr. 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Coal Marketing (since October 1995); Assistant Vice President-Coal Marketing (from August 1993 to October 1995); and prior thereto was General Manager Eastern Region.
Thomas J. Golian	Vice President (since October 1995); Executive Assistant to the Chairman, President and Chief Executive Officer (from April 1993 to October 1995); and prior thereto was Special Assistant to the President.
James L. Granum 1500 K Street, N.W. Suite 375 Washington, DC 20005	Vice President-Public Affairs (since March 1992); and prior thereto was Assistant Vice President-Public Affairs.
James A. Hixon	Vice President-Taxation (since June 1993); and prior thereto was Assistant Vice President-Tax Counsel.
Jon L. Manetta	Vice President-Transportation & Mechanical (since December 1995); Vice President-Transportation (from June 1994 to December 1995); Assistant Vice President-Transportation (from October 1993 to June 1994); Assistant Vice President-Strategic Planning (from January 1993 to October 1993); Director Joint Facilities and Budget (from March 1992 to January 1993); and prior thereto was Assistant Terminal Superintendent-Transportation; Director, Beaver Street Tower Company (since July 1994); Director, Norfolk and Portsmouth Belt Line Railroad Company (since July 1994); Director, Belt Railway Company of Chicago (since September 1994).
Harold C. Mauney, Jr.	Vice President-Quality Management (since December 1992); Assistant Vice President-Quality Management (from April 1991 to December 1992); and prior

	thereto was General Manager-Intermodal Transportation Services.
Donald W. Mayberry 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Research and Tests (since December 1995); and prior thereto was Vice President-Mechanical.
James W. McClellan	Vice President-Strategic Planning (since October 1993); Assistant Vice President-Corporate Planning (from March 1992 to October 1993); and prior thereto was Director-Corporate Development.
Kathryn B. McQuade 110 Franklin Rd., S.E. Roanoke, VA 24042	Vice President-Internal Audit (since December 1992); Director-Income Tax Administration (from May 1991 to December 1992); and prior thereto was Director-Federal Income Tax Administration.

NAME AND PRINCIPAL BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Charles W. Moorman	Vice President-Information Technology (since October 1993); Vice President-Employee Relations (from December 1992 to October 1993); Vice President-Personnel and Labor Relations (from February to December 1992); Assistant Vice President-Stations, Terminals and Transportation Planning (from March 1991 to February 1992); and prior thereto was Senior Director Transportation Planning.
Phillip R. Ogden 99 Spring Street, SW Atlanta, GA 30303	Vice President-Engineering (since December 1992); and prior thereto was Assistant Vice President-Maintenance; Director, Norfolk and Portsmouth Belt Line Railroad Company (since December 1993).
Magda A. Ratajski	Vice-President-Public Relations (since July 1984).
John P. Rathbone	Vice President and Controller (since December 1992); and prior thereto was Assistant Vice President-Internal Audit.
William J. Romig	Vice President and Treasurer (since April 1992); and prior thereto was Assistant Vice President-Finance.
Donald W. Seale	Vice President-Merchandise Marketing (since August 1993); Assistant Vice President-Sales and Service (from May 1992 to August 1993); and prior thereto was Director-Metals, Waste and Construction.
Robert S. Spenski	Vice President-Labor Relations (since June 1994); and prior thereto was Senior Assistant Vice President-Labor Relations.
William C. Wooldridge	Vice President-Law (since March 1996); prior thereto was General Counsel-Corporate.
Dezora M. Martin	Corporate Secretary (since April 1995); Assistant Corporate Secretary (from October 1993 to April 1995); and prior thereto was Assistant Corporate Secretary-Planning.
Gerald L. Baliles* Hunton & Williams 951 E. Byrd St. Riverfront Plaza, East Tower Richmond, VA 23219-4074	Director (since 1990); Partner, Hunton & Williams (since 1990); Director, Dibrell Brothers, Inc. (from March 1992 to March 1995).
Carroll A. Campbell, Jr.* American Council of Life Insurance 1001 Pennsylvania Ave., N.W. Washington, D.C. 20004	Director (since July 1996); President and Chief Executive Officer, American Council of Life Insurance (since January 1995); Governor of South Carolina (from January 1987 to January 1995); Director, AVX (since July 1995), Director, FLUOR (since January 1995).
Gene R. Carter* Association for Supervision and Curriculum Development 1250 N. Pitt Street Alexandria, VA 22314-1403	Director (since 1992); Executive Director, Association for Supervision and Curriculum Development (since July 1992); Superintendent of Schools, Norfolk, Virginia (from July 1983 to June 1992).
L. E. Coleman* 14849 Trappers Trail Novelty, OH 44072	Director (since 1982); Chairman, The Lubrizol Corporation (from January 1996 to March 1996); Chairman of the Board and CEO (from April 1982 to December 1995); Director, Harris Corporation (since January 1985).

NAME AND PRINCIPAL BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
T. Marshall Hahn, Jr.* Georgia-Pacific Corporation P. O. Box 105605 Atlanta, GA 30348-5605	Director (since 1985); Honorary Chairman of the Board, Georgia-Pacific Corporation (since December 1993), Chairman of the Board (from May 1993 to December 1993), Chairman of the Board and Chief Executive Officer (from February 1985 to May 1993); Director, SunTrust Banks, Inc. (since July 1984); Director, Coca-Cola Enterprises

	(since 1987).
Landon Hilliard* Brown Brothers Harriman & Co. 59 Wall Street New York, NY 10005	Director (since 1992); Partner, Brown Brothers Harriman & Co. (since January 1979); Director, Owens-Corning Fiberglass Corporation (since April 1989).
E. B. Leisenring, Jr.* Philadelphia Contributionship One Tower Bridge, Suite 501 Philadelphia, PA 19428	Director (since 1982); Chairman of the Philadelphia Contributionship (since January 1996) Chairman and Chief Executive Officer, Penn Virginia Corporation (from December 1988 to April 1992); Director, Penn Virginia Corporation (from September 1952 to October 1992); Director, Westmoreland Coal Company (from September 1952 to June 1996); Director, Fidelity Bank, N.A. (a wholly-owned subsidiary of First Fidelity Bancorporation) (from 1960 to January 1994); Director, PICO Products, Inc. (since November 1994); Director, SKF USA Inc. (a controlled subsidiary of Aktiebolaget SKF, Swedish corporation) (from January 1966 to March 1996).
Arnold B. McKinnon*	Director (since 1986); Chairman and Chief Executive Officer, Norfolk Southern Corporation (from September 1991 to August 1992); Chairman, President and Chief Executive Officer, Norfolk Southern Corporation (from March 1987 to September 1991).
Jane Margaret O'Brien* St. Mary's College of Maryland St. Mary's City, MD 20686	Director (since 1994); President, St. Mary's College of Maryland (since July 1996); President, Hollins College (from July 1991 to June 1996); Dean of the Faculty, Middlebury College (from 1989 to 1991); Director, Landmark Communications, Inc. (since 1994).
Harold W. Pote* The Beacon Group 375 Park Ave., 17th Floor New York, NY 10152	Director (since 1988); Partner, The Beacon Group (since April 1993); President, PBS Properties, Inc. (since November 1990), President and Chief Executive Officer, First Fidelity Bancorporation (from April 1984 to December 1988); Director, Turecamo Maritime, Inc. (from June 1990 to June 1996).

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

NAME AND PRINCIPAL BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
David R. Goode*	President; see part 1 above for five-year employment history.
James C. Bishop, Jr.*	Vice President and General Counsel; see part 1 above for five-year employment history.
L.I. Prillaman	Vice President; see part 1 above for five-year employment history.
Henry C. Wolf*	Vice President and Treasurer; see part 1 above for five-year employment history.
Dezora M. Martin	Corporate Secretary; see part 1 above for five-year employment history.

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

The Depositary for the Offer is:

The Bank of New York

By Mail:	By Facsimile Transmission:	By Hand or Overnight Courier:
Tender & Exchange Department	(for Eligible Institutions Only)	Tender & Exchange Department
P.O. Box 11248	(212) 815-6213	101 Barclay Street
Church Street Station		Receive & Deliver Window
New York, New York 10286-1248		New York, New York 10286

For Information Telephone:
(800) 507-9357

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

The Information Agent for the Offer is:

GEORGESON & COMPANY
[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
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 THURSDAY, NOVEMBER 21, 1996, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

THE BANK OF NEW YORK

By Mail:	By Facsimile Transmission:	By Hand or Overnight Courier:
Tender & Exchange Department	(for Eligible Institutions Only)	Tender & Exchange Department
P.O. Box 11248	(212) 815-6213	101 Barclay Street
Church Street Station		Receive & Deliver Window
New York, New York 10286-1248		New York, New York 10286

For Information Telephone:
(800) 507-9357

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

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

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

Holders of Shares will be required to tender one Right for each Share tendered to effect a valid tender of such Share. Until the Distribution Date (as defined in the Offer to Purchase) occurs, the Rights are represented by and transferred with the Shares. Accordingly, if the Distribution Date does not occur prior to the Expiration Date (as defined in the Offer to Purchase), a tender of Shares will constitute a tender of the associated Rights. If a Distribution Date has occurred and (i) Purchaser (as defined below) has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring

that a Distribution Date not have occurred and (ii) separate certificates ("Rights Certificates") have been distributed by the Company (as defined below) to holders of Shares prior to the date of tender pursuant to the Offer to Purchase, Rights Certificates representing a number of Rights equal to the number of Shares being tendered must be delivered to the Depositary in order for such Shares to be validly tendered. If a Distribution Date has occurred and (i) Purchaser has waived any portion of the Rights Condition (as defined in the Offer to Purchase) and (ii) Rights Certificates have not been distributed prior to the time Shares are tendered pursuant to the Offer to Purchase, a tender of Shares without Rights constitutes an agreement by the tendering shareholder to deliver Rights Certificates representing a number of Rights equal to the number of Shares tendered pursuant to the Offer to the Depositary within three business days after the date Rights Certificates are distributed. Purchaser reserves the right to require that it receive such Rights Certificates prior to accepting Shares for payment. Payment for Shares tendered and purchased pursuant to the Offer to Purchase will be made only after timely receipt by the Depositary of, among other things, Rights Certificates, if such certificates have been distributed to holders of Shares. Purchaser will not pay any additional consideration for the Rights tendered pursuant to the Offer to Purchase.

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

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

Name of Tendering Institution:

Check Box of Applicable Book-Entry Transfer Facility:
[ ] The Depository Trust Company
[ ] Philadelphia Depository Trust Company

Account Number

- ---

Transaction Code Number

- ---

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

Name of Tendering Institution:

Check Box of Applicable Book-Entry Transfer Facility:
[ ] The Depository Trust Company
[ ] Philadelphia Depository Trust Company

Account Number

- ---

Transaction Code Number

- ---

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

Name(s) of Registered Holder(s):

Window Ticket 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

- ---

DESCRIPTION OF SHARES TENDERED

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

* Need not be completed by shareholders tendering by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares being delivered to the Depositary are being tendered. See Instruction 4.

DESCRIPTION OF RIGHTS TENDERED

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

* If the tendered Rights are represented by separate Rights Certificates, provide the certificate numbers of such Rights Certificates. Shareholders tendering Rights which are not represented by separate certificates will need to submit an additional Letter of Transmittal if Rights Certificates are distributed.

** Need not be completed by shareholders tendering by book-entry transfer.

*** Unless otherwise indicated, it will be assumed that all Rights being delivered to the Depositary are being tendered. See Instruction 4.

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

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to Atlantic Acquisition Corporation, a Pennsylvania corporation ("Purchaser") and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation, the above described shares of common stock, par value $1.00 per share (the "Common Shares"), or shares of Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), pursuant to Purchaser's offer to purchase all outstanding shares, including, in each case, the associated Rights, at a price of $100 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"), receipt of which is hereby acknowledged, and in this 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 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

- ----------

(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)

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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

(ZIP CODE)

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

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- ---

(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_

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

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

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

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

4. Partial Tenders. (Not applicable to shareholders who tender by book-entry transfer.) If fewer than all the Shares or Rights evidenced by any Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of

Shares or Rights which are to be tendered in the box entitled "Number of Shares Tendered." In such cases, new Certificate(s) evidencing the remainder of the Shares or Rights that were evidenced by the Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions," as soon as practicable after the expiration or termination of the 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.

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

9. Substitute Form W-9. Each tendering shareholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalties of perjury, that such number is correct and that such shareholder is not subject to backup

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

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

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF), PROPERLY

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

IMPORTANT TAX INFORMATION

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

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

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

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares or Rights purchased pursuant to the Offer, the shareholder is required to notify the Depositary of such shareholder's correct TIN by completing the form below certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN), and (b) that (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

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

PAYER'S NAME: , 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, Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below:

The Information Agent for the Offer is:

GEORGESON & COMPANY INC.
[LOGO]

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 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 Offer to Purchase) or (iii) the procedure for book-entry transfer cannot be completed on a timely basis. All references herein to the Common Shares, ESOP Preferred Shares or Shares include the associated Rights. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary. See "Procedures for Tendering Shares" of the Offer to Purchase.

The Depositary for the 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.

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LADIES AND GENTLEMEN:

The undersigned hereby tenders to Atlantic Acquisition Corporation, a

Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), and the related 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 specified below pursuant to the guaranteed delivery procedures described in "Procedures for Tendering Shares" of the Offer to Purchase.

Number of Shares (including the associated Rights):

Name(s) of Record Holder(s)

PLEASE TYPE OR PRINT

Address(es):

ZIP CODE

Area Code and Tel. No.:

Certificate No(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 Depositary, at one of its addresses set forth above, of certificates evidencing the Shares and Rights tendered hereby in proper form for transfer, or confirmation of

book-entry transfer of such Shares and Rights into the Depositary's accounts at The Depository Trust Company or the Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees, or an Agent's Message (as defined in "Acceptance for Payment and Payment for Shares" of the Offer to Purchase), and any other documents required by the Letter of Transmittal, (x) in the case of Shares, within three New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery, or (y) in the case of Rights, within a period ending the latter of (i) three New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery or (ii) three business days after the date Rights Certificates are distributed to shareholders.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares and Rights to the Depositary within the time period shown herein. Failure to do so could result in financial loss to such Eligible Institution.

Name of Firm:

AUTHORIZED SIGNATURE

Address:

(ZIP CODE)

Area Code and
Tel. No.:

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.

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OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES
OF
COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
OF

CONRAIL INC.

AT

$100 NET PER SHARE
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 THURSDAY, NOVEMBER 21, 1996 UNLESS THE OFFER IS EXTENDED.

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October 24, 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 $100 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"), and the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer") enclosed herewith.

Unless the Rights are redeemed prior to the Expiration Date (as defined in the Offer to Purchase) of the Offer, holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the Offer to Purchase) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the 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 deliver procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2 of the Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THE RECEIPT BY PURCHASER, PRIOR TO THE EXPIRATION OF THE OFFER, OF AN INFORMAL WRITTEN OPINION IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO PURCHASER FROM THE STAFF OF THE SURFACE TRANSPORTATION BOARD (THE "STB"), WITHOUT THE IMPOSITION OF ANY CONDITIONS UNACCEPTABLE TO PURCHASER, THAT THE USE OF A VOTING TRUST IN CONNECTION WITH THE OFFER AND THE PROPOSED MERGER (AS DEFINED IN THE OFFER TO PURCHASE) IS CONSISTENT WITH THE POLICIES OF THE STB AGAINST UNAUTHORIZED ACQUISITIONS OF CONTROL OF A REGULATED CARRIER, (2) THE RECEIPT BY PURCHASER, PRIOR TO THE EXPIRATION OF THE OFFER, OF AN INFORMAL STATEMENT FROM THE PREMERGER NOTIFICATION OFFICE OF THE FEDERAL TRADE COMMISSION THAT THE TRANSACTIONS CONTEMPLATED BY THE OFFER AND THE PROPOSED MERGER ARE NOT SUBJECT TO, OR ARE EXEMPT FROM, THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED (THE "HSR ACT"), OR, IN THE ABSENCE OF THE RECEIPT OF SUCH INFORMAL STATEMENT, ANY APPLICABLE WAITING PERIOD UNDER THE HSR ACT HAVING EXPIRED OR BEEN TERMINATED PRIOR TO THE EXPIRATION OF THE OFFER, (3) PARENT AND PURCHASER HAVING OBTAINED, PRIOR TO THE EXPIRATION OF THE OFFER, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER, (4) 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, (5) 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, (6) 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 (7) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE.

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

1. Offer to Purchase, dated October 24, 1996;

2. Letter of Transmittal to be used by holders of shares in accepting the Offer and tendering Shares and Rights;

3. Notice of Guaranteed Delivery to be used to accept the Offer if the certificates evidencing such Shares and Rights are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry

transfer cannot be completed on a timely basis;

4. A letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the 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. 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 Depository Trust Company or the Philadelphia Depository Trust Company pursuant to the procedures set forth in "Procedures for Tendering Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) and (iii) any other documents required by the Letter of Transmittal.

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

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

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, NOVEMBER 21, 1996, 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 should be delivered or such Shares and Rights should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

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

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

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

Very truly yours,

J.P. MORGAN & CO. MERRILL LYNCH & CO.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF PARENT, PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGERS, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES
OF
COMMON STOCK AND SERIES A ESOP CONVERTIBLE JUNIOR PREFERRED STOCK
(INCLUDING, IN EACH CASE, THE ASSOCIATED COMMON STOCK PURCHASE RIGHTS)
OF

CONRAIL INC.

AT

$100 NET PER SHARE
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 THURSDAY, NOVEMBER 21, 1996 UNLESS THE OFFER IS EXTENDED.

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October 24, 1996

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), and the related 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 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 $100 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 Offer to Purchase), holders of Shares will be required to tender one associated Right for each Share tendered in order to effect a valid tender of such Share. Accordingly, shareholders who sell their Rights separately from their Shares and do not otherwise acquire Rights may not be able to satisfy the requirements of the Offer for the tender of Shares. If the Distribution Date (as defined in the Offer to Purchase) has not occurred prior to the Expiration Date, a tender of Shares will also constitute a tender of the associated Rights. If the Distribution Date has occurred and (i) Purchaser has waived that portion of the Rights Condition (as defined in the Offer to Purchase) requiring that a Distribution Date not have occurred and (ii) Rights Certificates (as defined in the Offer to Purchase) have been distributed to holders of Shares prior to the time a holder's Shares are purchased pursuant to the 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 Depositary within three business days after the date that Rights Certificates are distributed. Purchaser reserves the right to require that the Depositary receive Rights Certificates, or a Book-Entry Confirmation, if available, with respect to such Rights prior to accepting the related Shares for payment pursuant to the 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 Letter of Transmittal. Delivery of documents to a Book-Entry Transfer Facility (as defined in the Offer to Purchase) in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

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

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

Your attention is invited to the following:

1. The tender price is $100 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 Thursday, November 21, 1996, unless the Offer is extended.

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

4. The Offer is conditioned upon, among other things, (1) the receipt by Purchaser, prior to the expiration of the Offer, of an informal written opinion in form and substance reasonably satisfactory to Purchaser from the staff of the Surface Transportation Board (the "STB"), without the imposition of any conditions unacceptable to Purchaser, that the use of a voting trust in connection with the Offer and the Proposed Merger (as defined in the Offer to Purchase) is consistent with the policies of the STB against unauthorized acquisitions of control of a regulated carrier, (2) the receipt by Purchaser, prior to the expiration of the Offer, of an informal statement from the Premerger Notification Office of the Federal Trade Commission that the transactions contemplated by the Offer and the Proposed Merger are not subject to, or are exempt from, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), or, in the absence of the receipt of such informal statement, any applicable waiting period under the HSR Act having expired or been terminated prior to the expiration of the Offer, (3) Parent and Purchaser having obtained, prior to the expiration of the Offer, on terms reasonably acceptable to Parent, sufficient financing to enable consummation of the Offer and the Proposed Merger, (4) 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, (5) 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, (6) 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 (7) Purchaser being satisfied, in its sole discretion, that the previously announced Agreement and Plan of Merger between the Company and CSX Corporation has been terminated in accordance with its terms or otherwise.

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

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

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

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

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated October 24, 1996, and the related 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)

- ---

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

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

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE TAXPAYER IDENTIFICATION NUMBER OF--
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(2)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person(3)	The ward, minor, or incompetent
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust	The actual owner(1)
under State law	
8. Sole proprietorship account	The owner(4)

FOR THIS TYPE OF ACCOUNT:	GIVE THE TAXPAYER IDENTIFICATION NUMBER OF--
9. A valid trust, estate, or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)

10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

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

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

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

(4) Show the name of the owner.

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

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

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
PAGE 2

OBTAINING A NUMBER

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

PAYEES EXEMPT FROM BACKUP WITHHOLDING

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

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).

- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

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

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

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

- Payments of interest on obligations issued by individuals.
  NOTE: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments of mortgage interest to you.

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

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

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

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 20% on any portion of an underpayment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION--Falsifying certifications or

affirmations may subject you to criminal penalties including fines and/or imprisonment.

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

[LOGO] Norfolk Southern NEWS RELEASE

FOR IMMEDIATE RELEASE

October 23, 1996

Contact: Robert C. Fort

(804) 629-2714

NORFOLK SOUTHERN PLANS ALL CASH $100 PER SHARE
OFFER FOR CONRAIL, INC.

NEW YORK, NY -- Norfolk Southern Corporation (NYSE:NSC) announced today that it will be commencing an all cash tender offer for all of the outstanding common shares and Series A ESOP convertible junior preferred shares of Conrail, Inc. (NYSE:CRR), at a price of $100 per share. Following the completion of the tender offer, Norfolk Southern intends to effect a merger in which all remaining Conrail shareholders will also receive the same cash price paid in the tender offer.

"This proposal is better on every point than the CSX/Conrail proposal announced last week. A combined Norfolk Southern-Conrail will create a more balanced eastern rail system and will do so by increasing, rather than diminishing, competition in the industry," said David R. Goode, Chairman, President and Chief Executive Officer of Norfolk Southern.

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"For customers, it provides single-line access to some of the largest markets in the world. It combines Conrail with the industry leader in safety, efficiency, innovation and service. For Norfolk Southern shareholders and employees of both companies, the merger provides the opportunities that come with greater growth -- more than either company could have achieved on its own. And, for Conrail shareholders, this offer is superior."

Based upon the per share closing price of the CSX (NYSE: CSX) shares yesterday, Norfolk Southern's $100 per share offer represents a premium of $11.49 (13%) over the blended value of CSX's 40% cash and 60% stock proposal. Norfolk Southern's offer will provide for a voting trust to hold the Conrail shares acquired in the tender offer and merger and thereby allow Conrail shareholders to receive immediate payment for their shares in the tender offer and merger.

The tender offer will be conditioned upon, among other things, the receipt by Norfolk Southern of an informal written opinion from the staff of the Surface Transportation Board that the use of the voting trust is consistent with the policies of the STB, Norfolk Southern having obtained sufficient financing for the tender offer and subsequent merger, the valid tender of a majority of Conrail's shares on a fully diluted basis, Subchapter 25F of Pennsylvania's Business Corporation Law not being applicable to the offer,

-more-

Conrail's poison pill having been redeemed or otherwise made inapplicable to

Norfolk Southern's tender offer, the merger agreement between CSX and Conrail having been terminated in accordance with its terms and other customary conditions. The complete terms and conditions of the tender offer will be set forth in the offering documents to be filed shortly with the Securities and Exchange Commission.

Norfolk Southern already has commitments for $4 billion of the necessary financing from Merrill Lynch and JP Morgan and a letter indicating they are highly confident that the balance is available.

Norfolk Southern is a transportation holding company which operates a 14,500 mile rail system in 20 states and one Canadian province, as well as a trucking company.

Following is the complete text of a letter sent from David R. Goode to the Board of Directors of Conrail.

CAPITAL PRINTING SYSTEMS]

October 23, 1996

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

Attention: David M. LeVan, Chairman

Dear Members of the Board:

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

On two recent occasions, in late September and again on October 4, I contacted Mr. LeVan to reiterate our strong interest in acquiring Conrail and request a meeting at which I could present a concrete proposal. In each case, I emphasized that I wished to communicate our proposal so that the Conrail Board would be aware of it during their next meeting. Also in each case, Mr. LeVan stated that it was unnecessary for me to do so.

In view of this background, it came as a disappointment to me when it was announced on October 15 that you had agreed to the proposed acquisition of Conrail by CSX Corporation. We regret that, despite knowing our long-term interest in joining Conrail with Norfolk Southern, your Chairman ignored our long-standing offer to submit a business combination proposal to you.

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

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

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

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

circumstances, to commence our cash tender offer, our strong preference would be to negotiate a merger agreement with you.

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

Besides the benefits for your shareholder constituency, we are

confident that Conrail's employees, suppliers, customers, creditors and the communities in which Conrail is located will be better served by the combination of Norfolk Southern and Conrail as compared with the CSX proposal. Moreover, because a Norfolk Southern merger presents a substantially more favorable competitive and regulatory picture, our proposal is more consistent with both the long and short-term interests of Conrail. We look forward to the opportunity to directly discuss these matters with you in the manner they would have been communicated before the hasty attempt to lockup a deal with CSX. To ensure that your Board fulfills its fiduciary obligations and to resolve certain other issues, we have today commenced litigation in the Federal District Court for the Eastern District of Pennsylvania.

Our Board of Directors is fully supportive of our proposal and has authorized and approved it. Consistent with our Board's action, we and our advisors stand ready, willing and able to meet with you and your advisors at your earliest convenience. I want to stress that we are flexible as to all aspects of our proposal, including the possibility of substituting a substantial equity component to our present offer so that your shareholders could have a continuing interest in the combined enterprise, and are anxious to proceed to discuss and negotiate it with you as soon as possible.

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

Sincerely,

David R. Goode

cc: All Directors

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase, dated October 24, 1996, and the related Letter of Transmittal and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Atlantic Acquisition Corporation by J.P. Morgan Securities Inc., Merrill Lynch & Co., or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

NOTICE OF OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES

OF

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

OF

CONRAIL INC.

AT

$100 NET PER SHARE

BY

ATLANTIC ACQUISITION CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF

NORFOLK SOUTHERN CORPORATION

Atlantic Acquisition Corporation ("Purchaser"), a Pennsylvania corporation and a wholly owned subsidiary of Norfolk Southern Corporation, a Virginia corporation ("Parent"), hereby offers to purchase all of the outstanding shares of (i) common stock, par value $1.00 per share (the "Common Shares"), and (ii) Series A ESOP Convertible Junior Preferred Stock, without par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), including, in each case, the associated Common Stock Purchase Rights (the "Rights") issued pursuant to the Rights Agreement, dated as of July 19, 1989, as amended, between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agreement"), at a price of $100 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 24, 1996 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as amended from time to time, together 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 inure to holders of the Rights pursuant to the Rights Agreement, including the right to receive any payment due upon redemption of the Rights.

- ---
THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, NOVEMBER 20, 1996, UNLESS THE OFFER IS EXTENDED.
- ---

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, PRIOR TO THE EXPIRATION OF THE OFFER, (1) THE RECEIPT BY PURCHASER OF AN INFORMAL WRITTEN OPINION IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO PURCHASER FROM THE STAFF OF THE

SURFACE TRANSPORTATION BOARD (THE "STB"), WITHOUT THE IMPOSITION OF ANY CONDITIONS UNACCEPTABLE TO PURCHASER, THAT THE USE OF A VOTING TRUST IN CONNECTION WITH THE OFFER AND THE PROPOSED MERGER (AS DEFINED HEREIN) IS CONSISTENT WITH THE POLICIES OF THE STB AGAINST UNAUTHORIZED ACQUISITIONS OF CONTROL OF A REGULATED CARRIER, (2) THE RECEIPT BY PURCHASER OF AN INFORMAL STATEMENT FROM THE PREMERGER NOTIFICATION OFFICE OF THE FEDERAL TRADE COMMISSION THAT THE TRANSACTIONS CONTEMPLATED BY THE OFFER AND THE PROPOSED MERGER ARE NOT SUBJECT TO, OR ARE EXEMPT FROM, THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED (THE "HSR ACT"), OR, IN THE ABSENCE OF THE RECEIPT OF SUCH INFORMAL STATEMENT, ANY APPLICABLE WAITING PERIOD UNDER THE HSR ACT HAVING EXPIRED OR BEEN TERMINATED, (3) PARENT AND PURCHASER HAVING OBTAINED, ON TERMS REASONABLY ACCEPTABLE TO PARENT, SUFFICIENT FINANCING TO ENABLE CONSUMMATION OF THE OFFER AND THE PROPOSED MERGER, (4) 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, (5) 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, (6) 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 (7) PURCHASER BEING SATISFIED, IN ITS SOLE DISCRETION, THAT THE PREVIOUSLY ANNOUNCED AGREEMENT AND PLAN OF MERGER BETWEEN THE COMPANY AND CSX CORPORATION HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS OR OTHERWISE.

The purpose of the Offer is for Parent 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 Share paid pursuant to the Offer.

Purchaser expressly reserves the right, in its sole judgment, at any time and from time to time and regardless of whether any of the events set forth in Section 14 of the Offer to Purchase shall have occurred or shall have been determined by Purchaser to have occurred, (i) to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of such extension to the Depositary (as defined in the Offer to Purchase) and (ii) to amend the Offer in any respect by giving oral or written notice of such amendment to the Depositary. Any such extension or amendment will be followed as promptly as practicable by a public announcement thereof, such announcement in the case of an extension, to be issued not later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date (as defined in the Offer to Purchase). During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering shareholder to withdraw such shareholder's Shares.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment pursuant to the Offer. In all cases, upon the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by

deposit of the aggregate purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from Purchaser and transmitting payment to validly tendering shareholders. Under no circumstances will interest on the purchase price for Shares be paid by Purchaser by reason of any delay in making such payment.

In all cases, payment for Shares purchased pursuant to the Offer will be made

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

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

Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Wednesday, November 20, 1996 (or if Purchaser shall have extended the period of time for which the Offer is open, at the latest time and date at which the Offer, as so extended by Purchaser, shall expire) and unless theretofore accepted for payment and paid for by Purchaser pursuant to the Offer, may also be withdrawn at any time after December 22, 1996. In order for a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn, and, if Certificates for Shares have been tendered, the name of the registered holder of the Shares as set forth in the tendered Certificate, if different from that of the person who tendered such Shares. If Certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then prior to the physical release of such Certificates, the serial numbers shown on such Certificates evidencing the Shares to be withdrawn must be submitted to the Depositary and the signature on the notice of withdrawal must be guaranteed by a firm which is a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agent's Medallion Program (an "Eligible Institution"), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawal of tenders of Shares may not be rescinded, and any Shares properly withdrawn will be deemed not to be validly tendered for purposes of the Offer. Withdrawn Shares may, however, be retendered by repeating one of the procedures set forth in Section 3 of the Offer to Purchase at any time before the Expiration Date. Purchaser, in its sole judgment, will determine all questions as to the form and validity (including time of receipt) of notices of withdrawal, and such determination will be final and binding.

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

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

THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

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

The Information Agent for the Offer is:

GEORGESON & COMPANY INC.
[LOGO]

Wall Street Plaza
New York, New York 10005

Banks and Bankers Call Collect: (212) 440-9800

ALL OTHERS CALL TOLL FREE: (800) 223-2064

The Dealer Managers for the Offer are:

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

MERRILL LYNCH & CO.
World Financial Center
North Tower
New York, New York 10251-1305
(212) 449-8211 (Call Collect)

October 24, 1996

NEWS RELEASE

Norfolk Southern Corporation

FOR IMMEDIATE RELEASE

October 24, 1996

Contact: Robert C. Fort
(804) 629-2714

NORFOLK SOUTHERN COMMENCES TENDER OFFER TO ACQUIRE CONRAIL SHARES FOR $100 PER SHARE

NORFOLK, VA -- October 24, 1996 -- Norfolk Southern Corporation (NYSE: NSC) announced today that a wholly owned subsidiary is commencing today its previously announced all cash tender offer for all of the outstanding Common Shares and Series A ESOP Convertible Junior Preferred Shares of Conrail Inc. (NYSE: CRR) at a price of $100 per share. The tender offer will expire on Thursday, November 21, 1996 at 12:00 midnight, New York City time, unless the offer is extended.

Following completion of the tender offer, Norfolk Southern intends to consummate a merger in which all remaining Conrail shares would be converted into the right to receive the same cash price per share paid in the tender offer.

Norfolk Southern is a transportation holding company which operates a 14,500 mile rail system in 20 states and one Canadian province, as well as a diversified motor carrier.

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Norfolk Southern

Financial Analyst Presentation

October 23, 1996

Presentation Outline

Summary of Offer

Strategic Rationale

Pro Forma Financial Effects

Summary of Transaction Benefits

Summary of Conrail Offer

Financial Terms

- $100 per share for a total transaction value of $11.2 billion
- 100% cash
- Offer conditions
- All shares in voting trust - - cash upfront
- Financing commitments:
  J.P. Morgan, Merrill Lynch
- Tender to commence promptly

Other Issues

- Letter to Conrail Board
- Lawsuit in Federal Court
- Final regulatory approval

Strategic Rationale - Overview of Norfolk Southern Advantages

A. Strategic Value

Market Balance:	Stronger, more competitive Eastern market
Combined System to Best Operator:	With the consistently lowest operating ratio in the industry, Norfolk Southern is the best choice to achieve the most efficient rail system in the East

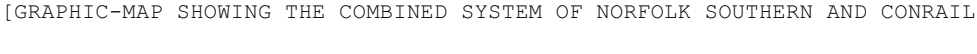
B. Financial Value

Best Value for CR Shareholders:	$100 vs. $84.75 (current market) All cash Payment upfront with closure into voting trust
Best Value for NS Shareholders:	Maximizes future earnings accretion Confidence in achieving synergy Strong balance sheet

C. Value to Other Constituencies

Customers	Communities
General Public	Suppliers
Employees	

Strategic Rationale: The Combined System



Financial Effects: Overview
($ in billions)

Pro Forma Results for Fiscal Year 1997

Revenues	$9.0
EBITDA	3.1
Interest	1.0
Total Debt (1/1/97)	$13.2
EBITDA/Interest	3.1x
Total Debt/Total Capitalization (1/1/79)	72%
Total Debt/Total Market Capitalization	53%

Financial Effects: Highlights

EPS Impact

Modestly accretive in Year 1 (1998): 3% - 4%

Significantly accretive in Years 2 and 3 when full synergies realized: 20% and 30%, respectively

Substantial increase in EPS growth rate

Transaction Synergies	1998	1999	2000
Operating Savings (net of add'l costs)	$145	$320	$515
Profit from Revenue Enhancements (net of diversions)	30	75	145
Total Operating Impact:	$175	$395	$660

Cash Flows for Debt Repayment (after dividends)

1st 3 Years: $2.85 billion

1st 5 Years: $5.75 billion

Transaction Benefits: Net Revenue Synergies
($ in millions)

	Net Revenue Change:		
	1998	1999	2000
Revenues	$105	$285	$525
Operating Income	$30	$75	$145

New Business Revenue:	
Single Line Service	$215
New Coal Traffic	134
Highway-to-Intermodal	190
Highway-to-Carload	126
Losses-Enhanced Competition	(140)
Total:	$525

Transaction Benefits: Operating Expense Synergies
($ in millions)

	1998	1999	2000
General and Administrative	$48	$106	$170
Transportation	45	100	161
Equipment Savings	30	67	107
Way & Structures	22	47	77
Total Operating Expense (net of add'l costs incurred)	$145	$320	$515

Summary

Best Deal for the U.S. Transportation Industry

- Best operator should run this combined railroad
- Best competitive balance in the East

Best Deal for Conrail Shareholders

- All cash
- Our confidence of realizing synergies = upfront payment

Best Deal for Norfolk Southern Shareholders

- Significant accretion from transaction synergies

Accelerated 5-year growth rate -- synergies and deleveraging

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
60 Wall Street
New York, NY 10260

J.P. MORGAN SECURITIES INC.
60 Wall Street
New York, NY 10260

MERRILL LYNCH CAPITAL CORPORATION
World Financial Center
North Tower
New York, NY 10281

MERRILL LYNCH & Co.
World Financial Center
North Tower
New York, NY 10281

October 22, 1996

COMMITMENT LETTER

Mr. William J. Romig
Vice President and Treasurer
Norfolk Southern Corporation
Norfolk, VA 23510-2191

Dear Bill:

You have advised us that Norfolk Southern Corporation ("NSC") intends to acquire the company previously identified to us as "Mainline" (the "Acquisition") by means of a cash tender offer (the "Tender Offer") and subsequent merger (the "Merger"). We understand that you will require up to $11,500,000,000 of senior bank debt facilities (the "Credit Facilities") to finance the Acquisition, to refinance your existing bank facilities, to refinance existing debt of Mainline, to pay related fees and expenses, and for general corporate purposes. You have requested us to arrange the Credit Facilities.

J.P. Morgan Securities Inc. ("JPMSI") and Merrill Lynch & Co. ("ML&Co."; together with JPMSI, the "Arrangers") are pleased to advise you that we are willing to use our best efforts to arrange a syndicate of financial institutions (the "Lenders") to provide the Credit Facilities. In addition, Morgan Guaranty Trust Company of New York ("Morgan") and Merrill Lynch Capital Corporation ("Merrill") hereby severally commit that each will, or will cause an affiliate to, provide up to $2,000,000,000 of the Credit Facilities. JPMSI and ML&Co. are highly confident of our ability under market conditions currently prevailing to successfully arrange the balance of the Credit Facilities, all upon the terms and subject to the conditions hereinafter set forth.

Attached as Exhibit A to this letter is a Summary of Terms and Conditions (the "Term Sheet") setting forth the principal terms and conditions on and subject to which Morgan and Merrill are willing to make their respective portions of the Credit Facilities available.

It is agreed that Morgan and Merrill will act as the sole agents for, and that JPMSI and ML&Co. will act as sole arrangers of, the Credit Facilities and that no additional agents, co-agents or arrangers will be appointed without the prior written consent of Morgan, JPMSI, Merrill and ML&Co. All aspects of the syndication, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the tiering and allocations of the commitments among the Lenders and the amount, timing and distribution of fees among the Lenders shall, in each case, be subject to mutual agreement of

the Arrangers and NSC.

You agree to assist JPMSI and ML&Co. in forming any such syndicate and to provide Morgan, JPMSI, Merrill, ML&Co. and the other Lenders, promptly upon request, all information deemed reasonably necessary by them to complete successfully the syndication, including, but not limited to, (a) an information package for delivery to potential syndicate members and participants and (b) all information and projections prepared by you or your advisers relating to the transactions described. You agree that any other financings during the syndication process will be subject to approval by Morgan, JPMSI, Merrill and ML&Co. You further agree to make your officers and representatives available to participate in information meetings for potential syndicate members at such times and places as Morgan, JPMSI, Merrill and ML&Co. may reasonably request.

You represent and warrant and covenant that no written information and no information (written or otherwise) given at information meetings for potential syndicate members (collectively, the "Information") which has been or is hereafter furnished by or on behalf of NSC to Morgan, JPMSI, Merrill and/or ML&Co. in connection with the transactions contemplated hereby contained (or, in the case of Information furnished after the date hereof, will contain) as of the time it was furnished (or is furnished) any material misstatement of fact or omitted (or will omit) as of such time to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were (or will be) made, not misleading; provided, that the foregoing representation and warranty is made only to the best of your knowledge in the case of Information relating to Mainline and its subsidiaries, which knowledge is principally based upon public disclosure by Mainline; and provided, further, that, with respect to Information consisting of statements, estimates and projections regarding the future performance of NSC and Mainline and their respective subsidiaries (collectively, the "Projections"), no representation or warranty is made other than that the Projections have been (or will be) prepared in good faith utilizing due and careful consideration and the best information available to NSC at the time of preparation thereof. You agree to supplement the Information and the Projections from time to time until the Closing Date (as defined in the Term Sheet) as appropriate, so that the representations and warranties in the preceding sentence remain correct. In arranging and syndicating the Credit Facilities, Morgan, JPMSI, Merrill and ML&Co. will use and rely on the Information and the Projections without independent verification thereof.

Morgan's and Merrill's commitments hereunder are subject to the conditions that (a) after the date hereof there shall not have occurred (i) any Material Adverse Change (as defined in the Term Sheet) or (ii) any material change in or material disruption of financial. bank syndication or capital market conditions that in the opinion of Morgan, JPMSI, Merrill or ML&Co. could materially and adversely affect the syndication of the Credit Facilities; (b) the offer to purchase for the Tender Offer (the "Offer to Purchase") shall be in form and substance satisfactory to Morgan and Merrill and shall include, without limitation, conditions to the effect that any "poison pill" or similar security or contractual arrangement of Mainline, any Pennsylvania statutory provisions restricting the ability of NSC to effect the Merger or other transaction with Mainline and other provisions of law or contract which might materially impede or delay the Merger (other than the requirement of STB approval) or otherwise materially adversely affect

the Acquisition or the parties to the Acquisition, shall have been effectively rendered inapplicable to the Tender Offer and the Merger; (c) the merger agreement for the Merger and all other documents and materials publicly filed with respect to the Acquisition shall be reasonably acceptable to Morgan and Merrill; (d) the voting trust referred to in the Offer to Purchase (the "Voting Trust") shall have been approved by all of the required governmental and regulatory bodies, including, but not limited to, the Surface Transportation Board; (e) the Voting Trust shall be acceptable in form and substance to Morgan and Merrill and shall contain no provisions which, in the reasonable opinion of Morgan or Merrill, could affect NSC's ability to perform its obligations with regard to the Credit Facilities, including, but not limited to, provisions which could prohibit Mainline from paying dividends consistent with its historical practices; and (f) Morgan and Merrill shall not discover any

information with respect to Mainline which is inconsistent in a material and adverse manner with information supplied by NSC. In addition, Morgan's and Merrill's commitment is subject to the negotiation, execution and delivery prior to March 1, 1997 of definitive documentation with respect to the Credit Facilities satisfactory in form and substance to Morgan, Merrill and their counsel. Such documentation shall contain the terms and conditions set forth in the Term Sheet and such other indemnities, covenants, representations and warranties, events of default, conditions precedent, security arrangements and other terms and conditions (which in each case shall not be inconsistent with the Term Sheet) as shall be satisfactory in all respects to Morgan, Merrill and you. Matters which are not covered by the provisions of this letter and the Term Sheet are subject to the approval of Morgan, Merrill and you.

You agree to pay all reasonable out-of-pocket expenses of the Agents and the Arrangers associated with the syndication of the Credit Facilities and the preparation, execution and delivery of this letter and the definitive financing agreements (including the reasonable fees and disbursements and other charges of counsel). You agree to indemnify and hold harmless each of Morgan, JPMSI, Merrill, ML&Co. and each director, officer, employee, affiliate and agent thereof (each, an "Indemnified Person") against, and to reimburse each Indemnified Person, upon its demand, for, any losses, claims, damages, liabilities or other expenses ("Losses") to which such Indemnified Person may become subject insofar as such Losses arise out of or in any way relate to or result from the Acquisition, this letter or the financing contemplated hereby, including, without limitation, Losses consisting of legal or other expenses incurred in connection with investigating, defending or participating in any legal proceeding relating to any of the foregoing (whether or not such Indemnified Person is a party thereto); provided that the foregoing will not apply to any Losses to the extent they are found by a final decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Person. Your obligations under this paragraph shall remain effective whether or not definitive financing documentation is executed and notwithstanding any termination of this letter. Neither Morgan, JPMSI, Merrill, ML&Co. nor any other Indemnified Person shall be responsible or liable to any other person for consequential damages which may be alleged as a result of this letter or the financing contemplated hereby.

This letter may not be changed except pursuant to a written agreement signed by each of the parties hereto. This letter shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter is delivered to you on the understanding that neither this letter nor any of its terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to your employees, directors, agents and advisers who are directly involved in the consideration of this matter, (b) to Mainline and its employees, directors, agents and advisers or (c) as disclosure may be compelled in a judicial or administrative proceeding or as otherwise required by law. All descriptions of and references to the Credit Facilities in any filing with a governmental authority or in any press release, advertisement or other public disclosure shall be subject to the prior review of each of Morgan and Merrill.

If you are in agreement with the foregoing, please sign and return to Morgan the enclosed copies of this letter and the Fee Letter no later than 11:59 p.m. New York time on October 22, 1996. This offer shall terminate at such time unless prior thereto we shall have received signed copies of such letters.

We look forward to working with you on this transaction.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK	MERRILL LYNCH CAPITAL CORPORATION
By: /s/ Douglas A. Cruikshank	By: /s/ Christopher Birosak
Title: Vice President	Title: Vice President

J.P. MORGAN SECURITIES INC.

By: /s/ Suzanne Waltman
Title: Vice President

MERRILL LYNCH & CO.

By: /s/ Christopher Birosak
Title: Director

Accepted and agreed to as of the date first above written:

NORFOLK SOUTHERN CORPORATION

By: William J. Romig
Title: Vice President &
Treasurer

PROJECT LIBERTY
$11,500,000,000 SENIOR CREDIT FACILITIES

Summary of Terms and Conditions

October 22, 1996

The company identified to us as "Ironhorse" intends to acquire the company identified to us as "Mainline" in an "unsolicited" transaction. A credit agreement providing for the Credit Facilities described below will be executed and delivered by the Borrower and the Lenders referred to below (the date of such execution and delivery, the "Closing Date") prior to the date of consummation of the Tender Offer (the "Acquisition Date"), but the initial extensions of credit thereunder shall not be made until the Acquisition Date.

I. Parties

Borrower:	Ironhorse.
Guarantors:	All direct and indirect Significant Subsidiaries of the Borrower, (including, without limitation, Norfolk Southern Railway and North American Van Lines, Inc.) and, following the date on which the approval of the Surface Transportation Board (the "STB") shall have been obtained (the "STB Approval Date") and the Merger shall have been consummated (the "Merger Date", and the later of such dates, the "Consummation Date"), Mainline (in such capacities, the "Guarantors"; the Borrower and the Guarantors, collectively, the "Credit Parties").
Arrangers:	J.P. Morgan Securities Inc. and Merrill Lynch & Co. (collectively, in such capacities, the "Arrangers").
Administrative Agent:	Morgan (as defined below) (in such capacity, the "Administrative Agent").
Documentation Agent:	Merrill (as defined below) (in such capacity, the "Documentation Agent"; together with the Administrative Agent, the "Agents").
Lenders:	The banks, financial institutions and other entities, including Morgan Guaranty Trust Company of New York

("Morgan") and Merrill Lynch Capital Corporation ("Merrill") selected in the syndication effort (collectively, the "Lenders").

II. Types and Amounts of Credit Facilities

1. Term Loan Facility - I

Amount: $2,500,000,000 (the loans thereunder, "Term Loan - I").

Maturity: Term Loan - I shall be payable on the earlier of six months from the STB Approval Date and three years from the Closing Date.

Availability: A portion of Term Loan - I shall be drawn on the Acquisition Date and a portion on the Merger Date. The commitments under the Term Loan Facility - I shall terminate on the Merger Date immediately after the final funding of Term Loan - I.

Purpose: The proceeds of Term Loan - I shall be used to finance the Acquisition and to pay related fees and expenses.

2. Term Loan Facility - II

Amount: $3,000,000,000 (the loans thereunder, "Term Loan - II").

Maturity: Term Loan - II shall be payable in full 24 months after the maturity of Term Loan - I.

Availability: A portion of Term Loan - II shall be drawn on the Acquisition Date and a portion on the Merger Date. The commitments under the Term Loan Facility - II shall terminate on the Merger Date immediately after the final funding of Term Loan - II.

Purpose: The proceeds of Term Loan - II shall be used to finance the Acquisition and to pay related fees and expenses.

3. Term Loan Facility - III

Amount: $3,000,000,000 (the loans thereunder, "Term Loan - III"; together with Term Loan - I and Term Loan - II, the "Term Loans"). The Term Loan Facility - I, Term Loan Facility - II and Term Loan Facility - III are collectively referred to herein as the "Term Loan Facilities".

Maturity: Term Loan - III shall be payable six and

	one-half years from the Closing Date.
Availability:	A portion of Term Loan - III shall be drawn on the Acquisition Date and a portion on the Merger Date. The commitments under the Term Loan Facility - III shall terminate on the Merger Date immediately after the final funding of Term Loan - III.
Amortization:	[To be determined, but substantially equal quarterly payments].
Purpose:	The proceeds of Term Loan - III shall be used to finance the Acquisition and to pay related fees and expenses.

3. Revolving Credit Facility

Type and Amount of Facility:	Five-year revolving credit facility (the "Revolving Credit Facility") in the amount of $3,000,000,000 (the loans thereunder, the "Revolving Credit Loans"). The Term Loan Facilities and the Revolving Credit Facility are collectively referred to herein as the "Credit Facilities".
Maturity:	The Revolving Credit Facility shall mature five years after the Closing Date (the "Revolving Credit Termination Date").
Availability:	The Revolving Credit Facility shall be available on a fully revolving basis commencing on the Acquisition Date and ending on the Revolving Credit Termination Date.
Purpose:	The proceeds of the Revolving Credit Loans shall be used to finance the Acquisition, to pay related fees and expenses, to refinance a portion of the existing bank debt of Ironhorse (including under the existing credit agreement), and for general corporate purposes.
Drawdowns:	Minimum amounts of $25,000,000 with additional increments of $1,000,000 . Drawdowns are at the Borrower's option with same day notice for Base Rate Loans, one business day's for Money Market Absolute
	Rate Loans, two business days for Adjusted CD Loans, three business days for LIBOR Loans, and five business days for Money Market LIBOR Loans.
Money Market Option Description:	The Borrower may request the Agent to solicit competitive bids from the Banks at a margin over LIBOR or at an absolute rate, for interest periods of 30 days or more. Each Bank will bid at its own discretion for amounts up to the total amount of commitments and the Borrower will be under no obligation to accept any of the bids. Any Money Market advances made by a Bank shall be deemed usage of the facility for the purpose of fees and availability. However, each Bank's advance shall not reduce such Bank's obligation to lend its pro rata share of the remaining undrawn commitment.
	Bid Selection Mechanism: The Borrower will

	determine the aggregate amount of bids, if any, it will accept. Bids will be accepted in order of the lowest to the highest rates ("Bid Rates"). If two or more Banks bid at the same Bid Rate and the amount of such bids accepted is less than the aggregate amount of such bids, then the amount to be borrowed at such Bid Rate will be allocated among such Banks in proportion to the amount for which each Bank bid at such Bid Rate. If the bids are either unacceptably high to the Borrower or are insufficient in amount, the Borrower may cancel the auction.
III. General Provisions	
Fees and Interest Rates:	See Pricing Grid.
Borrowing Options:	LIBOR, Adjusted CD, Base Rate and for the Revolving Credit Facility only, Money Market. CD will be automatically adjusted for reserves and other regulatory requirements. LIBOR adjustments for Regulation D will be charged by Banks individually. Base Rate means the higher of Morgan's prime rate or the federal funds rate + 0.50%.
Interest Periods:	Syndicated Borrowings: LIBOR Loans - 1, 2, 3, or 6 months. Adjusted CD Loans - 30, 60, 90, or 180 days. Non-Syndicated Borrowings: Money Market LIBOR Loans - minimum 1 month. Money Market Absolute Rate Loans - min. 14 days.
Optional Prepayments and Commitment Reductions:	Base Rate Loans may be prepaid at any time on one business day's notice. LIBOR, Adjusted CD and Money Market Loans may not be prepaid before the end of an Interest Period. Optional prepayments of the Term Loans may not be reborrowed. Money Market Loans may not be prepaid without the consent of the relevant Lender.
Mandatory Prepayments and Commitment Reductions:	The following amounts shall be applied, prior to the Acquisition Date, to reduce the commitments under the Term Loan Facilities, and, following the Acquisition Date, to prepay the Term Loans: (a) 100% of the net cash proceeds of any sale or issuance of equity or incurrence of indebtedness (subject to customary exceptions, including an exception for the net cash proceeds from the issuance of stock in connection with employee benefit plans and dividend reinvestment plans) after the Closing Date by Ironhorse or any of its subsidiaries (including, after Consummation Date, Mainline and its subsidiaries); and (b) 100% of the net cash proceeds of any sale or

other disposition after the Closing Date by Ironhorse or any of its subsidiaries (including, after the Consummation Date, Mainline and its subsidiaries) of any assets (excluding (i) the sale of inventory in the ordinary course of business, and (ii) individual asset sales the proceeds of which do not exceed $10,000,000, and (iii) sales of those assets listed on Annex II hereto, the proceeds of which were projected in Ironhorse's base projections to be received by Ironhorse in the 1996 fiscal year); and

Mandatory Term Loan commitment reductions shall be applied first, to the reduction of the commitments under the Term Loan Facility - I, second, to the reduction of the commitments under the Term Loan Facility - II and third, to the reduction of the commitments under the Term Loan Facility - III. In the event of any reduction of the commitments under any Term Loan Facility, the installments specified for the relevant Term Loan herein shall be reduced ratably. Mandatory Term Loan prepayments shall be applied first, to the prepayment of Term Loan - I, second, to the prepayment of Term Loan - II and third, to the reduction of the commitments under the Term Loan Facility - III. Each such prepayment shall be applied to the installments of the relevant Term Loan ratably in accordance with the then outstanding amounts thereof. Mandatory prepayments of the Term Loans may not be reborrowed.

IV. Guarantees and Collateral

Guarantees: All obligations of the Borrower under the Credit Documentation shall be unconditionally guaranteed by the Guarantors.

Collateral: The Credit Facilities shall be secured by a perfected first priority security interest in (i) the voting trust certificates of Mainline, (ii) the shares of all significant subsidiaries of Ironhorse and, after the Consummation Date, (iii) the shares of all significant subsidiaries of Mainline. The collateral shall be released upon Ironhorse receiving unsecured senior credit ratings from S&P and Moody's of at least BBB- and Baa3, respectively.

V. Certain Conditions

Initial Borrowing Conditions: The making of the Loans on the Acquisition Date shall be conditioned upon satisfaction of each of the following conditions precedent:

(a) Each Credit Party shall have executed and delivered satisfactory definitive financing documentation with respect to the Credit Facilities (the "Credit Documentation").

(b) There shall have been validly tendered to Ironhorse sufficient shares of Mainline common stock to enable Ironhorse to effect a merger of

Mainline with a wholly-owned subsidiary of Ironhorse, without the requirement

of any action by any other Mainline security holder; all conditions to purchase set forth in the Offer to Purchase shall have been satisfied without waiver or amendment (except with the prior written consent of the Required Lenders), and Ironhorse shall have accepted for purchase all such tendered shares.

(c) Concurrently with the making of the Loans on the Acquisition Date, Ironhorse's existing credit agreement shall have been terminated and all amounts outstanding thereunder shall have been repaid.

(d) The Lenders, the Agents and the Arrangers shall have received all fees and expenses required to be paid on or before the Acquisition Date.

(e) The Lenders shall have received prior to the [Closing Date] consolidated Ironhorse/Mainline pro forma financial statements as of [September 30, 1996], adjusted to give effect to the consummation of the Acquisition and the financings contemplated hereby (as if such events had occurred on such date).

(f) The Agents and the Lenders shall be satisfied that the Credit Facilities, the use of proceeds thereof and the collateral security therefor comply in all respects with Regulations G, T and U of the Board of Governors of the Federal Reserve System.

(g) The STB shall have approved the terms of the Voting Trust and such terms shall be acceptable to the Lenders.

(h) Ironhorse shall have acquired concurrently with the making of the Term Loans, directly or indirectly, all of the issued and outstanding common stock of Mainline (on a fully diluted basis) at a purchase price (i) not to exceed $100.00 per share and (ii) not to exceed $11,500,000,000 in the aggregate, including fees and assumption of debt.

(i) All governmental and material third party approvals (including approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and other consents [but excluding STB approval]) necessary in connection with the Acquisition and the financing contemplated

hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which has

restrained, prevented or otherwise imposed materially adverse conditions on the Acquisition or the financing thereof. The Agents and the Lenders shall have received copies, certified by Ironhorse, of all filings made with any governmental authorities in connection with the Acquisition.

(j) The Lenders shall have received such legal opinions (including (i) opinions from counsel to Ironhorse and its subsidiaries, (ii) opinions (if any) delivered to Ironhorse by counsel to Mainline, accompanied by reliance letters in favor of the Lenders and (iii) opinions from such special counsel as may be required by the Agents), documents and other instruments as are customary for transactions of this type or as they may reasonably request.

Ongoing Conditions: The making of each extension of credit (that increases principal outstanding) shall be conditioned upon (a) all representations and warranties in the Credit Documentation (including, without limitation, the material adverse change representation) being true and correct in all material respects and (b) there being no default or Event of Default (as defined below) in existence at the time of, or after giving effect to the making of, such extension of credit. The "material adverse change representation" shall be to the effect that there has been no material adverse change (a "Material Adverse Change") in the consolidated financial condition, operations, assets, business or prospects taken as a whole of Ironhorse and Mainline from that set forth in the information heretofor made available to the Lenders.

VI. Representations, Warranties, Covenants and Events of Default

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other terms deemed appropriate by the Lenders, including, without limitation:

Representations and Warranties: Corporate existence; financial condition and statements (including pro forma financial statements); no material adverse change; no litigation; no default; no conflict with law or contractual obligations; corporate action and enforceability of Credit Documentation; approvals; use of proceeds (Federal Reserve regulations); ERISA; taxes; Investment Company Act; Public Utility Holding Company Act; environmental matters; subsidiaries; accuracy of disclosure; ownership of property; intellectual property; and creation and perfection of security interests.

Consummation of Acquisition: The Borrower shall use its best efforts to cause the STB approval to be obtained and the Merger to be consummated at the earliest practicable time.

Affirmative Covenants:	Delivery of financial statements, reports filed with the SEC or delivered to shareholders, officers' certificates and other information reasonably requested by the Lenders; notices of defaults, litigation and other material events; continuation of business and maintenance of existence and material rights and privileges; compliance with laws (including environmental laws) and material contractual obligations; payment of taxes and other obligations; maintenance of property and insurance; maintenance of books and records; and right of the Lenders to inspect books and records.
Financial Covenants:	Usual and customary for transactions of this type including, but not limited to: (a) Interest Coverage Ratio (as defined below) at the end of any fiscal quarter to be not less than the ratios to be mutually agreed upon. As used herein, "Interest Coverage Ratio" shall mean the ratio of (EBITDA-Capital Expenditures) to Interest Expense determined on a rolling four quarter basis; provided, that until four full fiscal quarters have passed since the Acquisition Date the Interest Coverage Ratio shall be measured for the three, six, and nine month periods commencing with the first full fiscal quarter after the Acquisition Date. (b) Net Worth on the last day of any fiscal quarter ending

after the Acquisition Date to be not less than the sum of (i) 80% of the Net Worth of Ironhorse/Mainline on the [Acquisition Date], (ii) 50% of cumulative Net Income (excluding any losses) since the Acquisition Date and (iii) 100% of the net proceeds of any equity issuances since the Acquisition Date, as at the end of such fiscal quarter.

(c) Leverage Ratio (as defined below) at the end of any fiscal quarter to be not greater than ratios to be mutually agreed upon.

As used herein, "Leverage Ratio" shall mean the ratio of Total Debt (including guarantees of third-party Debt) to EBITDA.

"Interest Expense", "Net Worth", "Net Worth", "Capital Expenditures", "EBITDA" and "Net Income" shall be determined on a consolidated basis in accordance with GAAP unless otherwise agreed by Ironhorse and the Agents and shall in each case be subject to adjustments to be agreed upon by Ironhorse and the Agents.

(d) Restricted Investments (as defined below) shall not be permitted. As used herein, "Restricted Investments" shall mean payments, transfers or other distributions of cash or other assets from Ironhorse to Mainline prior to

the Consummation Date.

(e) Within 45 days of Closing, the Borrower will have entered into and thereafter maintain interest rate agreements fixing the interest rate on at least [40%] of the principal amount of its outstanding debt on such terms as are acceptable to the Lenders.

Negative Covenants: Limitations on: maturities or amortization of indebtedness (including preferred stock) prior to the date which is six months after the final maturity of the Loans (subject to a mutually agreed upon basket for any such indebtedness having earlier maturities and other exceptions to be agreed upon, e.g. commercial paper); indebtedness of subsidiaries (subject to a mutually agreed upon basket); investments in Mainline prior to the STB Approval Date; liens, including sale/leaseback transactions (subject to a mutually agreed upon general basket for liens and/or sale-leasebacks and other exceptions to be agreed upon); mergers, consolidations, liquidations, dissolutions and sales of assets; ability of subsidiaries to pay dividends; transactions with affiliates; and changes in fiscal year.

Events of Default: Nonpayment of principal when due; nonpayment of interest, fees or other amounts when due; material inaccuracy of representations and warranties; violation of covenants: cross event of default; bankruptcy; certain ERISA events; material judgments; actual or asserted invalidity of any guarantee or security document or security interest; and a change of control. Certain of the events of default shall include customary thresholds and grace periods to be mutually agreed upon. For the purposes hereof, "Event of Default" refers to any of the foregoing events so long as any requirement for the giving of notice or the lapse of time shall have been satisfied.

VII. Certain Other Terms:

Voting: Amendments and waivers with respect to the .Credit Documentation shall require the approval of Lenders (the "Required Lenders") holding Loans and commitments representing not less than 51% of the aggregate amount of the Loans and commitments under the Credit Facilities, except that (a) the consent of each Lender affected thereby shall be required with respect to (i) reductions in the amount of any scheduled payment (including scheduled installment payments), or extensions of the scheduled maturity date (including scheduled installment dates), of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (b) the consent of 100% of the Lenders shall be required with respect to (i) modifications

to any of the voting percentages and (ii) releases of all or substantially all of the collateral (except as provided as above).

Assignments and Participations: The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than to another Lender or to an affiliate of the assigning Lender), to the consent of the Administrative Agent and Ironhorse (which consent in each case shall not be unreasonably withheld, and which consent shall not be required if there exists a Default or Event of Default). Non-pro rata assignments shall be permitted. The minimum assignment amount shall be $10,000,000 and the aggregate commitments and/or Loans retained by any assigning Lender shall equal at least $25,000,000, unless (in either case) the assigning Lender's commitments and Loans are being reduced to $0. Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to those matters with respect to which the affirmative vote of the Lender from which it purchased its participation would be required as described under "Voting" above. Promissory notes shall be issued under the Credit Facilities only upon request.

Yield Protection: The Credit Documentation shall contain customary provisions (a) protecting the Lenders against loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and from the imposition of withholding or other taxes and (b) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, prepayment of a Eurodollar Loan on a day other than the last day of an interest period with respect thereto.

Expenses and Indemnification: The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Agents and the Arrangers associated with the syndication of the Credit Facilities and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees and disbursements and other charges of counsel) and (b) all out-of-pocket expenses of the Agents and the Lenders in connection with the enforcement of the Credit Documentation (including the fees and disbursements and other charges of counsel).

The Borrower shall indemnify, pay and hold harmless the Agents, the Arrangers and the Lenders (and their respective directors, officers, employees and agents) against any loss, liability, cost or expense incurred in

	respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party).
Governing Law and Forum:	State of New York.
Counsel to the Agents and the Arrangers:	Davis Polk & Wardwell
Commitment Termination Date:	The Closing Date must have occurred on or before March 1, 1997.
Facility Fee:	Ironhorse shall pay a per annum fee calculated on a 360 day basis payable on each Lender's commitment irrespective of usage, quarterly in arrears, at the rate set forth on the Pricing Grid attached hereto.
Default Rate:	At any time when either Borrower is in default in the payment of any amount due under the Credit Facilities, the principal of all Loans shall bear interest at 2% above the rate otherwise applicable thereto. Overdue interest, fees and other amounts shall bear interest at 2% above the rate applicable to Base Rate Loans.
Rate and Fee Basis:	All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of Base Rate Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed.

PRICING GRID

Until such time as the Borrower's ratings shall have been affirmed by S&P and Moody's following the announcement of the Offer to Purchase (the "Initial Pricing Period"), pricing shall be as follows:

EURODOLLAR LOAN MARGIN	BASE RATE LOAN MARGIN	FACILITY FEES	TOTAL USED COST
75 bps	0 bps	25 bps	L + 100 bps

The Eurodollar Loan Margin, the Base Rate Loan Margin and the facility fee rate shall be determined in accordance with this Pricing Grid based upon Ironhorse's Senior Unsecured Long-Term Debt Ratings established by S&P and Moody's as follows):

	SENIOR UNSECURED LONG-TERM DEBT RATINGS					
CATEGORY	S&P	MOODY'S	EURODOLLAR LOAN MARGIN	BASE RATE LOAN MARGIN	FACILITY FEE	TOTAL USED COST
1	BBB+	Baa1	22.5 bps	0 bps	12.5 bps	L + 35 bps

2	BBB	Baa2	35 bps	0 bps	15 bps	L + 50 bps
3	BBB-	Baa3	47.5 bps	0 bps	17.5 bps	L + 65 bps
4	BB+	Ba1	75 bps	0 bps	25 bps	L + 100 bps
5	BB	Ba2	87.5 bps	25 bps	37.5 bps	L + 125 bps

If the Borrower is split-rated and the ratings differential is one level, the higher rating will apply, unless one of the ratings is sub-investment grade, in which case the lower rating will apply. If the Borrower is split-rated and the ratings differential is two levels or more, the rating at the midpoint will apply. If there is no midpoint rating, the higher of the two intermediate ratings will apply, unless one of the ratings is sub-investment grade, in which case the lower of the two intermediate ratings will apply.

THE VOTING TRUST AGREEMENT

THIS VOTING TRUST AGREEMENT, dated as of , 1996, by and among Norfolk Southern Corporation, a Virginia corporation ("Parent"), Atlantic Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of Parent ("Acquiror"), and the Bank (the "Trustee"),

W I T N E S S E T H:

WHEREAS, Acquiror owns on the date hereof 100 shares of common stock, $1.00 par value ("Common Shares"), of Conrail Inc., a Pennsylvania corporation (the "Company"), and has commenced a tender offer (the "Tender Offer") to acquire additional (i) Common Shares, and (ii) shares of Series A ESOP Convertible Junior Preferred Stock, no par value (the "ESOP Preferred Shares" and, together with the Common Shares, the "Shares"), including, in each case, the associated Common Stock Purchase Rights issued pursuant to the Rights Agreement, dated as of July 19, 1989, between the Company and First Chicago Trust Company of New York, as Rights Agent at a price of $100 per Share, net to the seller in cash, that may be sufficient to empower the Parent or the Acquiror to control the Company (the "Acquired Shares").

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

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

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

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

NOW THEREFORE, the parties hereto agree as follows:

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

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

3. Deposit of Trust Stock--The Parent and the Acquiror agree that, prior to acceptance of Acquired Shares purchased pursuant to the Tender Offer, the Acquiror will direct the depositary for the Tender Offer to transfer to the Trustee any such Acquired Shares purchased pursuant to the Tender Offer. The Parent and the Acquiror also agree that simultaneously with receipt, acquisition or purchase of any additional Shares by either of them, directly or indirectly, or by any of their affiliates, they will transfer to the Trustee the certificate or certificates for such Shares. All such certificates shall be duly endorsed or accompanied by proper instruments duly executed for transfer thereof to the Trustee or otherwise validly and properly transferred, and shall be exchanged for one or more Voting Trust Certificates substantially in the form attached hereto as Exhibit A (the "Trust Certificates"), with the blanks therein appropriately

filled in. All Shares at any time delivered to the Trustee hereunder are called the "Trust Stock." The Trustee shall present to the Company all certificates representing Trust Stock for surrender and cancellation and for the issuance and delivery to the Trustee of new certificates registered in the name of the Trustee or its nominee.

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

4. Powers of Trustee--The Trustee shall be present, in person or represented by proxy, at all annual and special meetings of shareholders of the Company so that all Trust Stock may be counted for the purposes of determining the presence of a quorum at such meetings. Parent and Acquiror agree, and the Trustee acknowledges, that the Trustee shall not participate in or interfere with the management of the Company and shall take no other actions with respect to the Company except in accordance with the terms hereof. The Trustee shall exercise all voting rights in respect of the Trust Stock to approve and effect the Merger (including, without limitation, by means of a "short-form" merger pursuant to Section 1924(b)(ii) of the Pennsylvania Business Corporation Law), and in favor of any proposal or action necessary or desirable to effect, or consistent with the effectuation of, the Parent and Acquiror's acquisition of the Company, pursuant to the Acquisition Agreement, and without limiting the generality of the foregoing, if there shall be with respect to the Board of Directors of the Company an "Election Contest" as defined in the Proxy Rules of the Securities and Exchange Commission (the "SEC"), in which one slate of nominees shall support the effectuation of the Merger and another oppose it, vote in favor of the removal of any directors opposing the Merger and in favor of the election of the slate supporting the effectuation of the Merger. In addition, for so long as the Acquisition Agreement is in effect, the Trustee shall exercise all voting rights in respect of the Trust Stock, to cause any other proposed merger, business combination or similar transaction (including, without limitation, any consolidation, sale or purchase of assets, reorganization, recapitalization, liquidation or winding up of or by the Company) involving the Company, but not involving the Parent or one of its subsidiaries or affiliates (otherwise than in connection with a disposition pursuant to Paragraph 8), not to be effected. In addition, the Trustee shall exercise all voting rights in respect of the Trust Stock in favor of any proposal or action necessary or desirable to dispose of Trust Stock in accordance with Paragraph 8 hereof. Except as provided in the three immediately preceding sentences or in Paragraph 5 hereof, prior to the Merger, the Trustee shall vote all shares of Trust Stock with respect to all matters, including without limitation the election or removal of directors, voted on by the shareholders of the Company (whether at a regular or special meeting or pursuant to a unanimous written consent) in the same proportion as all Shares (other than Trust Stock) are voted with respect to such matters. In exercising its voting rights in accordance with this Paragraph 4, the Trustee shall take such actions at all annual, special or other meetings of stockholders of the Company or in connection with any and all consents of shareholders in lieu of a meeting.

5. Further Provisions Concerning Voting of Trust Stock--The Trustee shall be entitled and it shall be its duty to exercise any and all voting rights in respect of the Trust Stock either in person or by proxy, as hereinafter provided (including without limitation Paragraphs 4 and 8(b) hereof), unless otherwise directed by the STB or a court of competent jurisdiction. Subject to Paragraph 4, the Trustee shall not exercise the voting powers of the Trust Stock in any way so as to create any dependence or intercorporate

relationship between (i) any or all of the Parent, the Acquiror and their affiliates, on the one hand, and (ii) the Company or its affiliates, on the other hand. The term "affiliate" or "affiliates" wherever used in this Trust Agreement shall have the meaning specified in Section 11323(c) of Title 49 of the United States Code, as amended. The Trustee shall not, without the prior approval of the STB, vote the Trust Stock to elect any officer, director, nominee or representative of the Parent, the Acquiror or their affiliates as an

officer or director of the Company or of any affiliate of the Company. The Trustee shall be kept informed respecting the business operations of the Company by means of the financial statements and other public disclosure documents periodically filed by the Company and affiliates of the Company with the SEC and the STB, and by means of information respecting the Company contained in such statements and other documents filed by the Parent with the SEC and the STB, copies of which shall be promptly furnished to the Trustee by the Company or the Parent, as the case may be, and the Trustee shall be fully protected in relying upon such information. The Trustee shall not be liable for any mistakes of fact or law or any error of judgment, or for any act or omission, except as a result of the Trustee's willful misconduct or gross negligence. Notwithstanding the foregoing provisions of this Paragraph 5, however, the registered holder of any Trust Certificate may at any time with the prior written approval of Parent--but only with the prior written approval of the STB--instruct the Trustee in writing to vote the Trust Stock represented by such Trust Certificate in any manner, in which case the Trustee shall vote such shares in accordance with such instructions.

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

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

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

(b) In the event the STB by final order shall (i) approve or exempt the acquisition of control of the Company by the Acquiror, the Parent or any of

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

Stock with respect to any such merger between the Company and the Acquiror, the Parent or any affiliate of either as directed by the holder or holders of a majority in interest of the Trust Certificates, and upon any such merger this Trust shall cease and come to an end.

(c) In the event that the STB should issue an order denying, or approving subject to conditions unacceptable to the Parent, any application or petition by the Acquiror, the Parent or their affiliates to merge with or otherwise exercise control over the Company or the surviving corporation in the Merger, and such order becomes final after judicial review or failure to appeal, Parent shall use its best efforts to sell, distribute or otherwise to dispose of the Trust Stock or all of the assets of the Company or the surviving corporation in the Merger, to one or more eligible purchasers, during a period of two years after such order becomes final after judicial review or failure to appeal, and subject to any jurisdiction of the STB to oversee Parent's divestiture of Trust Stock. At all times, the Trustee shall continue to perform its duties under this Trust Agreement and, should Parent be unsuccessful in its efforts to sell or distribute the Trust Stock during the period referred to, the Trustee shall then as soon as practicable sell the Trust Stock for cash to eligible purchasers in such manner and for such price as the Trustee in its discretion shall deem reasonable after consultation with Parent. (An "eligible purchaser" hereunder shall be a person or entity that is not affiliated with Parent and which has all necessary regulatory authority, if any, to purchase the Trust Stock.) Parent agrees to cooperate with the Trustee in effecting such disposition and the Trustee agrees to act in accordance with any direction made by Parent as to any specific terms or method of disposition, to the extent not inconsistent with any of the terms of this Trust Agreement and with the requirements of the terms of any STB or court order. The proceeds of the sale shall be distributed to or upon the order of Parent or, on a pro rata basis, to the holder or holders of the Trust Certificates hereunder as then known to the Trustee. The Trustee may, in its reasonable discretion, require the surrender to it of the Trust Certificates hereunder before paying to the holder his share of the proceeds. Upon disposition of all the Trust Stock pursuant to this paragraph 8(c), this Trust shall cease and come to an end.

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

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

(f) Except as expressly provided in this Paragraph 8, the Trustee shall

not dispose of, or in any way encumber, the Trust Stock, and any transfer, sale or encumbrance in violation of the foregoing shall be null and void.

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

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

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

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

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

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

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

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

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

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

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

20. Succession of Functions--The term "STB" includes any successor agency or governmental department that is authorized to carry out the responsibilities now carried out by the STB with respect to the consideration

of the consistency with the public interest of rail mergers and combinations, the regulation of voting trusts in respect of the acquisition of securities of rail carriers or companies controlling them, and the exemption of approved rail mergers and combinations from the antitrust laws.

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

If to Purchaser or Acquiror, to
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510
Attention: Vice President--Law

If to the Trustee, to

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

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

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

Attest: NORFOLK SOUTHERN CORPORATION

- ---------- ----------
By

Secretary

Attest: ATLANTIC ACQUISITION CORPORATION

- ---------- ----------

By

Secretary

Attest: BANK

- ---------- ----------

EXHIBIT A

NO. SHARES

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

INCORPORATED UNDER THE LAWS OF THE STATE OF PENNSYLVANIA

THIS IS TO CERTIFY that will be entitled, on the surrender of this Certificate, to receive on the termination of the Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Voting Trust Agreement, a certificate or certificates for shares of the Common Stock, $1.00 par value, of Conrail Inc. (the "Company"). This Certificate is issued pursuant to, and the rights of the holder hereof are subject to and limited by, the terms of a Voting Trust Agreement, dated as of , 1996, executed by Norfolk Southern Corporation, a Virginia corporation, Atlantic Acquisition Corporation, a Pennsylvania corporation, and the Bank, as Voting Trustee, a copy of which Voting Trust Agreement is on file in the registered office of said corporation at , and open to inspection of any stockholder of the Company and the holder hereof. The Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on , , so long as no violation of 49 U.S.C. Section 11323 will result from such termination.

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

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

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

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

Dated:

THE BANK

By

Authorized Officer

FORM OF BACK OF VOTING TRUST CERTIFICATE

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

the premises.

Dated:

In the Presence of:

- ---

EXHIBIT B

NO. SHARES

VOTING TRUST CERTIFICATE
FOR
COMMON STOCK,
$1.00 PAR VALUE

INCORPORATED UNDER THE LAWS OF THE STATE OF PENNSYLVANIA

THIS IS TO CERTIFY that will be entitled, on the surrender of this Certificate, to receive on the termination of the Voting Trust Agreement hereinafter referred to, or otherwise as provided in Paragraph 8 of said Voting Trust Agreement, a certificate or certificates for shares of the Common Stock, $ par value, of , a Pennsylvania corporation (the "Company"). This Certificate is issued pursuant to, and the rights of the holder hereof are subject to and limited by, the terms of a Voting Trust Agreement, dated as of , 1996, executed by Norfolk Southern Corporation, a Virginia corporation, Altantic Acquisition Corporation, a Pennsylvania corporation, and the Bank, as Voting Trustee, a copy of which Voting Trust Agreement is on file in the registered office of said corporation at , and open to inspection of any stockholder of the Company and the holder hereof. The Voting Trust Agreement, unless earlier terminated (or extended) pursuant to the terms thereof, will terminate on , , so long as no violation of 49 U.S.C. Section 11323 will result from such termination.

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

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

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

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

Dated:

THE BANK

By

Authorized Officer

FORM OF BACK OF VOTING TRUST CERTIFICATE

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

Dated:

In the Presence of:

- ---

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

- -x

NORFOLK SOUTHERN CORPORATION, a Virginia corporation,
Three Commercial Place
Norfolk, VA 23510-2191,

New Acquisition Corporation
Three Commercial Place
Norfolk, VA 23510-2191,

and

Kathryn B. McQuade
5114 Hunting Hills Drive
Roanoke, VA 24014,

Plaintiffs,

-against-

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

David M. LeVan
245 Pine Street
Philadelphia, PA 19103-7044,

H. Furlong Baldwin
4000 N. Charles Street
Baltimore, MD 21218-1756,

Daniel B. Burke
Capital Cities/ABC Inc.
77 W. 66th Street
New York, NY 10023-6201,

C.A. No. _____

(Caption continued on next page)

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

Roger S. Hillas
Two Commerce Square
2001 Market Street,
Philadelphia, PA 19101,

Claude S. Brinegar
1574 Michael Lane
Pacific Palisades, CA 90272-2026,

Kathleen Foley Feldstein
147 Clifton Street
Belmont, MA 02178-2603,

David B. Lewis
1755 Burns Street
Detroit, MI 48214-2848,

John C. Marous :
109 White Gate Road :
Pittsburgh, PA 15238, :
:
David H. Swanson :
Countrymark Inc. :
950 N. Meridian Street :
Indianapolis, IN 46204-3909, :
:
E. Bradley Jones :
2775 Lander Road :
Pepper Pike, OH 44124-4808, :
:
Raymond T. Schuler :
Two Commerce Square :
2001 Market Street :
Philadelphia, PA 19101, :
:
and :
:
CSX Corporation :
One James Center :
901 East Cary Street :
Richmond, VA 23219, :
:
Defendants. :
- -x

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

Plaintiffs, by their undersigned attorneys, as and for their complaint, allege upon knowledge with respect to themselves and their own acts, and upon information and belief as to all other matters, as follows:

Nature of the Action

1. This action arises from the attempt by defendants Conrail, Inc. ("Conrail"), its directors, and CSX Corporation ("CSX") to coerce, mislead, and fraudulently manipulate Conrail's shareholders to swiftly deliver control of Conrail to CSX and to forestall any competing higher bid for Conrail by plaintiff Norfolk Southern Corporation ("NS"). Defendants' actions are in violation of the federal securities laws governing proxy solicitations and tender offers. Further, several of defendants' actions are illegal and ultra vires under Pennsylvania statutory law. Finally, defendants' actions are in plain breach of the defendant Conrail directors' fiduciary duties of care and loyalty.

2. In a surprise move on October 15, 1996, defendants Conrail and CSX announced a deal to rapidly transfer control of Conrail to CSX and foreclose any

other bids for Conrail (the "CSX Transaction"). The CSX Transaction is to be accomplished through a complicated multi-tier structure involving a coercive front-end loaded cash tender offer, a lock-up stock option and, following required regulatory approvals or exemptions, a back-end merger in which Conrail shareholders will receive stock and, under certain circumstances, cash. According to the October 16, 1996 Wall Street Journal, the blended value of the CSX Transaction was $89 per Conrail share. Integral to this deal are executive

succession and compensation guarantees for Conrail management and board composition covenants effectively ensuring Conrail directors of continued board seats.

3. Because plaintiff NS believes that a business combination between Conrail and NS would yield benefits to both companies and their constituencies far superior to any benefits offered by the proposed Conrail/CSX combination, NS is today announcing its intention to commence, through its wholly-owned subsidiary, plaintiff NEW ACQUISITION CORPORATION ("NAC") a cash tender offer (the "NS Offer") for any and all shares of Conrail stock at $100 per share, to be followed by a cash merger at the same price (the "Proposed Merger," and together with the NS Offer, the "NS Proposal").

4. By this action, plaintiffs NS, NAC, and Kathryn B. McQuade, a Conrail shareholder, seek emergency relief against defendants' illegal attempt to lock-up the rapid sale of control of Conrail to CSX through their scheme of coercion, deception and fraudulent manipulation. Specifically, plaintiffs seek:

- Injunctive relief with respect to defendants' violations of the federal securities laws, including preliminary injunctive relief enjoining the special meeting of Conrail's shareholders scheduled for November 14, 1996 and enjoining the consummation of CSX's tender offer until corrective disclosures are made and adequately disseminated.

- Declaratory and injunctive relief with respect to illegal and ultra vires acts by Conrail and its directors, including a proposed amendment to Conrail's charter and the September 1995 amendment of Conrail's Poison Pill Plan to include a "Continuing Director" limitation on amendment and redemption.

- Declaratory and injunctive relief concerning breach of the Conrail directors' fiduciary duties of loyalty and care in attempting to lock up the sale of control of Conrail to CSX.

In addition, to facilitate the NS Proposal, plaintiffs seek certain declaratory relief with respect to replacement of Conrail's Board of Directors at Conrail's next annual meeting of shareholders.

Jurisdiction and Venue

5. This Court has jurisdiction over this complaint pursuant to 28 U.S.C. ss.ss. 1331 and 1367.

6. Venue is proper in this District pursuant to 28 U.S.C. ss. 1391.

The Parties

7. Plaintiff NS is a Virginia corporation with its principal place of business in Norfolk, Virginia. NS is a holding company operating rail and motor transportation services through its subsidiaries. As of December 31, 1995, NS' railroads operated more than 14,500 miles of road in the states of Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia, and the Province of Ontario, Canada. The lines of NS' railroads reach most of the larger industrial and trading centers in the Southeast and Midwest, with the exception of those in Central and Southern Florida. In the fiscal year ended

December 31, 1995, NS had net income of $712.7 million on total transportation operating revenues of $4.668 billion. According to the New York Times, NS "is considered by many analysts to be the nation's best-run

railroad." NS is the beneficial owner of 100 shares of common stock of Conrail.

8. Plaintiff NAC is a Pennsylvania corporation. The entire equity interest in NAC is owned by NS. NAC was organized by NS for the purpose of acquiring the entire equity interest in Conrail.

9. Plaintiff Kathryn B. McQuade is and has been, at all times relevant to this action, the owner of Conrail common stock.

10. Defendant Conrail is a Pennsylvania corporation with its principal place of business in Philadelphia, Pennsylvania. Conrail is the major freight railroad serving America's Northeast-Midwest region, operating over a rail network of approximately 11,000 route miles. Conrail's common stock is widely held and trades on the New York Stock Exchange. During the year ended December 31, 1995, Conrail had net income of $264 million on revenues of $3.68 billion. On the day prior to announcement of the CSX Transaction, the closing per share price of Conrail common stock was $71.

11. Defendant David M. LeVan is President, Chief Executive Officer, and Chairman of Conrail's Board of Directors. Defendants H. Furlong Baldwin, Daniel B. Burke, Roger S. Hillas, Claude S. Brinegar, Kathleen

Foley Feldstein, David B. Lewis, John C. Marous, David H. Swanson, E. Bradley Jones, and Raymond T. Schuler are the remaining directors of Conrail. The foregoing individual defendant directors of Conrail (collectively, the "Defendant Directors") owe fiduciary duties to Conrail and its stockholders, including plaintiffs.

12. Defendant CSX is a Virginia corporation with its principal place of business in Richmond, Virginia. CSX is a transportation company providing rail, intermodal, ocean container-shipping, barging, trucking and contract logistic services. CSX's rail transportation operations serve the southeastern and midwestern United States.

Factual Background

The Offer

13. In response to the surprise October 15 announcement of the CSX Transaction, on October 23, 1996, NS announced its intention to commence a public tender offer for any and all shares of Conrail common stock at a price of $100 in cash per share. NS further announced that it intends, as soon as practicable following the closing of the Offer, to acquire the entire equity interest in Conrail by causing it to merge with NAC in the Proposed Merger. In the Proposed Merger, Conrail

common stock not tendered and accepted in the Offer would be converted into the

right to receive $100 in cash per share. The Offer and the Proposed Merger represent a 40.8% premium over the closing market price of Conrail stock on October 14, 1996, the day prior to announcement of the CSX Transaction.

14. In a letter to be delivered on October 23, 1996 to the Defendant Directors, NS states that it is flexible as to all aspects of the NS proposal and expresses its eagerness to negotiate a friendly merger with Conrail. The letter indicates, in particular, that while the NS Proposal is a proposal to acquire the entire equity interest in Conrail for cash, NS is willing to discuss, if the Conrail board so desires, including a substantial equity component to the consideration to be paid in a negotiated transaction so that current Conrail shareholders could have a continuing interest in the combined NS/Conrail enterprise.

The Current Crisis: In a Surprise Move Intended To Foreclose Competing Bids, Conrail and CSX Announce On October 15 That Conrail Has Essentially Granted CSX A Lock-Up Over Control Of The Company, And Conrail Schedules A Special Meeting Of Its Shareholders On Short Notice To Approve A Discriminatory Charter Amendment Designed To Facilitate Quick Completion Of The Lock-Up Deal

15. After many months of maintaining that Conrail was not for sale, on October 16, 1996 the Conrail Board announced an abrupt about face: Conrail would be sold to CSX in a multiple-step transaction designed to swiftly transfer effective, if not absolute, voting control over Conrail to a voting trustee who would be contractually required to vote to approve CSX's acquisition of the entire equity interest in Conrail through a follow-up stock merger.

16. Indeed, if the relief requested herein is not granted, the fate of Conrail could be effectively determined on November 14, 1996, just 23 business days after announcement of the CSX transaction. That is when Conrail shareholders will be called upon to vote on a proposed amendment to Conrail's certificate of incorporation designed to facilitate the swift transfer of control in favor of CSX, and only CSX. If they approve the Charter Amendment, and then, in the misinformed belief that the NS Proposal does not present a viable and superior alternative, tender 40% of Conrail's stock to CSX, Conrail's shareholders will have been coerced by defendants' fraudulent and manipulative tactics to sell Conrail to the low bidder.

Defendants Were Well Aware That A Superior Competing Acquisition Proposal By NS was Inevitable

17. For a number of years, certain members of senior management of NS, including David R. Goode, Chairman and Chief Executive Officer of Norfolk Southern, have spoken numerous times with senior management of Conrail, including former Conrail Chairman and CEO, James A. Hagen and current Conrail Chairman and CEO, defendant David W. LeVan concerning a possible business combination between NS and Conrail. Ultimately, Conrail management encouraged such discussions prior to Mr. Hagen's retirement as Chief Executive Officer of Conrail. Conrail discontinued such discussions in September 1994, when the Conrail Board elected Mr. LeVan as Conrail's President and Chief Operating Officer as a step toward ultimately installing him as Chief Executive Officer

and Chairman upon Mr. Hagen's departure.

18. Prior to 1994, senior management of NS and Conrail discussed, from time to time, opportunities for business cooperation between the companies, and, in some of those discussions, the general concept of a business combination. While the companies determined to proceed with certain business cooperation opportunities, including the Triple Crown Services joint venture, no

decisions were reached concerning a business combination at that time.

19. In March of 1994, Mr. Hagen approached Mr. Goode to suggest that under the current regulatory environment, Conrail management now believed that a business combination between Conrail and NS could be accomplished, and that the companies should commence discussion of such a transaction. Mr. Goode agreed to schedule a meeting between legal counsel for NS and Conrail for the purpose of discussing regulatory issues. Following that meeting, Mr. Goode met with Mr. Hagen to discuss in general terms an acquisition of Conrail by NS. Thereafter, during the period from April through August 1994, management and senior financial advisors of the respective companies met on numerous occasions to negotiate the terms of a combination of Conrail and NS. The parties entered into a confidentiality agreement on August 17, 1994. During these discussions, Mr. Hagen and other representatives of Conrail pressed for a premium price to reflect the acquisition of control over Conrail by NS. Initially, NS pressed instead for a stock-for-stock merger of equals in which no control premium would be paid to Conrail shareholders. Conrail management insisted on a control premium, however, and ultimately

the negotiations turned toward a premium stock-for-stock acquisition of Conrail.

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

21. The 1.1 to 1 exchange ratio proposed by Mr. Goode in September of 1994 reflected a substantial premium over the market price of Conrail stock at that time. If one applies that ratio to NS's stock price on October 14, 1996 -- the day the Conrail Board approved the CSX Transaction -- it implies a per share acquisition price for Conrail of over $101. Thus, there can be no question that Mr. LeVan, if not Conrail's Board, was well aware that NS would likely be willing and able to offer more -- to Conrail's shareholders, rather than management, that is -- than CSX could offer for an acquisition of Conrail.

Defendant LeVan Actively Misleads NS Management In Order To Permit Him To Lock Up The Sale of Conrail to CSX
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22. During the period following September of 1994, Mr. Goode from time to time had conversations with Mr. LeVan. During virtually all of these conversations, Mr. Goode expressed NS's strong interest in negotiating an acquisition of Conrail. Mr. LeVan responded that Conrail wished to remain independent. Nonetheless, Mr. Goode was led to believe that if and when the Conrail Board determined to pursue a sale of the company, it would do so through a process in which NS would have an opportunity to bid.

23. At its September 24, 1996 meeting, the NS Board reviewed its strategic alternatives and determined that NS should press for an acquisition of Conrail. Accordingly, Mr. Goode again contacted Mr. LeVan to (i) reiterate NS's strong interest in acquiring Conrail and (ii) request a meeting at which he could present a concrete proposal. Mr. LeVan responded that the Conrail board would be holding a strategic planning meeting that month and that he and Mr. Goode would be back in contact after that meeting. Mr. Goode emphasized that he wished to communicate NS's position so that Conrail's Board would be aware of it during the strategic planning

meeting. Mr. LeVan stated that it was unnecessary for Mr. Goode to do so. At that point, the conversation concluded.

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

On the Day Before the Purportedly
Scheduled Meeting of Conrail's Board,
Defendants Announce the CSX Transaction
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25. To NS's surprise and dismay, on October 15, 1996, Conrail and CSX announced that they had entered into a definitive merger agreement (the "CSX Merger Agreement") pursuant to which control of Conrail would be swiftly sold to CSX and then a merger would be consummated following required regulatory approvals (the "CSX Transaction"). The Wall Street Journal reported on October 16, 1996 that the CSX Transaction, in which

Conrail shareholders would receive cash and stock consideration, was valued at $89 per Conrail share. The CSX Transaction includes a break-up fee of $300 million and a lock-up stock option agreement threatening substantial dilution to any rival bidder for control of Conrail. Integral to the CSX Transaction are covenants substantially increasing Mr. LeVan's compensation and guaranteeing that he will succeed John W. Snow, CSX's Chairman and Chief Executive Officer, as the combined company's CEO and Chairman.

CSX's Snow Implies That the CSX Transaction
Is a Fait Accompli and States That Conrail's
Directors Have Almost No Fiduciary Duties
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26. On October 16, 1996, Mr. Goode met in Washington, D.C. with Mr. Snow to discuss the CSX Transaction and certain regulatory issues that its consummation would raise. Mr. Snow advised Mr. Goode during that meeting that

Conrail's counsel and investment bankers had ensured that the CSX Transaction would be "bulletproof," implying that the sale of control of Conrail to CSX is now a fait accompli. Mr. Snow added that the "Pennsylvania statute," referring to Pennsylvania's Business Corporation Law, was "great," and that Conrail's directors have almost no fiduciary duties. Mr. Snow's comments were intended to discourage NS from

making a competing offer for control of Conrail and to suggest that NS had no choice but to negotiate with CSX for access to such portions of Conrail's rail system as would be necessary to address the regulatory concerns that would be raised by consummation of the CSX Transaction. After Mr. Snow told Mr. Goode what CSX was willing to offer to NS in this regard, the meeting concluded.

NS Responds With a
Superior Offer for Conrail
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27. On October 22, the NS Board met to review its strategic options in light of announcement of the CSX Transaction. Because the NS Board believes that a combination of NS and Conrail would offer compelling benefits to both companies, their shareholders, and their other constituencies, it determined that NS should make a competing bid for Conrail. On October 23, 1996, the date of this Complaint, NS is publicly announcing its intention to commence a cash tender offer for any and all shares of Conrail stock for $100 per share, to be followed, after required regulatory approvals, by a cash merger at the same price.

The CSX Transaction

Rapid Transfer of Control
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28. The CSX transaction is structured to include (i) a first step cash tender offer for up to 19.9% of Conrail's stock, (ii) an amendment to Conrail's charter to opt out of coverage under Subchapter 25E of Pennsylvania's Business Corporation Law (the "Charter Amendment"), which requires any person acquiring control over 20% or more of the corporation's voting power to acquire all other shares of the corporation for a "fair price," as defined in the statute, in cash, (iii) following such amendment, an acquisition of additional shares which, in combination with other shares already acquired, would constitute at least 40% and up to approximately 50% of Conrail's stock, and (iv) following required regulatory approvals, consummation of a follow-up stock-for-stock merger.

29. Thus, once the Charter Amendment is approved, CSX will be in a position to acquire either effective or absolute control over Conrail. Conrail admits that the CSX Transaction contemplates a sale of control of Conrail. In its preliminary proxy materials filed with the SEC, Conrail stated that if CSX acquires 40% of Conrail's stock, approval of the merger will be

"virtually certain." CSX could do so either by increasing the number of shares it will purchase by tender offer, or, if tenders are insufficient, by accepting

all tendered shares and exercising the Stock Option. CSX could obtain "approximately 50 percent" of Conrail's shares by purchasing 40% pursuant to tender offer and by exercising the Stock Option, in which event shareholder approval of the CSX Merger will be, according to Conrail's preliminary proxy statement, "certain."

30. The swiftness with which the CSX Transaction is designed to transfer control over Conrail to CSX can only be viewed as an attempt to lock up the CSX Transaction and benefits it provides to Conrail management, despite the fact that a better deal, financially and otherwise, is available for Conrail, its shareholders, and its other legitimate constituencies. The Charter Amendment

31. Conrail's Preliminary Proxy Materials for the November 14, 1996 Special Meeting set forth the resolution to be voted upon by Conrail's shareholders as follows:

> An amendment (the "Amendment") of the Articles of Incorporation of Conrail is hereby approved and adopted, by which, upon the effectiveness of such amendment Article Ten thereof will be amended and restated in its entirety as

> follows: Subchapter E, Subchapter G and Subchapter H of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended, shall not be applicable to the Corporation; and further, that the Board of Directors of Conrail, in its discretion, shall be authorized to direct certain executive officers of Conrail to file or not to file the Articles of Amendment to Conrail's Articles of Incorporation reflecting such Amendment or to terminate the Articles of Amendment prior to their effective date, if the Board determines such action to be in the best interests of Conrail.

32. Further, the preliminary proxy materials state that

> Pursuant to the Merger Agreement and in order to facilitate the transactions contemplated thereby, if the [Charter Amendment] is approved, Conrail would be required to file the Amendment with the Pennsylvania Department of State so as to permit the acquisition by CSX of in excess of 20% of the shares, such filing to be made and effective immediately prior to such acquisition. If CSX is not in a position to make such acquisition (because, for example, shares have not been tendered to CSX, Conrail is not required to make such filing, (although approval of the [Charter Amendment] will authorize Conrail to do so) and Conrail does not currently intend to make such filing unless it is required under the Merger Agreement to permit CSX to acquire in excess of 20% of the Shares.

33. Thus, if Conrail shareholders fail to tender sufficient shares to CSX to permit CSX to acquire in excess of 20% of the shares, for example, because they wish to instead accept the superior NS Proposal, the Defendant Directors are actually asking Conrail

shareholders to grant them the authority to discriminatorily withhold the filing of the Charter Amendment, and thereby attempt to prevent consummation of the NS Proposal.

LeVan's Deal
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34. As an integral part of the CSX Transaction, CSX, Conrail, and defendant LeVan have entered into an employment agreement dated as of October 14, 1996 (the "LeVan Employment Agreement"), covering a period of five-years from the effective date of any merger between CSX and Conrail. The LeVan Employment Agreement provides that Mr. LeVan will serve as Chief Operating Officer and President of the combined CSX/Conrail company, and as Chief Executive Officer and President of the railroad businesses of Conrail and CSX, for two years from the effective date of a merger between CSX and Conrail (the "First Employment Segment"). Additionally, Mr. LeVan will serve as Chief Executive Officer of the combined CSX/Conrail company for a period of two years beginning immediately after the First Employment Segment (the "Second Employment Segment"). During the period commencing immediately after the Second Employment Segment, or, if earlier, upon the termination of Mr. Snow's status as Chairman of the Board (the "Third

Employment Segment"), Mr. LeVan will additionally serve as Chairman of the Board of the combined CSX/Conrail company.

35. Defendant LeVan received a base salary from Conrail of $514,519 and a bonus of $24,759 during 1995. The LeVan Employment Agreement ensures substantially enhanced compensation for defendant LeVan. It provides that during the First Employment Segment, Mr. LeVan shall receive annual base compensation at least equal to 90% of the amount received by the Chief Executive Officer of CSX, but not less than $810,000, together with bonus and other incentive compensation at least equal to 90% of the amount received by the Chief Executive Officer of CSX. During 1995, Mr. Snow received a base salary of $895,698 and a bonus having a cash value of $1,687,500. Thus, if Mr. Snow's salary and bonus were to equal Mr. Snow's 1995 salary and bonus, the LeVan Employment Agreement would provide LeVan with a salary of $810,000 and a bonus of $1,518,750 in the First Employment Period. During the Second and Third Employment Segments, Mr. LeVan will receive compensation in an amount no less than that received by the Chief Executive Officer during the First Employment Segment, but not less than $900,000.

36. If CSX terminates Mr. LeVan's employment for a reason other than cause or disability or Mr. LeVan terminates employment for good reason (as those terms are defined in the LeVan Employment Agreement), Mr. LeVan will be entitled to significant lump sum cash payments based on his compensation during the five year term of the employment agreement, continued employee welfare benefits for the longer of three years or the number of years remaining in the employment agreement; and the immediate vesting of outstanding stock-based awards. The $300 Million Break-Up Fee

37. The CSX Merger Agreement provides for a $300 million break-up fee. This fee would be triggered if the CSX Merger Agreement were terminated following a competing takeover proposal.

38. This breakup fee is disproportionally large, constituting over 3.5% of the aggregate value of the CSX Transaction. The breakup fee unreasonably tilts the playing field in favor of the CSX Transaction -- a transaction that the defendant directors knew, or reasonably should have known, at the time they approved the CSX Transaction, provided less value and other benefits to Conrail and its constituencies than would a transaction with NS.

The Lock-Up Stock Option
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39. Concurrently with the Merger Agreement, Conrail and CSX entered into an option agreement (the "Stock Option Agreement") pursuant to which Conrail granted to CSX an option, exercisable in certain events, to purchase 15,955,477 Shares of Conrail common stock at an exercise price of $92.50 per share, subject to adjustment.

40. If, during the time that the option under the Stock Option Agreement is exercisable, Conrail enters into an agreement pursuant to which all of its outstanding common shares are to be purchased for or converted into, in whole or in part, cash, in exchange for cancellation of the Option, CSX shall receive an amount in cash equal to the difference (if positive) between the closing market price per Conrail Common Share on the day immediately prior to the consummation of such transaction and the purchase price. In the event (i) Conrail enters into an agreement to consolidate with, merge into, or sell substantially all of its assets to any person, other than CSX or a direct or indirect subsidiary thereof, and Conrail is not the surviving corporation, or (ii) Conrail allows any person, other than CSX or a direct or indirect subsidiary thereof, to

merge into or consolidate with Conrail in a series of transactions in which the Conrail Common Shares or other securities of Conrail represent less than 50% of the outstanding voting securities of the merged corporation, then the option will be adjusted, exchanged, or converted into options with identical terms as those described in the Stock Option Agreement, appropriately adjusted for such transaction.

41. CSX and Conrail also entered into a similar option agreement, pursuant to which CSX granted to Conrail an option, exercisable only in certain events, to purchase 43,090,773 shares of CSX Common Stock at an exercise price of $64.82 per share.

42. The exercise price of the option under the Stock Option Agreement is $92.50 per share. The Stock Option Agreement contemplates that 15,955,477 authorized but unissued Conrail shares would be issued upon its exercise. Thus, for each dollar above $92.50 that is offered by a competing bidder for Conrail, such as NS, the competing acquiror would suffer $15,955,477 in dilution. Moreover, there is no cap to the potential dilution. At NS's offer of $100 per share, the dilution attributable to the Stock Option would be $119,666,077.50. At a hypothetical offering price of

$101 per share, the dilution would total $135,621,554.50. This lock-up structure serves no legitimate corporate purpose, as it imposes increasingly severe dilution penalties the higher the competing bid!

43. At the current $100 per share level of NS's bid, the sum of the $300 million break-up fee and Stock Option dilution of $119,666,077.50 constitutes nearly 5.2% of the CSX Transaction's $8.1 billion value. This is an unreasonable impediment to NS's offer. Moreover, because these provisions were not necessary to induce an offer that is in Conrail's best interests, but rather were adopted to lock up a deal providing Conrail's management with personal benefits while selling Conrail to the low bidder, their adoption constituted a plain breach of the defendant directors' fiduciary duty of loyalty.

Selective Discriminatory
Treatment of Competing Bids
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44. Finally, the Conrail board has breached its fiduciary duties by selectively (i) rendering Conrail's poison pill rights plan inapplicable to the CSX Transaction, (ii) approving the CSX Transaction and thus exempting it from the 5-year merger moratorium under Pennsylvania's Business Combination Statute, and (iii),

as noted above, purporting to approve the Charter Amendment in favor of CSX only.

45. While Pennsylvania law does not require directors to amend or redeem poison pill rights or to take action rendering anti-takeover provisions inapplicable, the law is silent with respect to the duties of directors once they have determined to do so. Once directors have determined to render poison pill rights and anti-takeover statutes inapplicable to a change of control transaction, their fundamental fiduciary duties of care and loyalty require them to take such actions fairly and equitably, in good faith, after due investigation and deliberation, and only for the purpose of fostering the best interests of the corporation, and not to protect selfish personal interests of management.

46. Thus, Conrail's directors are required to act evenhandedly, redeeming the poison pill rights and rendering anti-takeover statutes inapplicable only to permit the best competing control transaction to prevail. Directors cannot take such selective and discriminatory defensive action to favor corporate executives' personal interests over those of the corporation, its shareholders, and other legitimate constituencies.

Defendants' Campaign Of Misinformation

47. On October 15, 1996, Conrail and CSX issued press releases announcing the CSX transaction, and Conrail published and filed preliminary proxy materials with the SEC. On October 16, 1996, CSX filed and published its Schedule 14D-1 Tender Offer Statement and Conrail filed its Schedule 14D-9 Solicitation/ Recommendation Statement. These communications to Conrail's shareholders reflect a scheme by defendants to coerce, mislead and fraudulently manipulate such shareholders to swiftly deliver control of Conrail to CSX and effectively frustrate any competing higher bid.

48. Conrail's Preliminary Proxy Statement contains the following misrepresentations of fact:

(a) Conrail states that "certain provisions of Pennsylvania law effectively preclude ... CSX from purchasing 20% or more" of Conrail's shares in the CSX Offer "or in any other manner (except the [CSX] Merger." This statement is false. The provisions of Pennsylvania law to which Conrail is referring are those of Subchapter 25E of the Pennsylvania Business Corporation law. This law does not "effectively preclude" CSX from purchasing 20% or more of Conrail's stock other than through

the CSX Merger. Rather, it simply requires a purchaser of 20% or more of Conrail's voting stock to pay a fair price in cash, on demand, to the holders of the remaining 80% of the shares. The real reason that CSX will not purchase 20% or more of Conrail's voting stock absent the Charter Amendment is that, unlike NS, CSX is unable or unwilling to pay a fair price in cash for 100% of Conrail's stock.

(b) Conrail states that its "Board of Directors believes that Conrail shareholders should have the opportunity to receive cash in the nearterm for 40% of [Conrail's] shares," and that "[t]he Board of Directors believes it is in the best interests of shareholders that they have the opportunity to receive cash for 40% of their shares in the near term." These statements are false. First of all, the Conrail Board believes that Conrail shareholders should have the opportunity to receive cash in the near-term for 40% of Conrail's shares only if such transaction will swiftly deliver effective control of Conrail to CSX. Second, the Conrail Board of Directors does not believe that such swift transfer of control to CSX is in the best

interests of Conrail shareholders; rather, the Conrail Board of Directors believes that swift transfer of effective control over Conrail to CSX through the CSX Offer will lock-up the CSX Transaction and preclude Conrail shareholders from any opportunity to receive the highest reasonably available price in a sale of control of Conrail.

49. CSX's Schedule 14D-1 contains the following misrepresentations of fact:

(a) CSX states that the "purpose of the [CSX] Offer is for [CSX] . . . to acquire a significant equity interest in [Conrail] as the first step in a business combination of [CSX] and [Conrail]." This statement is false. The purpose of the CSX Offer is to swiftly transfer effective control over Conrail to CSX in order to lock up the CSX Transaction and foreclose the acquisition of Conrail by any competing higher bidder.

(b) CSX states that "the Pennsylvania Control Transaction Law effectively precludes [CSX, through its acquisition subsidiary] from purchasing 20% or more of Conrail's shares pursuant to the [CSX] Offer." This statement is false. The provisions of Pennsylvania law to which Conrail is

referring are those of Subchapter 25E of the Pennsylvania Business Corporation law. This law does not "effectively preclude" CSX from purchasing 20% or more of Conrail's stock other than through the CSX Merger. Rather, it simply requires a purchaser of 20% or more of Conrail's voting stock to pay a fair price in cash, on demand, to the holders of the remaining 80% of the shares. The real reason that CSX will not purchase 20% or more of Conrail's voting stock absent the Charter Amendment is that, unlike NS, CSX is unable or unwilling to pay a fair price in cash for 100% of Conrail's stock.

50. Conrail's Schedule 14D-9 states that "the [CSX Transaction] . . . is being structured as a true merger-of-equals transaction." This statement is false. The CSX Transaction is being structured as a rapid, locked-up sale of control of Conrail to CSX involving a significant, albeit inadequate, control premium.

51. Each of the Conrail Preliminary Proxy Statement, the CSX Schedule 14D-1, and the Conrail Schedule 14D-9 omit to disclose the following material facts, the disclosure of which are necessary to make the statements made in such documents not misleading:

(a) That both Conrail (and its senior management) and CSX (and its senior management) knew (i) that NS was keenly interested in acquiring Conrail, (ii) that NS has the financial capacity and resources to pay a higher price for Conrail than CSX could, and (iii) that a financially superior competing bid for Conrail by NS was inevitable.

(b) That Conrail management led NS to believe that if and when the Conrail Board determined to sell Conrail, it would do so through a process in which NS would be given the opportunity to bid, and that in the several weeks prior to the announcement of the CSX Transaction, defendant LeVan on two occasions prevented Mr. Goode from presenting an acquisition proposal to Conrail by stating to him that making such a proposal would be unnecessary and that Mr. LeVan would contact Mr. Goode concerning NS's interest in acquiring Conrail following (i) the Conrail Board's strategic planning meeting scheduled for September 1996 and (ii) a meeting of the Conrail Board purportedly scheduled for October 16, 1996.

(c) That in September of 1994, NS had proposed a stock-for-stock acquisition of Conrail at an exchange ratio of 1.1 shares of NS stock for each

share of Conrail stock, which ratio, if applied to the price of NS stock on the day before announcement of the CSX Transaction, October 14, 1996, implied a bid by NS worth over $101 per Conrail share.

(d) That the CSX Transaction was structured to swiftly transfer effective, if not absolute voting control over Conrail to CSX, and to prevent any other bidders from acquiring Conrail for a higher price.

(e) That although Conrail obtained opinions from Morgan Stanley and Lazard Freres that the consideration to be received by Conrail stockholders in the CSX Transaction was "fair" to such shareholders from a financial point of view, Conrail's Board did not ask its investment bankers whether the CSX Transaction consideration was adequate, from a financial point of view, in the context of a sale of control of Conrail such as the CSX Transaction.

(f) That although in arriving at their "fairness" opinions, both Morgan Stanley and Lazard Freres purport to have considered the level of consideration paid in comparable transactions, both investment bankers failed to consider the most

closely comparable transaction -- NS's September 1994 merger proposal, which as noted above, would imply a price per Conrail share in excess of $101.

(g) That, if asked to do so, Conrail's investment bankers would

be unable to opine in good faith that the consideration offered in the CSX Transaction is adequate to Conrail's shareholders from a financial point of view.

(h) That Conrail's Board failed to seek a fairness opinion from its investment bankers concerning the $300 million break-up fee included in the CSX Transaction.

(i) That Conrail's Board failed to seek a fairness opinion from its investment bankers concerning the Stock Option Agreement granted by Conrail to CSX in connection with the CSX Transaction.

(j) That the Stock Option Agreement is structured so as to impose increasingly severe dilution costs on a competing bidder for control of Conrail for progressively higher acquisition bids.

(k) That the Conrail Board intends to withhold the filing of the Charter Amendment following its approval by Conrail's stockholders if

the effectiveness of such amendment would facilitate any bid for Conrail other than the CSX Transaction.

(l) That the Charter Amendment and/or its submission to a vote of the Conrail shareholders is illegal and ultra vires under Pennsylvania law.

(m) That the Conrail Board's discriminatory (i) use of the Charter Amendment, (ii) amendment of the Conrail Poison Pill and (iii) action exempting the CSX Transaction from Pennsylvania's Business Combination Statute, all to facilitate the CSX Transaction and to preclude competing financially superior offers for control of Conrail, constitute a breach of the defendant directors' fiduciary duty of loyalty.

(n) That Conrail's Board failed to conduct a reasonable, good faith investigation of all reasonably available material information prior to approving the CSX transaction and related agreements, including the lock-up Stock Option Agreement.

(o) That in recommending that Conrail's shareholders tender their shares to CSX in the CSX Offer, Conrail's Board did not conclude that doing

so would be in the best interests of Conrail's shareholders.

(p) That in recommending that Conrail's shareholders approve the Charter Amendment, the Conrail Board did not conclude that doing so would be in the best interests of Conrail's shareholders.

(q) That in recommending that Conrail shareholders tender their shares to CSX in the CSX Offer, primary weight was given by the Conrail Board to interests of persons and/or groups other than Conrail's shareholders.

(r) That in recommending that Conrail shareholders tender their shares to CSX in the CSX Offer, primary weight was given to the personal interests of defendant LeVan in increasing his compensation and succeeding Mr. Snow as Chairman and Chief Executive Officer of the combined CSX/Conrail company.

(s) That the Continuing Director Requirement in Conrail's Poison Pill (described below in paragraphs 54 through 60, adopted by Conrail's board in September 1995 and publicly disclosed at that time, is illegal and ultra vires

under Pennsylvania law and therefore is void and unenforceable.

52. Each of the misrepresentations and omitted facts detailed above are material to the decisions of Conrail's shareholders concerning whether to vote in favor of the Charter Amendment and whether, in response to the CSX Offer, to hold, sell to the market, or tender their shares, because such misrepresentations and omitted facts bear upon (i) the good faith of the Conrail directors in recommending that Conrail shareholders approve the Charter Amendment and tender their shares in the CSX Offer, (ii) whether taking such actions are in the best interests of Conrail shareholders, (iii) whether the CSX Offer represents financially adequate consideration for the sale of control of Conrail and/or (iv) whether the economically superior NS Proposal is a viable, available alternative to the CSX Transaction. Absent adequate corrective disclosure by the defendants, these material misrepresentations and omissions threaten to coerce, mislead, and fraudulently manipulate Conrail shareholders to approve the Charter Amendment and deliver control of Conrail to CSX in the CSX Offer, in the belief that the NS Proposal is not an available alternative.

Conrail's Directors Attempt To Override Fundamental Principles of Corporate Democracy By Imposing A Continuing Directors Requirement in Conrail's Pill

53. As noted above, Conrail's directors have long known that it was an attractive business combination candidate to other railroad companies, including NS.

54. Neither Conrail management nor its Board, however, had any intention to give up their control over Conrail, unless the acquiror was willing to enter into board compensation, executive succession, and compensation and benefit arrangements satisfying the personal interests of Conrail management and the defendant directors, such as the assignments provided for in the CSX Transaction. They were aware, however, that through a proxy contest, they could be replaced by directors who would be receptive to a change in control of Conrail regardless of defendants' personal interests. Accordingly, on September 20, 1995, the Conrail directors attempted to eliminate the threat to their continued incumbency posed by the free exercise of Conrail's stockholders' franchise. They drastically altered Conrail's existing Poison Pill Plan, by adopting a "Continuing Director" limitation to the Board's power to

redeem the rights issued pursuant to the Rights Plan (the "Continuing Director Requirement").

55. Prior to adoption of the Continuing Director Requirement,

Conrail's Rights Plan was a typical "flip-in, flip-over" plan, designed to make an unsolicited acquisition of Conrail prohibitively expensive to an acquiror.

56. Under the plan, stockholders received a dividend of originally uncertificated, unexercisable rights. The rights would become exercisable and certificated on the so-called "Distribution Date," which under the Rights Agreement is defined as the earlier of 10 days following public announcement that a person or group has acquired beneficial ownership of 10% or more of Conrail's stock or 10 days following the commencement of a tender offer that would result in 10% or greater ownership of Conrail stock by the bidder. On the Distribution Date, Conrail would issue certificates evidencing the rights, each of which would allow the holder to purchase a share of Conrail stock at a price set above market. Once certificates were issued, the rights could trade separately from the associated shares of Conrail stock.

57. The rights would "flip in" when, among other things, a person or group obtained 10% ownership of Conrail stock. Upon "flipping in," each right would entitle the holder to receive common stock of Conrail having a value of twice the exercise price of the right. That is, each right would permit the holder to purchase newly issued common stock of Conrail at half price. The person or group acquiring the 10% or greater ownership, however, would be ineligible to exercise such rights. Thus, the Rights Plan would dilute the acquiror's equity and voting position. The rights would "flip over" if Conrail were to engage in a merger in which it was not the surviving entity. Holders of rights, other than the acquiror, would then have the right to buy stock of the surviving entity at half price, again diluting the acquiror's position.

58. At any time prior to the Distribution Date, the Board of Directors of Conrail could either redeem the rights for a nominal payment or amend the Rights Agreement to render the rights inapplicable to an acquiror approved by the Board. By virtue of its redemption and amendment provisions, the original Rights Plan placed the power to approve or prevent an acquisition in Conrail's duly elected Board of Directors.

59. The September 20, 1995 adoption of the Continuing Director Requirement changed this reservation of power. It added an additional requirement for amendment of the Rights Agreement or redemption of the rights. For such action to be effective, at least two members of the Board must be "Continuing Directors," and the action must be approved by a majority of such "Continuing Directors." "Continuing Directors" are defined as members of the Conrail Board as of September 20, 1995, i.e., the incumbents, or their handpicked successors.

60. By adopting the Continuing Director Requirement, the Defendant Directors intentionally and deliberately have attempted to destroy the right of stockholders of Conrail to replace them with new directors who would have the power to redeem the rights or amend the Rights Agreement in the event that such new directors deemed such action to be in the best interests of the company. That is, instead of vesting the power to accept or reject an acquisition in the duly elected Board of Directors of Conrail, the Rights Plan as amended destroys the power of a duly elected Board to act in connection with acquisition offers, unless such Board happens to consist of the current incumbents or their

hand-picked successors. Thus, the Continuing Director Requirement is the ultimate entrenchment device.

61. The Continuing Director Requirement is invalid per se under Pennsylvania statutory law, in that it purports to limit the discretion of future Boards of Conrail. Pennsylvania law requires that any such limitation on Board discretion be set forth in a By-Law adopted by the stockholders. See Pa. BCL ss. 1721. Thus, the Defendant Directors were without power to adopt such a provision unilaterally by amending the Rights Agreement.

62. Additionally, the Continuing Director Requirement is invalid under Conrail's By-Laws and Articles of Incorporation. Under Section 3.5 of Conrail's By-Laws, the power to direct the management of the business and affairs of Conrail is broadly vested in its duly elected board of directors. Insofar as the Continuing Director Requirement purports to restrict the power of Conrail's duly elected board of directors to redeem the rights or amend the Rights Agreement, it conflicts with Section 3.5 of Conrail's By-Laws and is therefore of no cause or effect. Article Eleven of Conrail's Articles of Incorporation permits Conrail's entire board to be removed without cause by stockholder

vote. Read together with Section 3.5 of Conrail's ByLaws, Article Eleven enables Conrail's stockholders to replace the entire incumbent board with a new board fully empowered to direct the management of Conrail's business and affairs, and, specifically, to redeem the rights or amend the Rights Agreement. Insofar as the Continuing Director Requirement purports to render such action impossible, it conflicts with Conrail's Articles of Incorporation and is therefore of no cause or effect.

63. Furthermore, the adoption of the Continuing Director Requirement constituted a breach of the Defendant Directors' fiduciary duty of loyalty. There existed no justification for the directors to attempt to negate the right of stockholders to elect a new Board in the event the stockholders disagree with the incumbent Board's policies, including their response to an acquisition proposal.

64. Moreover, while the Defendant Directors disclosed the adoption of the Continuing Director Requirement, they have failed to disclose its illegality and the illegality of their conduct in adopting it. If they are not required to make corrective disclosures, defendants will permit the disclosure of the Continuing Director Requirement's adoption to distort stockholder

choice in connection with the special meeting, the CSX Offer, and (if they have not successfully locked up voting control of Conrail by then) in the next annual election of directors. The Defendant Directors' conduct is thus fraudulent, in that they have failed to act fairly and honestly toward the Conrail stockholders, and intended to preserve their incumbency and that of current management, to the detriment of Conrail's stockholders and other constituencies. Accordingly, such action should be declared void and of no force or effect. Furthermore, adequate corrective disclosure should be required.

Conrail's Charter Permits The Removal
and Replacement of Its Entire Board of
Directors At Its Next Annual Meeting
- ----------

65. As noted above, plaintiff NS intends to facilitate the NS

Proposal by replacing the Conrail board at Conrail's next annual meeting. Conrail's next annual meeting is scheduled to be held on May 21, 1997 (according to Conrail's April 3, 1996 Proxy Statement, as filed with the Securities and Exchange Commission).

66. The Defendant Directors adopted the Continuing Director Requirement in part because they recognized that under Conrail's Articles, its entire

Board, even though staggered, may be removed without cause at Conrail's next annual meeting.

67. Section 3.1 of Conrail's By-Laws provides that the Conrail Board shall consist of 13 directors, but presently there are only 11. The Conrail Board is classified into three classes. Each class of directors serves for a term of three years, which terms are staggered.

68. Article 11 of Conrail's Articles provides that:

> The entire Board of Directors, or a class of the Board where the Board is classified with respect to the power to elect directors, or any individual director may be removed from office without assigning any cause by vote of stockholders entitled to cast at least a majority of the votes which all stockholders would be entitled to cast at any annual election of directors or of such class of directors.

69. Under the plain language of Article 11, the entire Conrail Board, or any one or more of Conrail's directors, may be removed without cause by a majority vote of the Conrail stockholders entitled to vote at the Annual Meeting. Plaintiffs anticipate, however, that defendants will argue that under Article 11, only one class may be removed at each annual meeting. Accordingly, plaintiffs seek a declaratory judgment that

pursuant to Article 11, the entire Conrail Board, or any one or more of Conrail's directors, may be removed without cause at Conrail's next annual meeting.

Declaratory Relief

70. The Court may grant the declaratory relief sought herein pursuant to 28 U.S.C. ss. 2201. The Defendant Directors' adoption of the CSX Transaction (with its discriminatory Charter Amendment poison pill, and state anti-takeover statute treatment and draconian lock-up provisions) as well as their earlier adoption of the Continuing Director Requirement, clearly demonstrate their bad faith entrenchment motivation and, in light of the NS Proposal, that there is a substantial controversy between the parties. Indeed, given the NS Proposal, the adverse legal interests of the parties are real and immediate. Defendants can be expected to vigorously oppose each judicial declaration sought by plaintiffs, in order to maintain their incumbency and defeat the NS Proposal -- despite the benefits it would provide to Conrail's stockholders and other constituencies.

71. The granting of the requested declaratory relief will serve the public interest by affording relief from uncertainty and by avoiding delay and will conserve judicial resources by avoiding piecemeal litigation.

Irreparable Injury

72. The Defendant Directors' adoption of the CSX Transaction (with its discriminatory Charter Amendment, poison pill and state antitakeover statute treatment and draconian lock-up provisions) as well as their earlier adoption of the Continuing Director Requirement threatens to deny Conrail's stockholders their right to exercise their corporate franchise without manipulation, coercion or false and misleading disclosures and to deprive them of a unique opportunity to receive maximum value for their stock. The resulting injury to plaintiffs and all of Conrail's stockholders would not be adequately compensable in money damages and would constitute irreparable harm.

Derivative Allegations

73. Plaintiffs bring each of the causes of action reflected in Counts One through Seven and Fourteen and Fifteen below individually and directly. Alternatively, to the extent required by law, plaintiffs bring such causes of action derivatively on behalf of Conrail.

74. No demand has been made on Conrail's Board of Directors to prosecute the claims set forth herein

since, for the reasons set forth below, any such demand would have been a vain and useless act:

a. The Defendant Directors have acted fraudulently by pursuing defendants' campaign of misinformation, described above, in order to coerce, mislead, and manipulate Conrail shareholders to swiftly deliver control of Conrail to the low bidder.

b. The form of resolution by which the shareholders are being asked to approve the Charter Amendment is illegal and ultra vires in that it purports to authorize the Conrail Board to discriminatorily withhold filing the certificate of amendment even after shareholder approval. Thus, its submission to the shareholders is illegal and ultra vires and therefore not subject to the protections of the business judgment rule.

c. The Conrail directors' selective amendment of the Conrail poison pill and discriminatory preferential treatment of the CSX Transaction under the Pennsylvania Business Combination Statute were motivated by their personal interest in entrenchment, constituting a breach of

their fiduciary duty of loyalty and rendering the business judgment rule inapplicable.

d. The defendant directors' adoption of the break-up fee and stock option lock-ups in favor of CSX was motivated by their personal interest in entrenchment, constituting a breach of their duty of loyalty and rendering the business judgment rule inapplicable.

e. The Continuing Director Requirement is illegal and ultra

vires under Pennsylvania statutory law and under Conrail's charter and bylaws, rendering the business judgment rule inapplicable to its adoption by the Director Defendants.

f. In adopting the Continuing Director Requirement, each of the Defendant Directors has failed to act fairly and honestly toward Conrail and its stockholders, insofar as by doing so the Defendant Directors, to preserve their own incumbency, have purported to eliminate the stockholders' fundamental franchise right to elect directors who would be receptive to a sale of control of Conrail to the highest bidder. There is no reason to think that, having adopted this

ultimate in entrenchment devices, the Defendant Directors would take action that would eliminate it.

g. Additionally, the Defendant Directors have acted fraudulently, in that they intentionally have failed to disclose the plain illegality of their conduct.

h. There exists no reasonable prospect that the Defendant Directors would take action to invalidate the Continuing Director Requirement. First, pursuant to Pennsylvania statute, their fiduciary duties purportedly do not require them to amend the Rights Plan in any way. Second, given their dishonest and fraudulent entrenchment motivation, the Defendant Directors would certainly not commence legal proceedings to invalidate the Continuing Director Requirement.

75. Plaintiffs are currently beneficial owners of Conrail common stock. Plaintiffs' challenge to the CSX Transaction (including the illegal Charter Amendment, discriminatory treatment, and lock-ups) and to the Continuing Director Requirement presents a strong prima facie case, insofar as the Defendant Directors have deliberately and intentionally, without justification, acted to foreclose free choice by Conrail's shareholders.

If this action were not maintained, serious injustice would result, in that defendants would be permitted illegally and in pursuit of personal, rather than proper corporate interests to deprive Conrail stockholders of free choice and a unique opportunity to maximize the value of their investments through the NS Proposal, and depriving plaintiff NS of a unique acquisition opportunity.

76. This action is not a collusive one to confer jurisdiction on a court of the United States which it would not otherwise have.

COUNT ONE

(Breach of Fiduciary Duty with Respect to the Charter Amendment)

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

78. The Conrail directors were and are obligated by their fiduciary duties of due care and loyalty, to act in the best interests of the corporation.

79. In conjunction with the proposed merger, the Conrail board of directors has approved, and recommended that the shareholders approve, an amendment to Conrail's charter. The amendment is required to allow a third party to acquire more than 20% of Conrail's stock.

80. The Conrail directors have publicly stated their intention to file the amendment only if the requisite number of shares are tendered to CSX.

81. By adopting the illegal Charter Amendment and then discriminately applying it to benefit themselves, the Conrail directors have breached their fiduciary duties of care and loyalty.

82. Plaintiffs have no adequate remedy at law.

COUNT TWO

(Breach of Fiduciary Duty With Respect to the Poison Pill)

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

84. The Conrail board of directors adopted its Poison Pill Plan with the ostensible purpose of protecting its shareholders against the consummation of unfair acquisition proposals that may fail to maximize shareholder value.

85. The Conrail Board has announced its intention to merge with CSX and the Conrail Board has also sought to exempt CSX from the provisions in the poison pill.

86. Additionally, the Conrail Board has committed itself to not pursue any competing offer for the Company.

87. By selectively and discriminately determining to exempt CSX, and only CSX, from the poison pill provisions, to the detriment to Conrail's shareholders, the Conrail directors have breached their fiduciary duties of care and loyalty.

88. Plaintiffs have no adequate remedy at law.

COUNT THREE

(Breach of Fiduciary Duty with Respect to the Pennsylvania Business Combinations Statute)

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

90. By approving the CSX Offer prior to its consummation, the Defendant Directors have rendered the Pennsylvania Business Combinations Statute, subchapter 25F of the Pennsylvania Business Corporation Law, and, particularly, its five-year ban on mergers with substantial stockholders, inapplicable to the CSX Transaction, while it remains as an impediment to competing higher acquisition offers such as the NS Proposal.

91. By selectively and discriminately exempting the CSX Transaction from the five-year merger ban, for the purpose of facilitating a transaction that will provide substantial personal benefits to Conrail management while delivering Conrail to the low bidder, the Defendant Directors have breached their fiduciary duties of care and loyalty.

92. Plaintiffs have no adequate remedy at law.

COUNT FOUR

(Breach of Fiduciary Duty with Respect to the Lockup Provisions)

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

94. In conjunction with the merger agreement, the Conrail Board has agreed to termination fees of $300 million and to the lock-up Stock Option Agreement.

95. These provisions confer no benefit upon Conrail's shareholders and in fact operate and are intended to operate to impede or foreclose further bidding for Conrail.

96. The Conrail directors have adopted these provisions without regard to what is in the best interest of the Company and its shareholders, in violation of their fiduciary duties.

97. Plaintiffs have no adequate remedy at law.

COUNT FIVE

Declaratory Relief Against Conrail and Defendant Directors (The Continuing Director Requirement Is Void Under Pennsylvania Law)

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

99. Under Pennsylvania law, the business and affairs of a Pennsylvania corporation are to be managed under the direction of the Board of Directors unless otherwise provided by statute or in a By-Law adopted by the stockholders. Pa. BCL ss. 1721.

100. Under Pennsylvania law, agreements restricting the managerial discretion of directors are permissible only in statutory close corporations.

101. No statute countenances Conrail's and the current Board's adoption of the Continuing Director Requirement. No Conrail By-Law adopted by the Conrail stockholders provides that the current Board may limit a future Board's management and direction of Conrail. Conrail is not a statutory close corporation.

102. Adoption of the Continuing Director Requirement constitutes an unlawful attempt by the Defendant Directors to limit the discretion of a future

Board of Directors with respect to the management of Conrail. In particular, under the Continuing Director Requirement, a duly elected Board of Directors

which includes less than two continuing directors would be unable to redeem or modify Conrail's poison pill even upon determining that to do so would be in Conrail's best interests.

103. Plaintiffs seek a declaration that the Continuing Director Requirement is contrary to Pennsylvania statute and therefore null and void.

104. Plaintiffs have no adequate remedy at law.

COUNT SIX

Declaratory Relief Against
Conrail and Defendant Directors
(The Continuing Director Requirement
Is Void Under Conrail's Articles
of Incorporation And By-Laws)

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

106. Under Section 3.5 of Conrail's By-Laws,

> The business and affairs of the Corporation shall be managed under the direction of the Board which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles or by these By-Laws directed or required to be exercised and done by the shareholders.

107. Pursuant to Section 1505 of the Pennsylvania Business Corporation Law, the By-Laws of a Pennsylvania corporation operate as regulations among the shareholders and affect contracts and other dealings between the corporation and the stockholders and among the stockholders as they relate to the corporation. Accordingly, the Rights Plan and the rights issued thereunder are subject to and affected by Conrail's ByLaws.

108. Insofar as it purports to remove from the duly elected board of Conrail the power to redeem the rights or amend the Rights Plan, the Continuing Director Requirement directly conflicts with Section 3.5 of Conrail's By-Laws, and is therefore void and unenforceable.

109. Article Eleven of Conrail's Articles of Incorporation provides that Conrail's entire board may be removed without cause by vote of a majority of the stockholders who would be entitled to vote in the election of directors. Read together with Section 3.5 of Conrail's By-Laws, Article Eleven enables the stockholders to replace the entire incumbent board with a new board with all powers of the incumbent board, including the power to redeem the rights or to amend the

Rights Agreement. The Continuing Director Requirement purports to prevent the stockholders from doing so, and is therefore void and unenforceable.

110. Plaintiffs have no adequate remedy at law.

COUNT SEVEN

Declaratory Relief Against
Conrail and Defendant Directors
(Adoption of the Continuing Director Requirement
Constituted A Breach of the Duty of Loyalty)

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

112. Adoption of the Continuing Director Requirement constituted a breach of the duty of loyalty on the part of the Defendant Directors. Such adoption was the result of bad faith entrenchment motivation rather than a belief that the action was in the best interests of Conrail. In adopting the Continuing Director Requirement, the Defendant Directors have purported to circumvent the Conrail stockholders' fundamental franchise rights, and thus have failed to act honestly and fairly toward Conrail and its stockholders. Moreover, the Defendant Directors adopted the Continuing Director Requirement without first conducting a reasonable investigation.

113. The Continuing Director Requirement not only impedes acquisition of Conrail stock in the NS Offer, it also impedes any proxy solicitation in support of the NS Proposal because Conrail stockholders will, unless the provision is invalidated, believe that the nominees of plaintiffs will be powerless to redeem the poison pill rights in the event they conclude that redemption is in the best interests of the corporation. Thus, stockholders may believe that voting in favor of plaintiffs' nominees would be futile. The Defendant Directors intended their actions to cause Conrail's stockholders to hold such belief.

114. Plaintiffs seek a declaration that the Defendant Directors' adoption of the Continuing Director Requirement was in violation of their fiduciary duty and, thus, null, void and unenforceable.

115. Plaintiffs have no adequate remedy at law.

COUNT EIGHT

(Declaratory and Injunctive Relief Against Conrail and the Defendant Directors for Violation of Section 14(a) of the Exchange Act and Rule 14a-9 Promulgated Thereunder)

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

117. Section 14(a) of the Exchange Act provides that it is unlawful to use the mails or any means or instrumentality of interstate commerce to solicit proxies in contravention of any rule promulgated by the SEC. 15 U.S.C. ss. 78n(a).

118. Rule 14a-9 provides in pertinent part: "No solicitation subject to this regulation shall be made by means of any ... communication, written or oral, containing any statement which, at the time, and in light of the circumstances under which it is made, is false and misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading...." 17 C.F.R. ss. 240.14a-9.

119. Conrail's Preliminary Proxy Statement contains the misrepresentations detailed in paragraph 48 above. It also omits to disclose the material facts detailed in paragraph 51 above.

120. Unless defendants are required by this Court to make corrective

disclosures, Conrail's stockholders will be deprived of their federal right to exercise meaningfully their voting franchise.

121. The defendants' false and misleading statements and omissions described above are essential

links in defendants' effort to deprive Conrail's shareholders of their ability to exercise choice concerning their investment in Conrail and their voting franchise.

122. Plaintiffs have no adequate remedy at law.

COUNT NINE

(Against Defendant CSX For Violation Of Section 14(d) Of The Exchange Act And Rules Promulgated Thereunder)

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

124. Section 14(d) provides in pertinent part: "It shall be unlawful for any person, directly or indirectly by use of the mails or by any means or instrumentality of interstate commerce ... to make a tender offer for ... any class of any equity security which is registered pursuant to section 781 of this title, ... if, after consummation thereof, such person would, directly or indirectly, be the beneficial owner of more than 5 per centum of such class, unless at the time copies of the offer, request or invitation are first published, sent or given to security holders such person has filed with the Commission a statement containing such of the information specified in section 78m(d) of this

title, and such additional information as the Commission may by rules and regulations prosecute ...." 15 U.S.C.
ss. 78n(d).

125. On October 16, 1996, defendant CSX filed with the SEC its Schedule 14D-1 pursuant to Section 14(d).

126. CSX's Schedule 14D-1 contains each of the false and misleading material misrepresentations of fact detailed in paragraph 49 above. Furthermore, CSX's Schedule 14D-1 omits disclosure of the material facts detailed in paragraph 51 above. As a consequence of the foregoing, CSX has violated, and unless enjoined will continue to violate, Section 14(d) of the Exchange Act and the rules and regulations promulgated thereunder.

127. CSX made the material misrepresentations and omissions described above intentionally and knowingly, for the purpose of fraudulently coercing, misleading, and manipulating Conrail's shareholders to tender their shares into the CSX tender offer.

128. Plaintiffs have no adequate remedy at law.

COUNT TEN

(Against Defendant Conrail For Violation Of Section 14(d) Of The Exchange Act And Rules Promulgated Thereunder)

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

130. Section 14(d)(4) provides in pertinent part: "Any solicitation or recommendation to the holders of [securities for which a tender offer has been made] to accept or reject a tender offer or request or invitation for tender shall be made in accordance with such rules and regulations as the [S.E.C.] may prescribe as necessary or appropriate in the public interest of investors." Rule 14d-9 provides in pertinent part: "No solicitation or recommendation to security holders shall be made by [the subject company] with respect to a tender offer for such securities unless as soon as practicable on the date such solicitation or recommendation is first published or sent or given to security holders such person ... file[s] with the [S.E.C.] eight copies of a Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9."

131. On October 16, 1996, Conrail (i) published its board of directors' recommendation that Conrail

shareholders tender their shares in the CSX Offer and (ii) filed with the SEC its Schedule 14D-9.

132. Conrail's Schedule 14D-9 contains each of the false and misleading material misrepresentations detailed in paragraph 50 above. Further, Conrail's Schedule 14D-9 omits disclosure of the material facts detailed in paragraph 51 above. As a consequence of the foregoing, Conrail has violated, and unless enjoined will continue to violate, Section 14(d) of the Exchange Act and the rules and regulations promulgated thereunder.

133. Conrail made the material misrepresentations and omissions described above intentionally and knowingly, for the purpose of fraudulently coercing, misleading and manipulating Conrail's shareholders to tender their shares into the CSX Offer.

134. Plaintiffs have no adequate remedy at law.

COUNT ELEVEN

(Against Conrail and CSX for Violation of Section 14(e) of the Exchange Act and Rules Promulgated Thereunder)

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

136. Section 14(e) provides in pertinent part: "It shall be unlawful for any person to make any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or to engage in any fraudulent, deceptive, or manipulative acts or practices in connection with any tender offer . . . or any solicitation of security holders in opposition to or in favor of any such offer . . . ." Defendants have violated and threaten to continue to violate Section 14(e).

137. The CSX Schedule 14D-1 constitutes a communication made under circumstances reasonably calculated to result in the procurement of tenders from Conrail shareholders in favor of the CSX Offer.

138. The Conrail Schedule 14D-9 and Proxy Statement constitute communications made under circumstances reasonably calculated to result in the procurement of tenders from Conrail shareholders in favor of the CSX Offer.

139. The CSX Schedule 14D-1 contains the false and misleading material misrepresentations detailed in paragraph 49 above. The CSX Schedule 14D-1 omits

disclosure of the material facts detailed in paragraph 51 above.

140. The Conrail Schedule 14D-9 contains the false and misleading material misrepresentations detailed in paragraph 50 above. The Conrail Schedule 14D-9 omits disclosure of the material facts detailed in paragraph 51 above.

141. The Conrail Proxy Statement contains the false and misleading material misrepresentations detailed in paragraph 48 above. The Conrail Proxy Statement omits disclosure of the material facts detailed in paragraph 51 above.

142. These omitted facts are material to the decisions of Conrail shareholders to hold, sell to market, or tender their shares in the CSX tender offer.

143. The defendants intentionally and knowingly made the material misrepresentations and omissions described above, for the purpose of coercing, misleading, and manipulating Conrail shareholders to swiftly transfer control over Conrail to CSX by tendering their shares in the CSX Tender Offer.

144. Absent declaratory and injunctive relief requiring adequate corrective disclosure, plaintiffs, as well as all of Conrail's shareholders, will be

irreparably harmed. Conrail shareholders will be coerced by defendants' fraudulent and manipulative conduct to sell Conrail to the low bidder. Plaintiffs NS and NAC will be deprived of the unique opportunity to acquire and combine businesses with Conrail.

145. Plaintiffs have no adequate remedy at law.

COUNT TWELVE

(Against Defendants Conrail and CSX For Civil Conspiracy To Violate Section 14 Of The Exchange Act And Rules Promulgated Thereunder)

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

147. Defendants Conrail and CSX conspired and agreed to conduct the campaign of misinformation described in paragraphs 48 through 51 above for the purpose of coercing, misleading and manipulating Conrail shareholders to swiftly transfer control over Conrail to CSX. As set forth in Counts Eight through Eleven above, which are incorporated by reference herein, the

defendants' campaign of misinformation is violative of Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

148. Plaintiffs have no adequate remedy at law.

COUNT THIRTEEN

(Against Conrail for Estoppel/Detrimental Reliance)

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

150. By his actions, silence and statements during the period from September 1994 to October 15, 1996, and particularly by his statements to Mr. Goode in September and October of 1996 (as detailed above in paragraphs 17 through 24, defendant LeVan, purporting to act on behalf of Conrail and its Board of Directors and with apparent authority to so act, led Mr. Goode to believe that Conrail's Board was not interested in a sale of the company and that if and when the Conrail Board decided to pursue such a sale, it would let NS know and give NS an opportunity to bid.

151. Prior to October 15, 1996, NS had justifiably relied on Mr. LeVan's false statements and representations in refraining from making a proposal to Conrail's Board or initiating a tender offer of its own for Conrail shares.

152. Mr. LeVan and Conrail knew or should have known that their actions, silence, statements and representations to NS would induce NS to believe that

Conrail's board was not interested in selling the company and that NS would be given an opportunity to bid if Conrail's Board decided that Conrail would be sold.

153. Mr. LeVan and Conrail knew or should have known that NS would rely upon their actions, silence, statements and representations to its detriment in refraining from making a proposal to Conrail's Board or initiating a tender offer of its own for Conrail shares.

154. NS did in fact rely upon LeVan's and Conrail's actions, silence, statements and representations to its detriment in refraining from making a proposal to Conrail's Board or initiating a tender offer of its own for Conrail shares.

155. Conrail and its Board are estopped from effectuating a sale of the company without giving NS an adequate opportunity to present its competing tender offer to the board of directors and Conrail shareholders. Similarly, any provision in the Merger Agreement between CSX and Conrail that would impede directors' or shareholders' ability to approve a competing tender offer or takeover proposal, such as that made by NS, is null and void.

156. By virtue of NS's justifiable reliance on Conrail's and Mr. LeVan's actions, silence and

statements, it has suffered and will continue to suffer irreparable harm.

157. Plaintiffs have no adequate remedy at law.

COUNT FOURTEEN

(Unlawful And Ultra Vires Amendment of Conrail's Articles of Incorporation)

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

159. The Conrail Board of Directors are attempting to freeze out any competing tender offers and lock-up the CSX deal, to the detriment of shareholders, by improperly maneuvering to "opt-out" of the "antitakeover" provisions of The Pennsylvania Business Corporation Law in a discriminatory fashion. This procedure distorts and subverts the provisions of the Pennsylvania statute.

160. At the Special Meeting of Conrail shareholders, such shareholders will be asked to approve the following amendment to Conrail's articles of incorporation, which has already been approved by the Conrail Board of Directors: "Subchapter E, Subchapter G and Subchapter H of Chapter 25 of the Pennsylvania Business Corporation Law of 1988, as amended, shall not be applicable to the Corporation."

161. The defendant directors are also asking for authorization to exercise discretion in deciding whether or not to file the amendment. According to the proposed proxy materials, the defendant directors only intend to file the amendment if CSX is in a position to purchase more than 20% of Conrail's shares. Consequently, in effect, this amendment becomes a "deal specific" opt-out.

162. The PBCL does not allow for such a discriminatory application of an opt-out provision. Section 2541(a) of the PBCL provides that Subchapter 25E will not apply to corporations that have amended their articles of incorporation to state that the Subchapter does not apply. Section 1914 of the PBCL provides that an articles amendment "shall be adopted" if it received the affirmative vote of a majority of shareholders entitled to vote on the amendment. While section 1914 also provides that the amendment need not be deemed to be adopted unless it has been approved by the directors, that approval has already been given.

163. Conrail's Board is trying to distort and subvert the provisions of the Pennsylvania statute by keeping a shareholder approved opt-out from taking effect unless the CSX deal is moving forward. The PBCL is quite

clear -- it allows corporations to exercise general, not selective, opt-outs. Therefore, any action taken at the November 14, 1996 shareholder meeting would be a nullity.

164. If the November 14, 1996 shareholder meeting is allowed to take place and the amendment is passed, NS will suffer irreparable harm.

165. Plaintiffs have no adequate remedy at law.

COUNT FIFTEEN

Declaratory Relief Against
Conrail and the Defendant Directors
(Removal of the Entire Conrail Board, Or Any One
or More of Conrail's Directors, Without Cause)

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

167. Plaintiffs intend, if necessary to facilitate the NS Proposal, to solicit proxies to be used at Conrail's next Annual Meeting to remove Conrail's current Board of Directors.

168. There is presently a controversy among Conrail, the Defendant Directors and the plaintiffs as to whether the entire Conrail Board, or any one or more of Conrail's directors, may be removed without cause at the Annual Meeting by a vote of the majority of Conrail stockholders entitled to cast a vote at the Annual Meeting.

169. Plaintiffs seek a declaration that Article 11 of Conrail's Articles permits the removal of the entire Conrail Board, or any one or more of Conrail's directors, without cause by a majority vote of the Conrail stockholders entitled to cast a vote at an annual election.

170. Plaintiffs have no adequate remedy at law.

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

A. Declaring that:

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

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

(c) defendants' discriminatory use of Conrail's poison pill rights plan violates the director defendants' fiduciary duties;

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

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

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

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

B. Preliminarily and permanently enjoining the defendants, their

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

(a) commencing or continuing a tender offer for shares of Conrail stock or other Conrail securities;

(b) seeking the approval by Conrail's stockholders of the Charter Amendment, or, in the event it has been approved by Conrail's stockholders, from taking any steps to make the Charter Amendment effective;

(c) taking any action to redeem rights issued pursuant to Conrail's poison pill rights plan or render the rights plan inapplicable as to any offer by CSX without, at the same time, taking such action as to NS's outstanding offer;

(d) taking any action to enforce the Continuing Director Requirement of Conrail's poison pill rights plan;

(e) taking any action to enforce the termination fee or stock option agreement granted to CSX by Conrail;

(f) failing to take such action as is necessary to exempt the NS Proposal from the provisions of the Pennsylvania Business Combination Statute; and

(g) holding the Conrail Special Meeting until all necessary corrective disclosures have been made and adequately disseminated to Conrail's stockholders.

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

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

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

Respectfully submitted,

By:

Mary A. McLaughlin, Esquire
Attorney I.D. No. 24923
George G. Gordon, Esquire
Attorney I.D. No. 63072
Dechert, Price & Rhoads
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
(215) 994-4000
Attorneys for Plaintiffs

Of Counsel:

Steven J. Rothschild
SKADDEN, ARPS, SLATE, MEAGHER & FLOM
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
(302) 651-3000

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