

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended JUNE 30, 1999
- () TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION

(Exact name of registrant as specified in its charter)

Virginia 52-1188014

(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

Three Commercial Place
Norfolk, Virginia 23510-2191

(Address of principal executive offices) Zip Code

Registrant's telephone number, including area code (757) 629-2680

No Change

(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days. (X) Yes () No

The number of shares outstanding of each of the registrant's classes of
Common Stock, as of the last practicable date:

Class	Outstanding as of July 31, 1999
-----	-----
Common Stock (par value \$1.00)	380,477,530 (excluding 21,627,902 shares held by registrant's consolidated subsidiaries)

INDEX

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

	Page

Part I. Financial Information:	
Item 1. Financial Statements:	
Consolidated Statements of Income Three Months and Six Months Ended June 30, 1999 and 1998	3-4
Consolidated Balance Sheets June 30, 1999, and December 31, 1998	5
Consolidated Statements of Cash Flows Six Months Ended June 30, 1999 and 1998	6-7
Notes to Consolidated Financial Statements	8-14
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15-26
Part II. Other Information:	
Item 3. Quantitative and Qualitative Disclosures About Market Risk	27
Item 4. Submission of Matters to a Vote of Security Holders	27
Item 6. Exhibits and Reports on Form 8-K	28-29
Signatures	30
Index to Exhibits	31

PAGE 3

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(\$ in millions except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	----	----	----	----
Railway operating revenues:				
Coal	\$ 298	\$ 316	\$ 580	\$ 639
General merchandise	723	622	1,346	1,227
Intermodal	173	141	298	279
	-----	-----	-----	-----
TOTAL RAILWAY OPERATING REVENUES	1,194	1,079	2,224	2,145
	-----	-----	-----	-----
Railway operating expenses:				
Compensation and benefits	413	365	781	761
Materials, services, and rents	287	206	483	396
Conrail rents and services				
(Note 3)	51	--	51	--
Depreciation	117	109	231	216

Diesel fuel	48	45	85	93
Casualties and other claims	29	22	64	52
Other	51	39	94	83
	-----	-----	-----	-----
TOTAL RAILWAY OPERATING EXPENSES	996	786	1,789	1,601
	-----	-----	-----	-----
Income from railway operations	198	293	435	544
Equity in earnings of Conrail (Note 3)	22	50	49	82
Other income - net	26	39	48	72
Interest expense on debt	(131)	(127)	(259)	(255)
	-----	-----	-----	-----
Income from continuing operations before income taxes	115	255	273	443
Provision for income taxes	38	68	84	124
	-----	-----	-----	-----
Income from continuing operations	77	187	189	319
	-----	-----	-----	-----
Discontinued operations (Note 4):				
Loss from motor carrier operations, net of taxes	--	--	--	(1)
Gain on sale of motor carrier, net of taxes	--	--	--	98
	-----	-----	-----	-----
Income from discontinued operations	--	--	--	97
	-----	-----	-----	-----
NET INCOME	\$ 77	\$ 187	\$ 189	\$ 416
	=====	=====	=====	=====

PAGE 4

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (continued)
(\$ in millions except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	----	----	----	----
Per share amounts (Note 6):				
Income from continuing operations, basic	\$ 0.20	\$ 0.49	\$ 0.50	\$ 0.84
Income from continuing operations, diluted	0.20	0.48	0.50	0.83
Net income, basic	0.20	0.49	0.50	1.10
Net income, diluted	0.20	0.48	0.50	1.09
Dividends	0.20	0.20	0.40	0.40

See accompanying notes to consolidated financial statements.

PAGE 5

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(\$ in millions)
(Unaudited)

	June 30, 1999 -----	December 31, 1998 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105	\$ 5
Short-term investments	17	58
Accounts receivable, net of allowance for doubtful accounts of \$5 million and \$4 million, respectively	716	519
Materials and supplies	54	59
Deferred income taxes	137	141
Other current assets	158	131
	-----	-----
Total current assets	1,187	913
Investment in Conrail (Note 3)	6,261	6,210
Properties less accumulated depreciation	10,869	10,477
Other assets	557	580
	-----	-----
TOTAL ASSETS	\$18,874	\$18,180
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 810	\$ 600
Income and other taxes	199	151
Other current liabilities	239	225
Current maturities of long-term debt (Note 5)	571	141
	-----	-----
Total current liabilities	1,819	1,117
Long-term debt (Note 5)	7,393	7,483
Other liabilities	1,076	1,065
Minority interests	51	49
Deferred income taxes	2,554	2,545
	-----	-----
TOTAL LIABILITIES	12,893	12,259
	-----	-----
Stockholders' equity:		
Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; issued 402,059,998 shares and 401,031,994 shares, respectively	402	401
Additional paid-in capital	320	296
Accumulated other comprehensive income (Note 7)	(10)	(8)
Retained income	5,289	5,252
Less treasury stock at cost, 21,627,902 shares	(20)	(20)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	5,981	5,921
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$18,874	\$18,180
	=====	=====

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(\$ in millions)
(Unaudited)

Six Months Ended
June 30,

1999 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 189	\$ 416
Reconciliation of net income to net cash provided by continuing operations:		
Depreciation	239	222
Deferred income taxes	22	8
Equity in earnings of Conrail (Note 3)	(41)	(82)
Nonoperating gains and losses on properties and investments	(17)	(32)
Income from discontinued operations	--	(97)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(181)	19
Materials and supplies	7	(3)
Other current assets	23	27
Current liabilities other than debt	211	6
Other - net	(26)	(30)
	-----	-----
Net cash provided by continuing operations	426	454
Net cash used for discontinued operations	--	(2)
	-----	-----
Net cash provided by operating activities	426	452

CASH FLOWS FROM INVESTING ACTIVITIES:

Property additions (Note 5)	(536)	(472)
Property sales and other transactions	40	31
Investment in Conrail	(2)	(33)
Investments, including short-term	(90)	(73)
Investment sales and other transactions	172	72
Proceeds from sale of motor carrier (Note 4)	--	200
	-----	-----
Net cash used for investing activities	(416)	(275)

CASH FLOWS FROM FINANCING ACTIVITIES:

Dividends	(152)	(151)
Common stock issued - net	15	28
Commercial paper proceeds	173	129
Proceeds from long-term borrowings (Note 5)	584	4
Debt repayments	(530)	(135)
	-----	-----
Net cash provided by (used for) financing activities	90	(125)
	-----	-----
Net increase in cash and cash equivalents	100	52

CASH AND CASH EQUIVALENTS:*

At beginning of year	5	34
	-----	-----
At end of period	\$ 105	\$ 86
	=====	=====

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
(\$ in millions)
(Unaudited)

Six Months Ended June 30,	

1999	1998
----	----

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest (net of amounts capitalized)	\$ 260	\$ 258
Income taxes	\$ 7	\$ 67

* Cash equivalents represent all highly liquid investments purchased three months or less from maturity.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements. (continued)

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. In the opinion of Management, the accompanying unaudited interim financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Corporation's financial position as of June 30, 1999, and results of operations and cash flows for the six months ended June 30, 1999 and 1998.

Although Management believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements should be read in conjunction with: (a) the financial statements and notes included in the Corporation's latest Annual Report on Form 10-K and in subsequent Quarterly Report on Form 10-Q, and (b) any Current Reports on Form 8-K.

2. Commitments and Contingencies

There have been no significant changes since year-end 1998 in the matters discussed in NOTE 17, COMMITMENTS AND CONTINGENCIES, appearing in the NS Annual Report on Form 10-K for 1998, Notes to Consolidated Financial Statements, beginning on page 80.

In July 1999, NS announced that it had made a special incentive program available to its 30,000 employees who are represented by labor unions. The program, which runs through early September, provides an incentive to covered employees who remain available for service throughout certain defined periods. Employees can earn a maximum incentive of \$3,000, payable, to the extent possible, in the form of contributions of NS Common Stock to each employee's 401(k) account. The total cost of the program will depend upon the extent of employee participation and will be reflected in NS' results of operations for the third quarter.

3. Investment in Conrail and Operations Over Its Lines

Overview

NS and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC), the major railroad in the Northeast. From May 23, 1997, the date NS and CSX completed their acquisition of Conrail stock, until June 1, 1999, Conrail's operations continued substantially unchanged while NS and CSX awaited regulatory approvals and thereafter devoted significant effort to prepare for the integration of the respective Conrail routes and assets to be leased to their railroad subsidiaries, Norfolk Southern Railway Company (NSR) and CSX Transportation, Inc. (CSXT). From time to time, NS and CSX, as the indirect owners of Conrail, may need to fund Conrail's cash requirements through capital contributions, loans, or advances.

PAGE 9

Item 1. Financial Statements. (continued)

3. Investment in Conrail and Operations Over Its Lines (continued)

Commencement of Operations

On June 1, 1999 (the "Closing Date"), NSR and CSXT began operating the Conrail routes and assets leased to them pursuant to operating and lease agreements entered into in accordance with the Transaction Agreement between NS and CSX.

The Operating Agreement between NSR and Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of CRC, governs substantially all nonequipment assets to be used by NSR and has an initial 25-year term, renewable at the option of NSR for two 5-year terms. Payments under the Operating Agreement are based on appraised values that are subject to adjustment every six years to reflect changes in such values. NSR has also leased or subleased for varying term lengths from PRR a number of equipment assets at rentals based on appraised values. NSR's payments to PRR under the Operating Agreement and lease agreements currently amount to approximately \$340 million annually. In addition, all costs necessary to operate and maintain the PRR assets will be borne by NSR. CSXT has entered into comparable arrangements, for the operation and use of other CRC assets, with another wholly owned CRC subsidiary.

NSR and CSXT also have entered into agreements with CRC governing other Conrail properties that continue to be owned and operated by Conrail (the "Shared Assets Areas"). NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas.

As a result of these transactions, effective June 1, 1999, railroad route miles operated by NSR and railroad employees increased by approximately 50 percent. NSR and CSXT now provide substantially all rail freight services on Conrail's route system, perform or are responsible for performing most services incident to customer freight contracts, and employ the majority of Conrail's former work force. Consequently, NSR began to receive all freight revenue and incur all operating expenses on the Conrail lines it now operates.

During the month of June, congestion and other inefficiencies resulting from difficulties in NSR's integration of the new routes and operations adversely affected second-quarter revenues and expenses. The higher expenses included service alteration costs to meet the immediate needs of shippers, as well as higher labor costs and equipment rents. A long-term failure by NSR to

integrate successfully the portion of Conrail that it is now operating could have a substantial adverse impact on NS' financial position, results of operations, and liquidity.

PAGE 10

Item 1. Financial Statements. (continued)

3. Investment in Conrail and Operations Over Its Lines (continued)

Accounting Treatment

NS is applying the equity method of accounting to its investment in Conrail in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock." NS is amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated remaining useful lives of Conrail's property and equipment, including the related deferred tax effect of the differences in tax and accounting bases for certain assets. At June 30, 1999, the difference between NS' investment in Conrail and its share of Conrail's underlying net equity was \$4.0 billion, and the related amortization amounted to \$72 million annually.

Conrail's underlying net equity reflects liabilities recognized by Conrail primarily for separations of nonunion employees and to satisfy change-in-control obligations.

NS' investment in Conrail includes \$187 million (\$115 million after taxes) of costs that will be paid by NS' railroad subsidiary. These costs consist principally of: (1) contractual obligations to Conrail employees imposed by the STB when it approved the transaction and (2) costs to relocate Conrail employees. Most of these costs are expected to be paid in the two years following the Closing Date; \$60 million are classified on NS' balance sheet as "Current liabilities." However, certain contractual obligations by their terms will be paid out over a longer period and are classified as "Other liabilities" on NS' balance sheet. Through June 30, 1999, NS has paid \$10 million of these costs.

The liabilities recorded by NS and Conrail are based on estimates of separation, relocation, and other labor-related contractual obligations to Conrail employees. These liability estimates, along with the fair value allocation, may be modified as more information becomes available. As a consequence, amounts ultimately included in the allocation could differ from the original estimates; however, any such differences are not now expected to be material to NS' financial position, results of operations, or liquidity. As definitive plans are determined and communicated, costs, if any, for severing or relocating NS employees and for disposing of NS facilities will be charged to operating expense.

Effective June 1, 1999, NS' consolidated financial statements include the consolidated financial position and results of Triple Crown Services Company (TCS), a partnership in which subsidiaries of NS and PRR are equal partners. As a result, NS' total assets increased by approximately \$140 million (including \$121 million of properties, mostly RoadRailer (RT) equipment), and NS' total liabilities increased by approximately \$130 million (including \$109 million of long-term debt).

PAGE 11

Item 1. Financial Statements. (continued)

3. Investment in Conrail and Operations Over Its Lines (continued)

Related Party Transactions

"Conrail rents and services," a new line on the income statements beginning June 1, 1999, includes: (1) expenses for amounts due to PRR and CRC for use of operating properties and equipment, operation of the Shared Assets Areas, and continued operation of certain facilities during a transition period; and (2) NS' equity in the earnings (or loss) of Conrail, net of amortization.

"Other current assets" includes \$39 million due from CRC for its vacation liability related to the portion of its work force that became NS employees on the Closing Date. NS increased its vacation liability accordingly, and will pay these employees as they take vacation.

"Accounts payable" includes \$43 million due to PRR and CRC related to expenses included in "Conrail rents and services," as discussed above.

Until the Closing Date, NSR and CRC had transactions with each other in the course of handling interline traffic. Most of the amounts receivable or payable related to these transactions have been satisfied.

Summary Financial Information - Conrail

The following summary financial information for Conrail was provided by Conrail's management and should be read in conjunction with Conrail's audited financial statements included as an exhibit to NS' Annual Report on Form 10-K for 1998 filed with the Securities and Exchange Commission.

Conrail's operating results were significantly affected by the integration of its routes and assets with those of NSR and CSXT, effective June 1, 1999. Conrail's results of operations include freight line-haul revenues and related expenses through May 31, 1999, but reflect its new structure and operations for the month of June. Conrail's major sources of operating revenues are now from NSR and CSXT. The composition of Conrail's operating expenses has changed also. Accordingly, meaningful comparisons to 1998's results are difficult.

PAGE 12

Item 1. Financial Statements. (continued)

3. Investment in Conrail and Operations Over Its Lines (continued)

Summarized Consolidated Statements of Income - Conrail

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	(\$ in millions) (Unaudited)			
Operating revenues	\$ 737	\$ 983	\$ 1,653	\$ 1,910
Operating expenses	798	777	1,568	1,544
Operating income (loss)	(61)	206	85	366
Other-net	(23)	(20)	(45)	(43)

Income (loss) before income taxes	(84)	186	40	323
Provision for income taxes	(21)	71	27	123
	-----	-----	-----	-----
Net income (loss)	\$ (63)	\$ 115	\$ 13	\$ 200
	=====	=====	=====	=====

Note: Conrail's results for the three months and six months ended June 30, 1999, include \$117 million of after-tax expenses, principally an increase to certain components of its casualty reserves based on a recently completed actuarial valuation. These items were considered in the fair-value allocation of NS' investment in Conrail, and, accordingly, were excluded in determining NS' equity in Conrail's net income.

Summarized Consolidated Balance Sheets - Conrail

	June 30, 1999	December 31, 1998
	-----	-----
	(\$ in millions)	
	(Unaudited)	
Assets		
Current assets	\$ 893	\$ 1,005
Noncurrent assets	7,788	8,039
	-----	-----
Total assets	\$ 8,681	\$ 9,044
	=====	=====
Liabilities and stockholders' equity		
Current liabilities	\$ 1,048	\$ 1,207
Noncurrent liabilities	3,772	4,037
Stockholders' equity	3,861	3,800
	-----	-----
Total liabilities and stockholders' equity	\$ 8,681	\$ 9,044
	=====	=====

PAGE 13

Item 1. Financial Statements. (continued)

4. Discontinued Operations - Motor Carrier

During the first quarter of 1998, NS sold all the common stock of North American Van Lines, Inc. (NAVL), its motor carrier subsidiary. Proceeds from the sale in that quarter were \$200 million, resulting in an \$83 million pretax gain (\$98 million, or \$0.26 per share, after taxes). The higher after-tax gain was the result of differences between book and tax bases and the realization of deferred tax benefits. In the third quarter of 1998, as a result of a purchase price adjustment, NS recorded an additional \$7 million (\$0.02 per share) after-tax gain.

NAVL's results of operation and cash flows are presented as "Discontinued operations" in the accompanying 1998 financial statements. NAVL's operations in the first quarter of 1998 generated revenues of \$207 million and a loss of \$1 million.

5. Long-Term Debt

Term Notes

In April 1999, NS issued \$400 million of 6.2 percent, 10-year

term notes under its November 1998 \$1 billion shelf registration and received \$396 million of net proceeds.

Equipment Trust Certificates

NSR issued equipment trust certificates in March and June 1999 and received \$188 million of net proceeds. The certificates mature serially in the years 2000 through 2014, inclusive, and carry a weighted-average interest rate of 6.6 percent. Proceeds were used to acquire locomotives and freight cars, and at June 30, 1999, \$21 million of the proceeds were included in "Other assets" and will be used later in the year to acquire additional equipment.

Capital Lease Obligations

During the first six months of 1998, a rail subsidiary of NS entered into capital leases covering new locomotives. The related capital lease obligations, totaling \$127 million, were reflected in the Consolidated Balance Sheet as debt and, because they were noncash transactions, were excluded from the Consolidated Statement of Cash Flows.

PAGE 14

Item 1. Financial Statements. (continued)

6. Earnings Per Share

The following table sets forth the reconciliation of the number of weighted-average shares outstanding used in the calculations of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	----	----	----	----
	(In millions)			
Weighted-average shares outstanding	380	379	380	378
Dilutive effect of outstanding options and performance share units (as determined by the application of the treasury stock method)	2	3	2	3
	----	----	----	----
Diluted weighted-average shares outstanding	382	382	382	381
	=====	=====	=====	=====

There are no adjustments to "Net income" or "Income from continuing operations" for the diluted earnings per share computations. The calculations above exclude options on 5 million shares in the first quarter and on 7 million shares in the second quarter because their exercise price exceeded the average market price for Common Stock.

7. Comprehensive Income

NS' total comprehensive income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	-----	-----	-----	-----
	(\$ in millions)			
Net income	\$ 77	\$ 187	\$ 189	\$ 416
Other comprehensive income (loss)	(2)	--	(2)	1
	-----	-----	-----	-----
Total comprehensive income	\$ 75	\$ 187	\$ 187	\$ 417
	=====	=====	=====	=====

"Other comprehensive income" is the unrealized gains and losses on certain investments in debt and equity securities.

PAGE 15

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
and Results of Operations

In the following sections, NS provides data for corresponding periods in 1998 and, in some cases, indicates the percent of variance between the 1999 and 1998 data. However, NS does caution that all such data should be considered in light of the substantially different operating contexts to which they relate.

COMMENCEMENT OF OPERATIONS OVER CONRAIL'S LINES

On June 1, 1999, NS' railroad subsidiary (NSR) began operating a portion of Conrail's properties (NSR's new "Northern Region") under various agreements with Pennsylvania Lines LLC (PRR), a wholly owned subsidiary of Consolidated Rail Corporation (CRC) (see Note 3). As a result, railroad route miles operated by NSR and railroad employees increased by approximately 50 percent. Second-quarter results reflect two months (April and May) of operating the former Norfolk Southern railroad system and NS' share of Conrail's earnings, and one month (June) of operating the new Norfolk Southern system, which includes the Northern Region.

Moreover, during the month of June, system congestion and other inefficiencies resulted from difficulties in the integration of the new routes. NSR has made progress in reducing congestion and continues to work diligently to resolve the operational issues and clear the backlog of cars causing the congestion. This effort has required additional labor and equipment resources, and the need for such additional resources is expected to continue until the congestion is cleared. In addition, freight has been diverted from NSR, and in some cases, NSR has incurred service alteration costs to meet the immediate needs of shippers. The resulting decrease in revenues and increase in costs negatively affected NS' second-quarter results, and NS' financial statements will continue to be so affected until the operational issues have been resolved.

RESULTS OF OPERATIONS

Net Income

Net income for the second quarter of 1999 was \$77 million, down \$110 million, or 59 percent, compared with the second quarter of 1998.

For the first six months of 1999, net income was \$189 million, \$130 million, or 41 percent below last year's results for continuing operations. "Discontinued operations" in 1998 included a \$98 million after-tax gain from the sale of NS' motor carrier subsidiary (see Note 4). The declines in net income from continuing operations were largely attributable to lower income from railway operations and lower Conrail earnings, including an estimated \$91 million reduction to operating income attributable to system congestion and related traffic diversions arising from difficulties encountered in the commencement of operations over a portion of Conrail's lines.

PAGE 16

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

Railway Operating Revenues

Second-quarter railway operating revenues were \$1,194 million in 1999 and were \$1,079 million in 1998. For the first six months, railway operating revenues were \$2,224 million in 1999 and were \$2,145 million in 1998. As shown in the table below, the improvements were due entirely to higher traffic volume, largely the result of the commencement of operations in the Northern Region. The revenue per unit variance for both periods included a \$13 million favorable effect that resulted from the consolidation of Triple Crown Services Company's (TCS) June revenues (see Note 3). Traffic diversions related to June's operational difficulties resulted in an estimated \$40 million of lost revenues, principally in the general merchandise commodity groups.

	Second Quarter 1999 vs. 1998 Increase (Decrease)	First Six Months 1999 vs. 1998 Increase (Decrease)
	-----	-----
	(\$ in millions)	
Traffic volume (carloads)	\$ 116	\$ 80
Revenue per unit	(1)	(1)
	-----	-----
	\$ 115	\$ 79
	=====	=====

Revenues and carloads for the commodity groups were as follows:

	Revenues			
	Second Quarter		Six Months	
	1999	1998	1999	1998
	----	----	----	----
	(\$ in millions)			
Coal	\$ 298	\$ 316	\$ 580	\$ 639
General merchandise:				
Automotive	187	145	347	283
Chemicals	166	145	314	291
Paper/clay/forest	139	139	267	276
Metals/construction	126	98	220	189
Agr./consumer prod./govt.	105	95	198	188
	-----	-----	-----	-----
General merchandise	723	622	1,346	1,227
Intermodal	173	141	298	279

Total	----- \$1,194 =====	----- \$1,079 =====	----- \$2,224 =====	----- \$2,145 =====
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PAGE 17

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

Carloads				

	Second Quarter		Six Months	
	1999	1998	1999	1998
	----	----	----	----
	(in thousands)			
Coal	340	327	640	658
General merchandise:				
Automotive	156	127	292	243
Chemicals	114	102	213	204
Paper/clay/forest	112	117	215	233
Metals/construction	126	97	217	185
Agr./consumer prod./govt.	96	86	180	175
	-----	-----	-----	-----
General merchandise	604	529	1,117	1,040
Intermodal	425	375	771	742
	-----	-----	-----	-----
Total	1,369	1,231	2,528	2,440
	=====	=====	=====	=====

Coal

Second-quarter coal revenues were \$298 million, versus \$316 million last year, and were \$580 million for the first six months, versus \$639 million last year. Lower export and domestic metallurgical coal traffic volume more than offset the combined effects of the Northern Region traffic and increased utility coal tonnage. In addition, revenue yields continued to be affected by a change in the mix of traffic: increased utility coal shipments (especially new shorter-haul business) and decreased export and domestic metallurgical coal shipments. Total tonnage handled was 35.0 million tons in the second quarter, versus 33.7 million tons last year, and was 66.3 million tons for the first six months, versus 67.7 million tons last year. Export coal tonnage fell 37 percent for the quarter and 35 percent for the first six months, as the effects of adverse world economic conditions and a strong U.S. dollar continued. Domestic steel coal tonnage declined 4 percent in the second quarter and 11 percent for the first six months, largely reflecting increased imports of lower-priced steel and plant closures in the second quarter of 1998. Utility coal tonnage increased 17 percent in the quarter and 10 percent for the first six months, principally due to the handling of traffic in the Northern Region.

Coal revenues for the remainder of the year are expected to continue to be adversely affected by weak demand for export coal. However, with the addition of traffic in the Northern Region, total coal revenues are expected to be higher than in the same period last year.

PAGE 18

Item 2. Management's Discussion and Analysis of Financial Condition

General Merchandise

Second-quarter general merchandise revenues were \$723 million, versus \$622 million last year, and were \$1,346 million for the first six months, versus \$1,227 million last year. Traffic volume increased 14 percent for the quarter and 7 percent for the first six months, principally due to the addition of traffic in the Northern Region and to continued strength in automotive traffic. Average revenue per unit increased 2 percent in both periods, due to a longer average length of haul and changes in traffic mix.

General merchandise revenues for the remainder of the year are expected to be up almost 50 percent, versus the same period last year, largely as a result of traffic in the Northern Region.

Intermodal

Second-quarter intermodal revenues were \$173 million, versus \$141 million last year, and were \$298 million for the first six months, versus \$279 million last year. Traffic volume increased 13 percent for the quarter and 4 percent for the first six months, largely due to the addition of Northern Region traffic and to the consolidation of TCS' June revenues. Average revenue per unit increased 9 percent in the quarter and 3 percent in the first six months, due to the effects of consolidating TCS' revenues.

TCS provides door-to-door intermodal service using containers and RoadRailer (RT) equipment, which can be pulled over the highways in tractor-trailer configuration and over the rails by locomotives. TCS is a partnership in which subsidiaries of NS and PRR are equal partners. Prior to June 1, 1999, NS' revenues included only the amounts for rail services it performed under contract for TCS.

For the remainder of the year, intermodal revenues are expected nearly to double, versus the same period last year, reflecting the traffic in the Northern Region and the consolidation of TCS' revenues.

Railway Operating Expenses

Second-quarter railway operating expenses were \$996 million, up \$210 million, or 27 percent, compared with last year. For the first six months, railway operating expenses were \$1,789 million, up \$188 million, or 12 percent. Both increases were due to the commencement of operations in the Northern Region and to an estimated \$60 million of additional costs arising from the operational difficulties and resulting congestion.

"Materials, services, and rents" increased \$81 million, or 39 percent, in the second quarter, and \$87 million, or 22 percent, for the first six months, compared with the same periods last year. The increases resulted from additional costs due to the system congestion, including

PAGE 19

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations. (continued)

an estimated \$29 million for alternate transportation to meet critical customer needs and an estimated \$8 million for equipment rents; expenses related to the Northern Region; and the effect of the consolidation of TCS.

"Conrail rents and services," a new category of expense, amounted to \$51 million and represented costs incurred in June associated with the operation of a portion of Conrail's routes and assets. This item includes amounts due to PRR and CRC related to: (1) use of their operating properties and equipment, (2) CRC's operation of the Shared

Assets Areas, and (3) CRC's operation of certain transition facilities. Also included is NS' equity in Conrail's net loss in June, plus additional amortization related to the difference between NS' investment in Conrail and its underlying equity.

"Compensation and benefits" expense increased \$48 million, or 13 percent, in the second quarter, and \$20 million, or 3 percent, for the first six months, compared with the same periods last year. Both increases were attributable to the 50 percent increase in NS' work force in June, upon commencement of operations in the Northern Region, and to an estimated \$15 million of higher labor costs associated with the operational difficulties and system congestion. The effects of these increases were mitigated by reduced incentive compensation expenses.

"Other" expenses increased \$12 million, or 31 percent, in the second quarter, and \$11 million, or 13 percent, for the first six months, compared with the same periods last year. The increases reflect favorable property tax adjustments last year for which there was no comparable adjustment in 1999 as well as higher travel costs this year associated with the integration of the Northern Region.

"Casualties and other claims" increased \$7 million, or 32 percent, in the second quarter, and \$12 million, or 23 percent, for the first six months, compared with the same periods last year. The increases were largely attributable to: (1) the commencement of operations in the Northern Region and the resulting congestion, (2) settlement in the first quarter related to an environmental site in Slidell, La., and (3) damages to automobiles being transported in a train that derailed in the first quarter.

"Diesel fuel" expense increased \$3 million, or 7 percent, in the second quarter, but decreased \$8 million, or 9 percent, for the first six months, compared with the same periods last year. The increase for the quarter was due to higher consumption in June attributable to operations in the Northern Region, which more than offset lower consumption in April and May that resulted from lower traffic volume. The decrease for the first six months was due to a 23 percent decline in the average price per gallon in the first quarter that more than offset the increased consumption in the second quarter.

PAGE 20

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

The railway operating ratio was 83.4 percent in the second quarter, versus 72.8 percent last year, and was 80.4 percent for the first six months, versus 74.6 percent last year. The operating difficulties and related system congestion and traffic diversions are estimated to have increased the railway operating ratio by about 7 percentage points and 3-1/2 percentage points for the quarter and first six months, respectively. The remaining increases in the railway operating ratio were principally attributable to the change in traffic mix related to increased resource-intensive traffic, such as automotive and intermodal, and decreased coal traffic.

The railway operating ratio is expected to continue to show the adverse effects of the system congestion and related traffic diversions until the operating difficulties are fully resolved. Moreover, NS' third-quarter railway operating expenses will include amounts related to a special incentive program for its agreement employees (see Note 2).

Equity in Earnings of Conrail

As discussed above, beginning in June, NS' equity in Conrail's earnings or loss and the related amortization is included in "Conrail rents and services," a component of railway operating expenses. "Equity in earnings of Conrail" includes amounts recorded through May

1999. Due to this change in reporting coupled with lower Conrail earnings, "Equity in earnings of Conrail" decreased significantly in the second quarter and first six months of 1999 (see "Conrail's Results of Operations, Financial Condition, and Liquidity," below).

Other Income - Net

"Other income - net" was \$13 million lower in the second quarter and was \$24 million lower for the first six months, compared with the same periods last year. The second-quarter decrease was largely attributable to the effect of favorable adjustments last year to interest accruals on possible federal income tax liabilities resulting from the settlement of the 1993 and 1994 tax-year audits. The unfavorable six-month comparison was due to lower gains from the sale of properties and investments as well as to the effect of the favorable adjustments last year.

Provision for Income Taxes

The effective income tax rate was 33.0 percent in the second quarter, compared with 26.7 percent last year, and was 30.8 percent for the first six months, compared with 28.0 percent last year. Excluding NS' equity in Conrail's after-tax earnings, the effective rates for 1999 were 37.6 percent for the second quarter and 36.2 percent for the first six months, compared with 33.2 percent for the second quarter of 1998 and 34.3 percent for the first six months. The higher effective rates for both periods of 1999 resulted from the effects of favorable adjustments to income tax expenses in 1998 upon settlement of the 1993 and 1994 federal income tax audits.

PAGE 21

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

Discontinued Operations

"Income from discontinued operations" for the first six months of 1998 included a \$98 million gain from the sale of NS' motor carrier subsidiary (see Note 4).

FINANCIAL CONDITION AND LIQUIDITY

	June 30, 1999	December 31, 1998
	-----	-----
	(\$ in millions)	
Cash and short-term investments	\$ 122	\$ 63
Working capital deficit	\$ 632	\$ 204
Current assets to current liabilities	0.7	0.8
Debt-to-total capitalization	57.1%	56.3%

CASH PROVIDED BY OPERATING ACTIVITIES is NS' principal source of liquidity (see Consolidated Statements of Cash Flows on page 6). The decrease in "Net cash provided by operating activities" in the first six months of 1999, compared with the same period last year, was principally due to lower income from railway operations, mitigated by lower income tax payments. The large changes in "Accounts receivable" and "Current liabilities other than debt" in this year's cash flow statement principally resulted from the June 1 commencement of operations in the Northern Region. NS' working capital deficit of \$632 million at June 30, 1999, included \$400 million of notes due May 1, 2000. NS has the capability to issue commercial paper to meet its more immediate working capital needs (see the discussion of financing activities, below). In addition, NS has \$600 million of capacity

remaining under its November 1998 \$1 billion shelf registration.

CASH USED FOR INVESTING ACTIVITIES increased substantially for the first six months of 1999, compared with the same period last year that included \$200 million of proceeds from the sale of a subsidiary (see Note 4). Capital expenditures were 7 percent lower in the current year; however, "Property additions" increased, reflecting a change in financing methods: in 1998, locomotives were acquired under capital leases, which were excluded from the Consolidated Statements of Cash Flows because they were noncash transactions; in 1999, locomotives and freight cars were financed through the sale of equipment trust certificates (see Note 5).

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES in the first six months of 1999 included proceeds from the sale of 10-year notes and equipment trust certificates (see Note 5). "Debt repayments" in 1999 includes \$499 million of reductions in outstanding commercial paper. NS expects to issue commercial paper as working capital needs arise and to repay such commercial paper as resources become available or by issuing additional commercial paper. In addition, PRR could advance funds to NS.

PAGE 22

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

CONRAIL'S RESULTS OF OPERATIONS, FINANCIAL CONDITION, AND LIQUIDITY

As discussed above and in Note 3, effective June 1, 1999, NSR and CSXT began operating most of Conrail's routes and assets in accordance with operating and lease agreements with Conrail subsidiaries. Accordingly, direct comparisons with 1998's results are difficult.

Conrail recorded a second-quarter net loss of \$63 million, versus net income of \$115 million last year. For the first six months, net income was \$13 million in 1999, versus \$200 million in 1998. Results in 1999 included \$117 million of after-tax expenses, principally based on a recently completed actuarial valuation of certain components of its casualty reserves. Excluding the effects of these expenses, Conrail's net income would have been down \$61 million in the quarter and \$70 million for the first six months, principally due to costs related to the wind-down of certain functions and lower income from railway operations during the first five months of 1999.

Operating revenues were \$737 million in the second quarter and \$1,653 million for the first six months, versus \$983 million and \$1,910 million, respectively, for the same periods last year, reflecting the change in operations. Operating expenses (excluding the expenses discussed above) declined \$149 million in the second quarter and \$146 million for the first six months, reflecting the change in operations, mitigated by the effects of transition-related expenses. It is expected that Conrail's operations for the remainder of the year will generate a net loss, principally due to expenses related to: (1) the integration of its railroad system with those of NSR and CSXT, and (2) wind-down of numerous functions that will not be required to support NSR's and CSXT's operations after a transition period. The net loss is not expected to affect Conrail's ability to operate its ongoing business activities for the benefit of NS and CSX or its ability to meet its other obligations.

Conrail's working capital deficit was \$155 million at June 30, 1999, versus a deficit of \$202 million at Dec. 31, 1998. In addition to cash flow from operations, the improvement in working capital resulted in part from the reclassification of certain employee obligations, partially offset by the reclassification of \$250 million of long-term debt to current liabilities, reflecting the maturity of the debt in June 2000. Conrail should continue to have sufficient cash flow to meet its ongoing obligations, notwithstanding the change in the nature of its operations.

YEAR-2000 COMPLIANCE

General

In October 1995, NS initiated a project to review and modify, as necessary, its computer applications, hardware, and other equipment to make them Year-2000 compliant. NS has engaged outside consultants and independent contractors to assist with its Year-2000 project. The

PAGE 23

Item 2. Management's Discussion and Analysis of Financial Condition ----- and Results of Operations. (continued) -----

progress of the project is reviewed regularly by NS' senior management and by the Board's Audit Committee. The project is organized into three principal areas: mainframe systems, nonmainframe systems, and enterprise systems (operations and embedded processors), and for each such system involves: inventory, assessment, remediation, testing, and implementation. NS expects to have all business-critical systems remediated, tested, and implemented in the third quarter of 1999.

State of Readiness

The inventory and assessment phases have been completed. The remediation phase is over 99 percent complete, and the testing and implementation phases are about 65 percent complete. The remaining items to be addressed are principally purchased software products and system integration testing.

For mainframe systems, all noncompliant business-critical applications have been remediated, unit tested, and placed back into production (implemented). System integration testing is expected to be completed in the third quarter of 1999.

For nonmainframe and enterprise systems, all business-critical applications have been inventoried and assessed, and remediation is over 99 percent complete. For both types of systems, testing and implementation are expected to be completed in the third quarter.

NS also has initiated formal communications with third parties having a substantial relationship to its business (including other railroads, significant suppliers, larger customers, and financial institutions) to determine the extent to which NS may be vulnerable to any such third parties' failure to achieve Year-2000 compliance. Thus far, NS has no information that indicates a significant third party may be unable to provide goods or services or to request NS' services because of Year-2000 compliance issues. NS will continue to monitor the progress of such third parties' Year-2000 compliance efforts and develop contingency plans as warranted.

Cost

NS has allocated existing information technology resources and has incurred incremental costs, mostly for contract programmers and consultants, in connection with its Year-2000 compliance project. Since the project began, Management estimates that up to 10 percent of NS' in-house programming resources have been used for Year-2000 compliance efforts. The effects of deferring other information technology projects to accommodate the Year-2000 effort have been minor. Incremental costs incurred through June 30, 1999, which were expensed, are immaterial to NS' results of operations. Total incremental costs are expected to be approximately \$25 million.

PAGE 24

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

Contingency Plans

In all areas, the project includes extensive testing to ensure that remediation successfully addresses Year-2000 compliance. NS has established a series of initiatives to focus on business-critical systems to ensure continued operations in the event of a Year-2000 problem. In addition, contingency plans are being developed where warranted.

Conrail

NS is implementing its own information technology systems on the portion of Conrail's routes and assets it is operating. While some systems are operational, others -- particularly the transportation systems -- will be integrated geographically during the remainder of 1999. Accordingly, some of Conrail's systems have been modified to be compatible with NS' systems during the interim period. Moreover, in the Shared Assets Areas, some of Conrail's existing systems still are being used, and, therefore, must be compatible with both NS' and CSX's systems. NS is continuing to work with Conrail and CSX to address compatibility issues.

NS also is working with Conrail and CSX to ensure that certain Conrail computer applications, hardware, and other equipment are Year-2000 compliant. Conrail's core transportation system is being made Year-2000 compliant, with a projected completion date for all programming and testing of September 1999. Conrail's other information technology systems are expected to be replaced by NS and CSX systems by Dec. 1, 1999. A delay in replacing these systems, which are not Year-2000 compliant, could result in their failure. Conrail also has under way a project to inventory, assess, and remediate all of its business-critical enterprise systems that will continue to support its post Closing Date operations. This Conrail project is scheduled for completion in the third quarter of 1999.

Risks

Failure to achieve Year-2000 compliance -- by NS, other railroads, its principal suppliers and customers, and certain financial institutions with which it has relationships -- could negatively affect NS' ability to conduct business for an extended period. Management believes that NS will be successful in its Year-2000 compliance effort; however, there can be no assurance that all NS information technology systems and components will be fully Year-2000 compliant. In addition, other companies on which NS systems and operations rely may or may not be fully compliant on a timely basis, and any such failure could have a material adverse effect on NS' financial position, results of operations, or liquidity.

PAGE 25

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." Because of this deferral, NS expects to adopt SFAS No. 133 effective Jan. 1, 2001.

LITIGATION

The Corporation and certain subsidiaries are defendants in numerous

lawsuits relating principally to railroad operations.

On Sept. 8, 1997, a state court jury in New Orleans returned a verdict awarding \$175 million in punitive damages against The Alabama Great Southern Railroad Company (AGS), a subsidiary of Norfolk Southern Railway Company, all of the common stock of which is owned by NS. The verdict was returned in a class action suit involving some 8,000 individuals who claim to have been damaged as the result of an explosion and fire that occurred in New Orleans on Sept. 9, 1987, when a chemical called butadiene leaked from a tankcar.

The jury verdict awarded a total of nearly \$3.2 billion in punitive damages against four other defendants in the same case: two rail carriers, the owner of the car, and the shipper. Previously, the jury had awarded nearly \$2 million in compensatory damages to 20 of the more than 8,000 individual plaintiffs.

On May 21, 1999, AGS and four of the nine defendants reached an agreement to settle this litigation. The four remaining defendants are not parties to the settlement agreement, and the litigation will continue against those defendants. Because it involves a class action, the settlement is subject to final approval by the trial court, and to possible appeals.

While the final outcome of this matter and other lawsuits cannot be predicted with certainty, it is the opinion of Management, based on known facts and circumstances, that the amount of NS' ultimate liability is unlikely to have a material adverse effect on NS' financial position, results of operations, or liquidity.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, within the meaning of the Private Securities Reform Act of 1995, that are based on current expectations, estimates, and projections. Such forward-looking statements reflect Management's good-faith evaluation of information currently available. However, because such statements are based upon, and therefore can be influenced by, a number of external variables over which Management has no, or incomplete, control, they

PAGE 26

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations. (continued)

are not, and should not be read as being, guarantees of future performance or of actual future results; nor will they necessarily prove to be accurate indications of the times at or by which any such performance or result will be achieved. Accordingly, actual outcomes and results may differ materially from those expressed in such forward-looking statements. This caveat has particular importance in the context of all such statements that relate to Year-2000 compliance and to the Conrail transaction, including the realization and the timing of benefits expected to result from its consummation.

The forward-looking statements contained in this filing speak only as of the date on which they are made, and the Corporation does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date hereof. If the Corporation does update one or more forward-looking statements, no inference should be drawn that the Corporation will make additional updates with respect thereto or with respect to other forward-looking statements.

PAGE 27

PART II. OTHER INFORMATION

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There has been no material change to the disclosures made under the heading "Market Risks and Hedging Activities" on page 47 of the Corporation's 1998 Annual Report on Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders.

Registrant's annual meeting of stockholders was held on May 13, 1999, at which meeting three directors were elected to the class for a term of three years, the appointment of independent public accountants was ratified, and the stockholder proposal was defeated.

The three nominees for directors were elected by the following vote:

THREE-YEAR TERM		
	FOR	AUTHORITY WITHHELD
Gerald L. Baliles	319,342,135 votes	9,088,730 votes
Gene R. Carter	323,820,777 votes	4,610,088 votes
Steven F. Leer	321,118,087 votes	7,312,778 votes

The appointment of KPMG LLP, independent public accountants, was ratified by the following vote:

FOR: 325,950,419 shares AGAINST: 1,228,778 shares

ABSTAINED: 1,251,668 shares

The stockholder proposal concerning elimination of bonuses and other forms of incentive pay as a means of compensating any employee of the Corporation was defeated by the following vote:

FOR: 18,647,863 shares AGAINST: 266,763,100 shares

ABSTAINED: 5,848,211 shares

PAGE 28

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

- 10.1 Amendment No. 1, dated as of August 22, 1998, to the Transaction Agreement, dated as of June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation, and CRR Holdings LLC, that agreement's having been filed electronically as Exhibit 10 to Registrant's Current Report on Form 8-K, dated June 23, 1997.
- 10.2 Amendment No. 2, dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation, and CRR Holdings LLC, that agreement's having been filed electronically as Exhibit 10 to Registrant's Current Report on Form 8-K, dated June 23, 1997.
- 10.3 Operating Agreement, dated as of June 1, 1999, by and

between Pennsylvania Lines LLC and Norfolk Southern Railway Company.

- 10.4 Shared Assets Area Operating Agreement for North Jersey, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto.
- 10.5 Shared Assets Area Operating Agreement for South Jersey/Philadelphia, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto.
- 10.6 Shared Assets Area Operating Agreement for Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto.
- 10.7 Monongahela Usage Agreement, dated as of June 1, 1999, by and among CSX Transportation, Inc., Norfolk Southern Railway Company, Pennsylvania Lines LLC, and New York Central Lines LLC, with exhibit thereto.
- 27 Financial Data Schedule

PAGE 29

Item 6. Exhibits and Reports on Form 8-K. (continued)

(b) Reports on Form 8-K:

A report on Form 8-K was filed on April 26, 1999, reporting that on that date, NS would close the sale of a \$400 million offering of 6.20 percent Senior Notes due April 15, 2009.

A report on Form 8-K was filed on April 30, 1999, reporting that NS had issued and sold \$400 million aggregate principal amount of its 6.20 percent Senior Notes due April 15, 2009.

PAGE 30

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORFOLK SOUTHERN CORPORATION

(Registrant)

Date: August 11, 1999

/s/ Dezora M. Martin

Dezora M. Martin
Corporate Secretary (Signature)

Date: August 11, 1999

/s/ John P. Rathbone

John P. Rathbone
Vice President and Controller
(Principal Accounting Officer) (Signature)

PAGE 31

INDEX TO EXHIBITS

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES (NS)

Electronic
Submission
Exhibit
Number

Description

10.1	Amendment No. 1, dated as of August 22, 1998, to the Transaction Agreement, dated as of June 10, 1997.
10.2	Amendment No. 2, dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997.
10.3	Operating Agreement, dated as of June 1, 1999.
10.4	Shared Assets Area Operating Agreement for North Jersey, dated as of June 1, 1999.
10.5	Shared Assets Area Operating Agreement for South Jersey/Philadelphia, dated as of June 1, 1999.
10.6	Shared Assets Area Operating Agreement for Detroit, dated as of June 1, 1999.
10.7	Monongahela Usage Agreement, dated as of June 1, 1999.
27	Financial Data Schedule (This exhibit is required to be submitted electronically pursuant to the rules and regulations of the Securities and Exchange Commission and shall not be deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934.)

AMENDMENT NO. 1

to the

TRANSACTION AGREEMENT

by and among

CSX CORPORATION,

CSX TRANSPORTATION, INC.,

NORFOLK SOUTHERN CORPORATION

NORFOLK SOUTHERN RAILWAY COMPANY,

CONRAIL INC.,

CONSOLIDATED RAIL CORPORATION

and

CRR HOLDINGS LLC

Dated as of June 10, 1997

AMENDMENT NO. 1

THIS AMENDMENT NO. 1 dated as of August 22, 1998 is by and among CSX CORPORATION, a Virginia corporation ("CSX"), CSX TRANSPORTATION, INC., a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CSXT"), NORFOLK SOUTHERN CORPORATION, a Virginia corporation ("NSC"), NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "NSR"), CONRAIL INC., a Pennsylvania corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CRR"), CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation ("CRC"), and CRR HOLDINGS LLC, a Delaware limited liability company ("CRR Parent").

WHEREAS, CSX, CSXT, NSC, NSR, CRR, CRC and CRR Parent have entered into that certain Transaction Agreement dated as of June 10, 1997 (the "Agreement").

WHEREAS, The Parties to the Agreement have determined to amend the Agreement to increase the size of the Board of Directors of CRC under the Agreement as set forth herein.

Accordingly, the parties agree as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment and not defined herein shall have the meanings assigned to such terms in the Agreement.

SECTION 2. Amendments of the Agreement. The Agreement is hereby amended pursuant to and in compliance with Section 11.1 as set forth below:

(a) The text of subsection 4.2(a) is hereby deleted in entirety and the following substituted therefor:

"Following the Control Date, the business and affairs of CRC shall be managed under the direction of the CRC Board consisting of eight persons divided into two classes of four directors. Four directors shall be designated by CSX (the "CSX Directors") and four directors shall be designated by NSC (the "NSC Directors")."

SECTION 3. Effectiveness. This Amendment shall become effective as of August 22, 1998 (the "Amendment Date").

SECTION 4. Integration; Confirmation. On and after the Amendment Date, each reference in the Agreement to "this Agreement," "herein," "hereunder" or words of similar import, and each reference in any Note or other document delivered in

- 2-

connection with the Agreement shall be deemed to be a reference to the Agreement as amended by this Amendment, and the Agreement as so amended shall be read as a single integrated document. Except as specifically amended by this Amendment, all other terms and provisions of the Agreement shall continue in full force and effect and unchanged and are hereby confirmed in all respects.

SECTION 5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 6. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

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

CSX CORPORATION

By: /s/ Paul R. Goodwin
Name: Paul R. Goodwin
Title: Executive Vice President -
Finance and Chief Financial
Officer

CSX TRANSPORTATION, INC.
(for itself and on behalf of its
controlled Subsidiaries)

By: /s/ Michael Ward
Name: Michael J. Ward
Title: Executive Vice President -
Finance and Chief Financial
Officer

NORFOLK SOUTHERN CORPORATION

By: /s/ S. C. Tobias
Name: S. C. Tobias
Title: Vice Chairman and Chief
Operating Officer

- 3 -

NORFOLK SOUTHERN RAILWAY COMPANY
(for itself and behalf of its controlled
Subsidiaries)

By: /s/ S. C. Tobias
Name: S. C. Tobias
Title: Vice President and Chief
Operating Officer

CONRAIL INC. (for itself and on behalf
of its controlled Subsidiaries)

By: /s/ Timothy O'Toole

Name: Timothy O'Toole
Title: President

CONSOLIDATED RAIL CORPORATION

By: /s/ Timothy O'Toole
Name: Timothy O'Toole
Title: President

CRR HOLDINGS LLC

By: /s/ S. C. Tobias
Name: S. C. Tobias
Title: Vice President

AMENDMENT NO. 2 TO
TRANSACTION AGREEMENT

THIS AMENDMENT NO. 2 TO THE TRANSACTION AGREEMENT (this "Amendment"), dated as of June 1, 1999, by and among CSX CORPORATION, a Virginia corporation ("CSX"), CSX TRANSPORTATION, INC., a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CSXT"), NORFOLK SOUTHERN CORPORATION, a Virginia corporation ("NSC"), NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "NSR"), CONRAIL INC., a Pennsylvania corporation, for itself and on behalf of its controlled Subsidiaries (collectively, "CRR"), CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation ("CRC"), and CRR HOLDINGS LLC, a Delaware limited liability company ("CRR Parent").

WHEREAS, the parties have previously entered into that certain Transaction Agreement, dated as of June 10, 1997, as amended by Amendment No. 1 to Transaction Agreement, dated as of August 22, 1998 and the System Support Operations Agreement dated as of May 15, 1999, relating to Section 2.3 hereof (the "Transaction Agreement");

WHEREAS, the parties are on the date hereof consummating the Closing (as defined in the Transaction Agreement) and entering into various documents and instruments to effectuate the same, including Ancillary Agreements ("Closing Documents");

WHEREAS, in connection with the parties' preparations for the Closing, the parties have identified certain provisions of the Transaction Agreement for which the Parties desire to clarify their understandings and agreements with respect to such provisions and to make interim provisions with respect to certain Transaction Agreement matters which are currently in dispute;

WHEREAS, the parties have determined that it is in the best interests of their respective companies to amend the Transaction Agreement as set forth in this Amendment;

WHEREAS, it is the intent of the parties that, except as expressly amended hereby, the Transaction Agreement shall remain unamended and in full force and effect;

NOW, THEREFORE, the parties hereby amend the Transaction Agreement as follows:

SECTION 1. References; Interpretation.

(a) Unless otherwise specifically defined herein, each term used herein which is defined in the Transaction Agreement has the meaning assigned to such term in the Transaction Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each reference to "this Agreement" and each other similar reference contained in the Transaction Agreement shall from and after the date of this Amendment refer to the Transaction Agreement as amended hereby.

(b) The parties hereby expressly agree that the Closing is being consummated, and the Closing Documents are being delivered, pursuant to and in furtherance of the Transaction Agreement and shall be interpreted as such consistent with the terms of the Transaction Agreement and in furtherance of the terms of the Transaction Agreement to the greatest extent possible. Therefore, in the event of any inconsistency between the terms of the Transaction Agreement and any Closing Document, the terms of the Transaction Agreement shall prevail, except to the extent such Closing Document provides otherwise.

SECTION 2. Transportation Contracts.

(a) The beginning of the first sentence of Subsection

2.2(c)(iii) of the Transaction Agreement is amended to read as follows:

"(iii) The following decision rules shall be applied on an annual basis with tentative settlements to the extent required by subsection (c)(ii) on a quarterly basis 90 days after the end of the quarter and an annual true-up 90 days after the end of the year:"

(b) Subsection 2.2(c)(iii)(C)(aa)(x) of the Transaction Agreement is hereby amended and restated in its entirety by deleting the existing provision and inserting the following:

"(x) If the origin station is Local to NSR and the destination station is on the NYC Allocated Assets and Local to CSXT, then the allocation shall be on a joint line basis between NSR and CSXT with the interchange to be negotiated between NSR and CSXT and the revenues to be split based upon an ICC Docket 28300 mileage prorate with a minimum division of 25% to each of NSR and CSXT; and"

(c) Subsection 2.2 (c) (iii) (C) (bb) (x) of the Transaction Agreement is hereby amended and restated in its entirety by deleting the existing provision and inserting the following:

"(x) If the origin station is Local to CSXT and the destination station is on the PRR Allocated Assets and Local to NSR, then the allocation shall be on a joint line basis between CSXT and NSR with the interchange to be negotiated between CSXT and NSR and the revenues to be split based upon an ICC Docket 28300 mileage prorate with a minimum division of 25% to each of CSXT and NSR; and"

SECTION 3. FELA Matters.

(a) Section 2.8(c) of the Transaction Agreement is hereby amended and restated in its entirety by deleting the existing provision and inserting the following:

2

"(c) Except for liabilities that are the responsibility of any Person pursuant to any of the Ancillary Agreements, all liabilities associated with the handling and disposition of FELA Claims ("FELA Liabilities") of CRR, CRC and their Affiliates shall be allocated as follows: (i) FELA Liabilities that arise from incidents or exposures occurring prior to the Closing Date shall be Retained Liabilities; (ii) to the extent FELA Liabilities arise from incidents or exposures occurring in part prior, and in part on or after, the Closing Date, that portion of the FELA Liability arising prior to the Closing Date shall be Retained Liability; and, (iii) to the extent FELA Liabilities arise from incidents or exposures occurring on or after the Closing Date, they shall be the responsibility of the party then employing the injured employee. Notwithstanding the provisions of the foregoing sentence, if any single incident occurring between the Control Date and the Closing Date results in FELA Liability which exceeds CRC's insurance coverage by \$10 million or more, the amount by which such liability exceeds \$10 million in excess of CRC's insurance coverage shall be a PRR Allocated Liability if the incident occurred on or relates primarily to PRR Allocated Assets and shall be a NYC Allocated Liability if the incident occurred on or relates primarily to NYC Allocated Assets. CRC will obtain insurance, in form and amount satisfactory to the parties hereto,

indemnifying PRR and NYC against the liability to which either may be subject under this paragraph.

(b) Section 8.15 of the Transaction Agreement is hereby deleted in its entirety and the following is substituted therefor:

"Section 8.15. Administration of Actions. After the Closing Date, (a) NYC shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all Actions relating primarily to NYC, the NYC Allocated Assets, the NYC Allocated Liabilities or a Retained Liability (except for Retained Liabilities for which the monetary claim is more than \$500,000 or injunctive relief is sought) which arose at the location of a NYC Allocated Asset, or with which a NYC Allocated Asset is most significantly involved (each, an "NYC Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such NYC Action without the consent of CRC, NSC or PRR and (b) PRR shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all Actions relating primarily to PRR, the PRR Allocated Assets, the PRR Allocated Liabilities, or a Retained Liability (except for Retained Liabilities for which the monetary claim is more than \$500,000 or injunctive relief is sought), which arose at the location of a PRR Allocated Asset or with which a PRR Allocated Asset is most significantly involved (each a "PRR Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such PRR Action without the consent of CRC, CSX or NYC.

3

"Notwithstanding the foregoing, neither NYC or PRR may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the prior written consent of the other if such settlement, compromise or consent to such judgment (i) includes any form of injunctive relief binding upon such other party or CRC or (ii) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such other party or CRC and any Affiliates of CRC subject to such Action of a full and final release from all liability in respect to such claim or litigation. After the Closing Date with respect to an Action not covered under clauses (a) and (b) of the foregoing sentence (including Actions relating to Retained Liabilities), the handling, administration and disposition of such Actions shall be the joint responsibility of CSX and NSC and the costs thereof shall be Corporate Level Liabilities. In assigning joint responsibility for the administration, handling and disposition of Actions to CSX and NSC, hereunder it is not the parties' intent that CSX and NSC will actually administer, handle and dispose of such Actions jointly, but rather that CSX and NSC will agree on the most practical and efficient arrangements with the objective of eliminating unnecessary duplication of effort and minimizing overall costs. The costs and expenses of the administration and handling of such Actions shall be Corporate Level Liabilities; provided that salaries and overheads associated with the salaries of full time employees of CSX or NSC while engaged in investigation or handling such Actions shall be the responsibility of the employing party and are Corporate Level Liabilities only to the extent that they are covered by insurance or are otherwise reimbursable by CRR or CRC pursuant to a separate agreement with CSX or NSC.

"The provisions of this Section 8.15 shall

apply except as may be otherwise provided in a separate agreement among CRC, CSX and/or NSC and except as may be provided by action of the CRC Board."

(c) Section 8.16 of the Transaction Agreement is hereby deleted in its entirety and the following is substituted therefor:

"Section 8.16. Administration of FELA Claims. (a) Except as provided pursuant to separate agreement between CSX and NSC, the administration, handling and disposition of FELA Claims (whenever made) that arise from incidents or exposures occurring prior to the Closing Date shall be (i) the responsibility of the parent of the party operating the Allocated Asset where the incident or incidents giving rise to the FELA Claim occurred, or (ii) the responsibility of the parent of the party operating the Allocated Asset most significantly involved if the FELA Claim arises from an incident or incidents occurring at multiple locations

4

on Allocated Assets, or (iii) the joint responsibility of CSX and NSC if the FELA Claim arises from an incident or incidents occurring at unknown locations or a location not otherwise covered by clauses (i) or (ii) of this sentence. In assigning joint responsibility for the administration, handling and disposition of FELA Claims to CSX and NSC under the foregoing clause (iii), it is not the parties' intent that CSX and NSC will actually administer, handle and dispose of such actions jointly, but rather that CSX and NSC will agree on the most practical and efficient arrangements with the objective of eliminating unnecessary duplication of effort and minimizing overall costs. The costs and expenses associated with the administration, handling and disposition of FELA Claims that arise from incidents or exposures occurring prior to the Closing Date shall be borne by CRR; provided that salaries and overheads associated with the salaries of full time employees of CSX or NSC while engaged in investigation or handling such FELA Claims shall be the responsibility of the employing party and are Corporate Level Liabilities only to the extent that they are covered by insurance or are otherwise reimbursable by CRR or CRC pursuant to a separate agreement with CSX or NSC; provided, further that the party responsible for the administration of FELA Claims which are Retained Liabilities shall, before agreeing to any single settlement of a FELA Claim or group of related FELA Claims, involving a payment of more than \$1 million, obtain the written consent of the other party. Failure of either party to respond to such a request for consent within fourteen days of receipt of such request shall be deemed to constitute consent."

SECTION 4. CRC Pension Plan Matters.

(a) Section 6.3(c) of the Transaction Agreement is hereby amended by inserting the following after the word "Percentage":

", as adjusted to reflect any Separation Costs required to be borne by CSX or NSC pursuant to Section 6.2(i) and to reflect any timing differences in the transfers of assets and liabilities to CSX and NSC pension plans based on actual investment experience."

(b) Section 6.3(c) of the Transaction Agreement is further amended by deleting the last sentence thereof and replacing it with the following:

"The Consolidated Rail Corporation Pension Fund

Investment Committee shall approve the manner and amounts to be transferred to CSX and NSC pension plans with respect to transfers of employees to CSX and NSC payrolls and this Section 6.3(c)."

SECTION 5. Insurance Matters. Section 2.11 of the Transaction Agreement is hereby deleted in its entirety and the following is substituted therefor:

"2.11 Insurance Proceeds: Except as otherwise provided in this Agreement, the proceeds of any insurance recoveries from insurance carried by CRR,

5

CRC or their respective Affiliates on or prior to the Closing Date and third party recoveries in the nature of insurance or indemnity covering Assets, Retained Liabilities or Allocated Liabilities, which are received on or after the Closing Date, shall accrue to the benefit of and be held by or paid over to CRC, NYC or PRR in proportion to the obligation each bears under this Agreement for the particular Liabilities to which the recoveries are applicable."

SECTION 6. Confirmation of Transaction Agreement. In all respects not inconsistent with the terms and provisions of this Amendment, the Transaction Agreement is hereby ratified, adopted, approved and confirmed.

SECTION 7. Miscellaneous. The provisions of Article XI of the Transaction Agreement are hereby expressly incorporated by reference into this Amendment, and each provision thereof shall have the same force and effect as if fully set forth herein (except to the extent such provision is amended, modified, supplemented, altered, rescinded or superseded by this Amendment).

[The remainder of this page has been intentionally left blank.]

6

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

CSX CORPORATION

By: /s/ G. R. Weber
Name: Gregory R. Weber
Title: Vice President and Treasurer

CSX TRANSPORTATION, INC.
(for itself and on behalf of its
controlled Subsidiaries)

By: /s/ Peter J. Shudtz
Name: Peter J. Shudtz
Title: Vice President - Law &
General Counsel - CSX
Corporation, authorized
agent for CSX
Transportation, Inc.

NORFOLK SOUTHERN CORPORATION

By: /s/ Stephen C. Tobias
Name: Stephen C. Tobias
Title: Vice Chairman and Chief
Operating Officer

NORFOLK SOUTHERN RAILWAY COMPANY
(for itself and behalf of its controlled
Subsidiaries)

By: /s/ J. L. Manetta
Name: J. L. Manetta
Title: Senior Vice President -
Operations

CONRAIL INC. (for itself and on behalf
of its controlled Subsidiaries)

By: /s/ Timothy O'Toole
Name: Timothy O'Toole
Title: President and Chief
Executive Officer

CONSOLIDATED RAIL CORPORATION

By: /s/ John McKelvey
Name: John McKelvey
Title: Chief Financial Officer

CRR HOLDINGS LLC

By: /s/ D. R. Goode
Name: D. R. Goode
Title: Co-Chairman and Company
Chief Executive Officer

OPERATING AGREEMENT

dated as of June 1, 1999

by and between

PENNSYLVANIA LINES LLC

as Owner,

and

NORFOLK SOUTHERN RAILWAY COMPANY

as Operator

TABLE OF CONTENTS

	Page
ARTICLE I - DEFINITIONS AND USAGE.	1
SECTION 1.1 Definitions and Usage.	1
ARTICLE II - OPERATION OF ALLOCATED ASSETS	1
SECTION 2.1 Operation of Allocated Assets.	1
SECTION 2.2 Term of Agreement.	1
ARTICLE III - OPERATING FEE AND CERTAIN EXPENSES	2
SECTION 3.1 Operating Fee; Supplemental Operating Fees.	2
SECTION 3.2 Method of Payment.	2
SECTION 3.3 Late Payment	2
SECTION 3.4 No Set-off, Counterclaims, etc..	2
SECTION 3.5 Tax Provisions	3
ARTICLE IV - REPRESENTATIONS, WARRANTIES AND AGREEMENTS.	5
SECTION 4.1 Disclaimer of Warranties.	5
SECTION 4.2 Operator To Exercise Certain Rights.	5
SECTION 4.3 Representations and Warranties of the Operator	6
SECTION 4.4 Representations and Warranties of the Owner	7
ARTICLE V - LIENS, QUIET ENJOYMENT	7
SECTION 5.1 Liens.	7
SECTION 5.2 Quiet Enjoyment.	8
ARTICLE VI - SETTLEMENT ACCOUNT.	8
SECTION 6.1 Maintenance of Settlement Account.	8
SECTION 6.2 Payment of Settlement Account Balance.	8
SECTION 6.3 Confirmation of Settlement Account	8
ARTICLE VII - OPERATION; MAINTENANCE	9
SECTION 7.1 Operation and Maintenance.	9
SECTION 7.2 Modification.. . . .	10

ARTICLE VIII - OBSOLESCENCE TERMINATION; ABANDONMENT	11
SECTION 8.1 Obsolescence Termination; Abandonment .11	
SECTION 8.2 Conditions of Termination. . . . .	.11
ARTICLE IX - TERMINATION	12
SECTION 9.1 Termination. . . . .	.12
SECTION 9.2 Owner Assignment, Lease or Sale of Allocated Asset . . . . .	.12
SECTION 9.3 Governmental Approvals . . . . .	.12
SECTION 9.4 Severable Modifications. . . . .	.12
ARTICLE X - LOSS, DESTRUCTION, CONDEMNATION, DAMAGE, ETC. .	.13
SECTION 10.1 Replacement; Payment. . . . .	.13
SECTION 10.2 Applications During Event of Default.	.14
SECTION 10.3 Application of Article VII. . . . .	.14
ARTICLE XI - INDEMNITIES	14
SECTION 11.1 Indemnity by Operator . . . . .	.14
SECTION 11.2 Indemnity by Owner. . . . .	.15
SECTION 11.3 Indemnification Procedures . . . . .	.15
ARTICLE XII - ASSIGNMENTS.	16
SECTION 12.1 Operator Assignments.. . . .	.16
SECTION 12.2 Merger, Consolidation, Etc.. . . .	.16
SECTION 12.3 Owner Assignments.. . . .	.16
ARTICLE XIII - INSPECTION; MARKINGS.	16
SECTION 13.1 Rights to Information.. . . .	.16
SECTION 13.2 Markings. . . . .	.17
ARTICLE XIV - EVENTS OF DEFAULT.	17
SECTION 14.1 Events of Default.. . . .	.17
	Page
ARTICLE XV - REMEDIES . . . . .	.18
SECTION 15.1 Remedies. . . . .	.18
SECTION 15.2 Owner Rights.. . . .	.19
SECTION 15.3 Exercise of Other Rights or Remedies.	.19
SECTION 15.4 Subject to Governmental Action. . .	.19
ARTICLE XVI - RIGHT TO PERFORM	20
SECTION 16.1 Right to Perform. . . . .	.20
ARTICLE XVII - RENEWAL OPTIONS	20
SECTION 17.1 Renewal Notice. . . . .	.20
ARTICLE XVIII - CERTAIN NOTICES AND INFORMATION.	21
SECTION 18.1 Notices . . . . .	.21
SECTION 18.2 Notice of Event of Default. . . .	.21
SECTION 18.3 Information Regarding Allocated Assets . . . . .	.21
ARTICLE XIX - CONFIDENTIALITY.	22
SECTION 19.1 Confidentiality.. . . .	.22
ARTICLE XX - MISCELLANEOUS	22
SECTION 20.1 Dispute Resolution. . . . .	.22
SECTION 20.2 Documentary Conventions.. . . .	.22

Appendix

Appendix A: Definitions

OPERATING AGREEMENT

This OPERATING AGREEMENT (this "Agreement") is entered into as of June 1, 1999, by and between Pennsylvania Lines LLC, a Delaware limited liability company, as Owner and Norfolk Southern Railway Company, a Virginia Corporation, as Operator.

ARTICLE I

Definitions and Usage

SECTION 1.1 Definitions and Usage. Unless the context otherwise requires, capitalized terms used herein shall have the respective meanings assigned to them in Appendix A to this Agreement. Terms used, but not defined, in this Agreement or in Appendix A shall have the respective meanings assigned to them in the Transaction Agreement.

ARTICLE II

Operation of Allocated Assets

SECTION 2.1 Operation of Allocated Assets. (a) The Owner hereby agrees with the Operator, and the Operator hereby agrees with the Owner, that the Operator shall have the license, right and obligation to use and operate the Allocated Assets for the term referred to in Section 2.2 hereof on the terms and conditions set forth in this Agreement. Except as otherwise specifically provided in this Agreement, the Operator may use and operate the Allocated Assets in such manner and for such purposes as the Operator considers necessary or appropriate.

(b) The Owner hereby agrees that the Operator shall, effective as of the Closing Date, have the right to receive and retain for its own benefit and use and in its own name all revenues, tolls, rents, receipts, issues, profits and income of every character arising from or associated with the operation and use of the Allocated Assets.

SECTION 2.2 Term of Agreement. Immediately upon the execution hereof, without necessity of any further act or evidence by either party hereto, the Allocated Assets shall be deemed delivered by the Owner to the Operator for the Term and, if the Operator elects to exercise its renewal option pursuant to Article XVII hereof, for any Renewal Term, in either case, all pursuant to the terms of this Agreement, unless this Agreement shall have been earlier terminated in accordance with its terms.

ARTICLE III

Operating Fee and Certain Expenses

SECTION 3.1 Operating Fee; Supplemental Operating Fees. The Operator shall pay to the Owner the Operating Fee commencing on the first Payment Date and on each Payment Date thereafter for the duration of the Term and any Renewal Term. Subject to any applicable Governmental Action, the Operating Fee shall be recalculated on each Valuation Date to reflect the Fair Market Rental Value of the Allocated Assets then subject to this Agreement. Supplemental Operating Fees shall be paid by the Operator when due under the terms of this Agreement.

SECTION 3.2 Method of Payment. All Operating Fees and Supplemental Operating Fees (to the extent Supplemental Operating

Fees are not paid directly by the Operator) shall be paid by the Operator to the Owner at the Owner's office or at such other place in the U.S. as the Owner shall specify to the Operator at least five (5) Business Days prior to the date such payment is due. Each payment of Operating Fees and Supplemental Operating Fees shall be made by the Operator in immediately available funds prior to 12:00 noon, New York time at the place of payment, on the date when such payment shall be due.

SECTION 3.3 Late Payment. In the event any Operating Fees or Supplemental Operating Fees shall not be paid on the due date thereof to the Owner, the Operator shall pay to the Owner on written demand, interest (to the extent permitted by Applicable Law) on such overdue amount from the due date thereof (without regard to any grace period) to the date of payment thereof at the Overdue Rate.

SECTION 3.4 No Set-off, Counterclaims, etc. THIS AGREEMENT IS A NET AGREEMENT. THE OPERATOR'S OBLIGATION TO PAY ALL PAYMENTS OF OPERATING FEES AS AND WHEN THE SAME SHALL BECOME DUE AND PAYABLE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT SHALL BE ABSOLUTE AND UNCONDITIONAL AND SHALL NOT BE SUBJECT TO ANY ABATEMENT OR DIMINUTION BY SET-OFF, DEDUCTION, COUNTERCLAIM, RECOUPMENT, AGREEMENT, DEFENSE, SUSPENSION, DEFERMENT, INTERRUPTION OR OTHERWISE, AND UNTIL SUCH TIME AS ALL AMOUNTS REQUIRED TO BE PAID UNDER THIS AGREEMENT SHALL HAVE BEEN PAID, THE OPERATOR SHALL NOT HAVE ANY RIGHT TO TERMINATE THIS AGREEMENT OR TO BE RELEASED, RELIEVED OR DISCHARGED FROM ITS OBLIGATION TO MAKE, AND SHALL NOT SUSPEND, REDUCE OR DISCONTINUE, ANY PAYMENT OF OPERATING FEES FOR ANY REASON WHATSOEVER (EXCEPT AS MAY BE EXPRESSLY PROVIDED HEREIN), including, without limitation:

(a) any default, misrepresentation, negligence, misconduct or other action or inaction of any kind by the Owner or any other Person, whether under or in connection with this

-2-

Agreement or any other agreement relating to this Agreement or in connection with any unrelated transaction;

(b) the insolvency, bankruptcy, reorganization or cessation of existence, or discharge or forgiveness of indebtedness of any Person referred to in clause (a) above;

(c) the invalidity, unenforceability or impossibility of performance of this Agreement for any reason;

(d) any defect in the title, condition, design, operation or fitness for use of, or any Lien or other restriction of any kind upon, all or any part of any Allocated Asset, any loss or destruction of, or damage to, any Allocated Asset or any interruption in or cessation of the ownership, possession, operation or use of any Allocated Asset for any reason whatsoever;

(e) any restriction, prevention or curtailment of or interference with any Allocated Asset or the use thereof or any part thereof for any reason whatsoever, including, without limitation, by any Governmental Authority;

(f) any Applicable Law now or hereafter in force;

(g) any failure to obtain any required Governmental Action for a transfer of rights or title to the Owner, the Operator or any other Person;

(h) any amendment or other change of, or any assignment of any rights under, this Agreement, or any waiver or other action or inaction under or in respect of this Agreement, or any exercise or nonexercise of any right or remedy under or in respect of this Agreement; and

(i) any other cause, circumstance, happening or event

whatsoever, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing.

The Operator hereby waives and hereby agrees to waive at any future time at the request of the Owner, to the extent now or then permitted by Applicable Law, any and all rights that the Operator may have or that at any time hereafter may be conferred upon it, by statute, regulation or otherwise, to terminate, cancel, quit or surrender this Agreement other than in accordance with the express terms hereof. Each Operating Fee payment shall be final and the Operator agrees not to seek to recover all or any part of any such payment (except for amounts paid to the Owner which the Owner in good faith agrees have been paid in error) from the Owner for any reason under any circumstance whatsoever.

SECTION 3.5 Tax Provisions. (a) During the Term and any Renewal Term, the Operator shall pay when due, all Taxes, other than Excluded Taxes (as hereinafter defined), imposed on the Owner, based upon the Allocated Assets or arising out of the use, lease, possession or operation of the Allocated Assets during that period. For purposes of this Section, (i) Owner shall

-3-

mean the Owner and its Affiliates and (ii) Excluded Taxes shall mean (A) all Taxes based, in whole or in part, on net income or gross income (including, without limitation, any minimum tax) of the Owner or which are in substitution for, or relieve the Owner from, any Tax based upon or measured by the Owner's net income or gross income, together with any interest, penalties, additions to tax or additional amounts that may become payable in respect thereof; (B) business and occupation taxes, and gross receipts taxes (unless in the nature of a sales tax) of the Owner and Taxes based upon the equity interests of the Owner; and (C) interest, fines and penalties to the extent due to the acts or omissions of the Owner in connection with Excluded Taxes. The Operator shall not be required to pay any Tax it is obligated to pay under the provisions of this Section 3.5 during the time it shall reasonably and in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof.

(b) The Owner shall have the right and obligation, at its own expense, to prepare and file all Tax returns required to be filed by the Owner under Applicable Law. Prior to the Owner's filing of any Tax returns for Taxes required to be paid by the Operator under paragraph (a) of this Section 3.5, the Owner shall provide such returns to the Operator for its review and approval, which approval will not be unreasonably withheld or delayed.

(c) The Operator and its assignees and designees shall have the right (but only to the extent the Owner shall have such right, by contract or otherwise) to control at its expense any audit or examination by any Governmental Authority, or any judicial proceeding, relating to any Taxes required to be paid by it under paragraph (a) of this Section 3.5.

(d) During the Term and any Renewal Term, the Operator and any of its designees shall be entitled to claim federal, state and local tax benefits (including, without limitation, deductions and credits) arising out of Operator's expenditures in the use, possession or operation of the Allocated Assets by the Operator, or any of its respective assignees or designees, and the improvements thereto, that the Operator, or any of its designees is entitled to claim under federal, state and local laws and regulations. These tax benefits include but are not limited to: (i) deductions for depreciation or amortization attributable to property (both tangible and intangible) owned by the Operator, or any of its assignees or designees, including improvements made to any of the Allocated Assets by any of them, as well as expenditures made by any of them that are required to be capitalized under sections 263 or 263A or some other section of the Code; (ii) deductions for expenditures made by the

Operator, or any of its assignees or designees, deductible as ordinary and necessary business expenses under section 162 of the Code; (iii) deductions for losses attributable to property (both tangible and intangible) owned by the Operator, or any of its assignees or designees, deductible under section 165 of the Code; and (iv) any federal, state or local credits applicable to the use, lease, possession or operation of the Allocated Assets by the Operator, or any of its assignees or designees, and improvements thereto. The Owner is entitled to deductions for Taxes of the Owner paid by the Operator under paragraph (a) of this Section 3.5 and treated as rent paid by the Operator under this Agreement and taxable income received by the Owner under section 1.162-11(a) of the Income Tax Regulations.

-4-

ARTICLE IV

Representations, Warranties and Agreements

SECTION 4.1 Disclaimer of Warranties. AS BETWEEN THE OWNER AND THE OPERATOR, THE EXECUTION OF THIS AGREEMENT SHALL BE CONCLUSIVE PROOF OF ACCEPTANCE BY THE OPERATOR OF EACH ALLOCATED ASSET AS BEING IN COMPLIANCE WITH ALL REQUIREMENTS OF THIS AGREEMENT. THE OWNER AND THE OPERATOR TAKE EACH SUCH ALLOCATED ASSET "AS IS" AND "WHERE IS", AND THE OPERATOR ACKNOWLEDGES THAT THE OWNER HAS NOT MADE, NOR SHALL BE DEEMED TO HAVE MADE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, COMPLIANCE WITH SPECIFICATIONS, CONDITION, MERCHANTABILITY, DESIGN, QUALITY, DURABILITY, OPERATION OR FITNESS FOR USE OR PURPOSE OF EACH SUCH ALLOCATED ASSET OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO EACH SUCH ALLOCATED ASSET OR OTHERWISE, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE, AS BETWEEN THE OWNER AND THE OPERATOR, BY THE OPERATOR IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN ANY SUCH ALLOCATED ASSET, OF ANY NATURE WHETHER PATENT OR LATENT, AND THAT THE OWNER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO, except that the Owner hereby represents, warrants and covenants that each such Allocated Asset shall be free of Owner Liens on the Closing Date and except as otherwise provided in the Transaction Agreement. The provisions of this Section 4.1 have been negotiated, and the foregoing provisions are intended to be a complete exclusion and negation of any other warranties made by the Owner, express or implied, with respect to any Allocated Asset, whether arising pursuant to Applicable Law now or hereafter in effect or otherwise. Nothing contained in this Section 4.1 shall in any way diminish or otherwise affect any right the Operator may have with respect to any Allocated Asset against any third Person. The Owner shall not at any time be required to inspect any Allocated Asset, and any actual inspection by the Owner shall not be deemed to affect or modify the provisions of this Section 4.1.

SECTION 4.2 Operator To Exercise Certain Rights. (a) The Owner hereby authorizes the Operator, at the Operator's expense, to exercise in the name of and on behalf of the Owner and the Operator, as their interests may appear, the right and power to deal with any third party lessor, lessee, licensor, licensee, seller, manufacturer, shipper or any other Persons (including agents and consultants thereof) with respect to any Allocated Asset or who are party to any Assigned Rights (each a "Third Party Provider") and the right to enforce (by legal action or otherwise) against such Third Party Provider all rights, powers and privileges of the Owner and to receive all benefits of the Owner with respect to such Third Party Provider, under any Contract, Assigned Right, express or implied warranty, indemnity or otherwise; provided, that if an Event of Default shall have occurred and be continuing (and until all Events of Default then outstanding shall no longer be continuing) the Owner may terminate the authority of the Operator under this Section 4.2.

-5-

Any amount paid to the Owner or Operator pursuant to the Operator's exercise of its authority under this Section 4.2 shall be paid to the Operator. After the end of the Term or any Renewal Term with respect to any Allocated Asset or after the termination of this Agreement with respect to such Allocated Asset pursuant to Article XIV, (a) the Operator shall have no further rights, powers, privileges or benefits under this Section 4.2 and (b) all amounts payable by any Third Party Provider paid with respect to periods arising thereafter shall be paid to, and retained by, the Owner or any other Person as shall then be the owner of the Allocated Asset as to which such payment is made.

(b) The Operator shall, with the Owner's prior consent, have the right and power to execute and deliver on behalf of the Owner, the extension, renewal, amendment or modification of any Assigned Rights or any other Contract in respect of the Allocated Assets.

(c) The Owner shall as expeditiously as possible use its reasonable efforts to obtain or transfer to the Operator any Governmental Action or the consent, authorization, or approval of any private Person required to be made, obtained or transferred to effectuate the purposes of this Agreement and the transactions contemplated herein, which actions shall include furnishing all information required under or in connection with such Governmental Action or the approvals of, or filing with such private Person.

(d) The Operator shall pay, perform and discharge fully all of the obligations of the Owner or its Affiliates under all Assigned Rights and Contracts that are Allocated Assets from and after the Closing Date. Such payments shall be considered Supplemental Operating Fees. The Owner or its Affiliates shall, without further consideration therefor, pay, assign and remit promptly to the Operator, as appropriate, all monies, rights and other consideration received in respect of such performance. The Owner or its Affiliates shall exercise or exploit the rights and options under all such Contracts only as reasonably directed by the Operator.

SECTION 4.3 Representations and Warranties of the Operator. The Operator represents and warrants to the Owner as of the Closing Date as follows:

(a) Due Organization, etc. The Operator (i) is a corporation duly organized and validly existing under the laws of the Commonwealth of Virginia, (ii) has the power and authority to enter into and perform its obligations under this Agreement and (iii) has obtained all Governmental Action required to use or hold the Allocated Assets in accordance with this Agreement, and to enter into and perform its obligations under this Agreement.

(b) Due Authorization, Non-Contravention, etc. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of the Operator, do not and will not conflict with, result in any violation of, or constitute any default under, any provision of any Organic Document of the Operator or Applicable Law.

-6-

(c) Due Execution. This Agreement has been duly executed and delivered by the Operator, and constitutes the legal, valid and binding obligation of the Operator enforceable against the Operator in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

SECTION 4.4 Representations and Warranties of the Owner. The Owner represents and warrants to the Operator as of the

Closing Date as follows:

(a) Due Organization, etc. The Owner (i) is a limited liability company duly organized and validly existing under the laws of the State of Delaware, (ii) has the power and authority to enter into and perform its obligations under this Agreement and (iii) has obtained all Governmental Action required to enter into and perform its obligations under this Agreement.

(b) Due Authorization, Non-Contravention, etc. The execution, delivery and performance of this Agreement have been duly authorized by all necessary company action on the part of the Owner, do not and will not conflict with, result in any violation of, or constitute any default under, any provision of any Organic Document of the Owner or Applicable Law.

(c) Due Execution. This Agreement has been duly executed and delivered by the Owner, and constitutes the legal, valid and binding obligation of the Owner enforceable against the Owner in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

ARTICLE V

Liens; Quiet Enjoyment

SECTION 5.1 Liens. The Operator shall not directly or indirectly create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any Allocated Asset. The Operator will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien. The Operator's obligations under this Section 5.1 with respect to any such Lien on any Allocated Asset resulting from a claim arising prior to the termination of this Agreement with respect to such Allocated Asset shall survive such termination. The Operator agrees that, upon the termination of this Agreement, the Allocated Assets shall be returned to the Owner free and clear of Liens, other than Owner Liens.

-7-

SECTION 5.2 Quiet Enjoyment. Notwithstanding any other provision of this Agreement, so long as no Event of Default shall have occurred and be continuing, as between the Operator and Owner, the Operator shall have the exclusive rights to possession, control and use of all Allocated Assets and neither the Owner nor any Person acting or claiming through the Owner will take any action that shall interfere with the peaceful and quiet enjoyment or the possession and use or nonuse of any Allocated Asset by the Operator, and the Operator shall have the right to possess and use or not use such Allocated Asset in its sole discretion, subject always to the terms and conditions of this Agreement. The foregoing is not intended to limit the inspection rights of the Allocated Assets granted by the Operator pursuant to Section 13.1 hereof.

ARTICLE VI

Settlement Account

SECTION 6.1 Maintenance of Settlement Account. The Operator shall maintain a non-cash book account (the "Settlement Account") to reflect amounts owed by the Operator to the Owner as a result of transactions described in Sections 7.1(e), 8.1 and 10.1(a)(ii) hereof.

SECTION 6.2 Payment of Settlement Account Balance. The

Operator shall pay to the Owner an amount equal to the then balance of the Settlement Account upon: (i) the sixth (6th), twelfth (12th), eighteenth (18th) and twenty-fourth (24th) anniversaries of the Closing Date, (ii) the expiration of the Term (or, if earlier, the termination of this Agreement), (iii) the sixth (6th) anniversary of the first day of each Renewal Term, (iv) the end of each Renewal Term (or, if earlier, the termination of this Agreement), and (v) thirty (30) calendar days after the date on which a Substantial Allocated Asset (a) is not repaired or replaced under Section 7.1(e) hereof, (b) is abandoned, sold or otherwise disposed of under Section 8.1 hereof or (c) suffers an Event of Loss and is not replaced under Section 10.1(a) (i) hereof (each, a "Settlement Account Payment Date").

SECTION 6.3 Confirmation of Settlement Account. Within sixty (60) days of the crediting of an amount to the Settlement Account, the Appraisal Procedure shall be used to confirm that credits to the Settlement Account were based on the fair market value of the relevant Allocated Assets consistent with the terms of this Agreement. The Settlement Account shall be adjusted consistent with the outcome of the Appraisal Procedure and the payments made pursuant to Section 6.2 hereof shall reflect any such adjustments.

-8-

ARTICLE VII

Operation; Maintenance

SECTION 7.1 Operation and Maintenance. The Operator shall at all times at its own expense during the Term and during any Renewal Term:

(a) use the Allocated Assets in such manner and for such purposes as the Operator considers necessary or appropriate in connection with the operation of its business;

(b) keep and maintain such books, records and title documents relating to the Allocated Assets, and the acquisition, construction and installation of Modifications thereto and the payment of the purchase price of such Modifications, as the Operator considers appropriate consistent with the Operator's customary business practices;

(c) maintain the Allocated Assets in accordance with the Operator's customary practice;

(d) inspect, service, maintain, store, use, operate, repair, replace, modify and improve the Allocated Assets in compliance in all material respects with Applicable Law (including all applicable environmental and occupational safety laws), and in compliance in all material respects with all applicable licenses and permits relating to the Allocated Assets issued by any Governmental Authority; provided, the Operator may in good faith by appropriate proceedings contest the validity or application of any such Applicable Law in any reasonable manner which does not involve any risk of the imposition of criminal liability on the Owner, or any material danger of any fine, penalty, or other imposition upon the Owner for which the Operator has not acknowledged its obligation to indemnify the Owner pursuant to this Agreement; and

(e) in case of any damage to any Allocated Asset, other than damage constituting an Event of Loss, at its election, in either case at its own expense, (i) repair such Allocated Asset so as to restore its utility consistent with the Operator's customary practice with respect to similar assets owned by the Operator (as determined solely by the Operator) or (ii) replace such Allocated Asset with an asset (which will become an Allocated Asset) having a fair market value (as determined solely by the Operator) equivalent to that of the damaged Allocated Asset immediately prior to the damage (assuming, in either case, such Allocated Asset was then in the condition and state of

repair required to be maintained by the terms of this Agreement), with such alterations and additions as may be made at the Operator's election pursuant to and subject to the conditions of Section 7.2 hereof; provided, however, that the Operator need not repair or replace any Allocated Asset to the extent that such Allocated Asset is not necessary to the operation of the Allocated Assets considered as a whole (as determined solely by the Operator), in which event the Operator shall credit to the Settlement Account the fair market value of such Allocated Asset as of the date immediately prior to the damage (assuming such Allocated Asset was then in the condition and state of repair required to be maintained by the terms of this Agreement). Upon

-9-

the crediting of the Settlement Account with the fair market value of such Allocated Asset, such Allocated Asset shall no longer be subject to this Agreement and the Owner shall convey to the Operator or its designee, ownership of and title to such Allocated Asset. Notwithstanding the foregoing, until payment by the Operator to the Owner of the amount credited to the Settlement Account on the next succeeding Settlement Account Payment Date, such Allocated Asset shall be deemed to continue to be subject to this Agreement solely for the purpose of calculating the Operating Fee.

SECTION 7.2 Modification.

(a) The Operator shall at its expense make any Modification to any Allocated Asset required (i) by Applicable Law or in order to operate, maintain, service, store, or use such Allocated Asset in accordance with Applicable Law, as soon as practicable after any such requirement may arise or (ii) in order for the Operator to comply with the provisions of this Agreement (all such Modifications being referred to herein as "Required Modifications"); provided, that the Operator may, so long as no Event of Default shall have occurred and be continuing, in good faith by appropriate proceedings contest the validity or application of any Applicable Law in any reasonable manner which does not involve any reasonably foreseeable risk of the imposition of criminal liability on the Owner, or any material danger of any fine, penalty or other imposition upon the Owner for which the Operator has not acknowledged its obligation to indemnify the Owner pursuant to this Agreement. The Operator at its expense, from time to time, may make any Modification to any Allocated Asset that the Operator in its discretion may deem desirable in the proper conduct of the Operator's business (all such Modifications which are not Required Modifications being referred to herein as "Optional Modifications"); provided that any construction of new trackage or facilities appurtenant to but not located on such Allocated Assets shall, at Operator's election, be deemed not to be Modifications hereunder and not subject to this Agreement.

(b) Title to each Modification shall vest as follows:

(i) in the case of each (A) Required Modification or (B) other Nonseverable Modification, whether or not the Owner shall have financed or provided financing (in whole or in part) for such Modification, the Owner shall, without further act, effective on the date such Modification shall have been incorporated into the modified Allocated Asset, acquire title to such Modification free and clear of all Liens other than Permitted Liens; or

(ii) in the case of each Severable Modification, the Operator shall retain title to such Modification and the Operator may (subject to Section 7.2(c) hereof) remove such Modification at its expense at any time so long as the modified Allocated Asset remains in or is restored by the Operator to the condition required by this Agreement.

-10-

Immediately upon title to a Modification vesting in the Owner pursuant to this Section 7.2(b), such Modification shall, without further act, become subject to this Agreement and be deemed part of the applicable Allocated Asset for all purposes.

(c) Subject to compliance with Applicable Law, the Operator may remove, at its expense, any Severable Modification; provided, that the Operator, at its expense shall repair any damage to the Allocated Asset from which a Severable Modification has been removed caused by such removal; provided, further, that in the event the Operator shall not have removed any Severable Modification to which the Operator shall have title as provided in Section 7.2(b)(ii) prior to the end of the Term or any Renewal Term, title to such Severable Modification shall vest in the Owner upon the expiration of such Term or Renewal Term.

ARTICLE VIII

Obsolescence Termination; Abandonment

SECTION 8.1 Obsolescence Termination; Abandonment. Except as may otherwise be contemplated in this Agreement, the Operator may not dispose of, or otherwise convey or transfer any interest in the Allocated Assets to any Person. Unless an Event of Default shall have occurred and be continuing, if the Operator has determined that an Allocated Asset is uneconomic or surplus to, or no longer necessary for, the Operator's operating requirements as determined by the Operator in its sole judgment, the Operator shall have the right, with the Owner's consent, to abandon or sell or otherwise dispose of such Allocated Asset (as agent for the Owner) in which event the Operator may retain the sale proceeds (net of selling expenses), if any, received for such Allocated Asset and shall credit to the Settlement Account the fair market value (as of the time of the abandonment, sale or other disposition) of such Allocated Asset (which, in no event, shall be less than the sale proceeds, net of selling expenses, received for such Allocated Asset). Upon the crediting of the Settlement Account with the fair market value of such Allocated Asset, such Allocated Asset shall no longer be subject to this Agreement and the Owner shall convey to the Operator or its designee, ownership of and title to such Allocated Asset. Notwithstanding the foregoing, until payment by the Operator to the Owner of the amount credited to the Settlement Account on the next succeeding Settlement Account Payment Date, such Allocated Asset shall be deemed to continue to be subject to this Agreement solely for the purpose of calculating the Operating Fee.

SECTION 8.2 Conditions of Termination. As a condition to a termination, abandonment or other disposition pursuant to this Article VIII, any necessary Governmental Actions in connection therewith shall have been obtained by and at the expense of the Operator. Upon the Operator's request, the Owner shall cooperate fully with the Operator in seeking and obtaining all necessary Governmental Actions in connection with the termination or abandonment of any Allocated Asset.

-11-

ARTICLE IX

Termination

SECTION 9.1 Termination. (a) Unless the Operator exercises its renewal option under Article XVII, upon termination of this Agreement, the Operator shall, at its risk, cost and expense, cause the Allocated Assets subject to this Agreement at such time to be (i) free and clear of all Liens other than Owner Liens, (ii) in compliance with the maintenance and operating provisions of this Agreement, and (iii) otherwise capable of being maintained, used and operated substantially in compliance with Applicable Law for the operation of a railroad appropriate to conditions existing at such time.

(b) Upon the termination of this Agreement, the Operator will, at the Operator's expense, promptly and duly execute and deliver to the Owner such documents and take such further actions as the Owner may reasonably request in order to effect the return of the Allocated Assets, including any Assigned Right, to the Owner or its designee.

SECTION 9.2 Owner Assignment, Lease or Sale of Allocated Asset. The Operator agrees that during the last year of the Term or any Renewal Term, it will cooperate in all reasonable respects with efforts of the Owner to lease, sell, assign or otherwise transfer any Allocated Asset to any designee of the Owner.

SECTION 9.3 Governmental Approvals. The Operator shall cooperate and assist the Owner, at the expense of the Owner, in transferring or obtaining all Governmental Actions which may be necessary for the Owner or its designee, as the case may be, to operate, lease, purchase, assume or otherwise be a party to or beneficiary of any returned Allocated Asset.

SECTION 9.4 Severable Modifications. At any time after the Operator has notified the Owner that it has determined not to renew this Agreement pursuant to Article XVII, or operational responsibility for the Allocated Assets reverts to the Owner, the Operator shall at the Owner's request, advise the Owner of the nature and condition of all Severable Modifications owned by the Operator pursuant to Section 7.2(b)(ii) hereof which the Operator has removed or intends to remove from the Allocated Assets in accordance with Section 7.2(c) hereof. The Operator may (and shall, if so directed by Owner), at its sole cost, expense and risk, remove from any Allocated Asset any Severable Modification; provided, that any such Modification not removed pursuant to this Section 9.4 shall be deemed to be part of the Allocated Asset to which it relates for all purposes hereof and title to such Modification shall thereupon vest in the Owner free and clear of all Liens, other than Owner Liens.

-12-

ARTICLE X

Loss, Destruction, Condemnation, Damage, etc.

SECTION 10.1 Replacement; Payment.

(a) Upon the occurrence of an Event of Loss, or an event which with the passage of time would become an Event of Loss, with respect to any Allocated Asset, the Operator shall:

(i) replace the Allocated Asset which suffered the Event of Loss, with a replacement asset (which will become an Allocated Asset) which has a fair market value equivalent to that of the Allocated Asset which suffered the Event of Loss (as determined solely by the Operator) immediately prior to such Event of Loss (assuming such Allocated Asset was then in the condition and state of repair required by this Agreement); or

(ii) the Operator may retain the sale proceeds, if any, received for the Allocated Asset suffering the Event of Loss and shall credit to the Settlement Account the fair market value of such Allocated Asset immediately prior to such Event of Loss (assuming such Allocated Asset was then in the condition and state of repair required by this Agreement), which fair market value in no event shall be less than the sale proceeds (net of selling expenses) received for such Allocated Asset. Upon the crediting of the Settlement Account with the fair market value of such Allocated Asset, such Allocated Asset shall no longer be subject to this Agreement and the Owner shall convey to the Operator or its designee, ownership of and title to such Allocated Asset. Notwithstanding the foregoing, until payment by the Operator to the Owner of the amount credited to the Settlement Account on the next succeeding Settlement Account Payment Date, the Allocated Asset suffering the Event of Loss

shall be deemed to continue to be subject to this Agreement solely for the purpose of calculating the Operating Fee.

(b) Upon compliance by the Operator with Section 10.1(a)(i), (i) this Agreement shall continue with respect to any replacement Allocated Asset as though no Event of Loss had occurred, (ii) the Owner shall convey "as is" "where is", free and clear of all Owner Liens, without recourse or warranty (except as to the ability and authority of the Owner to transfer and convey such Allocated Asset free and clear of Owner Liens), to the Operator or its designee all right, title and interest of the Owner in and to the Allocated Asset being replaced by executing and delivering to the Operator or its designee such bills of sales and other documents or instruments as the Operator or its designee may reasonably request to evidence such conveyance, and (iii) the Owner shall assign to the Operator all claims it may have against any other Person arising from the event which gave rise to the replacement.

(c) Upon compliance by the parties with Section 10.1(a)(ii), the Owner shall convey "as is" "where is", free and

-13-

clear of all Owner Liens, without recourse or warranty (except as to the ability and authority of the Owner to transfer and convey such Allocated Asset free and clear of Owner Liens), to the Operator or its designee all right, title and interest of the Owner in and to such Allocated Asset by executing and delivering to the Operator or its designee such bills of sales and other documents or instruments as the Operator or its designee may reasonably request to evidence such conveyance.

SECTION 10.2 Applications During Event of Default. Any amount that shall be payable to the Operator pursuant to this Agreement arising out of any warranty, governmental award or otherwise received in respect of any Allocated Asset shall not be paid to the Operator or, if it shall have been previously paid to the Operator, shall not be retained by the Operator but shall be paid to the Owner, if at the time of such payment any Event of Default shall have occurred and be continuing. In such event, all such amounts shall be paid to and held by the Owner in trust as security for the obligations of the Operator to make payments under this Agreement or applied by the Owner toward payment of any of such obligations of the Operator at the time due hereunder. At such time as there shall not be continuing any Event of Default all such amounts at the time held by the Owner in excess of the amount, if any, that the Owner shall have elected to apply as above provided shall be paid to the Operator.

SECTION 10.3 Application of Article VII. Article VII shall not apply to any Allocated Asset after an Event of Loss has occurred with respect to such Allocated Asset; provided, that the foregoing shall not limit the obligations of the Operator under Article VII hereof with respect to any replacement Allocated Asset.

ARTICLE XI

Indemnities

SECTION 11.1 Indemnity by Operator. (a) The Operator assumes and shall be fully responsible for all liabilities attributable in any way to the Allocated Assets, or to operations on or over the Allocated Assets, except for (i) Retained Liabilities and any other liabilities with respect to which it is the responsibility of any Person other than the Operator under the terms of the Transaction Agreement and the Ancillary Agreements to indemnify the Owner, and (ii) liabilities that arise prior to the Closing Date referred to in Section 2.8(b)(ii) or Section 2.8(c) of the Transaction Agreement; provided, that for the purposes of this Section 11.1(a), the term "Ancillary Agreements" as used in the parenthetical included in Sections

2.8(b) and 2.8(c) of the Transaction Agreement shall be deemed not to include this Agreement. To that end, the Operator agrees to and shall protect, indemnify and hold wholly harmless the Owner and its directors, officers, employees and agents (each an "Owner Indemnified Person") from and against any Damages arising from or attributable to the liabilities assumed by the Operator under the first sentence of this Section 11.1(a).

(b) Upon payment in full of any indemnity pursuant to this Section 11.1, the Operator shall, to the extent of such payment and so long as no Event of Default shall have occurred

-14-

and be continuing, be subrogated to any rights of the Owner Indemnified Person in respect of the matter against which such indemnity was given (other than with respect to any insurance policies carried by such Owner Indemnified Person).

SECTION 11.2 Indemnity by Owner. (a) The Owner shall be fully responsible for all liabilities allocated to it under Section 2.8(b)(ii) of the Transaction Agreement. The Owner shall be fully responsible for all liabilities allocated to it under Section 2.8(c) of the Transaction Agreement and shall, to the extent not obtained by CRC as required by Section 2.8(c) of the Transaction Agreement, obtain within 60 days after the Closing Date insurance to cover such liabilities from and after the Closing Date. To that end, the Owner agrees to and shall protect, indemnify and hold wholly harmless the Operator and its directors, officers, employees and agents (each, an "Operator Indemnified Person") from and against any and all Damages arising from or attributable to (i) Retained Liabilities and any other liabilities with respect to which it is the responsibility of any Person other than the Operator under the terms of the Transaction Agreement and the Ancillary Agreements to indemnify the Owner, and (ii) liabilities that arise prior to the Closing Date referred to in Section 2.8(b)(ii) and Section 2.8(c) of the Transaction Agreement; provided, that for the purposes of this Section 11.2(a), the term "Ancillary Agreements" as used in the parenthetical included in Sections 2.8(b) and 2.8(c) of the Transaction Agreement shall be deemed not to include this Agreement.

(b) Upon payment in full of any indemnity pursuant to this Section 11.2, the Owner shall, to the extent of such payment, be subrogated to any rights of the Operator Indemnified Person in respect of the matter against which such indemnity was given (other than with respect to any insurance policies carried by such Operator Indemnified Person).

SECTION 11.3 Indemnification Procedures. (a) If any Action shall be threatened or instituted or any claim or demand shall be asserted against any Indemnified Party in respect of which indemnification may be sought under the provisions of this Agreement, the Indemnified Party shall promptly cause written notice of the assertion of any such claim, demand or Action of which it has knowledge to be forwarded to the Indemnifying Party. Such notice shall contain a reference to the provisions hereof or of such other agreement, instrument or certificate delivered pursuant hereto, in respect of which such claim is being made. The Indemnified Party's failure to give the Indemnifying Party prompt notice shall not preclude the Indemnified Party from obtaining indemnification from the Indemnifying Party under this Article XI unless the Indemnified Party's failure has materially prejudiced the Indemnifying Party's ability to defend the claim, demand or Action.

(b) If the Indemnified Party seeks indemnification from the Indemnifying Party as a result of a claim or demand being made by a third party (a "Third Party Claim"), the Indemnifying Party shall have the right promptly to assume the control of the defense of any Action with respect to such Third Party Claim, including, at its own expense, employment by it of counsel reasonably satisfactory to the Indemnified Party. The

Indemnified Party may, in its sole discretion and at its own expense, employ counsel to represent it in the defense of the

-15-

Third Party Claim, and in such event counsel for the Indemnifying Party shall cooperate with counsel for the Indemnified Party in such defense, provided that the Indemnifying Party shall direct and control the defense of such Third Party Claim or proceeding. The Indemnifying Party shall not consent to the entry of any judgment, except with the written consent of the Indemnified Party, and shall not enter into any settlement of such Third Party Claim without the written consent of the Indemnified Party which does not include as an unconditional term thereof the release of the Indemnified Party from all Liability in respect of such Third Party Claim.

ARTICLE XII

Assignments

SECTION 12.1 Operator Assignments. Except as otherwise provided in this Agreement, the Operator may not, without the prior written consent of the Owner, and subject to any applicable Governmental Actions, assign, transfer, sublease or otherwise grant the right to use any Allocated Asset or its interest therein or rights with respect thereto, including any Assigned Right. Except as otherwise provided in this Agreement, the Operator may, with the prior written consent of the Owner, and subject to any applicable Government Actions, assign, transfer, sublease or otherwise grant the right to use any Allocated Asset or its interest therein or rights with respect thereto, including any Assigned Right.

SECTION 12.2 Merger, Consolidation, Etc. The Operator, without the consent of the Owner, may assign all or any part of its rights and obligations under this Agreement to (i) any of its controlled Subsidiaries or (ii) any successor in the event of a merger, consolidation, sale of all or substantially all its assets, liquidation or dissolution, if such assignee executes and delivers to the Owner an agreement reasonably satisfactory in form and substance to the Owner under which such assignee assumes and agrees to perform and discharge all the obligations and liabilities of the Operator; provided that any such assignment shall not relieve the Operator from the performance and discharge of such obligations and liabilities.

SECTION 12.3 Owner Assignments. The Owner shall not transfer or assign any part of its right, title and interest in this Agreement or any Allocated Assets used hereunder without the prior written consent of the Operator.

ARTICLE XIII

Inspection; Markings

SECTION 13.1 Rights to Information. The Owner may at its own expense, upon reasonable prior notice to the Operator during the normal business hours of the Operator, no more frequently than once in any calendar year, inspect the Allocated Assets and

-16-

the books and records of the Operator relating to the maintenance and performance of such Allocated Assets and make copies and extracts therefrom, and may discuss such matters with the Operator's officers. Upon the occurrence and during the continuance of an Event of Default, the Owner may inspect such books and records at any time, which inspections shall be at the expense of the Operator. The Owner also shall have the right at any time to obtain information regarding the condition and state

of repair of any Allocated Asset, compliance by the Operator with Article VII hereof and the absence of an Event of Default.

SECTION 13.2 Markings. The Operator shall affix to certain Allocated Assets agreed to by the Operator and Owner identifying labels, plates or tags each setting forth such information as the Operator and Owner may agree. The Operator covenants and agrees to replace any such label, plate or tag which may be removed or destroyed or become illegible, and the Operator shall indemnify each Owner Indemnified Person against any liability, loss or expense incurred by such Owner Indemnified Person as a result of the failure to maintain such markings.

ARTICLE XIV

Events of Default

SECTION 14.1 Events of Default. Each of the following events shall constitute an Event of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority):

(a) the Operator shall fail to make any payment of (i) the Operating Fee when due and such failure shall continue unremedied for a period of thirty (30) Business Days and (ii) any Supplemental Operating Fees due under this Agreement and such failure shall continue unremedied for a period of thirty (30) Business Days; or

(b) the Operator shall fail to perform or observe any other material covenant, condition or agreement to be performed or observed by it under this Agreement and such failure shall continue unremedied for a period of one hundred twenty (120) Business Days after notice thereof shall have been given to the Operator by the Owner; provided, that the continuation of any such failure or breach (other than a failure or breach curable by payment of money) for a period longer than such one hundred twenty (120) Business Day period shall not constitute an Event of Default if (i) such default is curable but cannot be cured within such one hundred twenty (120) Business Day period and (ii) the Operator is diligently pursuing the cure of such default; provided, further, that any such failure or breach (other than a failure or breach curable by payment of money) shall constitute an Event of Default if such failure is not cured within the earlier of the last Business Day of the Term and any Renewal Term and four hundred fifty (450) days from the date notice thereof has been given to the Operator; or

-17-

(c) The Operator (i) shall commence a voluntary Insolvency Proceeding, (ii) shall seek the appointment of a trustee, receiver, liquidator, sequestrator, custodian or other similar official of the Operator or any substantial part of the Operator's property, (iii) shall acquiesce in or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary Insolvency Proceeding commenced against it, (iv) shall make a general assignment for the benefit of creditors, or (v) shall fail generally to pay its undisputed debts as they become due; or

(d) an involuntary Insolvency Proceeding shall be commenced against the Operator seeking liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, assignee, sequestrator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of one hundred twenty (120) consecutive Business Days.

ARTICLE XV

Remedies

SECTION 15.1 Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Owner may, at its option, declare by written notice to the Operator this Agreement to be in default; and at any time thereafter so long as such Event of Default shall not have been remedied, the Owner may do one or more of the following with respect to the Allocated Assets:

(a) sell the Allocated Assets at public or private sale, as the Owner may determine, or otherwise dispose of, hold, use, operate, lease to others or keep unused the Allocated Assets as the Owner, in its sole discretion, may determine, all free and clear of any rights of Operator;

(b) whether or not the Owner shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) above, the Owner, by written notice to the Operator, may demand that the Operator pay to the Owner, and the Operator shall pay to the Owner, any accrued but unpaid Operating Fees (together with interest, if any, on such amount at the Overdue Rate from such specified payment date until the date of actual payment of such amount); or

(c) terminate this Agreement and the rights of the Operator to use the Allocated Assets pursuant hereto.

-18-

The Owner may exercise one or more remedies in respect of certain Allocated Assets and one or more other remedies in respect of other Allocated Assets.

No termination of this Agreement, in whole or in part, or exercise of any remedy under this Article XV shall, except as specifically provided herein, relieve the Operator of any of its liabilities and obligations hereunder, all of which then outstanding shall survive such termination, repossession or exercise of remedy. In addition, the Operator shall be liable for any and all Fees and Expenses and other costs and expenses incurred by the Owner by reason of the occurrence of any Event of Default or the exercise of the remedies of the Owner with respect thereto. At any sale of any Allocated Assets or any part thereof pursuant to this Article XV, the Owner may bid for and purchase such property.

SECTION 15.2 Owner Rights. To the fullest extent permitted by Applicable Law, each and every right, power and remedy herein specifically given to the Owner or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically given herein or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Owner, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Owner in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Operator or to be an acquiescence therein. No express or implied waiver by the Owner of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

SECTION 15.3 Exercise of Other Rights or Remedies. In addition to all rights and remedies provided in this Article XV, the Owner may exercise any other right or remedy that may be

available to it under Applicable Law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

SECTION 15.4 Subject to Governmental Action. The exercise of any right or remedy provided for in this Article XV shall be subject to any applicable Governmental Action.

-19-

ARTICLE XVI

Right to Perform

SECTION 16.1 Right to Perform. If the Owner shall fail to make any payment or perform under, or comply with, any contract, lease, license or other agreement in respect of the Allocated Assets to which the Owner is a party, the Operator may (but shall have no duty to do so) make such payment or perform or comply with such agreement, and the Operating Fee shall be reduced in the amount of such payment and the amount of all expenses of the Operator (including Fees and Expenses) incurred in connection with such payment or the performance of or compliance with such agreement.

ARTICLE XVII

Renewal Options

SECTION 17.1 Renewal Notice.

(a) The Operator shall have the option to renew this Agreement twice. Not less than one (1) year before expiration of the Term or the initial Renewal Term, the Operator may deliver to the Owner a notice (the "Renewal Notice") of the Operator's election to renew this Agreement in respect of all, but not less than all, Allocated Assets for a renewal period of five (5) years (or, if there has already been a renewal period, an additional renewal period of five (5) years), or such other period of time as the Owner and the Operator shall mutually agree (each such period, a "Renewal Term").

(b) All terms of this Agreement shall continue in full force and effect during each such Renewal Term.

(c) In the event the Operator elects to renew this Agreement, the Renewal Term will commence on the day immediately following the expiration of the Term or initial Renewal Term and continue until the end of such Renewal Term.

(d) The Renewal Notice, once given, shall be irrevocable and the option to renew this Agreement shall expire if the Operator does not deliver the Renewal Notice by the times provided in Section 17.1(a) hereof.

(e) Notwithstanding the foregoing, the Operator shall have no right to renew this Agreement if any Event of Default exists on the date of delivery of the Renewal Notice or the commencement of the Renewal Term.

-20-

ARTICLE XVIII

Certain Notices and Information

SECTION 18.1 Notices. Any notice expressly required by this Agreement to be given to the Owner or the Operator shall be deemed delivered on the date sent by registered mail, or by such other means as the parties hereto may agree, and shall be addressed to them as follows:

(a) If to Owner:

Pennsylvania Lines LLC
2001 Market Street
Philadelphia, Pennsylvania 19103
Attention: Vice President-General Counsel

Copy to:

Senior Vice President Operations
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510

(b) If to Operator:

Senior Vice President Operations
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

Each party may from time to time change its address in this Section 18.1 by written notice delivered to the other party.

SECTION 18.2 Notice of Event of Default. Promptly after an executive officer of the Operator shall have actual knowledge of the occurrence or existence of any Event of Default or any event which, with the passing of time or giving of notice, would constitute an Event of Default, the Operator shall so notify the Owner and set forth in reasonable detail the circumstances surrounding such event or Event of Default and shall specify what actions the Operator has taken or intends to take to cure such event or Event of Default.

SECTION 18.3 Information Regarding Allocated Assets. The Operator shall promptly furnish the information at such times and in such format as is regularly produced by the Operator concerning the condition, maintenance and use of the Allocated Assets as the Owner may reasonably request.

-21-

ARTICLE XIX

Confidentiality

SECTION 19.1 Confidentiality. The parties hereto shall hold, and shall cause their respective officers, employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its independent legal counsel, by other requirements of law, all information furnished it by the other party hereto, or their respective representatives, pursuant to this Agreement (except to the extent that such information can be shown to have been (i) available to such party on a non-confidential basis prior to its disclosure by the other party, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished), and no party shall release or disclose such information to any other Person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be bound by the provisions of this Section 19.1. In the event that a subpoena, discovery or other request that arguably calls for production or disclosure of such confidential information is received, the party receiving such request must promptly notify in writing the party whose information has been requested. The party receiving such request shall provide the party whose confidential information has been requested, a reasonable opportunity to review such information and to assert any rights it may have with respect to the potential disclosure of such confidential information. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party hereto, if it exercises the same care as it takes to

preserve confidentiality for its own similar information.

ARTICLE XX

Miscellaneous

SECTION 20.1 Dispute Resolution. Except as otherwise specifically provided for herein, any dispute, controversy or claim (or any failure by the parties to agree on a matter as to which this Agreement expressly or implicitly contemplates subsequent agreement by the parties, except for matters left to the sole discretion of a party) arising out of or relating to this Agreement, or the breach, termination or validity hereof or thereof, shall be settled in accordance with the provision of Section 11.12 of the Transaction Agreement.

SECTION 20.2 Documentary Conventions. This Agreement shall be governed by, and construed in accordance with, all the Documentary Conventions.

-22-

IN WITNESS WHEREOF, intending to be legally bound, the parties hereto have each caused this Operating Agreement to be duly executed as of the date first above written.

PENNSYLVANIA LINES LLC,
as OWNER

By: /s/ James D. McGeehan

Name: James D. McGeehan

Title: Assistant Treasurer

NORFOLK SOUTHERN RAILWAY COMPANY,
as OPERATOR

By: /s/ Stephen C. Tobias

Name: Stephen C. Tobias

Title: Vice President and Chief
Operating Officer

-23-

APPENDIX A to Operating Agreement

DEFINITIONS AND RULES OF USAGE

Rules of Usage

The terms defined below shall have the respective meanings set forth below for all purposes, and such meanings shall be equally applicable to both the singular and plural forms of the terms defined. "Include", "includes" and "including" shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of like import. "Writing", "written" and comparable terms refer to printing, typing, lithography and other means of reproducing words in a visible form. Any instrument or Applicable Law defined or referred to below or in any instrument that recites it is to be construed in accordance with this Appendix means such instrument or Applicable Law as from time to time amended, modified or supplemented, including (in the case of instruments) by waiver or consent and (in the case of Applicable Laws) by succession of

comparable successor Applicable Laws and includes (in the case of instruments) references to all attachments thereto and instruments incorporated therein; provided, that any reference to the Bankruptcy Code shall mean the Bankruptcy Code as in effect on the date of reference thereto and applicable to the relevant case. References to any Person are, unless the context otherwise requires, also to its successors and assigns. "Hereof", "herein", "hereunder" and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto. References to any gender include, unless the context otherwise requires, references to all genders, and references to the singular include, unless the context otherwise requires, references to the plural and vice versa. "Shall" and "will" have equal force and effect. References in an instrument to "Article", "Section" or another subdivision or to an attachment are, unless the context otherwise requires, to an article, section or subdivision of or an attachment to such instrument.

Definitions

"Action" shall mean any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Authority or forum or authority having jurisdiction over the matter involving or related to any Owner Indemnified Person, any Operator Indemnified Person or the Allocated Assets.

"Affiliate" means, with respect to a specified Person, any Person that directly or indirectly controls, is controlled by or is under common control with, the specified Person or any trust for the benefit of such Person or any entities controlled by such Person; provided that (a) NYC shall not be an Affiliate of CSX and its Subsidiaries or NSC and its Subsidiaries, (b) PRR shall not be an Affiliate of NSC and its Subsidiaries or CSX and its Subsidiaries and (c) CSX and NSC and their respective Subsidiaries shall not be Affiliates of CRR or CRR Parent and their respective Subsidiaries and vice versa.

"Agreement" means this Operating Agreement, dated as of the Closing Date, between the Owner and the Operator.

"Allocated Asset" means the assets identified in or pursuant to the Transaction Agreement as the PRR Allocated Assets other than (i) the assets identified in Item 2(E) of Schedule 1 to the Transaction Agreement, and (ii) such items of inventory as may subsequently be agreed to by the parties from time to time.

"Applicable Law" means, with respect to any Person or to any Allocated Asset, all laws, ordinances, judgments, decrees, injunctions, writs and orders of any Governmental Authority and any Governmental Actions applicable to or having jurisdiction over such Person or Allocated Asset.

"Appraisal Procedure" means a procedure whereby (i) an independent third-party appraiser chosen jointly by the Owner and the Operator determines the reasonableness of the fair market value of the Allocated Assets credited to the Settlement Account if the fair market value of the Allocated Assets exceeds \$50,000 or determines the Fair Market Rental Value of the Allocated Assets, or (ii) the reasonableness of the fair market value of the Allocated Assets credited to the Settlement Account is certified by an officer of the Operator if the fair market value is \$50,000 or less. The fees and expenses of the appraiser shall be divided equally between the Owner and the Operator.

"arises prior" means that the circumstances giving rise to the liability have transpired prior to the applicable date, whether or not such liability has been discovered, asserted or accrued prior to such date. If the circumstances giving rise to a liability bridge the Closing Date, the parties will apportion it to pre-Closing Date and post-Closing Date periods, with disagreement being subject to the dispute resolution provisions

of Section 20.1 of the Agreement.

"Assigned Rights" means Contracts and rights included in the Allocated Assets (including, but not limited to, transportation contracts).

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended from time to time, and the rules and regulations promulgated thereunder.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks are authorized or required to be closed in New York, New York and Richmond, Virginia.

"Closing Date" is the date of this Agreement.

"Contracts" means any contract, lease, loan agreement, deed, easement, license, reversion, mortgage, security agreement, trust indenture or other agreement or instrument to which the Owner is a party or by which it is bound or to which any of the Allocated Assets is subject.

-2-

"Contractual Obligation" means, with respect to any Person, any provision of any security issued by such Person or of any Contract to which such Person is a party or by which it or any of its property is bound.

"CRC" means Consolidated Rail Corporation, a Pennsylvania corporation.

"CRR" means Conrail Inc., a Pennsylvania corporation.

"CSX" means CSX Corporation, a Virginia corporation.

"CSXT" means CSX Transportation, Inc., a Virginia corporation.

"Documentary Conventions" means, with respect to the Agreement and any instrument that states in substance that it is governed by the Documentary Conventions, that, except as otherwise expressly provided therein:

(a) Documentary Convention Survival. The representations, warranties and agreements of the parties contained or provided for in such instrument and the parties' obligations under any and all thereof shall survive the execution and delivery of such instrument and the expiration or other termination of the Agreement and shall be and continue in effect notwithstanding the fact that any party may waive compliance with any other term, provision or condition of the Agreement.

(b) Documentary Convention Governing Law. Such instrument shall become effective upon delivery and shall in all respects be governed by, and construed in accordance with, the laws (excluding principles of conflict of laws) of the Commonwealth of Virginia applicable to agreements made and to be performed entirely within such state, including all matters of construction, validity and performance.

(c) Documentary Convention Counterparts. Except as otherwise specifically provided in the Agreement, such instrument may be executed by the parties thereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. To make proof of such instrument, it shall only be necessary to produce one such counterpart executed by each party thereto. All signatures need not be on the same counterpart.

(d) Documentary Convention Method of Payment. All amounts required to be paid by any party to such instrument to any other party, either thereunder or under the Agreement

shall be paid in such immediately available and freely transferable Dollars as at the time of payment shall be legal tender for the payment of public and private debts, by wire transfer, or other method of payment acceptable to the payee, of immediately available funds to the account of the payee as such payee may specify by notice to the other parties.

-3-

(e) Documentary Convention Parties in Interest; Limitation on Rights of Others. The terms of such instrument shall be binding upon, and inure to the benefit of, the parties thereto and their permitted successors and assigns. Nothing in such instrument shall be construed to give any Person (other than the parties thereto and their permitted successors and assigns and as expressly provided therein) any legal or equitable right, remedy or claim under or in respect of such instrument or any covenants, conditions or provisions contained therein.

(f) Documentary Convention Table of Contents; Headings. The table of contents, if any, and headings, if any, of the various articles, sections and other subdivisions of such instrument are for convenience of reference only and shall not modify, define or limit any of the terms or provisions of such instrument. To the extent of any inconsistency between the headings and any text, such text shall govern.

(g) Documentary Convention Entire Agreement; Amendment and Waiver. The Agreement, the other Ancillary Agreements and the Transaction Agreement constitute the entire agreement of the parties thereto with respect to the subject matter thereof and supersede all prior written and oral agreements and understandings with respect to such subject matter. Neither the Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought and subject to any other limitations on amendments set forth in the Agreement, the other Ancillary Agreements and the Transaction Agreement. Any amendment, modification or supplement to the Agreement shall be subject to any applicable Governmental Action. No failure or delay of any party in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

(h) Documentary Convention Severability. Any provision of such instrument that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the parties to such instrument waive any provision of law that renders any provision thereof prohibited or unenforceable in any respect.

(i) Documentary Convention Payment on Business Days. If any payment under such instrument is required to be made on a day other than a Business Day, the date of payment shall be extended to the next Business Day without any additional interest for such extension period so long as payment is made on such Business Day.

-4-

"Dollars" or "\$" means dollars in the lawful currency of the United States of America.

"Event of Default" has the meaning set forth in Section 14.1 of the Agreement.

"Event of Loss" means, with respect to any Allocated Asset, the occurrence of any of the following events: (a) the loss or theft of such Allocated Asset to the extent that such Allocated Asset is not recovered within one hundred eighty (180) days of such event or, if earlier, the expiration of the Term or any Renewal Term, (b) the destruction of or damage to such Allocated Asset or any part thereof to such extent as shall render repair of such Allocated Asset uneconomical to the Operator or unfit or unsuitable for its intended use, which destruction or damage is an actual or constructive total loss, (c) the requisition of use of such Allocated Asset for an indefinite period or for a stated period in excess of one hundred eighty (180) days or, if earlier, which ends later than the expiration of the Term or any Renewal Term by any Governmental Authority under power of eminent domain or otherwise, (d) the condemnation, confiscation, seizure or requisition of title to such Allocated Asset by a Governmental Authority, (e) any damage to such Allocated Asset which results in an insurance settlement on the basis of an actual or constructive total loss, (f) the prohibition by Applicable Law of the use of such Allocated Asset by the Operator or any other Person for a period of one hundred eighty (180) consecutive days from the date of such prohibition or, if earlier, the end of the Term or any Renewal Term. The date of occurrence of an Event of Loss in respect of any Allocated Asset shall be deemed to be, (1) in the event of damage to such item, the date of such damage, (2) in the event of a condemnation or requisition of title by a Governmental Authority, the date thereof, and (3) in the event of an Event of Loss under clause (a), (c) or (f) of the first sentence of this definition, the date of expiration of the period referred to in said clause.

"Excluded Taxes" has the meaning set forth in Section 3.5 of the Agreement.

"Fair Market Rental Value" means, as to the Allocated Assets, the fair market rental value that would be obtained in an arm's length transaction between an informed and willing lessee and an informed and willing lessor, in either case under no compulsion to lease, for the lease of the Allocated Assets, disregarding the fact (if applicable) that the Allocated Assets are subject to the Agreement and assuming that Article VII of the Agreement shall have been complied with in all respects. Subject to the foregoing, the Fair Market Rental Value as to the Allocated Assets shall be such value determined in accordance with the Appraisal Procedure.

"Fees and Expenses" means, with respect to any Person in connection with any transaction or occurrence, the Person's reasonable fees and expenses (including attorneys' fees and legal expenses) for such transaction or occurrence.

"Governmental Action" means all authorizations, consents, approvals, waivers, exceptions, variances, franchises, permissions, permits and licenses of, and filings and declarations with, Governmental Authorities.

-5-

"Governmental Authority" means any federal, state, municipal, county, local or foreign governmental Person, authority or agency, court, regulatory commission, stock exchange or other similar body.

"Income Tax Regulations" means the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code.

"Indemnifying Party" means a Person who is required or requested to provide indemnification under Article XI of the Agreement.

"Indemnified Party" means any Owner Indemnified Person or

Operator Indemnified Person.

"Insolvency Proceeding" means any case or proceeding under bankruptcy, insolvency, reorganization, receivership, moratorium or other laws providing relief to debtors.

"Lien" means any lien, mortgage, encumbrance, pledge, charge, lease, easement, servitude or security interest or any interests similar to the foregoing, including those existing under any conditional sales or other title retention agreement or the filing of or agreement to deliver any financing statement under the UCC.

"Modification" means, with respect to any Allocated Asset, any modification, alteration, addition, upgrade or improvement to such Allocated Asset.

"Nonseverable Modification" means any Required Modification and any Modification which is not readily removable without impairing the fair market value, residual value, condition, remaining useful life or utility of the Allocated Asset to which such Modification relates immediately prior to such Modification.

"NSC" means Norfolk Southern Corporation, a Virginia corporation.

"NSR" means Norfolk Southern Railway Company, a Virginia corporation.

"NYC" means New York Central Lines LLC, a Delaware limited liability company.

"Operating Fee" means the operating fee agreed to from time to time by the Owner and Operator based on the Fair Market Rental Value of the Allocated Assets as set forth in a supplement to this Agreement. The Operating Fee for the first six years of this Agreement shall be as follows:

-6-

June 1, 1999 through May 31, 2000	-- \$163 million
June 1, 2000 through May 31, 2001	-- \$168 million
June 1, 2001 through May 31, 2002	-- \$185 million
June 1, 2002 through May 31, 2003	-- \$203 million
June 1, 2003 through May 31, 2004	-- \$227 million
June 1, 2004 through May 31, 2005	-- \$246 million

"Operator" means NSR or any permitted successor or assign.

"Operator Indemnified Person" has the meaning set forth in Section 11.2 of the Agreement.

"Optional Modification" has the meaning set forth in Section 7.2(a) of the Agreement.

"Organic Document" means, with respect to any Person, as applicable, the certificate or articles of incorporation, partnership agreement, limited liability company agreement, certificate of formation, membership agreement, by-laws and all other organizational documents of such Person.

"Overdue Rate" means the rate determined on the first Business Day of each calendar month equal to the lesser of (i) the prime rate set forth in The Wall Street Journal and (ii) the maximum rate allowed by Applicable Law.

"Owner" means PRR, a Delaware limited liability company.

"Owner Indemnified Person" has the meaning set forth in Section 11.1 of the Agreement.

"Owner Lien" means a Lien (i) which results from acts of, or any failure to act by, or as a result of claims against, the Owner, (ii) in favor of any taxing authority by reason of the

non-payment by the Owner, or (iii) which results from acts of, or any failure to act by, the Owner in violation of its obligations under the Agreement.

"Payment Date" means monthly in arrears on the 15th day of each calendar month to cover the preceding calendar month's usage or, if such day is not a Business Day, the next succeeding Business Day.

"Permitted Liens" means, with respect to any Allocated Asset,

(a) The respective rights and interests of the Operator and Owner under the Agreement,

(b) Owner Liens,

-7-

(c) Liens for Taxes which are not yet due or so long as no Event of Default shall have occurred and be continuing are being contested in good faith by appropriate proceedings which suspend the collection thereof; provided, that such proceedings shall not involve any material danger of the sale, forfeiture or loss of such Allocated Asset or any part thereof or interest therein or the reasonably foreseeable risk of imposition of any criminal liability on the Owner or any other material liability not indemnified against by the Operator,

(d) Liens of mechanics, materialmen, laborers, employees or suppliers and similar Liens arising by operation of law, in each case incurred by the Operator in the ordinary course of business for sums that are not overdue for more than sixty (60) days or so long as no Event of Default shall have occurred and be continuing are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof; provided, that such contest does not involve any material danger of the sale, forfeiture or loss of such Allocated Asset or any part thereof or interest therein or the reasonably foreseeable risk of imposition of any criminal liability on the Owner or any other material liability not indemnified against by the Operator,

(e) Liens arising out of any judgments or awards against the Operator with respect to which (i) at the time an appeal or proceeding for review is being prosecuted in good faith, (ii) there shall have been secured a stay of execution pending such appeal or proceeding for review, (iii) during such proceeding there is not, and such proceeding does not involve, any material danger of the sale, forfeiture or loss of such Allocated Asset or any part thereof or any interest therein or the risk of imposition of any criminal liability on the Owner or any other liability not indemnified against by the Operator, and (iv) if such Liens have specifically attached to any Allocated Asset, the Operator has provided the Owner with security reasonably satisfactory to the Owner, in the amount of such claims,

(f) Liens, rights of way, easements and other rights to use the Allocated Assets (including licenses for private crossings) common in the railroad industry arising out of the ordinary course of business of the Operator, and

(g) Liens consented to by the Owner.

"Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"PRR" means Pennsylvania Lines LLC, a Delaware limited liability company.

"Renewal Notice" has the meaning set forth in Section 17.1(a) of the Agreement.

"Renewal Term" has the meaning set forth in Section 17.1(a) of the Agreement.

-8-

"Required Modification" has the meaning set forth in Section 7.2(a) of the Agreement.

"Settlement Account" has the meaning set forth in Section 6.1 of the Agreement.

"Settlement Account Payment Date" has the meaning set forth in Section 6.2 of the Agreement.

"Severable Modification" means any Modification which is not a Nonseverable Modification.

"Substantial Allocated Asset" means (i) an Allocated Asset with a fair market value in excess of \$25 million or (ii) a group of Allocated Assets that (a) are sold, transferred or otherwise disposed of during any calendar year to the same Person (including Affiliates of such Person) or the same group of Persons (including Affiliates of such Persons) and (b) have an aggregate fair market value in excess of \$25 million.

"Supplemental Operating Fees" means all amounts payable by the Operator pursuant to the terms of the Agreement, including indemnities payable by the Operator pursuant to Section 11.1 hereof, other than the Operating Fee.

"Tax" means all taxes (including income, franchise, excise, real and personal property, sales, use, payroll and withholding and other taxes) imposed by any federal, state, local, foreign or international taxing authority or Governmental Authority, whether in the form of assessments, levies, imposts, duties, charges, assessments, withholdings or otherwise, now existing or hereafter created or adopted, together with all interest, penalties and additions imposed with respect to such amounts.

"Term" means the period commencing on the Closing Date and terminating on the 25th anniversary thereof.

"Termination Date" means the date on which the Term or any Renewal Term, whichever is later, terminates.

"Third Party Claim" has the meaning set forth in Section 11.3(b) of the Agreement.

"Third Party Provider" has the meaning set forth in Section 4.2(a) of the Agreement.

"Transaction Agreement" means the Transaction agreement among CSX, CSXT, NSC, NSR, CRC, CRR and CRR Holdings LLC dated as of June 10, 1997.

"Valuation Date" means: (i) the Closing Date, (ii) the sixth (6th), twelfth (12th), eighteenth (18th), and twenty-fourth (24th) anniversaries of the Closing Date, (iii) the first day of each Renewal Term; (iv) the sixth (6th) anniversary of the first day of each Renewal Term, (v) a Settlement Account Payment Date

-9-

(if not already a Valuation Date pursuant to other clauses of this definition), and (vi) such other dates as the parties hereto may agree.

-10-

SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
NORTH JERSEY

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,
CSX TRANSPORTATION, INC. and
NORFOLK SOUTHERN RAILWAY COMPANY

TABLE OF CONTENTS

	Page
Section 1. Definitions. . . . .	.1
(a) AAR. . . . .	.1
(b) Accounting Plan. . . . .	.1
(c) Action . . . . .	.2
(d) Adjacent Improvements. . . . .	.2
(e) Bill . . . . .	.2
(f) Billing Month. . . . .	.2
(g) Board of Managers. . . . .	.2
(h) Budgeted Capital Expenditures. . . . .	.2
(i) Capital Expenditure Budget . . . . .	.2
(j) Capital Expenditure Statement. . . . .	.2
(k) CRC Administrative Office. . . . .	.2
(l) CRC Board. . . . .	.2
(m) CRC Train. . . . .	.2
(n) CRC Train Usage Percentage . . . . .	.2
(o) CSX. . . . .	.3
(p) CSXT Operating Agreement . . . . .	.3
(q) Damage(s). . . . .	.3
(r) Dispute Letter . . . . .	.3
	Page
(s) Excluded Taxes . . . . .	.3

(t) Expense Statement. . . . .	.3
(u) GAAP . . . . .	.3
(v) General Manager. . . . .	.3
(w) Governmental Entity. . . . .	.3
(x) Interest Rental. . . . .	.3
(y) Jointly-Operated Facility. . . . .	.4
(z) Lesser Insured Operator. . . . .	.4
(aa) Letter Agreement . . . . .	.4
(bb) Liabilities. . . . .	.4
(cc) Nonseverable Improvement . . . . .	.4
(dd) NSC. . . . .	.4
(ee) NSR Operating Agreement. . . . .	.4
(ff) NYC. . . . .	.4
(gg) Operating Budget . . . . .	.5
(hh) Operating Plan . . . . .	.5
(ii) Operator . . . . .	.5
(jj) Operator Consequential Damages . . . . .	.5
(kk) Operator's Expense Percentage. . . . .	.5
(ll) Operator's Facility. . . . .	.5

-ii-

	Page
(mm) Operator Train . . . . .	.5
(nn) Person . . . . .	.5
(oo) Program Maintenance. . . . .	.5
(pp) Program Maintenance Proposal . . . . .	.5
(qq) PRR. . . . .	.6
(rr) Railcar. . . . .	.6
(ss) Reimbursable Expenses. . . . .	.6
(tt) Renewal Term . . . . .	.6
(uu) RoadRailer . . . . .	.6
(vv) Routine Maintenance. . . . .	.6
(ww) Severable Improvement. . . . .	.6
(xx) Shared Asset Value . . . . .	.6
(yy) Shared Assets. . . . .	.6
(zz) Shared Assets Area . . . . .	.7
(aaa) STB	7
(bbb) Switching and Yard Services	7
(ccc) Tax or Taxes.	7

(ddd) Temporary Services.	7
(eee) Tier One Damages.	7
(fff) Tier Two Damages.	8

-iii-

Page

(ggg) Total Train Usage Percentage.	8
(hhh) Transaction Agreement	8
(iii) Usage Statement	8
(jjj) USOA.	8
(kkk) Valuation Date.	8
(lll) Zone.	8

Section 2. Management8

(a) CRC Board.	8
(b) General Manager.	9
(c) Employees.	10
(d) CRC Responsibilities	10
(e) Impartiality	10
(f) Independent Contractors.	10

Section 3. Operations10

(a) Operator's Rights.	10
(b) Use.	11
(c) Grant of Rights.	11
(d) Switching and Yard Services.	13
(e) Operating Protocols.	13
(f) Freight Traffic to Remain in Account of Each Operator.	13

-iv-

Page

(g) Rates, Routes and Divisions.	14
(h) Shipper Bills.	14
(i) Service Responsibility	14
(j) Dispatching.	14
(k) Railcar Weighing	15
(l) Freight Claims	15
(m) Freight Car Repairs.	15
(n) Train Services	15
(o) Wrecking Service	16
(p) Admission of Third Parties	16

Section 4. Equipment and Properties	16
(a) Procurement.	16
(b) Contribution of Locomotives by Operators .	16
(c) Locomotive Service and Repair.	16
Section 5. Maintenance.	17
(a) Routine Maintenance.	17
(b) CRC Program Maintenance.	17
(c) Maintenance Standards.	18
Section 6. Capital Improvements	18
(a) Proposed Projects.	18

-v-

Page

(b) CRC Board Approved Projects.	18
(c) Nonseverable Improvement Projects.	18
(d) Severable Improvement Projects	19
(e) Capital Improvements as Shared Assets. . .	20
(f) Title to Severable Improvements.	20
(g) Noninterference.	20
(h) Switch Connections	20
(i) Adjacent Improvements.	21
(j) Operator's Facilities.	21
Section 7. Accounting	21
(a) Books of Record and Account.	21
(b) Financial Statements	21
Section 8. Costs and Budgets.	22
(a) CRC Costs.	22
(b) Employee Cost Reimbursement.	22
(c) Capital Expenditure Budget	22
(d) Operating Budget	23
Section 9. Cost Sharing	23
(a) Accounting Plan.	23
(b) Usage Statement.	24

-vi-

Page

(c) Expense Statement.	25
(d) Capital Expenditure Statement.	25
(e) Bills.	25

	(f) Payment.	26
	(g) Disputed Bills	26
Section 10.	Access.	26
Section 11.	Liability	26
	(a) Operators' Sole Responsibility	27
	(b) Operators' Joint Responsibility.	27
	(c) CRC Responsibility - Allocation and Insurance.	27
	(d) Process.	28
	(e) Indemnification.	29
	(f) Specified Level Damages.	29
	(g) Substance Abuse Exception.	31
	(h) Transaction Agreement.	31
	(i) Damages.	31
Section 12.	No Partnership.	31
Section 13.	Arbitration	32
Section 14.	Term.	32
Section 15.	Force Majeure	32

-vii-

		Page
Section 16.	Entire Agreement.	32
Section 17.	Amendment and Waiver.	33
Section 18.	Severability.	33
Section 19.	Remedies.	33
	(a) Entitlement to Certain Remedies.	33
	(b) Preclusion of Certain Remedies	33
Section 20.	Interpretation.	33
Section 21.	Headings.	34
Section 22.	Parties	34
Section 23.	Assignment.	34
	(a) Limitation	34
	(b) Successor.	34
Section 24.	Notices	34
Section 25.	Governing Law	35

EXHIBIT A - Operating Protocols

-viii-

OPERATING AGREEMENT

FOR

NORTH JERSEY

This SHARED ASSETS AREA OPERATING AGREEMENT ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, all capitalized terms in this Agreement have the respective meanings set forth in Section 1; and

WHEREAS, CSX owns all of the common stock of and controls CSXT, NSC owns all of the common stock of and controls NSR, and CSX and NSC jointly control CRC; and

WHEREAS, CSXT, NSR and CRC desire that the Shared Assets shall be owned, operated and maintained by CRC and used by or for the exclusive benefit of CSXT and NSR, and that CSXT and NSR shall each have full and equal rights to use the Shared Assets to provide competitive railway freight transportation services to, from and between all places within the Shared Assets Area.

NOW, THEREFORE, in consideration of the premises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, CRC, CSXT and NSR hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms have the following meanings:

(a) "AAR" means the Association of American Railroads.

(b) "Accounting Plan" means the plan of accounting adopted pursuant to Section 9(a).

(c) "Action" means any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity.

(d) "Adjacent Improvement" means a capital improvement, such as a spur, which provides access to customers and local industries and which (i) is on property which is not part of the Shared Assets and (ii) will be directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets.

(e) "Bill" means a bill delivered by CRC to an Operator pursuant to Section 9(e).

(f) "Billing Month" means the calendar month for which information is shown on a Usage Statement.

(g) "Board of Managers" means any Board of Managers which may be appointed by the CRC Board pursuant to Section 2(a)(ii).

(h) "Budgeted Capital Expenditures" means capital expenditures included on a Capital Expenditure Budget which has been approved by the CRC Board.

(i) "Capital Expenditure Budget" means a written budget specifying proposed capital expenditures to be made by CRC with respect to Shared Assets for the periods of time specified in such budget, and the proposed sources of the capital required to make such expenditures.

(j) "Capital Expenditure Statement" means a statement delivered by CRC pursuant to Section 9(d).

(k) "CRC Administrative Office" means the administrative office of CRC located at Philadelphia, Pennsylvania, or at such other place designated by CRC in a notice it delivers to CSXT and NSR.

(l) "CRC Board" means the Board of Directors of CRC.

(m) "CRC Train" means a train operated by CRC and performing services pursuant to Sections 3(c) or (d).

(n) "CRC Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total number of loaded and empty Railcars in the account of such Operator in CRC Trains, by (ii) the total number of loaded and empty Railcars in the accounts of both Operators in CRC Trains, during such time period in such Zone.

-2-

(o) "CSX" means CSX Corporation.

(p) "CSXT Operating Agreement" means the agreement, dated June 1, 1999, between CSXT and NYC providing for the use, operation and maintenance by CSXT of certain assets owned or leased by NYC.

(q) "Damage(s)" means all assessments, fines, losses, damages, liabilities, and costs and expenses related thereto, including, without limitation, interest, penalties and attorneys' and consultants' fees and also expressly including, without limitation, all liabilities arising after the effective date hereof under the Federal Employers Liability Act, as amended, and environmental laws.

(r) "Dispute Letter" means a letter delivered by an Operator pursuant to Section 9(g)(i).

(s) "Excluded Taxes" means: (A) all Taxes based, in whole or in part, on net income or gross income (including, without limitation, any minimum tax) of CRC or which are in substitution for, or relieve CRC from, any Tax based upon or measured by CRC's net income or gross income, together with any interest, penalties, additions to tax or additional amounts that may become payable in respect thereof; (B) business and occupation taxes, and gross receipts taxes (unless in the nature of a sales tax) of CRC and Taxes based upon the equity interests of CRC; and (C) interest, fines and penalties to the extent due to the acts or omissions of CRC in connection with such Excluded Taxes.

(t) "Expense Statement" means a statement delivered by CRC pursuant to Section 9(c).

(u) "GAAP" at any time means generally accepted accounting principles in effect at such time.

(v) "General Manager" means the chief executive officer of CRC.

(w) "Governmental Entity" means any federal, state, local or foreign court, administrative agency or commission or other governmental or regulatory authority or commission or any arbitration tribunal.

(x) "Interest Rental" means an amount representing a fair periodic return on the Shared Asset Value as of the most recent preceding Valuation Date as determined by such appraiser as CSXT and NSR may select. The Interest Rental for the first six years of this Agreement shall be as follows:

June 1, 1999 through May 31, 2000 -- \$14 million
June 1, 2000 through May 31, 2001 -- \$14 million
June 1, 2001 through May 31, 2002 -- \$16 million
June 1, 2002 through May 31, 2003 -- \$18 million
June 1, 2003 through May 31, 2004 -- \$20 million
June 1, 2004 through May 31, 2005 -- \$22 million

(y) "Jointly-Operated Facility" means a facility or yard which is operated by or for a rail carrier and one or more other rail carriers.

(z) "Lesser Insured Operator" means the Operator which has the lesser (as between the Operators) amount of available insurance benefits as specified in Section 11(f)(i)(A.1)(2).

(aa) "Letter Agreement" means the letter agreement dated May 1, 1999 between NSC and CSX relating to the settlement of certain matters.

(bb) "Liabilities" means any and all debts, liabilities and obligations of any kind whatsoever, whether or not accrued, contingent or reflected on a balance sheet, known or unknown, absolute, determined, determinable or otherwise, including, without limitation, those arising under any law, rule, regulation, action, order or consent decree of any Governmental Entity or any judgment in any Action of any kind or award of any arbitrator of any kind and those arising under any contract.

(cc) "Nonseverable Improvement" means a capital improvement which is integral to the operation of the Shared Assets and is not readily removable.

(dd) "NSC" means Norfolk Southern Corporation.

(ee) "NSR Operating Agreement" means the agreement, dated June 1, 1999, between NSR and PRR providing for the use, operation and maintenance by NSR of certain assets owned or leased by PRR.

(ff) "NYC" means New York Central Lines LLC, a Delaware limited liability company.

(gg) "Operating Budget" means a written budget specifying estimated operating revenues and expenses and working capital requirements of CRC with respect to the Shared Assets for the periods of time specified in such budget.

(hh) "Operating Plan" means the plan for road train and local train schedules and classifications and related operating protocols for the Shared Assets Area as may be agreed to, and modified from time to time, by CRC, CSXT and NSR.

(ii) "Operator" means either CSXT or NSR.

(jj) "Operator Consequential Damages" means consequential, indirect, incidental or other similar damage, injury or loss to an Operator.

(kk) "Operator's Expense Percentage" means for an Operator the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total Reimbursable Expenses (except for Interest Rental, Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by such Operator for a particular period, by (ii) the total Reimbursable Expenses (except for Interest Rental, Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by both Operators for such period.

(ll) "Operator's Facility" means a present, expanded or new facility or yard which is owned or controlled exclusively by an Operator.

(mm) "Operator Train" means a train operated by an Operator and performing services in accordance with Sections 3(a) and 3(c).

(nn) "Person" means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

(oo) "Program Maintenance" means scheduled renewal of track, signals, structures and other fixed facilities performed by system or production gangs assembled to accomplish a specific task or tasks.

(pp) "Program Maintenance Proposal" means a written proposal prepared by CRC, CSXT or NSR which describes specific Program Maintenance which the preparer of such proposal believes is necessary or desirable to maintain the Shared Assets in a safe operating condition to permit or facilitate (i) the performance by CRC of its services pursuant to this Agreement, or (ii) the use of Shared Assets by the Operators, and which specifies a budget for such Program Maintenance.

-5-

(qq) "PRR" means Pennsylvania Lines LLC, a Delaware limited liability company.

(rr) "Railcar" means, except as otherwise provided in the Accounting Plan, each railroad freight car, locomotive, caboose or other equipment (including RoadRailer or comparable bimodal freight hauling equipment in the account of either Operator) furnished in substitution of railroad equipment, loaded or empty, which an Operator originates, terminates, switches or moves on or overhead to any Shared Assets, except that (i) a single standard flat car not exceeding 96 feet in length (excluding articulated flat cars) shall count as a single Railcar, (ii) freight rail cars consisting of articulated units bearing AAR Car Type Codes "Q" and "S" shall count as multiple Railcars based on the second (numeric) digit of the Car Type Code for such articulated units (by way of example, a car consisting of AAR Car Type Code "S566" would be counted as five Railcars) (or corresponding car type codes and digits if the AAR Car Type Codes should be modified at any time during the term of this Agreement), and (iii) a single unit of RoadRailer equipment (or comparable bimodal freight hauling equipment in the account of either Operator) shall count as one-half (1/2) of a Railcar.

(ss) "Reimbursable Expenses" means the expenses shown on an Expense Statement, minus the revenues, if any, shown on such Expense Statement.

(tt) "Renewal Term" means the term of extension of this Agreement under Section 14.

(uu) "RoadRailer " means bimodal freight hauling equipment manufactured by or under license from "RoadRailer ", a division of Wabash National Corporation, and capable of movement over the highway when pulled by a tractor and on the rails using locomotive power.

(vv) "Routine Maintenance" means day-to-day repairs to track, signals, structures and other fixed facilities that are not part of Program Maintenance.

(ww) "Severable Improvement" means a capital improvement which is not a Nonseverable Improvement.

(xx) "Shared Asset Value" means at any date the value of the Shared Assets, except leases and other contract rights

granted by either Operator to CRC, as of the most recent preceding Valuation Date as determined by such appraiser as CSXT and NSR may select.

(yy) "Shared Assets" means all tracks, lands, easements, rights of way, structures, facilities, appurtenances and rights related thereto, which CRC owns, leases or otherwise has the right to operate over (including those segments over which CRC or an Operator possesses operating rights pursuant to Section 3(c)), and which are used for railway purposes in the Shared Assets Area, including the properties, rights, equipment, inventory and supplies, whether owned or leased, described or referred to in Item 3A of Schedule 1 (including Attachments I and II) of the Transaction Agreement, but excluding Operator's Facilities.

-6-

(zz) "Shared Assets Area" means the geographical area comprising the Shared Assets and Operator Facilities and Jointly-Operated Facilities directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets, which is designated as the "North Jersey" Shared Assets Area.

(aaa) "STB" means the Surface Transportation Board or, if there shall be no Surface Transportation Board, any federal agency which is charged with the function of approving combinations by rail carriers or persons controlling them, or of other arrangements between rail carriers, and granting exemptions from other laws with respect thereto or regulating other specific functions with respect to the context in which such term is employed or any successor entity thereof.

(bbb) "Switching and Yard Services" means the service of classifying and assembling trains for the account of an Operator in Jointly-Operated Facilities; movement of loaded or empty Railcars between yards and local industries; and switching trains and Railcars at yards, terminals and local industries.

(ccc) "Tax" or "Taxes" means taxes of any kind, levies or other similar assessments, customs, duties, imposts, charges or fees, including, without limitation, income taxes, gross receipts, ad valorem, excise, real or personal property, sales, use, payroll, withholding, unemployment, transfer and gains taxes or other governmental taxes imposed by or payable to the United States, or any state, local or foreign government or subdivision thereof, and in each instance such term shall include any interest, penalties or additions to tax attributable to such Tax or Taxes.

(ddd) "Temporary Services" means services provided by CSXT or NSR employees in the operation, maintenance or repair of any Shared Asset on an emergency basis with the prior approval of the General Manager or senior CRC employee who is directly responsible for the operation or maintenance of such Shared Asset.

(eee) "Tier One Damages" means those Damages defined as Tier One Damages in Section 11(f) (i) (A.1).

-7-

(fff) "Tier Two Damages" means those Damages defined as Tier Two Damages in Section 11(f) (i) (B.1).

(ggg) "Total Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the sum of the total number of loaded and empty Railcars in the account of such Operator in CRC Trains and the total number of loaded and empty Railcars in the account of such Operator in

Operator Trains, by (ii) the sum of the total number of loaded and empty Railcars in the accounts of both Operators in CRC Trains and the total number of loaded and empty Railcars in the accounts of both Operators in Operator Trains, during such period in such Zone.

(hhh) "Transaction Agreement" means the Transaction Agreement dated as of June 10, 1997, among CSX, CSXT, NSC, NSR, Conrail Inc., CRC and CRR Holdings LLC.

(iii) "Usage Statement" means a statement delivered by CRC pursuant to Section 9(b).

(jjj) "USOA" means the uniform system of accounts prescribed for class I railroads by the STB or any successor federal agency that shall succeed to the functions of the STB in prescribing uniform systems of accounts for rail carriers; provided, that if there shall be no STB and no such federal agency, USOA shall mean such system of accounts as is generally maintained by rail carriers consistent with GAAP as applied in the rail industry.

(kkk) "Valuation Date" means the date of this Agreement and thereafter the sixth (6th), twelfth (12th), eighteenth (18th) and twenty-fourth (24th) anniversaries of the date of this Agreement and the first day of each Renewal Term.

(lll) "Zone" means a designated geographic section, or designated facilities, of the Shared Assets Area as established and described in the Accounting Plan.

Section 2. Management.

(a) CRC Board.

(i) The CRC Board shall manage the Shared Assets.

(ii) The CRC Board may appoint a Board of Managers, a committee, a CRC officer or other persons to have such duties and authority with respect to the Shared Assets as may be assigned to them from time to time by the CRC Board.

-8-

(iii) Any Board of Managers appointed by the CRC Board shall be comprised of an equal number of individuals (and their successors) nominated by CSXT and nominated by NSR.

(iv) The CRC Board shall remove from any Board of Managers (A) at the direction of CSXT, any person who was nominated by CSXT, and (B) at the direction of NSR, any person who was nominated by NSR.

(b) General Manager.

(i) The General Manager shall not at any time have been an employee of CSXT or NSR or any of their affiliates unless otherwise agreed to by both Operators, and shall be appointed by the CRC Board.

(ii) The General Manager shall manage and supervise the owner ship, operation, maintenance and use of the Shared Assets in accordance with directives and policies of the CRC Board and this Agreement, subject to the authority of the CRC Board, and through such Shared Assets Area superintendents and other Shared Assets Area executives as are appointed by the General Manager with the approval of the CRC Board. The General Manager shall report to the CRC Board. The General Manager shall perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR.

(iii) The General Manager may be removed from office prior to the expiration of his or her term at any

time by a majority of the CRC Board for any reason or for no reason. Upon the written request of CSXT or NSR to the CRC Board, the General Manager shall also be removed from office prior to the expiration of his or her term for serious misconduct, which shall mean conduct that would make it unreasonable to retain the General Manager, including but not limited to conduct such as: (A) violation of applicable alcohol or drug use policies, (B) fraud, (C) embezzlement or other act of dishonesty against CRC, CSXT or NSR or any of their customers or suppliers, (D) activities willfully undertaken by the General Manager which reflect adversely upon the reputation of CRC, CSXT or NSR, (E) refusal to perform or substantial neglect of the responsibilities assigned to the General Manager, (F) failure to perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR after 45 days' written notice from an Operator describing such failure, (G) any violation of any law or rule or regulation of any Governmental Entity which results in serious adverse consequences to CRC, CSXT or NSR, or (H) any material violation of any directive or policy of the CRC Board or any statutory or common law duty of loyalty to CRC. If a majority of the CRC Board in response to such a request of CSXT or NSR fails to direct the removal of the General Manager, the dispute may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13, provided, however, that in any such arbitration to resolve a dispute under this Section 2(b)(iii), the hearing shall commence no later than 30 days following the appointment of the arbitrator and the award shall be rendered no later than 30 days following the completion of the hearing.

-9-

(c) Employees. The General Manager and all persons who operate and maintain the Shared Assets shall be employees of CRC, except for CSXT or NSR employees who provide Temporary Services and employees of Operators or independent contractors which provide services pursuant to contracts or arrangements in accordance with Section 2(f).

(d) CRC Responsibilities. CRC shall be responsible for safely and efficiently operating, controlling and managing the use of the Shared Assets, impartially as between CSXT and NSR in accordance with directives and policies of the CRC Board, and with responsible business practices which are consistent with those used by CSXT and NSR in the operation of their businesses, and are designed to achieve the lowest cost of the safe and efficient operation, use and maintenance of the Shared Assets.

(e) Impartiality. CRC shall perform all of its obligations pursuant to this Agreement on an impartial and non-discriminatory basis as between CSXT and NSR, giving no preference to either of them in providing Switching and Yard Services, in the control of train dispatching over the Shared Assets, or in any other way whatsoever.

(f) Independent Contractors. CRC may, at least to the extent it may do so immediately prior to the date of this Agreement, procure the use of equipment or facilities owned by independent contractors, or services provided by independent contractors (using their own employees), with respect to the operation, maintenance and use of Shared Assets, including, without limitation, accounting, computer and other administrative services, and the furnishing of equipment and mechanical services. For purposes of this Section 2(f), independent contractors may include CSXT or NSR.

Section 3. Operations.

(a) Operator's Rights. CRC hereby grants to each Operator full operating rights to operate its own trains (staffed by a road crew) and equipment, with its own crews and equipment and at its own expense, over any and all tracks included in the Shared Assets, and to use all of the Shared Assets in connection with the operation of such trains or equipment, for the following

purposes:

-10-

(i) Movement by such Operator of trains (staffed by a road crew) through the Shared Assets Area between two geographical locations outside the Shared Assets Area;

(ii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and an Operator's Facility or a Jointly-Operated Facility which is within the Shared Assets Area;

(iii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and local industries which are within the Shared Assets Area;

(iv) Movement by such Operator of trains (staffed by a road crew) between Operator's Facilities or Jointly-Operated Facilities which are within the Shared Assets Area and local industries which are within the Shared Assets Area;

(v) Movement, handling, pick-up, set off, switching, transfer and interchange of Railcars, blocks of Railcars or trains (staffed by a road crew) to, from or at local industries, Operator's Facilities or Jointly-Operated Facilities, in connection with movements described in Sections 3(a)(i) through (iv), to the extent provided for in the Operating Plan agreed to and modified by the parties from time to time; and

(vi) such other purposes as may be agreed upon by CRC, CSXT and NSR.

(b) Use. The crews of each train operated by an Operator on Shared Assets shall be qualified under and shall comply with applicable laws and regulations as well as the safety and operating rules of CRC.

(c) Grant of Rights. Subject to reasonable compensation and other terms established in the Accounting Plan, and in each case for the purpose of Switching and Yard Services performed by CRC pursuant to Section 3(d) and movement of Operator Trains pursuant to Section 3(a):

(i) CSXT hereby grants to CRC and NSR overhead operating rights to operate CRC trains and NSR trains, respectively, with their own crews, over the following CSXT rail line segments:

(A) the current CRC River line between CP2 and the Ridgefield Heights Auto Facility (including the right to serve such Ridgefield Heights Auto Facility); and

-11-

(B) such other CSXT line segments access to and use of which by CRC and NSR are necessary to effectuate the train operations and services contemplated by this Agreement.

(ii) CSXT hereby grants to CRC full operating rights to operate CRC trains, with its own crews, over the CSXT rail line segments within and through the area outlined on red on Exhibit 6 to the Letter Agreement to access and serve on an unimpeded basis (i) customers located on the real estate shown outlined in red on Exhibit 6 and (ii) customers that are located north or west of the area outlined in red and that are accessed via track #283 or via #274. Such trackage rights are subject to relocation by CSXT or NYC, provided that CRC shall continue to have the right to serve the customers referred to in the foregoing sentence from the tracks to which such relocation is made and to operate on an unimpeded basis over such relocated

tracks. CRC shall have the right to switch, classify and store up to (but not more than) twenty (20) cars at a time on tracks designated from time to time by CSXT within the area outlined in red on Exhibit 6, but solely with respect to service provided to customers on the trackage rights described in this Section 3(c)(ii).

(iii) NSR hereby grants to CRC and CSXT overhead operating rights to operate CRC trains and CSXT trains, with their own crews, over such NSR line segments access to and use of which by CRC and CSXT are necessary to effectuate the train operations and services contemplated by this Agreement.

(iv) NSR hereby grants to CRC full operating rights to operate CRC trains, with its own crews, over the NSR rail line segments within and through the area shown in green on Exhibit 7 to the Letter Agreement to access and serve on an unimpeded basis the customers located on the real estate shown in green on Exhibit 7. Such trackage rights are subject to relocation by NSR or PRR, provided that CRC shall continue to have the right to serve the customers referred to in the foregoing sentence from the tracks to which such relocation is made and to operate on an unimpeded basis over such relocated tracks. CRC shall have the right to switch, classify and store up to (but not more than) twenty (20) cars at a time on tracks designated from time to time by NSR within the area colored green on Exhibit 7, but solely with respect to service provided to customers on the trackage rights described in this Section 3(c)(iv).

(v) CSXT hereby grants to CRC and NSR the right to use Manville Yard for the purpose of basing local trains, classifying and assembling trains and switching Railcars, but not for the purpose of serving local industries located at such yard.

-12-

When required by the CSXT Operating Agreement and the NSR Operating Agreement, CSXT and NSR have obtained the consent of NYC and PRR, respectively, for the grant of rights referred to in this Section 3(c). Notwithstanding any other provision of this Agreement, each rail line segment identified in this Section 3(c) shall be dispatched, maintained, operated and controlled by the Operator which granted the rights with respect to such segment, provided that such dispatching, maintenance, operation and control shall be performed on an impartial and non-discriminatory basis as between the Operators. Trains operated by an Operator pursuant to operating rights granted under this Section 3(c) shall be governed by and subject to the Operating Plan.

(d) Switching and Yard Services.

(i) At the request of and as agent for each Operator, CRC shall perform Switching and Yard Services required by such Operator within the Shared Assets Area, including without limitation any such services which such Operator may be responsible for performing or having performed for a shipper or other Person.

(ii) Except as otherwise provided in Section 3(a), and other than within an Operator's Facility, neither Operator shall with its own equipment or with its own crews perform any Switching and Yard Service within the Shared Assets Area for itself or for any other Person.

(e) Operating Protocols. From time to time, NSR, CSXT and CRC may mutually establish Shared Assets Area Operating Plans, General Dispatching Guidelines, Car Movement Guidelines, Switching/Blocking Requirements and other operating protocols and rules concerning operations within the Shared Assets Area, for the purpose of assuring timely train operations, fluid movement of all railcars, equal and impartial handling of Operators' trains and railcars, minimization in the number of empty cars in

the Shared Assets Area, and overall operating efficiency in the Shared Assets Area. The current Operating Protocols have been agreed upon by NSR, CSXT and CRC and are set forth as Exhibit A to this Agreement. The Operating Protocols may be modified only upon mutual agreement of all parties.

(f) Freight Traffic To Remain in Account of Each Operator. Switching and Yard Services and other services performed by CRC for either Operator under this Agreement shall be performed as agent for, and for the account of, such Operator. All freight traffic and Railcars handled within the Shared Assets Area, including traffic and Railcars handled by CSXT or NSR pursuant to Sections 3(a) and 3(c), and traffic and Railcars handled by CRC pursuant to Sections 3(c) and 3(d), shall at all times remain in the waybill, car hire and revenue accounts of either CSXT or NSR.

-13-

(g) Rates, Routes and Divisions. Each Operator shall have exclusive and independent authority to establish all rates, charges, service terms, routes and divisions, and to collect all freight revenues, relating to freight traffic transported for its account to, from and within the Shared Assets Area (except those Shared Assets Area line segments over which such Operator possesses only overhead operating rights pursuant to Section 3(c)). CRC shall not participate or appear in any rates, routes or divisions relating to any freight traffic whatsoever to, from and within the Shared Assets Area, and shall not be entitled to or responsible for any freight charges relating to such freight traffic. CRC shall not quote or establish any rate or service terms applicable to freight transportation services to, from and within the Shared Assets Area, enter into transportation contracts with any Person (other than an Operator) for freight transportation services to, from and within the Shared Assets Area, or undertake to perform any for-hire transportation services directly, in its own name or for its own account for any Person (other than an Operator). The transfer or exchange of freight traffic between CSXT and CRC, and between NSR and CRC, within the Shared Assets Area shall not constitute an interchange of freight traffic or freight rail cars for purposes of determining rates, routes, divisions or interline settlements relating to any such freight traffic.

(h) Shipper Bills. Neither Operator shall inform the other or CRC of any rates or charges to shippers to which such Operator provides freight transportation services in the Shared Assets Area, and no copies of any shipper bill of lading or waybill shall be given by such Operator to the other or to CRC except to the extent that such documents are exchanged between rail carriers in the usual course of interline shipments and documenting.

(i) Service Responsibility. Each Operator shall at all times be solely responsible for obtaining, supplying and routing Railcars other than locomotives, for all Railcar ownership costs (including per-diem charges and mileage allowances) and for providing service to its shippers within the Shared Assets Area pursuant to its transportation contracts or other prices with its shippers, including interline accounting, and all car hire and demurrage or detention charges associated with Railcars in its account within the Shared Assets Area.

(j) Dispatching. CRC shall, from local locations or a location agreed upon by CSXT and NSR, control the dispatching, scheduling and movement of, and Switching and Yard Services for, all trains (including Operator Trains and CRC Trains) over the Shared Assets (other than Operator's Facilities, unless requested to do so by the Operator thereof) without any discrimination at any time in favor of or against either Operator, but in accordance with written policies and priorities for categories of freight, type of Railcar, size of train and train destinations established from time to time by the General Manager and approved by the CRC Board to achieve the maximum efficiency and lowest

aggregate Shared Asset costs of CRC and the Operators, provided, however, that CSXT and NSR from time to time shall consider, and in the sole discretion of each may adopt, mutually acceptable arrangements giving each Operator one controlled route through the Shared Assets Area to the extent practicable and, if the parties fail to adopt mutually acceptable arrangements giving either Operator such a controlled route, CRC shall control dispatching, scheduling and train movements over the affected Shared Assets as heretofore provided. CRC shall also control the dispatching, scheduling, movement and Switching and Yard Services for all CRC Trains and Operator Trains over the current CRC River Line between CP 2 and CP 5. Dispatching, scheduling and movement of trains performed by either Operator under this Section 3(j) shall conform to the same standards of non-discrimination, written policies and priorities applicable to the control of such functions by CRC at other locations included within the Shared Assets Area.

-14-

(k) Railcar Weighing. All Railcars for the account of an Operator which originate or terminate on Shared Assets and which require weighing shall be weighed by and at the expense of such Operator or its customer, and at no cost to CRC.

(l) Freight Claims. The Operators shall agree among themselves on the most fair, practical and efficient arrangements for handling and administering freight loss and damage claims with the intent that (i) each Operator shall be responsible for losses occurring to lading either in its possession or in the possession of CRC for the account of such Operator, and (ii) the Operators shall follow relevant AAR rules and formulas in providing for the allocation of losses which are either of undetermined origin or in Railcars handled in interline service by or for the account of both Operators.

(m) Freight Car Repairs. If any Railcars are bad ordered while on the Shared Assets and must be set out from a CRC Train or Operator Train, CRC shall promptly return such Railcars to the Operator in whose account such Railcars reside in accordance with such Operator's instructions. CRC shall furnish, at such Operator's expense, required labor and material to perform, and shall perform, light repairs on such bad ordered Railcars as necessary to make such Railcars legal and safe for movement. CRC shall bill such Operator for the costs of such light repairs in accordance with the Field and Office Manuals of the AAR Interchange Rules in effect at the time such repairs are performed. CRC shall bill directly to and collect from the applicable Operator charges for repair items that, under the AAR Interchange Rules, are the responsibility of the Railcar owner and/or the handling line carriers. Each Operator may rebill charges for repair items that are the responsibility of the Railcar owner and/or the handling line carriers. If any such bad ordered Railcar cannot be made legal and safe for movement by the performance of light repairs, CRC shall, at such Operator's expense, arrange for appropriate removal of the affected Railcar in accordance with such Operator's instructions.

(n) Train Services. Actual costs incurred by CRC to provide special services (other than services otherwise provided for in this Agreement) at the request of an Operator with respect to trains, locomotives and Railcars for the account of such Operator, shall be paid by such Operator to CRC, provided that the costs and terms of similar special services rendered to each Operator shall be without discrimination between Operators as to cost and terms, giving due allowance to any differences in the costs of providing such services.

-15-

(o) Wrecking Service. Wrecking service or wrecking train service required in connection with services contemplated by this Agreement shall be provided by CRC (or its designee) as

promptly as possible.

(p) Admission of Third Parties. Notwithstanding any other provision in this Agreement, no party may permit any Person (other than a party hereto) to have access to, operate over or use any Shared Asset without the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

Section 4. Equipment and Properties.

(a) Procurement. CRC shall procure, operate and maintain all equipment, real property rights and improvements thereon which are reasonably required for (i) CRC to operate the Shared Assets, and (ii) the Operators to move trains over the Shared Assets, in each case in accordance with this Agreement.

(b) Contribution of Locomotives by Operators. Upon reasonable request by the General Manager, the Operators shall furnish to CRC, through full-service lease or other mutually satisfactory arrangements, locomotives reasonably required by CRC for the performance of its obligations under this Agreement. The respective obligations of each Operator to furnish such locomotives shall be based, insofar as reasonably practicable, upon the Operator's CRC Train Usage Percentage during the calendar month preceding such request for the Shared Assets Area or Zone in which such locomotives are needed by CRC. It is the parties' intention that (i) the arrangements pursuant to which such locomotives are furnished by either Operator to CRC shall provide that heavy maintenance, repair and overhaul shall be the responsibility of such Operator, (ii) locomotives furnished by either Operator to CRC may, in order to permit maintenance, repair and overhaul of such locomotive units, be exchanged for other locomotive units furnished by such Operator, and (iii) the respective obligations of each Operator to furnish such locomotives upon request by the General Manager shall be adjusted on at least a monthly or more frequent basis.

(c) Locomotive Service and Repairs. At the request of an Operator, CRC shall furnish required labor and material to perform, and shall perform, fueling and servicing of any Operator's locomotive, as well as light repairs on any Operator's locomotive as necessary to make such locomotive legal and safe for movement. CRC shall bill such Operator (or other owner of such locomotive) for the costs of such fueling, servicing and light repairs in accordance with industry practice in effect at the time such fueling, services or repairs are performed. If any such locomotive cannot be made safe for movement by the performance of light repairs, CRC shall, at the expense of such Operator (or other owner of such locomotive), arrange for appropriate removal of such locomotive in accordance with such Operator's instructions.

-16-

Section 5. Maintenance.

(a) Routine Maintenance.

(i) CRC shall be responsible for Routine Maintenance when necessary or desirable to maintain the Shared Assets in a safe operating condition, and to permit and facilitate (A) the performance by CRC of its obligations pursuant to this Agreement, and (B) the use of Shared Assets by the Operators in accordance with this Agreement.

(ii) CSXT or NSR, directly or through their respective affiliates, may perform the work which CRC performed prior to the date of this Agreement when (A) CRC does not possess the skills needed for such work, (B) CRC lacks the necessary employees to do such work in a timely fashion, or (C) CRC does not possess the equipment needed to do such work. CRC and the party performing the work shall agree to a reasonable fee for

such work prior to performance. CRC, CSXT and NSR may agree to have additional work performed either by CSXT, NSR or their affiliates.

(b) CRC Program Maintenance.

(i) The General Manager shall prepare and submit to the CRC Board a Program Maintenance plan concurrently with the submission of an Operating Budget and the Capital Expenditure Budget to the CRC Board.

(ii) Any of CRC, CSXT or NSR may at any time deliver a Program Maintenance Proposal to the other two of them and to the General Manager and each member of the CRC Board.

(iii) The CRC Board shall either (A) approve any or all of such Program Maintenance Proposals and plan with such changes as it deems appropriate, include the costs thereof in a pending or amended Capital Expenditure Budget, and direct the General Manager to cause the maintenance described in approved Program Maintenance Proposals or plan to be performed in accordance with Sections 5(b)(iv) and (v), or (B) disapprove any or all of such Program Maintenance Proposals or plan.

-17-

(iv) Program Maintenance shall be the responsibility of CSXT and NSR pursuant to contracts or arrangements with CRC, and CRC shall not perform Program Maintenance, except for Program Maintenance which can be provided by Persons other than CSXT or NSR at a lower cost to CRC than the CSXT or NSR cost thereof.

(v) CRC shall select, to perform each Program Maintenance project or program, the Operator which CRC reasonably determines will perform such project or program at the least cost to CRC consistent with safe and efficient operations, and taking into account scheduling considerations, based on written proposals submitted by each Operator.

(c) Maintenance Standards. Unless otherwise authorized by the CRC Board, the General Manager shall prepare and submit to the CRC Board proposals (including the Program Maintenance plan submitted pursuant to Section 5(b)) for the performance of such Routine Maintenance and Program Maintenance as is reasonably necessary to keep and maintain the Shared Assets substantially in their condition as of the date of this Agreement. If the CRC Board fails either to approve or disapprove by majority vote any such proposal within 45 days after it was submitted to the CRC Board, the disagreement over the propriety or need for any of the Routine Maintenance or Program Maintenance included in such proposal may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

Section 6. Capital Improvements. Except as provided in Section 5, all capital improvements involving Shared Assets shall be governed by the following provisions:

(a) Proposed Projects. Either Operator, CRC or the General Manager may propose to the CRC Board from time to time capital improvement projects. Each such project shall be reviewed by the CRC Board, which may approve or disapprove by majority vote, or fail to approve, such projects.

(b) CRC Board Approved Projects. Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(c) Nonseverable Improvement Projects.

(i) At the written request of an Operator delivered to the other, each Operator shall, within 45 days of the delivery of such request, submit to an arbitrator in

-18-

accordance with Section 13 a written proposal with respect to a Nonseverable Improvement project which was neither approved nor disapproved by majority vote by the CRC Board within 45 days after such project was proposed to the CRC Board (A) describing any changes which such Operator proposes be made to such project and specifying a schedule, budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement, or (B) proposing that it not be made.

(ii) The arbitrator receiving the proposals referred to in Section 6(c)(i) (A) shall consider (1) the degree, if any, to which the construction, operation and use of such Nonseverable Improvement would impair or interfere with the use of Shared Assets by CRC or either Operator, or conflict with any pending capital improvements included in an approved Capital Expenditure Budget, and (2) the budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement as proposed by each Operator, and (B) shall determine within 45 days of such receipt which of such proposals shall be implemented, or that such Nonseverable Improvement shall not be made, and the CRC Board shall approve any proposal which such arbitrator determines shall be implemented.

(d) Severable Improvement Projects.

(i) Each Operator shall have the unilateral right to construct and exclusively fund any Severable Improvement which was not approved by the CRC Board.

(ii) Each Severable Improvement funded exclusively by an Operator shall be used exclusively by that Operator, which shall be solely responsible for maintaining such Severable Improvement at its own expense, until such time that the other Operator gives written notice that it desires also to use such Severable Improvement, stating the amount which such other Operator is prepared to pay to the Operator which initially funded such Severable Improvement for the right to use such Severable Improvement.

(iii) If the Operators are unable to agree on the amount of such payment within 45 days after the notice referred to in Section 6(d)(ii) was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, each Operator shall, within 15 days of the delivery of such request, submit to an arbitrator in accordance with Section 13 a written statement setting forth the proposed payment by the second Operator, and the arbitrator shall within 45 days of such receipt determine which of such proposed amounts shall apply, which shall be binding on both Operators and paid promptly.

-19-

(iv) Such Severable Improvement shall become a Nonseverable Improvement at the time such second Operator pays the amount so determined and, thereafter, maintenance and other costs associated with the operation of such improvement shall be apportioned between the Operators as provided in this Agreement.

(e) Capital Improvements as Shared Assets. Upon completion, all capital improvements approved by the CRC Board and all Nonseverable Improvements shall become part of the Shared Assets owned by CRC subject to all provisions of this Agreement,

free and clear of all Operator liens.

(f) Title to Severable Improvements. Each Operator shall retain title to all Severable Improvements exclusively funded by such Operator. At any time during the term of this Agreement, an Operator may remove (at its sole expense) any Severable Improvement which it exclusively funded, provided that such Operator has repaired (at its sole expense) any damage to a Shared Asset caused by such removal and has restored the related Shared Assets substantially to their condition at the time such Severable Improvements were made. In the event an Operator shall not have removed any Severable Improvement to which the Operator shall have title prior to the expiration or termination of this Agreement, title to such Severable Improvement shall vest in CRC, free and clear of all Operator liens, upon such expiration or termination.

(g) Noninterference. The construction, operation and use of Severable Improvements by an Operator shall not impair or interfere with the use of Shared Assets by CRC or the other Operator, nor shall any Severable Improvement conflict with any pending capital improvements included in an approved Capital Expenditure Budget.

(h) Switch Connections. CRC shall, upon the written request of one or both Operators, provide for switch and turnout connections from Shared Asset tracks to a private sidetrack owned by a shipper or other Person, if such request:

(i) includes the commitment of the Operator or both Operators making such request, or

(ii) is accompanied by a written undertaking from such shipper or other Person, in each case satisfactory to CRC, to pay to CRC all costs incurred from time to time by CRC to provide for such switch and turnout connections within 30 days after it delivers a bill for such costs to such Operator, Operators, shipper or other Person.

-20-

(i) Adjacent Improvements.

(i) In the event an Operator constructs, acquires or funds the cost of an Adjacent Improvement (whether or not such Adjacent Improvement is ultimately owned by such Operator), the other Operator shall be entitled to share usage of such Adjacent Improvement by giving written notice stating the amount which such other Operator is prepared to pay to the first Operator for such right. If the Operators are unable to agree on the amount of such payment within 45 days after such notice was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, the matter shall be submitted for resolution by binding arbitration pursuant to Section 13 and the provisions of Section 6(d)(iii) shall apply to determine the amount of such payment.

(ii) After the second Operator pays the amount so determined, if the first Operator owns or has a property interest in the Adjacent Improvement, the provisions of this Section 6 shall be applied as if such improvement were a Nonseverable Improvement. If a shipper or another Person unrelated to the first Operator owns such Adjacent Improvement, the second Operator shall be entitled to share fully the rights of the first Operator in connection with such Adjacent Improvement in consideration of the initial payment.

(j) Operator's Facilities. The foregoing provisions of this Section 6 shall not apply to any capital improvement (including, but not limited to, a transloading facility or automotive ramp) within an Operator's Facility or the current CRC developable property encompassing current CRC Elizabethport Yard (Trumbull Street Yard) or the CRC developable property east of

current CRC's Chemical Coast Secondary and adjacent to the E-Rail intermodal facility (northern New Jersey).

Section 7. Accounting.

(a) Books of Record and Account. CRC shall keep proper books of record and account, in which full and correct entries shall be made of all CRC transactions, costs, expenses and revenues in accordance with GAAP and the USOA, as modified by the Accounting Plan. All expense and revenue transactions related to the Shared Assets Area shall be readily identifiable by distinct accounting codes.

(b) Financial Statements. CRC shall deliver to each Operator (i) within 30 days after the end of each calendar month, a summary income statement and a summary balance sheet showing as of the last day of and for such calendar month, major categories of CRC revenue, expense, assets and liabilities, (ii) within 30 days after the last day of each CRC fiscal quarter, interim financial statements as of and for the fiscal quarter ended on such day, similar to statements described in Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended, as modified by the Accounting Plan, and (iii) within 30 days after the last day of each CRC fiscal year, statements of income and cash flow and a balance sheet as of and for the fiscal year ended on such day, prepared in accordance with GAAP and the USOA, as modified by the Accounting Plan.

-21-

Section 8. Costs and Budgets.

(a) CRC Costs. CRC shall pay (and, except for Excluded Taxes, CSXT and NSR shall, pursuant to Section 9, reimburse CRC for) all of the costs and expenses to maintain its ownership of the Shared Assets and to operate and maintain the Shared Assets, including but not limited to all Taxes and assessments, licenses, permits and any other governmental authorizations required to own, operate and maintain the Shared Assets, the principal of and interest and premium, if any, on, and all other costs of, its indebtedness and all other costs of its capital.

(b) Employee Cost Reimbursement. CRC shall reimburse CSXT and NSR for the wages, pro rata portion of fringe benefits, other direct employment costs (including additives) and other actual employee-related costs of any CSXT or NSR employee, respectively, who provides Temporary Services.

(c) Capital Expenditure Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each CRC fiscal year, a Capital Expenditure Budget for such fiscal year, specifying for such year the schedule of Program Maintenance and Shared Asset capital improvements to be performed and constructed for the benefit of both Operators during such fiscal year and the months therein during which such expenditures are proposed to be made, for approval, or modification and approval, by the CRC Board.

(ii) The General Manager shall not permit any capital expenditure to be made by CRC, CSXT or NSR except in accordance with the Capital Expenditure Budget in effect from time to time, Severable Improvements exclusively funded by an Operator and emergency capital expenditures made (A) to preserve, or to mitigate a serious diminution in, the value and usefulness of a Shared Asset to CRC, CSXT and NSR, or (B) to prevent or mitigate a serious disruption in the operation and use of the Shared Assets by or for CRC, CSXT or NSR.

-22-

(iii) Any Capital Expenditure Budget may be amended in writing at any time by the CRC Board.

(d) Operating Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each fiscal year of CRC, an Operating Budget for such fiscal year showing the budget amounts of revenues and expenses for each month during such fiscal year, for approval, or modification and approval, by the CRC Board.

(ii) The General Manager shall use all reasonable efforts to prevent CRC expenses with respect to Shared Assets for a period from exceeding the amounts shown on the Operating Budget for such period.

(iii) The General Manager shall give prompt written notice to each member of the CRC Board of any actual or, in the judgment of the General Manager, probable, material change in the revenues, expenses or working capital requirements shown on the Operating Budget for any period.

(iv) Any Operating Budget may be amended in writing at any time by the CRC Board.

Section 9. Cost Sharing.

(a) Accounting Plan. The parties shall develop and implement a written plan of accounting containing a detailed description, by category of cost and location, of the costs associated with the management and operation of the Shared Assets Area and the method by which such costs shall be fairly and properly apportioned among the parties. Such plan of accounting may include separate accounting and sharing of costs for particular Zones, and shall conform to the following general principles:

(i) Forty two percent (42%) of Interest Rental shall be apportioned to CSXT and fifty eight percent (58%) of Interest Rental shall be apportioned to NSR;

(ii) Locomotive ownership, lease, fueling, light repair and servicing costs incurred by CRC within the Shared Assets Area or each Zone (except costs incurred by CRC and charged directly to an Operator pursuant to Section 4(c)) shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

-23-

(iii) Crew compensation and other crew costs incurred by CRC within the Shared Assets Area or each Zone with respect to CRC Trains shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(iv) General and administrative, supervisory and overhead expenses incurred by CRC within the Shared Assets Area or for functions related to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(v) Dispatching and train control costs (including, without limitation, labor, equipment, materials and maintenance expenses) incurred by CRC with respect to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vi) Police and other costs incurred by CRC with respect to security within the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vii) Damage paid by CRC pursuant to Section 11(c) shall be apportioned between the Operators in accordance with Section 11(b);

(viii) All other costs incurred by CRC with respect to the Shared Assets Area or each Zone (except Taxes and insurance) shall be apportioned between the Operators on the basis of the Total Train Usage Percentages;

(ix) Taxes (other than Excluded Taxes) incurred by CRC with respect to the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such Taxes relate; and

(x) Insurance costs incurred by CRC with respect to Shared Assets within the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such insurance costs relate;

If the parties are unable to agree on the terms and provisions of the Accounting Plan, such disagreement may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

(b) Usage Statement. CRC shall deliver to each Operator prior to the last day of each calendar month, a written statement showing for the prior Billing Month:

-24-

(i) the total number of loaded and empty Railcars in the account of each Operator in CRC Trains which performed Switching and Yard Services or operated directly between customer facilities in each Zone;

(ii) the total number of loaded and empty Railcars moved by or for such Operator in Operator Trains which operated overhead or directly to Jointly-Operated Facilities, Operators' Facilities or customer facilities in each Zone;

(iii) the calculation of the CRC Train Usage Percentage and the Total Train Usage Percentage for each Operator for each Zone,

and (A) all Railcars in a train shall be deemed to be on Shared Assets when the first or last Railcar of such train is on Shared Assets and (B) each time that a Railcar is removed from or added to a train in the Shared Assets Area shall constitute a separate movement of such Railcar.

(c) Expense Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing (i) the expenses incurred by CRC to own, operate and maintain the Shared Assets during the Billing Month, (ii) the revenues, if any, derived by CRC from the ownership and operation of the Shared Assets during such Billing Month, and (iii) the Reimbursable Expenses for such Billing Month, in each case computed in accordance with GAAP and the USOA, as modified by the Accounting Plan.

(d) Capital Expenditure Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing the estimated Budgeted Capital Expenditures for the calendar month immediately succeeding the calendar month in which such statement is delivered.

(e) Bills. Concurrently with the delivery to the Operators of a Usage Statement for a Billing Month, CRC shall deliver to each Operator a bill (a "Bill") showing for such Billing Month:

(i) one hundred and two percent (102%) of the amount of each Reimbursable Expense apportioned to such Operator for such Billing Month under the Accounting Plan;

(ii) one-twelfth of fifty percent (50%) of the annual amount of Budgeted Capital Expenditures approved by the CRC Board; and

(iii) one-twelfth of the Interest Rental apportioned to such Operator.

-25-

(f) Payment. Each Operator shall pay to CRC the amount shown on each Bill as being payable by such Operator, on or before the 30th day after the date of such Bill regardless of whether or not such Operator disputes the accuracy of any amount or calculation shown on such Bill.

(g) Disputed Bills.

(i) Any dispute by an Operator of the accuracy of any amount or calculation shown on any Bill shall be described and specified in reasonable detail in a Dispute Letter from such Operator to CRC and the other Operator within two years after the date of such Bill.

(ii) Any amounts or calculations shown on any Bill which are not disputed in accordance with Section 9(g)(i) shall conclusively be deemed to be accurate and shall be binding on each Operator and CRC.

(iii) CRC and both Operators shall promptly endeavor to resolve the disputes described in each Dispute Letter, and if they fail to agree to a resolution of such disputes within 60 days of the delivery of such Dispute Letter to CRC, then the firm of independent public accountants which has been engaged as auditors for CRC shall be engaged to resolve such disputes in accordance with GAAP and the USOA, as modified by the Accounting Plan, and the written resolution of such disputes signed by such accounting firm shall be binding on each Operator and CRC.

(iv) Any adjustments to Bills which result from the resolution of Dispute Letter disputes shall be reflected as charges or credits on the first Bills delivered by CRC to the Operators after such disputes have been resolved.

(v) The fees in connection with the resolution of any Dispute Letter disputes of the accounting firm which has been engaged as auditor for CRC shall be paid fifty percent (50%) by CSXT and fifty percent (50%) by NSR.

Section 10. Access. CRC shall give to each Operator during normal CRC Administrative Office business hours, access to inspect and make copies of any and all books of record and accounts relating to this Agreement, all of which shall be maintained by CRC at the CRC Administrative Office.

Section 11. Liability. Except as otherwise provided in Section 3(1) (Freight Claims), Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), the responsibility between and among CRC, CSXT and NSR for all Damage arising out of, incidental to or occurring in connection with this Agreement shall be apportioned without consideration of fault or negligence of any kind or degree in accordance with the remaining provisions of this Section 11. The provisions of this Section 11 are intended to inure only to the benefit of the parties hereto and their corporate successors and affiliates, and not to create any benefits for any third parties.

-26-

(a) Operators' Sole Responsibility. Except as otherwise provided in Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), each Operator shall assume and bear all responsibility for Damage to its own trains, locomotives and equipment, to Railcars and lading in its possession or being handled for its account and for the death of or injury to its own employees.

(b) Operators' Joint Responsibility.

(i) Train Usage. Except as otherwise provided in (1) Section 11(b)(ii) (First Year), (2) Section 11(a) (Operators' Sole Responsibility), (3) Section 11(c)(i) (CRC Damages Generally), (4) Section 11(c)(ii)(B) (No Reallocation for Insurance), (5) Section 11(f) (Specified Level Damages), and (6) Section 11(g) (Substance Abuse Exceptions), and subject to Section 11(c)(ii)(A) (Net of Insurance), all Damage shall be apportioned between the Operators in proportion to their respective Total Train Usage Percentages in the Zone in which the incident giving rise to such Damage occurred for the 12 calendar month period immediately preceding the incident giving rise to such Damage.

(ii) First Year. If an incident giving rise to Damage for which the Operators are jointly responsible under Section 11(b)(i) (Train Usage) occurs before June 1, 2000, responsibility for such Damage shall be borne equally by the Operators, with each being liable for one-half (1/2) of the damages.

(c) CRC Responsibility - Allocation and Insurance.

(i) CRC Damages Generally. Except as otherwise provided in this Section 11(c), all Damages incurred by CRC, including, without limitation, those Damages apportioned to CRC under Section 11(f) (Specified Level Damages) shall be CRC expenses, allocated as provided in Section 11(b) (Operators' Joint Responsibility), and included in Expense Statements charged to the Operators.

(ii) (A) Net of Insurance.

(1) Notwithstanding any other provision in this Agreement (but subject to Section 11(c)(ii)(B) (No Reallocation for Insurance)), all Damages (including without limitation, loss or destruction of, or damage to, CRC's own property) charged to the Operators, under the Expense Statements or otherwise, shall be net of any CRC insurance. It is the intent of the parties (a) for CRC to look first to any insurance proceeds available to it before attempting to recover any such Damages from the Operators and (b) for the Operators' obligation to make direct payment to CRC not to include any obligation to make direct payment for any Damages covered by insurance procured by or on behalf of CRC.

-27-

(2) If and to the extent that CRC is an insured under, or otherwise provided coverage under, an insurance policy or policies each of which provides coverage for both CRC and one Operator but not the other Operator, and regardless of whether two or more of these policies shall be in existence or have different deductible-retention amounts and/or limits of recovery, then the amount of insurance proceeds deemed "available" under Section 11(c)(ii)(A)(1) to which CRC shall look before either Operator shall have any obligation for direct payment shall, as to each Operator, be the maximum available limit of the insurance providing coverage for both that Operator and CRC.

(B) No Reallocation for Insurance. When part of the apportioned Damage will be satisfied from insurance coverage under this Section 11(c), and part paid directly by the Operator, the insured portion of the Damage shall be apportioned

among or between CRC and the Operators (and consequently between or among their insurers) in the same manner and amounts as it would have been apportioned if the loss were not net of insurance. If any such allocation results in one party hereto suffering a greater uninsured loss than the other(s) because of differing deductibles or self-retentions, that difference in coverage shall not be a basis for any reapportionment or reallocation of Damage.

(d) Process. Each Operator shall be responsible for the payment, handling, administration and disposition of all Damage for which it bears exclusive responsibility under Section 11(a) (Operators' Sole Responsibility), and both Operators shall have joint responsibility for the payment, handling, administration and disposition of all Damage for which they are jointly responsible under Section 11(b) (Operators' Joint Responsibility) and Section 11(c) (CRC Responsibility - Allocation and Insurance). In assigning joint responsibility to both Operators, it is not the intent of this Agreement that the Operators will actually act jointly, but rather that the Operators will agree between themselves on the most practical and efficient arrangements for handling, administering, and disposing of Damage for which they bear joint responsibility, with the objective of eliminating unnecessary duplication of effort and minimizing overall costs.

-28-

(e) Indemnification. Each party to this Agreement covenants and agrees to (i) fully indemnify and save harmless the other parties to this Agreement from and against any payments which are the responsibility of such party under this Agreement, and all expenses, including attorneys' fees and expenses and other expenses of any court or regulatory proceeding, incurred by such other parties in defending any claim that they are liable for such payments, and (ii) defend such other parties against such claims with counsel selected by such party and reasonably acceptable to such other parties.

(f) Specified Level Damages.

(i) Damages Amount. Section 11(a) (Operators' Sole Responsibility) and Section 11(b) (Operators' Joint Responsibility) shall apply directly only when the total amount of all Damages resulting from a single incident is \$25 million or less. Responsibility for Damages resulting from a single incident for which Damages exceed \$25 million shall be allocated as stated in this Section 11(f) (i).

(A.1) Tier One Damages Defined. In this Section 11(f), "Tier One Damages" for any incident occurring during and between June 1, 1999 and May 31, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include the greater of:

(1) \$25 million of Damages; or

(2) the lowest amount of Damages which, when allocated among all parties, results in an allocation to either Operator of Damages in an amount equal to all insurance benefits available to that Operator (called the "Lesser Insured Operator") which has the lesser (as between the Operators) amount of insurance benefits available to it, including, without limitation, insurance to which CRC looks under Section 11(c) (CRC Responsibility - Allocation and Insurance). In determining insurance benefits available to the Lesser Insured Operator, both property and liability insurance shall be considered but (I)

only to the extent benefits are actually available in connection with that incident and (II) they shall be calculated separately (i.e., property insurance benefits shall not be considered in any determination of available liability insurance benefits and vice versa).

-29-

In this Section 11(f), "Tier One Damages" for any incident occurring on or after June 1, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include only the first \$25 million of Damages incurred by the parties, unless otherwise agreed by the parties.

(A.2) Allocation of Tier One Damages. Tier One Damages shall be allocated among the parties as follows:

(1) Any Damage for which each Operator would otherwise be solely responsible under Section 11(a) (Operators' Sole Responsibility) shall be allocated as provided in Section 11(a);

(2) Any and all CRC Damages other than those specified in preceding Section 11(f)(i)(A.2)(1) (including, without limitation, Damage to its trains, locomotives and equipment, whether owned or leased, to Railcars and lading in its possession or being handled for its account, and to the property of any others, as well as any Damage arising from or in connection with the death of or injury to any persons, including, without limitation, its own employees) shall be allocated and paid as provided in Section 11(c) (CRC Responsibility - Allocation and Insurance); and

(3) Any and all other Damages shall be allocated as provided in Section 11(b) (Operators' Joint Responsibility).

(B.1) Tier Two Damages Defined. In this Section 11(f), "Tier Two Damages" shall include (1) those Damages allocated to Tier Two under Section 11(g) (Substance Abuse Exceptions) and (2) all of those Damages in excess of the aggregate Tier One Damages calculated under Section 11(f)(i)(A.1).

(B.2) Allocation of Tier Two Damages. Tier Two Damages shall be allocated between or among the parties hereto in proportion to their respective fault or negligence in causing the Damage.

(ii) Dispute Resolution. Any dispute between or among the parties hereto in determining their respective fault or negligence in causing the Damage or otherwise relating to their respective responsibilities for Damage arising out of, incidental to or occurring in connection with any incident shall be submitted for resolution by binding arbitration pursuant to Section 13 (Arbitration).

-30-

(iii) Amendment of Certain Amounts. The \$25 million amount referred to in this Section 11(f) may be adjusted every five years following the date of this Agreement with the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

(g) Substance Abuse Exceptions. Each Operator shall assume and bear all responsibility for Damage to the extent caused by acts or omissions of any of its employees while under the influence of drugs or alcohol, and Sections 11(b) (Operators' Joint Responsibility) and Section 11(f) (Specified Level Damages) shall not apply to any such Damage. If, but for the operation of this Section 11(g), all or any Damages from an incident would otherwise have been Tier One Damages under Section 11(f) (Specified Level Damages), the portion of the Damages caused by acts or omissions of any the employee(s) while under the influence of drugs or alcohol shall be Tier Two Damages, and allocated under Section 11(f) (i) (B.2) (Allocation of Tier Two Damages), and the remaining portion of the Damages from that incident shall be included in, and allocated under, Tier One or Tier Two under the otherwise applicable provisions for Section 11(f) (i).

(h) Transaction Agreement. Section 2.8 of the Transaction Agreement shall control any conflict between Sections 11(b) and (c) and said Section 2.8.

(i) Damages. As used in this Section 11 only, the term "Damage(s)" shall exclude:

(i) Operator Consequential Damages (which are always borne by the Operator which sustained them); and

(ii) any claim by any party, in its own right, against any other party for exemplary or punitive damages, but not for allocation under this Section 11 of exemplary or punitive damages claimed against that party by a third person not a party hereto.

With regard to exemplary and punitive Damages the parties acknowledge and agree that, with regard to the subject of this Agreement, the intent and agreement of the parties is that no party shall bring or recover any claim for exemplary or punitive damages, in its own right, against any other party, but that any party will allocate, in accordance with this Section 11, exemplary or punitive Damages from any claim against it by a third person not a party hereto.

Section 12. No Partnership. Nothing in this Agreement shall be construed to establish a partnership or joint venture between or among CRC, CSXT or NSR or any of their affiliates or associates.

-31-

Section 13. Arbitration. Any dispute, controversy or claim (or any failure by the parties to agree on a matter as to which this Agreement expressly or implicitly contemplates subsequent agreement by the parties, except for matters left to the sole discretion of a party) arising out of or relating to this Agreement, or the breach, termination or validity hereof, shall be finally settled through binding arbitration by a sole, disinterested arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitrator shall be jointly selected by the parties but, if the parties do not agree on an arbitrator within 30 days after demand for arbitration is made by a party, they shall request that the arbitrator be designated by the American Arbitration Association. The award of the arbitrator shall be final, binding and conclusive upon the parties. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, experts and counsel. The compensation and any costs and expenses of the arbitrator shall be borne equally by the

parties. The arbitrator shall have the power to require the performance of acts found to be required by this Agreement, and to require the cessation or nonperformance of acts found to be prohibited by this Agreement. The arbitrator shall not have the power to award consequential or punitive damages. Judgment upon the award rendered may be entered in any court having jurisdiction thereof, which court may award appropriate relief at law or in equity. All proceedings relating to any such arbitration, and all testimony, written submissions and award, of the arbitrator therein, shall be private and confidential as among the parties, and shall not be disclosed to any other Person, except as required by law and except as reasonably necessary to prosecute or defend any judicial action to enforce, vacate or modify such arbitration award.

Section 14. Term. This Agreement shall become effective as of the date first above written and shall remain in effect until the twenty-fifth (25th) anniversary of such date, subject to the right of CSXT and NSR to agree prior to the twenty-third (23rd) anniversary of such date to extend this Agreement for a renewal period of five (5) years; and if so extended, to agree prior to the twenty-eighth (28th) anniversary of such date to further extend this Agreement for an additional renewal period of five (5) years (each such period, a "Renewal Term").

Section 15. Force Majeure. The obligations, other than payment obligations, of the parties to this Agreement shall be subject to force majeure (which shall include strikes, riots, floods, accidents, Acts of God, and other causes or circumstances beyond the control of the party claiming such force majeure as an excuse for non-performance), but only as long as, and to the extent that, such force majeure shall prevent performance of such obligations.

Section 16. Entire Agreement. This Agreement and the Transaction Agreement, including the other Ancillary Agreements (as defined in the Transaction Agreement) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except the letter agreement dated April 8, 1997 between CSX and NSC to the extent such April 8, 1997 letter agreement covers matters not addressed or amended hereby or in the Transaction Agreement or the Ancillary Agreements (as defined in the Transaction Agreement); provided that it is the intent of the parties that this Agreement shall be an effectuation of such April 8, 1997 letter agreement consistent with its terms, and that the provisions of this Agreement shall be interpreted to give effect to such April 8, 1997 letter agreement; and provided further that, in the event of any inconsistency between the terms of this Agreement and such April 8, 1997 letter agreement, this Agreement shall prevail.

-32-

Section 17. Amendment and Waiver. Any amendment to this Agreement must be in writing and executed and delivered by CRC, CSXT and NSR, subject to any jurisdiction of the STB. Any waiver of any term or provision of this Agreement must be in writing and executed and delivered by the party entitled to enforcement of such term or provision.

Section 18. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, such provision is intended to be ineffective only to the most limited extent possible in such context and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 19. Remedies.

(a) Entitlement to Certain Remedies. Each party acknowledges and agrees that the other parties would be irreparably damaged in the event any of the provisions of this Agreement were not performed by it in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each party shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to specifically enforce such provisions, in addition to any other remedy to which such party may be entitled, at law or in equity.

(b) Preclusion of Certain Remedies. In no event shall any party be liable to the other parties for any consequential, indirect, incidental, punitive or other similar damages including, but not limited to, lost profits for any breach or default, or any act or omission arising out of or in any way relating to this Agreement, under any form or theory of action whatsoever, whether in contract, tort or otherwise. The foregoing is not intended to alter or limit the allocation of responsibility for Damage as provided in Section 11.

Section 20. Interpretation. This Agreement was drafted jointly by CSXT and NSR, each of which was advised by its own counsel and other advisors concerning all of the terms and provisions hereof; accordingly, any ambiguity herein should not be construed in favor of or against any of them.

-33-

Section 21. Headings. Headings of Sections and paragraphs in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any term or provision of this Agreement.

Section 22. Parties. This Agreement shall inure to the benefit of and be binding upon CRC, CSXT and NSR and any successor of any of them by operation of law, and any assignee agreed to by them in accordance with Section 23, and nothing in this Agreement is intended or shall be construed to give any other Person any legal or equitable right, remedy or claim under or with respect to this Agreement or any term or provision hereof.

Section 23. Assignment.

(a) Limitation. Except as provided in Section 23(b), neither this Agreement (including the documents and instruments referred to herein) nor any of the rights, interests or obligations hereunder, shall be assigned by any party, including by operation of law, without the prior written consent of the other parties (except to a controlled subsidiary), which consent may be given or refused in the sole discretion of each party.

(b) Successor. Any party without the consent of the other parties may assign all of its rights and obligations under this Agreement only to any successor in the event of a merger, consolidation, sale of all or substantially all its assets (but only if such sale includes all routes and lines owned by such party to access the Shared Assets), if such assignee executes and delivers to the other parties hereto an agreement reasonably satisfactory in form and substance to such other party under which such assignee, which is reasonably satisfactory to the other party, assumes and agrees to perform and discharge all the obligations and liabilities of the assigning party; provided that any such assignment shall not relieve the assigning party from the performance and discharge of such obligations and liabilities.

Section 24. Notices. Any notice given by CRC, CSXT or NSR to the others under this Agreement shall be deemed delivered on the date sent by registered mail, or by such other means as they may agree, and shall be addressed to them as follows:

-34-

(A) If to CSXT:

Executive Vice President and
Chief Operating Officer
CSX Transportation, Inc.
500 Water Street, J120
Jacksonville, Florida 32202

(B) If to NSR:

Senior Vice President Operations
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

(C) If to CRC:

President and Chief Executive Officer
Consolidated Rail Corporation
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

and each of them may from time to time change its address in this Section 24 by written notice delivered to the others.

Section 25. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to principles of conflicts of laws.

-35-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officials as of the day first above written.

CSX TRANSPORTATION, INC.

By: /s/ Peter J. Shudtz

Title: Vice President - Law and
General Counsel - CSX
Corporation, authorized agent
for CSX Transportation, Inc.

NORFOLK SOUTHERN RAILWAY COMPANY

By: /s/ J. L. Manetta

Title: Senior Vice President
Operation

CONSOLIDATED RAIL CORPORATION

By: /s/ Timothy O'Toole

Title: President

-36-

EXHIBIT A

OPERATING PROTOCOLS

Consolidated Rail Corporation
Shared Assets Area
Terminal Capacity Guidelines

Yard Operations

- o Cars loaded or empty moving outbound to either parent* company, which have been made up for train departure at either a serving merchandise yard, Automotive Terminal or jointly used Intermodal Facility will be considered available at the published departure time for scheduled trains and the later of 4 hours after notice to the parent or actual available time (set time) for non-scheduled or extra trains. Cars remaining available for departure in excess of ten (10) hours will be subject to a charge of \$141.00 per car. Thereafter, for every eight (8) hours that the same cars continue to remain on track, along with all other cars of the same block codes within the originating dispatch yard, will be subject to an additional charge of \$141.00 per car.
- o Cars loaded or empty assembled for outbound train dispatch to either parent company will be considered available at published departure time for such scheduled trains. The Shared Assets Areas management will provide four (4) hours advance notice prior to set time on non-scheduled or extra trains before they will be considered available for departure.
- o Management of Shared Assets Areas may refuse an inbound train of the same category when a specific destination terminal has been holding more than one (1) intermodal, automotive, manifest or unit train of a parent for power and/or crew beyond ten (10) hours of scheduled departure or availability and conditions within the involved destination terminal preclude the effective handling of the offered inbound trains.
- o Acts of God, Mainline blockages, labor strikes or other causes to a cessation of consistent service beyond the control of a parent company will be considered by the management of the Shared Assets Areas as to the legitimacy of any assessment.
- o Opportunities for the Shared Assets Areas management to

*The term "parent" means CSXT and/or Norfolk Southern Railway Co. ("NSR") and is not intended to describe the legal relationship between the parties.

consolidate - trains for the benefit of a specific Shared Assets Area operation and the involved parent, as mutually agreed by the parties, will not result in charges on cars designated for the annulled train resulting from said consolidation.

- o An inventory of hold cars awaiting disposition within any given Shared Assets Area territory should not exceed thirty (30) cars per day for either CSXT or NSR individually. The Shared Assets Areas management may elect to limit receipt of inbound car flow from the delinquent parent for the affected Shared Assets Areas territory, in accordance with the guidelines for holding trains. Any loaded or empty car including those in unit train consists carrying a "No Bill" status more than twenty-four (24) hours will be assessed \$10.00 per hour in excess thereof.

- o Trains inbound to the Shared Assets Area territory must have proper car and train documents. If this information is lacking, the Shared Area managers, at their discretion, may hold trains outside the boundaries of the Shared Assets Area until proper documentation is received.
- o Regardless of company of employment, any qualified crew in the Shared Area may operate any locomotive, regardless of ownership, in that area for the purposes of positioning/hostling or movement of light power between yards.

Held Trains

- o In recognition of terminal fluidity and capacity utilization, the Shared Assets Areas management can require, in coordination with a parent's command center, an inbound train to be held outside the boundaries of a Shared Assets Area.
 - Such notification must be given with enough notice for the parent to chamber the train at a location that minimizes disruption to operations.
 - Decisions by the Director of Train Operations of Shared Assets Areas management are final in this regard. Neither parent may compel the Shared Assets Areas management to accept trains.
 - Similarly, the decision to hold out a train other than temporary holds is recognized as a serious action, which will be done only after all other alternatives are exhausted. Data on these actions will be maintained by Shared Assets Areas management and will be regularly available for briefing to the Conrail's Board of Directors at its pleasure.

Storage

- o Neither parent company may store or pre-position cars on Shared Assets Area's tracks, including yard and industrial tracks to which they have access. Empty cars routed to the Shared Assets Areas must have a customer destination assigned, and must be loaded without beginning to accrue charges as described in Conrail's Demurrage Tariff in effect on May 1, 1999. When it is determined that cars cannot be delivered to the customer within 60 hours of arrival, a call will be made to the parent's operations center. After such a call is made, except in extraordinary cases, these cars will then be placed on the parent's first available outbound train.
- o CSXT and NS will independently establish such demurrage and car storage arrangements with customers as each deems proper. Should customers keep or store cars on SAA tracks beyond the time at which charges would begin to accrue as called for in Conrail's Demurrage Tariff in effect on May 1, 1999, then the parent road will be assessed \$100 per car per day to cover the operational cost of congestion and inefficient use of Shared Assets Areas facilities.
- o CSXT and NSR recognize that certain customers are currently provided car storage within the Shared Asset Areas, and that this storage may be essential to the functioning of the business of these customers. CSXT, NSR and Shared Assets will review current pools and by consent of all three parties approve their makeup and location based on operating efficiencies. Thereafter pools will be regularly reviewed for the provision of such storage to avoid congestion. Any request for additional car storage for any Shared Assets

Area customers must be approved by the Parents, who will consider the availability of additional space with a view toward assuring that operations in the Shared Assets Area remain fluid and will not be affected by providing such car storage.

Interchange

- o CSXT and NSR will not interchange cars to each other within the Shared Assets Areas locations unless specifically provided through separate agreements. No open interchanges have been established except at industries.

3

Blocking

- o To ensure the equal and fair use of the Shared Assets Area capacity by its parent companies, the following car classification requirements will govern:
 - Each parent company will be required to block inbound trains for the Shared Assets Areas. Each parent will make the number of blocks called for in the split-date Operating Plan. Failure to comply with inbound blocking requirements and execute appropriate setoffs (unless otherwise directed by Shared Assets management) within the Shared Assets Area will result in an assessment of \$50.00 per loaded or empty car.
 - Management of the Shared Assets Areas will be required to block outbound trains. Parent companies will receive the number of blocks at each Shared Assets Area terminal that is called for in the split-date Operating Plan.
 - Changes to the number of blocks made by or delivered to a Shared Asset terminal may be made only by mutual consent of all three parties.
 - Parent companies, except by joint agreement, may not compel the Shared Assets Areas management to make a greater number of blocks at any terminal, beyond the number of called for in the split-date Operating Plan.
 - Each parent may change the definition of its own specific blocks originating at a Shared Assets Area terminal.

Hours of Service and Recrews

- o Train crews on parent trains approaching a Shared Assets Area must have sufficient time to terminate in or exit the Shared Assets Areas before hours-of-service laws require them to rest. Sufficient time is considered the trains scheduled elapsed time to terminate in or pass through the Shared Assets Area. The Shared Assets Areas management may grant an exception if the train can make it to its destination without undue disruption.
- o Shared Assets Areas shall have the option to provide T&E relief service for any road train on the hours-of-service law, regardless of parent company.
 - Such relief will be provided after coordination with the appropriate parent's operations center indicating the involved parent will provide no relief crew.

4

- Recrews will be at the sole cost and expense of the

parent whose train is recrewed at full cost plus a \$500 surcharge.

- If specific trains frequently require re crews, Shared Assets Areas management may request the parent to change its schedule or slotting of subject train with the right to repeatedly hold that train for a re crew outside the Shared Assets Areas as set forth under the "held trains" provision until such appropriate adjustments are made to the non-conforming schedule.
- Data on trains recrewed will be maintained by Shared Assets Areas management and will be regularly available for briefing to Conrail's Board of Directors at its pleasure.

Charges

- o The charges paid by either owner under these protocols will be made to a Conrail "passive income" account, which will be administered by Conrail.

Changes

- o These terminal capacity guidelines will be reviewed at the request of any of the three parties (CSXT, NSR, and/or CSAO). Proposed changes are subject to the arbitration provisions of the Shared Asset Area Operating Agreements in the event CSXT and NSR cannot agree.

SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
SOUTH JERSEY/PHILADELPHIA

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,
CSX TRANSPORTATION, INC. and
NORFOLK SOUTHERN RAILWAY COMPANY

TABLE OF CONTENTS

	Page
Section 1. Definitions.	1
(a) AAR.	1
(b) Accounting Plan.	1
(c) Action	2
(d) Adjacent Improvements.	2
(e) Bill	2
(f) Billing Month.	2
(g) Board of Managers.	2
(h) Budgeted Capital Expenditures.	2
(i) Capital Expenditure Budget	2
(j) Capital Expenditure Statement.	2
(k) CRC Administrative Office.	2
(l) CRC Board.	2
(m) CRC Train.	2
(n) CRC Train Usage Percentage	2
(o) CSX.	3
(p) CSXT Operating Agreement	3
(q) Damage(s).	3
(r) Dispute Letter	3

	Page
(s) Excluded Taxes . . . . .	.3
(t) Expense Statement. . . . .	.3
(u) GAAP . . . . .	.3
(v) General Manager. . . . .	.3
(w) Governmental Entity. . . . .	.3
(x) Interest Rental. . . . .	.3
(y) Jointly-Operated Facility. . . . .	.4
(z) Lesser Insured Operator. . . . .	.4
(aa) Letter Agreement . . . . .	.4
(bb) Liabilities. . . . .	.4
(cc) Nonseverable Improvement . . . . .	.4
(dd) NSC. . . . .	.4
(ee) NSR Operating Agreement. . . . .	.4
(ff) NYC. . . . .	.4
(gg) Operating Budget . . . . .	.4
(hh) Operating Plan . . . . .	.5
(ii) Operator . . . . .	.5
(jj) Operator Consequential Damages . . . . .	.5
(kk) Operator's Expense Percentage. . . . .	.5
(ll) Operator's Facility. . . . .	.5

-ii-

	Page
(mm) Operator Train . . . . .	.5
(nn) Person . . . . .	.5
(oo) Program Maintenance. . . . .	.5
(pp) Program Maintenance Proposal . . . . .	.5
(qq) PRR. . . . .	.5
(rr) Railcar. . . . .	.6
(ss) Reimbursable Expenses. . . . .	.6
(tt) Renewal Term . . . . .	.6
(uu) RoadRailer . . . . .	.6
(vv) Routine Maintenance. . . . .	.6
(ww) Severable Improvement. . . . .	.6
(xx) Shared Asset Value . . . . .	.6
(yy) Shared Assets. . . . .	.6
(zz) Shared Assets Area . . . . .	.7
(aaa) STB	7

(bbb)	Switching and Yard Services	7
(ccc)	Tax or Taxes.	7
(ddd)	Temporary Services.	7
(eee)	Tier One Damages.	7
(fff)	Tier Two Damages.	7

-iii-

Page

(ggg)	Total Train Usage Percentage.	7
(hhh)	Transaction Agreement	8
(iii)	Usage Statement	8
(jjj)	USOA.	8
(kkk)	Valuation Date.	8
(lll)	Zone.	8
Section 2. Management		8
(a)	CRC Board.	8
(b)	General Manager.	9
(c)	Employees.	9
(d)	CRC Responsibilities	10
(e)	Impartiality	10
(f)	Independent Contractors.	10
Section 3. Operations		10
(a)	Operator's Rights.	10
(b)	Use.	11
(c)	Grant of Rights.	11
(d)	Switching and Yard Services.	13
(e)	Operating Protocols.	13
(f)	Freight Traffic to Remain in Account of Each Operator	13

-iv-

Page

(g)	Rates, Routes and Divisions.	13
(h)	Shipper Bills.	14
(i)	Service Responsibility	14
(j)	Dispatching.	14
(k)	Railcar Weighing	14
(l)	Freight Claims	14
(m)	Freight Car Repairs.	15
(n)	Train Services	15
(o)	Wrecking Service	15

(p) Admission of Third Parties	15
Section 4. Equipment and Properties	15
(a) Procurement.	15
(b) Contribution of Locomotives by Operators	16
(c) Locomotive Service and Repair.	16
Section 5. Maintenance.	16
(a) Routine Maintenance.	16
(b) CRC Program Maintenance.	17
(c) Maintenance Standards.	17
Section 6. Capital Improvements	18
(a) Proposed Projects.	18

-v-

	Page
(b) CRC Board Approved Projects.	18
(c) Nonseverable Improvement Projects.	18
(d) Severable Improvement Projects	19
(e) Capital Improvements as Shared Assets.	19
(f) Title to Severable Improvements.	19
(g) Noninterference.	20
(h) Switch Connections	20
(i) Adjacent Improvements.	20
(j) Operator's Facilities.	21
Section 7. Accounting	21
(a) Books of Record and Account.	21
(b) Financial Statements	21
Section 8. Costs and Budgets.	21
(a) CRC Costs.	21
(b) Employee Cost Reimbursement.	21
(c) Capital Expenditure Budget	21
(d) Operating Budget	22
Section 9. Cost Sharing	22
(a) Accounting Plan.	22
(b) Usage Statement.	24

-vi-

	Page
(c) Expense Statement.	24
(d) Capital Expenditure Statement.	24

(e) Bills.	25
(f) Payment.	25
(g) Disputed Bills	25
Section 10. Access.	26
Section 11. Liability	26
(a) Operators' Sole Responsibility	26
(b) Operators' Joint Responsibility.	26
(c) CRC Responsibility - Allocation and Insurance.	27
(d) Process.	28
(e) Indemnification.	28
(f) Specified Level Damages.	28
(g) Substance Abuse Exceptions	30
(h) Transaction Agreement.	30
(i) Damages.	30
Section 12. No Partnership.	31
Section 13. Arbitration	31
Section 14. Term.	31
Section 15. Force Majeure	32

-vii-

	Page
Section 16. Entire Agreement.	32
Section 17. Amendment and Waiver.	32
Section 18. Severability.	32
Section 19. Remedies.	32
(a) Entitlement to Certain Remedies.	32
(b) Preclusion of Certain Remedies	33
Section 20. Interpretation.	33
Section 21. Headings.	33
Section 22. Parties	33
Section 23. Assignment.	33
(a) Limitation	33
(b) Successor.	33
Section 24. Notices	34
Section 25. Governing Law	34

EXHIBIT A - Operating Protocols

-viii-

SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
SOUTH JERSEY/PHILADELPHIA

This SHARED ASSETS AREA OPERATING AGREEMENT ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, all capitalized terms in this Agreement have the respective meanings set forth in Section 1; and

WHEREAS, CSX owns all of the common stock of and controls CSXT, NSC owns all of the common stock of and controls NSR, and CSX and NSC jointly control CRC; and

WHEREAS, CSXT, NSR and CRC desire that the Shared Assets shall be owned, operated and maintained by CRC and used by or for the exclusive benefit of CSXT and NSR, and that CSXT and NSR shall each have full and equal rights to use the Shared Assets to provide competitive railway freight transportation services to, from and between all places within the Shared Assets Area.

NOW, THEREFORE, in consideration of the premises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, CRC, CSXT and NSR hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms have the following meanings:

(a) "AAR" means the Association of American Railroads.

(b) "Accounting Plan" means the plan of accounting adopted pursuant to Section 9(a).

(c) "Action" means any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity.

(d) "Adjacent Improvement" means a capital improvement, such as a spur, which provides access to customers and local industries and which (i) is on property which is not part of the Shared Assets and (ii) will be directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets.

(e) "Bill" means a bill delivered by CRC to an Operator pursuant to Section 9(e).

(f) "Billing Month" means the calendar month for which information is shown on a Usage Statement.

(g) "Board of Managers" means any Board of Managers which may be appointed by the CRC Board pursuant to Section 2(a)(ii).

(h) "Budgeted Capital Expenditures" means capital expenditures included on a Capital Expenditure Budget which has been approved by the CRC Board.

(i) "Capital Expenditure Budget" means a written budget specifying proposed capital expenditures to be made by CRC

with respect to Shared Assets for the periods of time specified in such budget, and the proposed sources of the capital required to make such expenditures.

(j) "Capital Expenditure Statement" means a statement delivered by CRC pursuant to Section 9(d).

(k) "CRC Administrative Office" means the administrative office of CRC located at Philadelphia, Pennsylvania, or at such other place designated by CRC in a notice it delivers to CSXT and NSR.

(l) "CRC Board" means the Board of Directors of CRC.

(m) "CRC Train" means a train operated by CRC and performing services pursuant to Sections 3(c) or (d).

(n) "CRC Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total number of loaded and empty Railcars in the account of such Operator in CRC Trains, by (ii) the total number of loaded and empty Railcars in the accounts of both Operators in CRC Trains, during such time period in such Zone.

-2-

(o) "CSX" means CSX Corporation.

(p) "CSXT Operating Agreement" means the agreement, dated June 1, 1999, between CSXT and NYC providing for the use, operation and maintenance by CSXT of certain assets owned or leased by NYC.

(q) "Damage(s)" means all assessments, fines, losses, damages, liabilities, and costs and expenses related thereto, including, without limitation, interest, penalties and attorneys' and consultants' fees and also expressly including, without limitation, all liabilities arising after the effective date hereof under the Federal Employers Liability Act, as amended, and environmental laws.

(r) "Dispute Letter" means a letter delivered by an Operator pursuant to Section 9(g)(i).

(s) "Excluded Taxes" means: (A) all Taxes based, in whole or in part, on net income or gross income (including, without limitation, any minimum tax) of CRC or which are in substitution for, or relieve CRC from, any Tax based upon or measured by CRC's net income or gross income, together with any interest, penalties, additions to tax or additional amounts that may become payable in respect thereof; (B) business and occupation taxes, and gross receipts taxes (unless in the nature of a sales tax) of CRC and Taxes based upon the equity interests of CRC; and (C) interest, fines and penalties to the extent due to the acts or omissions of CRC in connection with such Excluded Taxes.

(t) "Expense Statement" means a statement delivered by CRC pursuant to Section 9(c).

(u) "GAAP" at any time means generally accepted accounting principles in effect at such time.

(v) "General Manager" means the chief executive officer of CRC.

(w) "Governmental Entity" means any federal, state, local or foreign court, administrative agency or commission or other governmental or regulatory authority or commission or any arbitration tribunal.

(x) "Interest Rental" means an amount representing a fair periodic return on the Shared Asset Value as of the most

recent preceding Valuation Date as determined by such appraiser as CSXT and NSR may select. The Interest Rental for the first six years of this Agreement shall be as follows:

-3-

June 1, 1999 through May 31, 2000 -- \$18 million
June 1, 2000 through May 31, 2001 -- \$18 million
June 1, 2001 through May 31, 2002 -- \$20 million
June 1, 2002 through May 31, 2003 -- \$22 million
June 1, 2003 through May 31, 2004 -- \$25 million
June 1, 2004 through May 31, 2005 -- \$27 million

(y) "Jointly-Operated Facility" means a facility or yard which is operated by or for a rail carrier and one or more other rail carriers.

(z) "Lesser Insured Operator" means the Operator which has the lesser (as between the Operators) amount of available insurance benefits as specified in Section 11(f) (i) (A.1) (2).

(aa) "Letter Agreement" means the letter agreement dated May 1, 1999 between NSC and CSX relating to the settlement of certain matters.

(bb) "Liabilities" means any and all debts, liabilities and obligations of any kind whatsoever, whether or not accrued, contingent or reflected on a balance sheet, known or unknown, absolute, determined, determinable or otherwise, including, without limitation, those arising under any law, rule, regulation, action, order or consent decree of any Governmental Entity or any judgment in any Action of any kind or award of any arbitrator of any kind and those arising under any contract.

(cc) "Nonseverable Improvement" means a capital improvement which is integral to the operation of the Shared Assets and is not readily removable.

(dd) "NSC" means Norfolk Southern Corporation.

(ee) "NSR Operating Agreement" means the agreement, dated June 1, 1999, between NSR and PRR providing for the use, operation and maintenance by NSR of certain assets owned or leased by PRR.

(ff) "NYC" means New York Central Lines LLC, a Delaware limited liability company.

(gg) "Operating Budget" means a written budget specifying estimated operating revenues and expenses and working capital requirements of CRC with respect to the Shared Assets for the periods of time specified in such budget.

-4-

(hh) "Operating Plan" means the plan for road train and local train schedules and classifications and related operating protocols for the Shared Assets Area as may be agreed to, and modified from time to time, by CRC, CSXT and NSR.

(ii) "Operator" means either CSXT or NSR.

(jj) "Operator Consequential Damages" means consequential, indirect, incidental or other similar damage, injury or loss to an Operator.

(kk) "Operator's Expense Percentage" means for an Operator the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total Reimbursable Expenses (except for Interest Rental, Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by such Operator for a particular period, by (ii) the total Reimbursable Expenses (except for Interest Rental,

Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by both Operators for such period.

(ll) "Operator's Facility" means a present, expanded or new facility or yard which is owned or controlled exclusively by an Operator.

(mm) "Operator Train" means a train operated by an Operator and performing services in accordance with Sections 3(a) and 3(c).

(nn) "Person" means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

(oo) "Program Maintenance" means scheduled renewal of track, signals, structures and other fixed facilities performed by system or production gangs assembled to accomplish a specific task or tasks.

(pp) "Program Maintenance Proposal" means a written proposal prepared by CRC, CSXT or NSR which describes specific Program Maintenance which the preparer of such proposal believes is necessary or desirable to maintain the Shared Assets in a safe operating condition to permit or facilitate (i) the performance by CRC of its services pursuant to this Agreement, or (ii) the use of Shared Assets by the Operators, and which specifies a budget for such Program Maintenance.

(qq) "PRR" means Pennsylvania Lines LLC, a Delaware limited liability company.

-5-

(rr) "Railcar" means, except as otherwise provided in the Accounting Plan, each railroad freight car, locomotive, caboose or other equipment (including RoadRailer or comparable bimodal freight hauling equipment in the account of either Operator) furnished in substitution of railroad equipment, loaded or empty, which an Operator originates, terminates, switches or moves on or overhead to any Shared Assets, except that (i) a single standard flat car not exceeding 96 feet in length (excluding articulated flat cars) shall count as a single Railcar, (ii) freight rail cars consisting of articulated units bearing AAR Car Type Codes "Q" and "S" shall count as multiple Railcars based on the second (numeric) digit of the Car Type Code for such articulated units (by way of example, a car consisting of AAR Car Type Code "S566" would be counted as five Railcars) (or corresponding car type codes and digits if the AAR Car Type Codes should be modified at any time during the term of this Agreement), and (iii) a single unit of RoadRailer equipment (or comparable bimodal freight hauling equipment in the account of either Operator) shall count as one-half (1/2) of a Railcar.

(ss) "Reimbursable Expenses" means the expenses shown on an Expense Statement, minus the revenues, if any, shown on such Expense Statement.

(tt) "Renewal Term" means the term of extension of this Agreement under Section 14.

(uu) "RoadRailer " means bimodal freight hauling equipment manufactured by or under license from "RoadRailer ", a division of Wabash National Corporation, and capable of movement over the highway when pulled by a tractor and on the rails using locomotive power.

(vv) "Routine Maintenance" means day-to-day repairs to track, signals, structures and other fixed facilities that are not part of Program Maintenance.

(ww) "Severable Improvement" means a capital

improvement which is not a Nonseverable Improvement.

(xx) "Shared Asset Value" means at any date the value of the Shared Assets, except leases and other contract rights granted by either Operator to CRC, as of the most recent preceding Valuation Date as determined by such appraiser as CSXT and NSR may select.

(yy) "Shared Assets" means all tracks, lands, easements, rights of way, structures, facilities, appurtenances and rights related thereto, which CRC owns, leases or otherwise has the right to operate over (including those segments over which CRC or an Operator possesses operating rights pursuant to Section 3(c)), and which are used for railway purposes in the Shared Assets Area, including the properties, rights, equipment, inventory and supplies, whether owned or leased, described or referred to in Item 3A of Schedule 1 (including Attachments I and II) of the Transaction Agreement, but excluding Operator's Facilities.

-6-

(zz) "Shared Assets Area" means the geographical area comprising the Shared Assets and Operator Facilities and Jointly-Operated Facilities directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets, which is designated as the "South Jersey/Philadelphia" Shared Assets Area.

(aaa) "STB" means the Surface Transportation Board or, if there shall be no Surface Transportation Board, any federal agency which is charged with the function of approving combinations by rail carriers or persons controlling them, or of other arrangements between rail carriers, and granting exemptions from other laws with respect thereto or regulating other specific functions with respect to the context in which such term is employed or any successor entity thereof.

(bbb) "Switching and Yard Services" means the service of classifying and assembling trains for the account of an Operator in Jointly-Operated Facilities; movement of loaded or empty Railcars between yards and local industries; and switching trains and Railcars at yards, terminals and local industries.

(ccc) "Tax" or "Taxes" means taxes of any kind, levies or other similar assessments, customs, duties, imposts, charges or fees, including, without limitation, income taxes, gross receipts, ad valorem, excise, real or personal property, sales, use, payroll, withholding, unemployment, transfer and gains taxes or other governmental taxes imposed by or payable to the United States, or any state, local or foreign government or subdivision thereof, and in each instance such term shall include any interest, penalties or additions to tax attributable to such Tax or Taxes.

(ddd) "Temporary Services" means services provided by CSXT or NSR employees in the operation, maintenance or repair of any Shared Asset on an emergency basis with the prior approval of the General Manager or senior CRC employee who is directly responsible for the operation or maintenance of such Shared Asset.

(eee) "Tier One Damages" means those Damages defined as Tier One Damages in Section 11(f) (i) (A.1).

(fff) "Tier Two Damages" means those Damages defined as Tier Two Damages in Section 11(f) (i) (B.1).

(ggg) "Total Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the sum of the total number of loaded and empty Railcars in the account of such Operator in CRC Trains and the total number of loaded and empty Railcars in the account of such Operator in

Operator Trains, by (ii) the sum of the total number of loaded and empty Railcars in the accounts of both Operators in CRC Trains and the total number of loaded and empty Railcars in the accounts of both Operators in Operator Trains, during such period in such Zone.

-7-

(hhh) "Transaction Agreement" means the Transaction Agreement dated as of June 10, 1997, among CSX, CSXT, NSC, NSR, Conrail Inc., CRC and CRR Holdings LLC.

(iii) "Usage Statement" means a statement delivered by CRC pursuant to Section 9(b).

(jjj) "USOA" means the uniform system of accounts prescribed for class I railroads by the STB or any successor federal agency that shall succeed to the functions of the STB in prescribing uniform systems of accounts for rail carriers; provided, that if there shall be no STB and no such federal agency, USOA shall mean such system of accounts as is generally maintained by rail carriers consistent with GAAP as applied in the rail industry.

(kkk) "Valuation Date" means the date of this Agreement and thereafter the sixth (6th), twelfth (12th), eighteenth (18th) and twenty-fourth (24th) anniversaries of the date of this Agreement and the first day of each Renewal Term.

(lll) "Zone" means a designated geographic section, or designated facilities, of the Shared Assets Area as established and described in the Accounting Plan.

Section 2. Management.

(a) CRC Board.

(i) The CRC Board shall manage the Shared Assets.

(ii) The CRC Board may appoint a Board of Managers, a committee, a CRC officer or other persons to have such duties and authority with respect to the Shared Assets as may be assigned to them from time to time by the CRC Board.

(iii) Any Board of Managers appointed by the CRC Board shall be comprised of an equal number of individuals (and their successors) nominated by CSXT and nominated by NSR.

(iv) The CRC Board shall remove from any Board of Managers (A) at the direction of CSXT, any person who was nominated by CSXT, and (B) at the direction of NSR, any person who was nominated by NSR.

-8-

(b) General Manager.

(i) The General Manager shall not at any time have been an employee of CSXT or NSR or any of their affiliates unless otherwise agreed to by both Operators, and shall be appointed by the CRC Board.

(ii) The General Manager shall manage and supervise the owner ship, operation, maintenance and use of the Shared Assets in accordance with directives and policies of the CRC Board and this Agreement, subject to the authority of the CRC Board, and through such Shared Assets Area superintendents and other Shared Assets Area executives as are appointed by the General Manager with the approval of the CRC Board. The General Manager shall report to the CRC Board. The General Manager shall perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR.

(iii) The General Manager may be removed from office prior to the expiration of his or her term at any time by a majority of the CRC Board for any reason or for no reason. Upon the written request of CSXT or NSR to the CRC Board, the General Manager shall also be removed from office prior to the expiration of his or her term for serious misconduct, which shall mean conduct that would make it unreasonable to retain the General Manager, including but not limited to conduct such as: (A) violation of applicable alcohol or drug use policies, (B) fraud, (C) embezzlement or other act of dishonesty against CRC, CSXT or NSR or any of their customers or suppliers, (D) activities willfully undertaken by the General Manager which reflect adversely upon the reputation of CRC, CSXT or NSR, (E) refusal to perform or substantial neglect of the responsibilities assigned to the General Manager, (F) failure to perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR after 45 days' written notice from an Operator describing such failure, (G) any violation of any law or rule or regulation of any Governmental Entity which results in serious adverse consequences to CRC, CSXT or NSR, or (H) any material violation of any directive or policy of the CRC Board or any statutory or common law duty of loyalty to CRC. If a majority of the CRC Board in response to such a request of CSXT or NSR fails to direct the removal of the General Manager, the dispute may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13, provided, however, that in any such arbitration to resolve a dispute under this Section 2(b)(iii), the hearing shall commence no later than 30 days following the appointment of the arbitrator and the award shall be rendered no later than 30 days following the completion of the hearing.

(c) Employees. The General Manager and all persons who operate and maintain the Shared Assets shall be employees of CRC, except for CSXT or NSR employees who provide Temporary Services and employees of Operators or independent contractors which provide services pursuant to contracts or arrangements in accordance with Section 2(f).

-9-

(d) CRC Responsibilities. CRC shall be responsible for safely and efficiently operating, controlling and managing the use of the Shared Assets, impartially as between CSXT and NSR in accordance with directives and policies of the CRC Board, and with responsible business practices which are consistent with those used by CSXT and NSR in the operation of their businesses, and are designed to achieve the lowest cost of the safe and efficient operation, use and maintenance of the Shared Assets.

(e) Impartiality. CRC shall perform all of its obligations pursuant to this Agreement on an impartial and non-discriminatory basis as between CSXT and NSR, giving no preference to either of them in providing Switching and Yard Services, in the control of train dispatching over the Shared Assets, or in any other way whatsoever.

(f) Independent Contractors. CRC may, at least to the extent it may do so immediately prior to the date of this Agreement, procure the use of equipment or facilities owned by independent contractors, or services provided by independent contractors (using their own employees), with respect to the operation, maintenance and use of Shared Assets, including, without limitation, accounting, computer and other administrative services, and the furnishing of equipment and mechanical services. For purposes of this Section 2(f), independent contractors may include CSXT or NSR.

Section 3. Operations.

(a) Operator's Rights. CRC hereby grants to each Operator full operating rights to operate its own trains (staffed by a road crew) and equipment, with its own crews and equipment

and at its own expense, over any and all tracks included in the Shared Assets, and to use all of the Shared Assets in connection with the operation of such trains or equipment, for the following purposes:

(i) Movement by such Operator of trains (staffed by a road crew) through the Shared Assets Area between two geographical locations outside the Shared Assets Area;

(ii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and an Operator's Facility or a Jointly-Operated Facility which is within the Shared Assets Area;

(iii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and local industries which are within the Shared Assets Area;

-10-

(iv) Movement by such Operator of trains (staffed by a road crew) between Operator's Facilities or Jointly-Operated Facilities which are within the Shared Assets Area and local industries which are within the Shared Assets Area;

(v) Movement, handling, pick-up, set off, switching, transfer and interchange of Railcars, blocks of Railcars or trains (staffed by a road crew) to, from or at local industries, Operator's Facilities or Jointly-Operated Facilities, in connection with movements described in Sections 3(a) (i) through (iv), to the extent provided for in the Operating Plan agreed to and modified by the parties from time to time; and

(vi) such other purposes as may be agreed upon by CRC, CSXT and NSR.

(b) Use. The crews of each train operated by an Operator on Shared Assets shall be qualified under and shall comply with applicable laws and regulations as well as the safety and operating rules of CRC.

(c) Grant of Rights. Subject to reasonable compensation and other terms established in the Accounting Plan, and in each case for the purpose of Switching and Yard Services performed by CRC pursuant to Section 3(d) and movement of Operator Trains pursuant to Section 3(a):

(i) CSXT hereby grants to CRC and NSR overhead operating rights to operate CRC trains and NSR trains, respectively, with their own crews, over the following CSXT rail line segments:

(A) the current CRC line between CP Phil and CP Field and between CP Arsenal and CP Gray; and

(B) such other CSXT line segments access to and use of which by CRC and NSR are necessary to effectuate the train operations and services contemplated by this Agreement.

(ii) CSXT hereby grants to CRC and NSR full operating rights to operate CRC trains and NSR trains, respectively, with their own crews, over the following CSXT rail line segments:

(A) the current CRC Trenton line between Park Jct. and CP Newtown (at the approximate boundary of the Shared Assets Area);

(B) between CP River and point PH-22I (which point is shown in Exhibit 1 to the Letter Agreement) located in Greenwich Yard;

(C) the Eastwick Connection constructed by CSXT on the current CRC right-of-way between Eastwick and CP Field; and

(D) tracks over the northern part of Greenwich Yard, as shown in beige on Exhibit 1 to the Letter Agreement, for the purpose of serving on an unimpeded basis the Ameriport intermodal facility and local industry north of Greenwich Yard. The coloration of such beige area is representative only, because the trackage rights are over such clear tracks (whether within or parallel to such beige areas) as designated from time to time by the Greenwich Yard yardmaster. CRC and NSR shall have an unimpeded double stack cleared route ("Cleared Route") for the purpose stated above. To the extent NYC or CSXT does any construction currently or in the future that may cause a track realignment or relocation, it will assure that NSR and CRC will continue to have the Cleared Route.

(iii) CSXT hereby grants to CRC full operating rights to operate CRC trains with their own crews on an unimpeded basis over the CSXT rail line between points PH-22D and PH-22E as shown on Exhibit 1 to the Letter Agreement.

(iv) NSR hereby grants to CRC and CSXT overhead operating rights to operate CRC trains and CSXT trains, with their own crews, over such NSR line segments access to and use of which by CRC and CSXT are necessary to effectuate the train operations and services contemplated by this Agreement.

(v) NSR hereby grants to CRC and CSXT full operating rights to operate CRC trains and CSXT trains, respectively, with their own crews, over the current Amtrak Lancaster line between Zoo and 52nd Street.

(vi) NSR hereby grants to CRC and CSXT the right to use West Falls Yard for the purpose of basing local trains, classifying and assembling trains and switching Railcars, but not for the purpose of serving local industries located at such yard.

(vii) CRC hereby grants to CSXT unimpeded trackage rights to operate CSXT trains with their own crews over CRC's Track 354 from point PH-22I to the connection at point PH-22H with NYC's Track 234, as shown on Exhibit 1 to the Letter Agreement.

When required by the CSXT Operating Agreement and the NSR Operating Agreement, CSXT and NSR have obtained the consent of NYC and PRR, respectively, for the grant of rights referred to in this Section 3(c). Notwithstanding any other provision of this Agreement, each rail line segment identified in this Section 3(c) shall be dispatched, maintained, operated and controlled by the Operator which granted the rights with respect to such segment, provided that such dispatching, maintenance, operation and control shall be performed on an impartial and non-discriminatory basis as between the Operators. Trains operated by an Operator pursuant to operating rights granted under this Section 3(c) shall be governed by and subject to the Operating Plan.

(d) Switching and Yard Services.

(i) At the request of and as agent for each Operator, CRC shall perform Switching and Yard Services required by such Operator within the Shared Assets Area, including without

limitation any such services which such Operator may be responsible for performing or having performed for a shipper or other Person.

(ii) Except as otherwise provided in Section 3(a), and other than within an Operator's Facility, neither Operator shall with its own equipment or with its own crews perform any Switching and Yard Service within the Shared Assets Area for itself or for any other Person.

(e) Operating Protocols. From time to time, NSR, CSXT and CRC may mutually establish Shared Assets Area Operating Plans, General Dispatching Guidelines, Car Movement Guidelines, Switching/Blocking Requirements and other operating protocols and rules concerning operations within the Shared Assets Area, for the purpose of assuring timely train operations, fluid movement of all railcars, equal and impartial handling of Operators' trains and railcars, minimization in the number of empty cars in the Shared Assets Area, and overall operating efficiency in the Shared Assets Area. The current Operating Protocols have been agreed upon by NSR, CSXT and CRC and are set forth as Exhibit A to this Agreement. The Operating Protocols may be modified only upon mutual agreement of all parties.

(f) Freight Traffic To Remain in Account of Each Operator. Switching and Yard Services and other services performed by CRC for either Operator under this Agreement shall be performed as agent for, and for the account of, such Operator. All freight traffic and Railcars handled within the Shared Assets Area, including traffic and Railcars handled by CSXT or NSR pursuant to Sections 3(a) and 3(c), and traffic and Railcars handled by CRC pursuant to Sections 3(c) and 3(d), shall at all times remain in the waybill, car hire and revenue accounts of either CSXT or NSR.

(g) Rates, Routes and Divisions. Each Operator shall have exclusive and independent authority to establish all rates, charges, service terms, routes and divisions, and to collect all

-13-

freight revenues, relating to freight traffic transported for its account to, from and within the Shared Assets Area (except those Shared Assets Area line segments over which such Operator possesses only overhead operating rights pursuant to Section 3(c)). CRC shall not participate or appear in any rates, routes or divisions relating to any freight traffic whatsoever to, from and within the Shared Assets Area, and shall not be entitled to or responsible for any freight charges relating to such freight traffic. CRC shall not quote or establish any rate or service terms applicable to freight transportation services to, from and within the Shared Assets Area, enter into transportation contracts with any Person (other than an Operator) for freight transportation services to, from and within the Shared Assets Area, or undertake to perform any for-hire transportation services directly, in its own name or for its own account for any Person (other than an Operator). The transfer or exchange of freight traffic between CSXT and CRC, and between NSR and CRC, within the Shared Assets Area shall not constitute an interchange of freight traffic or freight rail cars for purposes of determining rates, routes, divisions or interline settlements relating to any such freight traffic.

(h) Shipper Bills. Neither Operator shall inform the other or CRC of any rates or charges to shippers to which such Operator provides freight transportation services in the Shared Assets Area, and no copies of any shipper bill of lading or waybill shall be given by such Operator to the other or to CRC except to the extent that such documents are exchanged between rail carriers in the usual course of interline shipments and documenting.

(i) Service Responsibility. Each Operator shall at all times be solely responsible for obtaining, supplying and

routing Railcars other than locomotives, for all Railcar ownership costs (including per-diem charges and mileage allowances) and for providing service to its shippers within the Shared Assets Area pursuant to its transportation contracts or other prices with its shippers, including interline accounting, and all car hire and demurrage or detention charges associated with Railcars in its account within the Shared Assets Area.

(j) Dispatching. CRC shall, from local locations or a location agreed upon by CSXT and NSR, control the dispatching, scheduling and movement of, and Switching and Yard Services for, all trains (including Operator Trains and CRC Trains) over the Shared Assets (other than Operator's Facilities, unless requested to do so by the Operator thereof) without any discrimination at any time in favor of or against either Operator, but in accordance with written policies and priorities for categories of freight, type of Railcar, size of train and train destinations established from time to time by the General Manager and approved by the CRC Board to achieve the maximum efficiency and lowest aggregate Shared Asset costs of CRC and the Operators.

(k) Railcar Weighing. All Railcars for the account of an Operator which originate or terminate on Shared Assets and which require weighing shall be weighed by and at the expense of such Operator or its customer, and at no cost to CRC.

(l) Freight Claims. The Operators shall agree among themselves on the most fair, practical and efficient arrangements for handling and administering freight loss and damage claims with the intent that (i) each Operator shall be responsible for losses occurring to lading either in its possession or in the possession of CRC for the account of such Operator, and (ii) the Operators shall follow relevant AAR rules and formulas in providing for the allocation of losses which are either of undetermined origin or in Railcars handled in interline service by or for the account of both Operators.

-14-

(m) Freight Car Repairs. If any Railcars are bad ordered while on the Shared Assets and must be set out from a CRC Train or Operator Train, CRC shall promptly return such Railcars to the Operator in whose account such Railcars reside in accordance with such Operator's instructions. CRC shall furnish, at such Operator's expense, required labor and material to perform, and shall perform, light repairs on such bad ordered Railcars as necessary to make such Railcars legal and safe for movement. CRC shall bill such Operator for the costs of such light repairs in accordance with the Field and Office Manuals of the AAR Interchange Rules in effect at the time such repairs are performed. CRC shall bill directly to and collect from the applicable Operator charges for repair items that, under the AAR Interchange Rules, are the responsibility of the Railcar owner and/or the handling line carriers. Each Operator may rebill charges for repair items that are the responsibility of the Railcar owner and/or the handling line carriers. If any such bad ordered Railcar cannot be made legal and safe for movement by the performance of light repairs, CRC shall, at such Operator's expense, arrange for appropriate removal of the affected Railcar in accordance with such Operator's instructions.

(n) Train Services. Actual costs incurred by CRC to provide special services (other than services otherwise provided for in this Agreement) at the request of an Operator with respect to trains, locomotives and Railcars for the account of such Operator, shall be paid by such Operator to CRC, provided that the costs and terms of similar special services rendered to each Operator shall be without discrimination between Operators as to cost and terms, giving due allowance to any differences in the costs of providing such services.

(o) Wrecking Service. Wrecking service or wrecking train service required in connection with services contemplated by this Agreement shall be provided by CRC (or its designee) as

promptly as possible.

(p) Admission of Third Parties. Notwithstanding any other provision in this Agreement, no party may permit any Person (other than a party hereto) to have access to, operate over or use any Shared Asset without the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

Section 4. Equipment and Properties.

(a) Procurement. CRC shall procure, operate and maintain all equipment, real property rights and improvements thereon which are reasonably required for (i) CRC to operate the Shared Assets, and (ii) the Operators to move trains over the Shared Assets, in each case in accordance with this Agreement.

-15-

(b) Contribution of Locomotives by Operators. Upon reasonable request by the General Manager, the Operators shall furnish to CRC, through full-service lease or other mutually satisfactory arrangements, locomotives reasonably required by CRC for the performance of its obligations under this Agreement. The respective obligations of each Operator to furnish such locomotives shall be based, insofar as reasonably practicable, upon the Operator's CRC Train Usage Percentage during the calendar month preceding such request for the Shared Assets Area or Zone in which such locomotives are needed by CRC. It is the parties' intention that (i) the arrangements pursuant to which such locomotives are furnished by either Operator to CRC shall provide that heavy maintenance, repair and overhaul shall be the responsibility of such Operator, (ii) locomotives furnished by either Operator to CRC may, in order to permit maintenance, repair and overhaul of such locomotive units, be exchanged for other locomotive units furnished by such Operator, and (iii) the respective obligations of each Operator to furnish such locomotives upon request by the General Manager shall be adjusted on at least a monthly or more frequent basis.

(c) Locomotive Service and Repairs. At the request of an Operator, CRC shall furnish required labor and material to perform, and shall perform, fueling and servicing of any Operator's locomotive, as well as light repairs on any Operator's locomotive as necessary to make such locomotive legal and safe for movement. CRC shall bill such Operator (or other owner of such locomotive) for the costs of such fueling, servicing and light repairs in accordance with industry practice in effect at the time such fueling, services or repairs are performed. If any such locomotive cannot be made safe for movement by the performance of light repairs, CRC shall, at the expense of such Operator (or other owner of such locomotive), arrange for appropriate removal of such locomotive in accordance with such Operator's instructions.

Section 5. Maintenance.

(a) Routine Maintenance.

(i) CRC shall be responsible for Routine Maintenance when necessary or desirable to maintain the Shared Assets in a safe operating condition, and to permit and facilitate (A) the performance by CRC of its obligations pursuant to this Agreement, and (B) the use of Shared Assets by the Operators in accordance with this Agreement.

(ii) CSXT or NSR, directly or through their respective affiliates, may perform the work which CRC performed prior to the date of this Agreement when (A) CRC does not possess the skills needed for such work, (B) CRC lacks the necessary employees to do such work in a timely fashion, or (C) CRC does not possess the equipment needed to do such work. CRC and the party performing the work shall agree to a reasonable fee for such work prior to performance. CRC, CSXT and NSR may agree to

have additional work performed either by CSXT, NSR or their affiliates.

-16-

(b) CRC Program Maintenance.

(i) The General Manager shall prepare and submit to the CRC Board a Program Maintenance plan concurrently with the submission of an Operating Budget and the Capital Expenditure Budget to the CRC Board.

(ii) Any of CRC, CSXT or NSR may at any time deliver a Program Maintenance Proposal to the other two of them and to the General Manager and each member of the CRC Board.

(iii) The CRC Board shall either (A) approve any or all of such Program Maintenance Proposals and plan with such changes as it deems appropriate, include the costs thereof in a pending or amended Capital Expenditure Budget, and direct the General Manager to cause the maintenance described in approved Program Maintenance Proposals or plan to be performed in accordance with Sections 5(b)(iv) and (v), or (B) disapprove any or all of such Program Maintenance Proposals or plan.

(iv) Program Maintenance shall be the responsibility of CSXT and NSR pursuant to contracts or arrangements with CRC, and CRC shall not perform Program Maintenance, except for Program Maintenance which can be provided by Persons other than CSXT or NSR at a lower cost to CRC than the CSXT or NSR cost thereof.

(v) CRC shall select, to perform each Program Maintenance project or program, the Operator which CRC reasonably determines will perform such project or program at the least cost to CRC consistent with safe and efficient operations, and taking into account scheduling considerations, based on written proposals submitted by each Operator.

(c) Maintenance Standards. Unless otherwise authorized by the CRC Board, the General Manager shall prepare and submit to the CRC Board proposals (including the Program Maintenance plan submitted pursuant to Section 5(b)) for the performance of such Routine Maintenance and Program Maintenance as is reasonably necessary to keep and maintain the Shared Assets substantially in their condition as of the date of this Agreement. If the CRC Board fails either to approve or disapprove by majority vote any such proposal within 45 days after it was submitted to the CRC Board, the disagreement over the propriety or need for any of the Routine Maintenance or Program Maintenance included in such proposal may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

-17-

Section 6. Capital Improvements. Except as provided in Section 5, all capital improvements involving Shared Assets shall be governed by the following provisions:

(a) Proposed Projects. Either Operator, CRC or the General Manager may propose to the CRC Board from time to time capital improvement projects. Each such project shall be reviewed by the CRC Board, which may approve or disapprove by majority vote, or fail to approve, such projects.

(b) CRC Board Approved Projects. Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(c) Nonseverable Improvement Projects.

(i) At the written request of an Operator delivered to the other, each Operator shall, within 45 days of the delivery of such request, submit to an arbitrator in accordance with Section 13 a written proposal with respect to a Nonseverable Improvement project which was neither approved nor disapproved by majority vote by the CRC Board within 45 days after such project was proposed to the CRC Board (A) describing any changes which such Operator proposes be made to such project and specifying a schedule, budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement, or (B) proposing that it not be made.

(ii) The arbitrator receiving the proposals referred to in Section 6(c)(i) (A) shall consider (1) the degree, if any, to which the construction, operation and use of such Nonseverable Improvement would impair or interfere with the use of Shared Assets by CRC or either Operator, or conflict with any pending capital improvements included in an approved Capital Expenditure Budget, and (2) the budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement as proposed by each Operator, and (B) shall determine within 45 days of such receipt which of such proposals shall be implemented, or that such Nonseverable Improvement shall not be made, and the CRC Board shall approve any proposal which such arbitrator determines shall be implemented.

-18-

(d) Severable Improvement Projects.

(i) Each Operator shall have the unilateral right to construct and exclusively fund any Severable Improvement which was not approved by the CRC Board.

(ii) Each Severable Improvement funded exclusively by an Operator shall be used exclusively by that Operator, which shall be solely responsible for maintaining such Severable Improvement at its own expense, until such time that the other Operator gives written notice that it desires also to use such Severable Improvement, stating the amount which such other Operator is prepared to pay to the Operator which initially funded such Severable Improvement for the right to use such Severable Improvement.

(iii) If the Operators are unable to agree on the amount of such payment within 45 days after the notice referred to in Section 6(d)(ii) was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, each Operator shall, within 15 days of the delivery of such request, submit to an arbitrator in accordance with Section 13 a written statement setting forth the proposed payment by the second Operator, and the arbitrator shall within 45 days of such receipt determine which of such proposed amounts shall apply, which shall be binding on both Operators and paid promptly.

(iv) Such Severable Improvement shall become a Nonseverable Improvement at the time such second Operator pays the amount so determined and, thereafter, maintenance and other costs associated with the operation of such improvement shall be apportioned between the Operators as provided in this Agreement.

(e) Capital Improvements as Shared Assets. Upon completion, all capital improvements approved by the CRC Board and all Nonseverable Improvements shall become part of the Shared Assets owned by CRC subject to all provisions of this Agreement, free and clear of all Operator liens.

(f) Title to Severable Improvements. Each Operator shall retain title to all Severable Improvements exclusively funded by such Operator. At any time during the term of this

Agreement, an Operator may remove (at its sole expense) any Severable Improvement which it exclusively funded, provided that

-19-

such Operator has repaired (at its sole expense) any damage to a Shared Asset caused by such removal and has restored the related Shared Assets substantially to their condition at the time such Severable Improvements were made. In the event an Operator shall not have removed any Severable Improvement to which the Operator shall have title prior to the expiration or termination of this Agreement, title to such Severable Improvement shall vest in CRC, free and clear of all Operator liens, upon such expiration or termination.

(g) Noninterference. The construction, operation and use of Severable Improvements by an Operator shall not impair or interfere with the use of Shared Assets by CRC or the other Operator, nor shall any Severable Improvement conflict with any pending capital improvements included in an approved Capital Expenditure Budget.

(h) Switch Connections. CRC shall, upon the written request of one or both Operators, provide for switch and turnout connections from Shared Asset tracks to a private sidetrack owned by a shipper or other Person, if such request:

(i) includes the commitment of the Operator or both Operators making such request, or

(ii) is accompanied by a written undertaking from such shipper or other Person, in each case satisfactory to CRC, to pay to CRC all costs incurred from time to time by CRC to provide for such switch and turnout connections within 30 days after it delivers a bill for such costs to such Operator, Operators, shipper or other Person.

(i) Adjacent Improvements.

(i) In the event an Operator constructs, acquires or funds the cost of an Adjacent Improvement (whether or not such Adjacent Improvement is ultimately owned by such Operator), the other Operator shall be entitled to share usage of such Adjacent Improvement by giving written notice stating the amount which such other Operator is prepared to pay to the first Operator for such right. If the Operators are unable to agree on the amount of such payment within 45 days after such notice was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, the matter shall be submitted for resolution by binding arbitration pursuant to Section 13 and the provisions of Section 6(d)(iii) shall apply to determine the amount of such payment.

(ii) After the second Operator pays the amount so determined, if the first Operator owns or has a property interest in the Adjacent Improvement, the provisions of this Section 6 shall be applied as if such improvement were a Nonseverable Improvement. If a shipper or another Person unrelated to the first Operator owns such Adjacent Improvement, the second Operator shall be entitled to share fully the rights of the first Operator in connection with such Adjacent Improvement in consideration of the initial payment.

-20-

(j) Operator's Facilities. The foregoing provisions of this Section 6 shall not apply to any capital improvement (including, but not limited to, a transloading facility or automotive ramp) within an Operator's Facility.

Section 7. Accounting.

(a) Books of Record and Account. CRC shall keep

proper books of record and account, in which full and correct entries shall be made of all CRC transactions, costs, expenses and revenues in accordance with GAAP and the USOA, as modified by the Accounting Plan. All expense and revenue transactions related to the Shared Assets Area shall be readily identifiable by distinct accounting codes.

(b) Financial Statements. CRC shall deliver to each Operator (i) within 30 days after the end of each calendar month, a summary income statement and a summary balance sheet showing as of the last day of and for such calendar month, major categories of CRC revenue, expense, assets and liabilities, (ii) within 30 days after the last day of each CRC fiscal quarter, interim financial statements as of and for the fiscal quarter ended on such day, similar to statements described in Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended, as modified by the Accounting Plan, and (iii) within 30 days after the last day of each CRC fiscal year, statements of income and cash flow and a balance sheet as of and for the fiscal year ended on such day, prepared in accordance with GAAP and the USOA, as modified by the Accounting Plan.

Section 8. Costs and Budgets.

(a) CRC Costs. CRC shall pay (and, except for Excluded Taxes, CSXT and NSR shall, pursuant to Section 9, reimburse CRC for) all of the costs and expenses to maintain its ownership of the Shared Assets and to operate and maintain the Shared Assets, including but not limited to all Taxes and assessments, licenses, permits and any other governmental authorizations required to own, operate and maintain the Shared Assets, the principal of and interest and premium, if any, on, and all other costs of, its indebtedness and all other costs of its capital.

(b) Employee Cost Reimbursement. CRC shall reimburse CSXT and NSR for the wages, pro rata portion of fringe benefits, other direct employment costs (including additives) and other actual employee-related costs of any CSXT or NSR employee, respectively, who provides Temporary Services.

(c) Capital Expenditure Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each CRC fiscal year, a Capital Expenditure Budget for such fiscal year, specifying for such year the schedule of Program Maintenance and Shared Asset capital improvements to be performed and constructed for the benefit of both Operators during such fiscal year and the months therein during which such expenditures are proposed to be made, for approval, or modification and approval, by the CRC Board.

-21-

(ii) The General Manager shall not permit any capital expenditure to be made by CRC, CSXT or NSR except in accordance with the Capital Expenditure Budget in effect from time to time, Severable Improvements exclusively funded by an Operator and emergency capital expenditures made (A) to preserve, or to mitigate a serious diminution in, the value and usefulness of a Shared Asset to CRC, CSXT and NSR, or (B) to prevent or mitigate a serious disruption in the operation and use of the Shared Assets by or for CRC, CSXT or NSR.

(iii) Any Capital Expenditure Budget may be amended in writing at any time by the CRC Board.

(d) Operating Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each fiscal year of CRC, an Operating Budget for such fiscal year showing the budget amounts of revenues and

expenses for each month during such fiscal year, for approval, or modification and approval, by the CRC Board.

(ii) The General Manager shall use all reasonable efforts to prevent CRC expenses with respect to Shared Assets for a period from exceeding the amounts shown on the Operating Budget for such period.

(iii) The General Manager shall give prompt written notice to each member of the CRC Board of any actual or, in the judgment of the General Manager, probable, material change in the revenues, expenses or working capital requirements shown on the Operating Budget for any period.

(iv) Any Operating Budget may be amended in writing at any time by the CRC Board.

Section 9. Cost Sharing.

(a) Accounting Plan. The parties shall develop and implement a written plan of accounting containing a detailed description, by category of cost and location, of the costs associated with the management and operation of the Shared Assets Area and the method by which such costs shall be fairly and properly apportioned among the parties. Such plan of accounting may include separate accounting and sharing of costs for particular Zones, and shall conform to the following general principles:

-22-

(i) Forty two percent (42%) of Interest Rental shall be apportioned to CSXT and fifty eight percent (58%) of Interest Rental shall be apportioned to NSR;

(ii) Locomotive ownership, lease, fueling, light repair and servicing costs incurred by CRC within the Shared Assets Area or each Zone (except costs incurred by CRC and charged directly to an Operator pursuant to Section 4(c)) shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(iii) Crew compensation and other crew costs incurred by CRC within the Shared Assets Area or each Zone with respect to CRC Trains shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(iv) General and administrative, supervisory and overhead expenses incurred by CRC within the Shared Assets Area or for functions related to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(v) Dispatching and train control costs (including, without limitation, labor, equipment, materials and maintenance expenses) incurred by CRC with respect to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vi) Police and other costs incurred by CRC with respect to security within the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vii) Damage paid by CRC pursuant to Section 11(c) shall be apportioned between the Operators in accordance with Section 11(b);

(viii) All other costs incurred by CRC with respect to the Shared Assets Area or each Zone (except Taxes and insurance) shall be apportioned between the Operators on the basis of the Total Train Usage Percentages;

(ix) Taxes (other than Excluded Taxes)

incurred by CRC with respect to the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such Taxes relate; and

-23-

(x) Insurance costs incurred by CRC with respect to Shared Assets within the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such insurance costs relate;

If the parties are unable to agree on the terms and provisions of the Accounting Plan, such disagreement may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

(b) Usage Statement. CRC shall deliver to each Operator prior to the last day of each calendar month, a written statement showing for the prior Billing Month:

(i) the total number of loaded and empty Railcars in the account of each Operator in CRC Trains which performed Switching and Yard Services or operated directly between customer facilities in each Zone;

(ii) the total number of loaded and empty Railcars moved by or for such Operator in Operator Trains which operated overhead or directly to Jointly-Operated Facilities, Operators' Facilities or customer facilities in each Zone;

(iii) the calculation of the CRC Train Usage Percentage and the Total Train Usage Percentage for each Operator for each Zone,

and (A) all Railcars in a train shall be deemed to be on Shared Assets when the first or last Railcar of such train is on Shared Assets and (B) each time that a Railcar is removed from or added to a train in the Shared Assets Area shall constitute a separate movement of such Railcar.

(c) Expense Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing (i) the expenses incurred by CRC to own, operate and maintain the Shared Assets during the Billing Month, (ii) the revenues, if any, derived by CRC from the ownership and operation of the Shared Assets during such Billing Month, and (iii) the Reimbursable Expenses for such Billing Month, in each case computed in accordance with GAAP and the USOA, as modified by the Accounting Plan.

(d) Capital Expenditure Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing the estimated Budgeted Capital Expenditures for the calendar month immediately succeeding the calendar month in which such statement is delivered.

-24-

(e) Bills. Concurrently with the delivery to the Operators of a Usage Statement for a Billing Month, CRC shall deliver to each Operator a bill (a "Bill") showing for such Billing Month:

(i) one hundred and two percent (102%) of the amount of each Reimbursable Expense apportioned to such Operator for such Billing Month under the Accounting Plan;

(ii) one-twelfth of fifty percent (50%) of the annual amount of Budgeted Capital Expenditures approved by the CRC Board; and

(iii) one-twelfth of the Interest Rental apportioned to such Operator.

(f) Payment. Each Operator shall pay to CRC the amount shown on each Bill as being payable by such Operator, on or before the 30th day after the date of such Bill regardless of whether or not such Operator disputes the accuracy of any amount or calculation shown on such Bill.

(g) Disputed Bills.

(i) Any dispute by an Operator of the accuracy of any amount or calculation shown on any Bill shall be described and specified in reasonable detail in a Dispute Letter from such Operator to CRC and the other Operator within two years after the date of such Bill.

(ii) Any amounts or calculations shown on any Bill which are not disputed in accordance with Section 9(g)(i) shall conclusively be deemed to be accurate and shall be binding on each Operator and CRC.

(iii) CRC and both Operators shall promptly endeavor to resolve the disputes described in each Dispute Letter, and if they fail to agree to a resolution of such disputes within 60 days of the delivery of such Dispute Letter to CRC, then the firm of independent public accountants which has been engaged as auditors for CRC shall be engaged to resolve such disputes in accordance with GAAP and the USOA, as modified by the Accounting Plan, and the written resolution of such disputes signed by such accounting firm shall be binding on each Operator and CRC.

(iv) Any adjustments to Bills which result from the resolution of Dispute Letter disputes shall be reflected as charges or credits on the first Bills delivered by CRC to the Operators after such disputes have been resolved.

-25-

(v) The fees in connection with the resolution of any Dispute Letter disputes of the accounting firm which has been engaged as auditor for CRC shall be paid fifty percent (50%) by CSXT and fifty percent (50%) by NSR.

Section 10. Access. CRC shall give to each Operator during normal CRC Administrative Office business hours, access to inspect and make copies of any and all books of record and accounts relating to this Agreement, all of which shall be maintained by CRC at the CRC Administrative Office.

Section 11. Liability. Except as otherwise provided in Section 3(l) (Freight Claims), Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), the responsibility between and among CRC, CSXT and NSR for all Damage arising out of, incidental to or occurring in connection with this Agreement shall be apportioned without consideration of fault or negligence of any kind or degree in accordance with the remaining provisions of this Section 11. The provisions of this Section 11 are intended to inure only to the benefit of the parties hereto and their corporate successors and affiliates, and not to create any benefits for any third parties.

(a) Operators' Sole Responsibility. Except as otherwise provided in Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), each Operator shall assume and bear all responsibility for Damage to its own trains, locomotives and equipment, to Railcars and lading in its possession or being handled for its account and for the death of or injury to its own employees.

(b) Operators' Joint Responsibility.

(i) Train Usage. Except as otherwise provided in (1) Section 11(b)(ii) (First Year), (2) Section 11(a) (Operators' Sole Responsibility), (3) Section 11(c)(i) (CRC Damages Generally), (4) Section 11(c)(ii)(B) (No Reallocation for Insurance), (5) Section 11(f) (Specified Level Damages), and (6) Section 11(g) (Substance Abuse Exceptions), and subject to Section 11(c)(ii)(A) (Net of Insurance), all Damage shall be apportioned between the Operators in proportion to their respective Total Train Usage Percentages in the Zone in which the incident giving rise to such Damage occurred for the 12 calendar month period immediately preceding the incident giving rise to such Damage.

(ii) First Year. If an incident giving rise to Damage for which the Operators are jointly responsible under Section 11(b)(i) (Train Usage) occurs before June 1, 2000, responsibility for such Damage shall be borne equally by the Operators, with each being liable for one-half (1/2) of the damages.

-26-

(c) CRC Responsibility - Allocation and Insurance.

(i) CRC Damages Generally. Except as otherwise provided in this Section 11(c), all Damages incurred by CRC, including, without limitation, those Damages apportioned to CRC under Section 11(f) (Specified Level Damages) shall be CRC expenses, allocated as provided in Section 11(b) (Operators' Joint Responsibility), and included in Expense Statements charged to the Operators.

(ii) (A) Net of Insurance.

(1) Notwithstanding any other provision in this Agreement (but subject to Section 11(c)(ii)(B) (No Reallocation for Insurance)), all Damages (including without limitation, loss or destruction of, or damage to, CRC's own property) charged to the Operators, under the Expense Statements or otherwise, shall be net of any CRC insurance. It is the intent of the parties (a) for CRC to look first to any insurance proceeds available to it before attempting to recover any such Damages from the Operators and (b) for the Operators' obligation to make direct payment to CRC not to include any obligation to make direct payment for any Damages covered by insurance procured by or on behalf of CRC.

(2) If and to the extent that CRC is an insured under, or otherwise provided coverage under, an insurance policy or policies each of which provides coverage for both CRC and one Operator but not the other Operator, and regardless of whether two or more of these policies shall be in existence or have different deductible-retention amounts and/or limits of recovery, then the amount of insurance proceeds deemed "available" under Section 11(c)(ii)(A)(1) to which CRC shall look before either Operator shall have any obligation for direct payment shall, as to each Operator, be the maximum available limit of the insurance providing coverage for both that Operator and CRC.

(B) No Reallocation for Insurance. When part of the apportioned Damage will be satisfied from insurance coverage under this Section 11(c), and part paid directly by the Operator, the insured portion of

-27-

the Damage shall be apportioned among or between CRC and the Operators (and consequently between or among their insurers) in the same manner and amounts as it would have been apportioned if the loss were not net of insurance. If any such allocation results in one party hereto suffering a greater uninsured loss than the other(s) because of differing deductibles or self-retentions, that difference in coverage shall not be a basis for any reapportionment or reallocation of Damage.

(d) Process. Each Operator shall be responsible for the payment, handling, administration and disposition of all Damage for which it bears exclusive responsibility under Section 11(a) (Operators' Sole Responsibility), and both Operators shall have joint responsibility for the payment, handling, administration and disposition of all Damage for which they are jointly responsible under Section 11(b) (Operators' Joint Responsibility) and Section 11(c) (CRC Responsibility - Allocation and Insurance). In assigning joint responsibility to both Operators, it is not the intent of this Agreement that the Operators will actually act jointly, but rather that the Operators will agree between themselves on the most practical and efficient arrangements for handling, administering, and disposing of Damage for which they bear joint responsibility, with the objective of eliminating unnecessary duplication of effort and minimizing overall costs.

(e) Indemnification. Each party to this Agreement covenants and agrees to (i) fully indemnify and save harmless the other parties to this Agreement from and against any payments which are the responsibility of such party under this Agreement, and all expenses, including attorneys' fees and expenses and other expenses of any court or regulatory proceeding, incurred by such other parties in defending any claim that they are liable for such payments, and (ii) defend such other parties against such claims with counsel selected by such party and reasonably acceptable to such other parties.

(f) Specified Level Damages.

(i) Damages Amount. Section 11(a) (Operators' Sole Responsibility) and Section 11(b) (Operators' Joint Responsibility) shall apply directly only when the total amount of all Damages resulting from a single incident is \$25 million or less. Responsibility for Damages resulting from a single incident for which Damages exceed \$25 million shall be allocated as stated in this Section 11(f) (i).

(A.1) Tier One Damages Defined. In this Section 11(f), "Tier One Damages" for any incident occurring during and between June 1, 1999 and May 31, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include the greater of:

(1) \$25 million of Damages; or

(2) the lowest amount of Damages which, when allocated among all parties, results in an allocation to either Operator of Damages in an amount equal to all insurance benefits available to that Operator (called the "Lesser Insured Operator") which has the lesser (as between the Operators) amount of insurance benefits available to it, including, without limitation, insurance to which CRC looks under Section 11(c) (CRC Responsibility - Allocation and Insurance). In determining insurance benefits available to the Lesser Insured Operator, both property and liability insurance shall be considered but (I) only to the extent benefits are actually available in connection with that incident and (II) they shall be calculated separately (i.e., property insurance benefits

shall not be considered in any determination of available liability insurance benefits and vice versa).

-28-

In this Section 11(f), "Tier One Damages" for any incident occurring on or after June 1, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include only the first \$25 million of Damages incurred by the parties, unless otherwise agreed by the parties.

(A.2) Allocation of Tier One Damages. Tier One Damages shall be allocated among the parties as follows:

(1) Any Damage for which each Operator would otherwise be solely responsible under Section 11(a) (Operators' Sole Responsibility) shall be allocated as provided in Section 11(a);

(2) Any and all CRC Damages other than those specified in preceding Section 11(f) (i) (A.2) (1) (including, without limitation, Damage to its trains, locomotives and equipment, whether owned or leased, to Railcars and lading in its possession or being handled for its account, and to the property of any others, as well as any Damage arising from or in connection with the death of or injury to any persons, including, without limitation, its own employees) shall be allocated and paid as provided in Section 11(c) (CRC Responsibility - Allocation and Insurance); and

(3) Any and all other Damages shall be allocated as provided in Section 11(b) (Operators' Joint Responsibility).

(B.1) Tier Two Damages Defined. In this Section 11(f), "Tier Two Damages" shall include (1) those Damages allocated to Tier Two under Section 11(g) (Substance Abuse Exceptions) and (2) all of those Damages in excess of the aggregate Tier One Damages calculated under Section 11(f) (i) (A.1).

-29-

(B.2) Allocation of Tier Two Damages. Tier Two Damages shall be allocated between or among the parties hereto in proportion to their respective fault or negligence in causing the Damage.

(ii) Dispute Resolution. Any dispute between or among the parties hereto in determining their respective fault or negligence in causing the Damage or otherwise relating to their respective responsibilities for Damage arising out of, incidental to or occurring in connection with any incident shall be submitted for resolution by binding arbitration pursuant to Section 13 (Arbitration).

(iii) Amendment of Certain Amounts. The \$25 million amount referred to in this Section 11(f) may be adjusted every five years following the date of this Agreement with the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

(g) Substance Abuse Exceptions. Each Operator shall assume and bear all responsibility for Damage to the extent caused by acts or omissions of any of its employees while under the influence of drugs or alcohol, and Sections 11(b) (Operators'

Joint Responsibility) and Section 11(f) (Specified Level Damages) shall not apply to any such Damage. If, but for the operation of this Section 11(g), all or any Damages from an incident would otherwise have been Tier One Damages under Section 11(f) (Specified Level Damages), the portion of the Damages caused by acts or omissions of any the employee(s) while under the influence of drugs or alcohol shall be Tier Two Damages, and allocated under Section 11(f)(i)(B.2) (Allocation of Tier Two Damages), and the remaining portion of the Damages from that incident shall be included in, and allocated under, Tier One or Tier Two under the otherwise applicable provisions for Section 11(f)(i).

(h) Transaction Agreement. Section 2.8 of the Transaction Agreement shall control any conflict between Sections 11(b) and (c) and said Section 2.8.

(i) Damages. As used in this Section 11 only, the term "Damage(s)" shall exclude:

(i) Operator Consequential Damages (which are always borne by the Operator which sustained them); and

(ii) any claim by any party, in its own right, against any other party for exemplary or punitive damages, but not for allocation under this Section 11 of exemplary or punitive damages claimed against that party by a third person not a party hereto.

-30-

With regard to exemplary and punitive Damages the parties acknowledge and agree that, with regard to the subject of this Agreement, the intent and agreement of the parties is that no party shall bring or recover any claim for exemplary or punitive damages, in its own right, against any other party, but that any party will allocate, in accordance with this Section 11, exemplary or punitive Damages from any claim against it by a third person not a party hereto.

Section 12. No Partnership. Nothing in this Agreement shall be construed to establish a partnership or joint venture between or among CRC, CSXT or NSR or any of their affiliates or associates.

Section 13. Arbitration. Any dispute, controversy or claim (or any failure by the parties to agree on a matter as to which this Agreement expressly or implicitly contemplates subsequent agreement by the parties, except for matters left to the sole discretion of a party) arising out of or relating to this Agreement, or the breach, termination or validity hereof, shall be finally settled through binding arbitration by a sole, disinterested arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitrator shall be jointly selected by the parties but, if the parties do not agree on an arbitrator within 30 days after demand for arbitration is made by a party, they shall request that the arbitrator be designated by the American Arbitration Association. The award of the arbitrator shall be final, binding and conclusive upon the parties. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, experts and counsel. The compensation and any costs and expenses of the arbitrator shall be borne equally by the parties. The arbitrator shall have the power to require the performance of acts found to be required by this Agreement, and to require the cessation or nonperformance of acts found to be prohibited by this Agreement. The arbitrator shall not have the power to award consequential or punitive damages. Judgment upon the award rendered may be entered in any court having jurisdiction thereof, which court may award appropriate relief at law or in equity. All proceedings relating to any such arbitration, and all testimony, written submissions and award, of the arbitrator therein, shall be private and confidential as among the parties, and shall not be disclosed to any other

Person, except as required by law and except as reasonably necessary to prosecute or defend any judicial action to enforce, vacate or modify such arbitration award.

Section 14. Term. This Agreement shall become effective as of the date first above written and shall remain in effect until the twenty-fifth (25th) anniversary of such date, subject to the right of CSXT and NSR to agree prior to the twenty-third (23rd) anniversary of such date to extend this Agreement for a renewal period of five (5) years; and if so extended, to agree prior to the twenty-eighth (28th) anniversary of such date to further extend this Agreement for an additional renewal period of five (5) years (each such period, a "Renewal Term").

-31-

Section 15. Force Majeure. The obligations, other than payment obligations, of the parties to this Agreement shall be subject to force majeure (which shall include strikes, riots, floods, accidents, Acts of God, and other causes or circumstances beyond the control of the party claiming such force majeure as an excuse for non-performance), but only as long as, and to the extent that, such force majeure shall prevent performance of such obligations.

Section 16. Entire Agreement. This Agreement and the Transaction Agreement, including the other Ancillary Agreements (as defined in the Transaction Agreement) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except the letter agreement dated April 8, 1997 between CSX and NSC to the extent such April 8, 1997 letter agreement covers matters not addressed or amended hereby or in the Transaction Agreement or the Ancillary Agreements (as defined in the Transaction Agreement); provided that it is the intent of the parties that this Agreement shall be an effectuation of such April 8, 1997 letter agreement consistent with its terms, and that the provisions of this Agreement shall be interpreted to give effect to such April 8, 1997 letter agreement; and provided further that, in the event of any inconsistency between the terms of this Agreement and such April 8, 1997 letter agreement, this Agreement shall prevail.

Section 17. Amendment and Waiver. Any amendment to this Agreement must be in writing and executed and delivered by CRC, CSXT and NSR, subject to any jurisdiction of the STB. Any waiver of any term or provision of this Agreement must be in writing and executed and delivered by the party entitled to enforcement of such term or provision.

Section 18. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, such provision is intended to be ineffective only to the most limited extent possible in such context and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 19. Remedies.

(a) Entitlement to Certain Remedies. Each party acknowledges and agrees that the other parties would be irreparably damaged in the event any of the provisions of this Agreement were not performed by it in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each party shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to specifically enforce such provisions, in addition to any other remedy to which such party may be entitled, at law or in equity.

-32-

(b) Preclusion of Certain Remedies. In no event shall any party be liable to the other parties for any consequential, indirect, incidental, punitive or other similar damages including, but not limited to, lost profits for any breach or default, or any act or omission arising out of or in any way relating to this Agreement, under any form or theory of action whatsoever, whether in contract, tort or otherwise. The foregoing is not intended to alter or limit the allocation of responsibility for Damage as provided in Section 11.

Section 20. Interpretation. This Agreement was drafted jointly by CSXT and NSR, each of which was advised by its own counsel and other advisors concerning all of the terms and provisions hereof; accordingly, any ambiguity herein should not be construed in favor of or against any of them.

Section 21. Headings. Headings of Sections and paragraphs in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any term or provision of this Agreement.

Section 22. Parties. This Agreement shall inure to the benefit of and be binding upon CRC, CSXT and NSR and any successor of any of them by operation of law, and any assignee agreed to by them in accordance with Section 23, and nothing in this Agreement is intended or shall be construed to give any other Person any legal or equitable right, remedy or claim under or with respect to this Agreement or any term or provision hereof.

Section 23. Assignment.

(a) Limitation. Except as provided in Section 23(b), neither this Agreement (including the documents and instruments referred to herein) nor any of the rights, interests or obligations hereunder, shall be assigned by any party, including by operation of law, without the prior written consent of the other parties (except to a controlled subsidiary), which consent may be given or refused in the sole discretion of each party.

(b) Successor. Any party without the consent of the other parties may assign all of its rights and obligations under this Agreement only to any successor in the event of a merger, consolidation, sale of all or substantially all its assets (but only if such sale includes all routes and lines owned by such party to access the Shared Assets), if such assignee executes and delivers to the other parties hereto an agreement reasonably satisfactory in form and substance to such other party under which such assignee, which is reasonably satisfactory to the other party, assumes and agrees to perform and discharge all the obligations and liabilities of the assigning party; provided that any such assignment shall not relieve the assigning party from the performance and discharge of such obligations and liabilities.

-33-

Section 24. Notices. Any notice given by CRC, CSXT or NSR to the others under this Agreement shall be deemed delivered on the date sent by registered mail, or by such other means as they may agree, and shall be addressed to them as follows:

(A) If to CSXT:

Executive Vice President and
Chief Operating Officer
CSX Transportation, Inc.
500 Water Street, J120
Jacksonville, Florida 32202

(B) If to NSR:

Senior Vice President Operations

Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

(C) If to CRC:

President and Chief Executive Officer
Consolidated Rail Corporation
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

and each of them may from time to time change its address in this Section 24 by written notice delivered to the others.

Section 25. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to principles of conflicts of laws.

-34-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officials as of the day first above written.

CSX TRANSPORTATION, INC.

By: /s/ Peter J. Shudtz

Title: Vice President - Law and
General Counsel - CSX
Corporation, authorized agent
for CSX Transportation, Inc.

NORFOLK SOUTHERN RAILWAY COMPANY

By: /s/ J. L. Manetta

Title: Senior Vice President
Operation

CONSOLIDATED RAIL CORPORATION

By: /s/ Timothy O'Toole

Title: President

-35-

EXHIBIT A

OPERATING PROTOCOLS

Consolidated Rail Corporation
Shared Assets Area
Terminal Capacity Guidelines

Yard Operations

- o Cars loaded or empty moving outbound to either parent* company, which have been made up for train departure at either a serving merchandise yard, Automotive Terminal or jointly used Intermodal Facility will be considered

available at the published departure time for scheduled trains and the later of 4 hours after notice to the parent or actual available time (set time) for non-scheduled or extra trains. Cars remaining available for departure in excess of ten (10) hours will be subject to a charge of \$141.00 per car. Thereafter, for every eight (8) hours that the same cars continue to remain on track, along with all other cars of the same block codes within the originating dispatch yard, will be subject to an additional charge of \$141.00 per car.

- o Cars loaded or empty assembled for outbound train dispatch to either parent company will be considered available at published departure time for such scheduled trains. The Shared Assets Areas management will provide four (4) hours advance notice prior to set time on non-scheduled or extra trains before they will be considered available for departure.
- o Management of Shared Assets Areas may refuse an inbound train of the same category when a specific destination terminal has been holding more than one (1) intermodal, automotive, manifest or unit train of a parent for power and/or crew beyond ten (10) hours of scheduled departure or availability and conditions within the involved destination terminal preclude the effective handling of the offered inbound trains.
- o Acts of God, Mainline blockages, labor strikes or other causes to a cessation of consistent service beyond the control of a parent company will be considered by the management of the Shared Assets Areas as to the legitimacy of any assessment.
- o Opportunities for the Shared Assets Areas management to

*The term "parent" means CSXT and/or Norfolk Southern Railway Co. ("NSR") and is not intended to describe the legal relationship between the parties.

1

consolidate - trains for the benefit of a specific Shared Assets Area operation and the involved parent, as mutually agreed by the parties, will not result in charges on cars designated for the annulled train resulting from said consolidation.

- o An inventory of hold cars awaiting disposition within any given Shared Assets Area territory should not exceed thirty (30) cars per day for either CSXT or NSR individually. The Shared Assets Areas management may elect to limit receipt of inbound car flow from the delinquent parent for the affected Shared Assets Areas territory, in accordance with the guidelines for holding trains. Any loaded or empty car including those in unit train consists carrying a "No Bill" status more than twenty-four (24) hours will be assessed \$10.00 per hour in excess thereof.
- o Trains inbound to the Shared Assets Area territory must have proper car and train documents. If this information is lacking, the Shared Area managers, at their discretion, may hold trains outside the boundaries of the Shared Assets Area until proper documentation is received.
- o Regardless of company of employment, any qualified crew in the Shared Area may operate any locomotive, regardless of ownership, in that area for the purposes of positioning/hostling or movement of light power between yards.

Held Trains

- o In recognition of terminal fluidity and capacity utilization, the Shared Assets Areas management can require, in coordination with a parent's command center, an inbound train to be held outside the boundaries of a Shared Assets Area.
 - Such notification must be given with enough notice for the parent to chamber the train at a location that minimizes disruption to operations.
 - Decisions by the Director of Train Operations of Shared Assets Areas management are final in this regard. Neither parent may compel the Shared Assets Areas management to accept trains.
 - Similarly, the decision to hold out a train other than temporary holds is recognized as a serious action, which will be done only after all other alternatives are exhausted. Data on these actions will be maintained by Shared Assets Areas management and will be regularly available for briefing to the Conrail's Board of Directors at its pleasure.

Storage

- o Neither parent company may store or pre-position cars on Shared Assets Area's tracks, including yard and industrial tracks to which they have access. Empty cars routed to the Shared Assets Areas must have a customer destination assigned, and must be loaded without beginning to accrue charges as described in Conrail's Demurrage Tariff in effect on May 1, 1999. When it is determined that cars cannot be delivered to the customer within 60 hours of arrival, a call will be made to the parent's operations center. After such a call is made, except in extraordinary cases, these cars will then be placed on the parent's first available outbound train.
- o CSXT and NS will independently establish such demurrage and car storage arrangements with customers as each deems proper. Should customers keep or store cars on SAA tracks beyond the time at which charges would begin to accrue as called for in Conrail's Demurrage Tariff in effect on May 1, 1999, then the parent road will be assessed \$100 per car per day to cover the operational cost of congestion and inefficient use of Shared Assets Areas facilities.
- o CSXT and NSR recognize that certain customers are currently provided car storage within the Shared Asset Areas, and that this storage may be essential to the functioning of the business of these customers. CSXT, NSR and Shared Assets will review current pools and by consent of all three parties approve their makeup and location based on operating efficiencies. Thereafter pools will be regularly reviewed for the provision of such storage to avoid congestion. Any request for additional car storage for any Shared Assets Area customers must be approved by the Parents, who will consider the availability of additional space with a view toward assuring that operations in the Shared Assets Area remain fluid and will not be affected by providing such car storage.

Interchange

- o CSXT and NSR will not interchange cars to each other within the Shared Assets Areas locations unless specifically provided through separate agreements. No open interchanges have been established except at industries.

Blocking

- o To ensure the equal and fair use of the Shared Assets Area capacity by its parent companies, the following car classification requirements will govern:
 - Each parent company will be required to block inbound trains for the Shared Assets Areas. Each parent will make the number of blocks called for in the split-date Operating Plan. Failure to comply with inbound blocking requirements and execute appropriate setoffs (unless otherwise directed by Shared Assets management) within the Shared Assets Area will result in an assessment of \$50.00 per loaded or empty car.
 - Management of the Shared Assets Areas will be required to block outbound trains. Parent companies will receive the number of blocks at each Shared Assets Area terminal that is called for in the split-date Operating Plan.
 - Changes to the number of blocks made by or delivered to a Shared Asset terminal may be made only by mutual consent of all three parties.
 - Parent companies, except by joint agreement, may not compel the Shared Assets Areas management to make a greater number of blocks at any terminal, beyond the number of called for in the split-date Operating Plan.
 - Each parent may change the definition of its own specific blocks originating at a Shared Assets Area terminal.

Hours of Service and Recrews

- o Train crews on parent trains approaching a Shared Assets Area must have sufficient time to terminate in or exit the Shared Assets Areas before hours-of-service laws require them to rest. Sufficient time is considered the trains scheduled elapsed time to terminate in or pass through the Shared Assets Area. The Shared Assets Areas management may grant an exception if the train can make it to its destination without undue disruption.
- o Shared Assets Areas shall have the option to provide T&E relief service for any road train on the hours-of-service law, regardless of parent company.
 - Such relief will be provided after coordination with the appropriate parent's operations center indicating the involved parent will provide no relief crew.

- Recrews will be at the sole cost and expense of the parent whose train is recrewed at full cost plus a \$500 surcharge.
- If specific trains frequently require recrews, Shared Assets Areas management may request the parent to change its schedule or slotting of subject train with the right to repeatedly hold that train for a recrew outside the Shared Assets Areas as set forth under the "held trains" provision until such appropriate adjustments are made to the non-conforming schedule.
- Data on trains recrewed will be maintained by Shared Assets Areas management and will be regularly available

for briefing to Conrail's Board of Directors at its pleasure.

Charges

- o The charges paid by either owner under these protocols will be made to a Conrail "passive income" account, which will be administered by Conrail.

Changes

- o These terminal capacity guidelines will be reviewed at the request of any of the three parties (CSXT, NSR, and/or CSAO). Proposed changes are subject to the arbitration provisions of the Shared Asset Area Operating Agreements in the event CSXT and NSR cannot agree.

SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
DETROIT

Dated as of June 1, 1999

By and Among

CONSOLIDATED RAIL CORPORATION,
CSX TRANSPORTATION, INC. and
NORFOLK SOUTHERN RAILWAY COMPANY

TABLE OF CONTENTS

	Page
Section 1. Definitions. . . . .	.1
(a) AAR. . . . .	.1
(b) Accounting Plan. . . . .	.1
(c) Action . . . . .	.2
(d) Adjacent Improvements. . . . .	.2
(e) Bill . . . . .	.2
(f) Billing Month. . . . .	.2
(g) Board of Managers. . . . .	.2
(h) Budgeted Capital Expenditures. . . . .	.2
(i) Capital Expenditure Budget . . . . .	.2
(j) Capital Expenditure Statement. . . . .	.2
(k) CRC Administrative Office. . . . .	.2
(l) CRC Board. . . . .	.2
(m) CRC Train. . . . .	.2
(n) CRC Train Usage Percentage . . . . .	.2
(o) CSX. . . . .	.3
(p) CSXT Operating Agreement . . . . .	.3
(q) Damage(s). . . . .	.3
(r) Dispute Letter . . . . .	.3

	Page
(s) Excluded Taxes . . . . .	.3
(t) Expense Statement. . . . .	.3
(u) GAAP . . . . .	.3
(v) General Manager. . . . .	.3
(w) Governmental Entity. . . . .	.3
(x) Interest Rental. . . . .	.3
(y) Jointly-Operated Facility. . . . .	.4
(z) Lesser Insured Operator. . . . .	.4
(aa) Liabilities. . . . .	.4
(bb) Nonseverable Improvement . . . . .	.4
(cc) NSC. . . . .	.4
(dd) NSR Operating Agreement. . . . .	.4
(ee) NYC. . . . .	.4
(ff) Operating Budget . . . . .	.4
(gg) Operating Plan . . . . .	.5
(hh) Operator . . . . .	.5
(ii) Operator Consequential Damages . . . . .	.5
(jj) Operator's Expense Percentage. . . . .	.5
(kk) Operator's Facility. . . . .	.5
(ll) Operator Train . . . . .	.5

-ii-

	Page
(mm) Person . . . . .	.5
(nn) Program Maintenance. . . . .	.5
(oo) Program Maintenance Proposal . . . . .	.5
(pp) PRR. . . . .	.5
(qq) Railcar. . . . .	.6
(rr) Reimbursable Expenses. . . . .	.6
(ss) Renewal Term . . . . .	.6
(tt) RoadRailer . . . . .	.6
(uu) Routine Maintenance. . . . .	.6
(vv) Severable Improvement. . . . .	.6
(ww) Shared Asset Value . . . . .	.6
(xx) Shared Assets. . . . .	.6
(yy) Shared Assets Area . . . . .	.7
(zz) STB. . . . .	.7

(aaa) Switching and Yard Services	7
(bbb) Tax or Taxes.	7
(ccc) Temporary Services.	7
(ddd) Tier One Damages.	7
(eee) Tier Two Damages.	7
(fff) Total Train Usage Percentage.	8

-iii-

Page

(ggg) Transaction Agreement	8
(hhh) Usage Statement	8
(iii) USOA.	8
(jjj) Valuation Date.	8
(kkk) Zone.	8
Section 2. Management	8
(a) CRC Board.	8
(b) General Manager.	9
(c) Employees.	10
(d) CRC Responsibilities	10
(e) Impartiality	10
(f) Independent Contractors.	10
Section 3. Operations	10
(a) Operator's Rights.	10
(b) Use.	11
(c) Grant of Rights.	11
(d) Switching and Yard Services.	12
(e) Operating Protocols.	12
(f) Freight Traffic to Remain in Account of Each Operator	12
(g) Rates, Routes and Divisions.	13

-iv-

Page

(h) Shipper Bills.	13
(i) Service Responsibility	13
(j) Dispatching.	13
(k) Railcar Weighing	14
(l) Freight Claims	14
(m) Freight Car Repairs.	14
(n) Train Services	15

(o) Wrecking Service	15
(p) Admission of Third Parties	15
Section 4. Equipment and Properties	15
(a) Procurement.	15
(b) Contribution of Locomotives by Operators	15
(c) Locomotive Service and Repair.	16
Section 5. Maintenance.	16
(a) Routine Maintenance.	16
(b) CRC Program Maintenance.	17
(c) Maintenance Standards.	17
Section 6. Capital Improvements	18
(a) Proposed Projects.	18
(b) CRC Board Approved Projects.	18

-v-

	Page
(c) Nonseverable Improvement Projects.	18
(d) Severable Improvement Projects	18
(e) Capital Improvements as Shared Assets.	19
(f) Title to Severable Improvements.	19
(g) Noninterference.	19
(h) Switch Connections	20
(i) Adjacent Improvements.	20
(j) Operator's Facilities.	20
Section 7. Accounting	21
(a) Books of Record and Account.	21
(b) Financial Statements	21
Section 8. Costs and Budgets.	21
(a) CRC Costs.	21
(b) Employee Cost Reimbursement.	21
(c) Capital Expenditure Budget	21
(d) Operating Budget	22
Section 9. Cost Sharing	22
(a) Accounting Plan.	22
(b) Usage Statement.	24
(c) Expense Statement.	24

-vi-

(d) Capital Expenditure Statement.	24
(e) Bills.	25
(f) Payment.	25
(g) Disputed Bills	25
Section 10. Access.	26
Section 11. Liability	26
(a) Operators' Sole Responsibility	26
(b) Operators' Joint Responsibility.	26
(c) CRC Responsibility - Allocation and Insurance.	27
(d) Process.	28
(e) Indemnification.	28
(f) Specified Level Damages.	28
(g) Substance Abuse Exception.	30
(h) Transaction Agreement.	30
(i) Damages.	30
Section 12. No Partnership.	31
Section 13. Arbitration	31
Section 14. Term.	31
Section 15. Force Majeure	32
Section 16. Entire Agreement.	32

-vii-

	Page
Section 17. Amendment and Waiver.	32
Section 18. Severability.	32
Section 19. Remedies.	32
(a) Entitlement to Certain Remedies.	32
(b) Preclusion of Certain Remedies	33
Section 20. Interpretation.	33
Section 21. Headings.	33
Section 22. Parties	33
Section 23. Assignment.	33
(a) Limitation	33
(b) Successor.	33
Section 24. Notices	34
Section 25. Governing Law	34
EXHIBIT A - Operating Protocols	

-viii-

SHARED ASSETS AREA
OPERATING AGREEMENT
FOR
DETROIT

This SHARED ASSETS AREA OPERATING AGREEMENT ("Agreement") dated as of June 1, 1999, is by and among Consolidated Rail Corporation ("CRC"), CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NSR").

W I T N E S S E T H:

WHEREAS, all capitalized terms in this Agreement have the respective meanings set forth in Section 1; and

WHEREAS, CSX owns all of the common stock of and controls CSXT, NSC owns all of the common stock of and controls NSR, and CSX and NSC jointly control CRC; and

WHEREAS, CSXT, NSR and CRC desire that the Shared Assets shall be owned, operated and maintained by CRC and used by or for the exclusive benefit of CSXT and NSR, and that CSXT and NSR shall each have full and equal rights to use the Shared Assets to provide competitive railway freight transportation services to, from and between all places within the Shared Assets Area.

NOW, THEREFORE, in consideration of the premises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, CRC, CSXT and NSR hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms have the following meanings:

(a) "AAR" means the Association of American Railroads.

(b) "Accounting Plan" means the plan of accounting adopted pursuant to Section 9(a).

(c) "Action" means any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity.

(d) "Adjacent Improvement" means a capital improvement, such as a spur, which provides access to customers and local industries and which (i) is on property which is not part of the Shared Assets and (ii) will be directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets.

(e) "Bill" means a bill delivered by CRC to an Operator pursuant to Section 9(e).

(f) "Billing Month" means the calendar month for which information is shown on a Usage Statement.

(g) "Board of Managers" means any Board of Managers which may be appointed by the CRC Board pursuant to Section 2(a) (ii).

(h) "Budgeted Capital Expenditures" means capital expenditures included on a Capital Expenditure Budget which has been approved by the CRC Board.

(i) "Capital Expenditure Budget" means a written budget specifying proposed capital expenditures to be made by CRC with respect to Shared Assets for the periods of time specified

in such budget, and the proposed sources of the capital required to make such expenditures.

(j) "Capital Expenditure Statement" means a statement delivered by CRC pursuant to Section 9(d).

(k) "CRC Administrative Office" means the administrative office of CRC located at Philadelphia, Pennsylvania, or at such other place designated by CRC in a notice it delivers to CSXT and NSR.

(l) "CRC Board" means the Board of Directors of CRC.

(m) "CRC Train" means a train operated by CRC and performing services pursuant to Sections 3(c) or (d).

(n) "CRC Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total number of loaded and empty Railcars in the account of such Operator in CRC Trains, by (ii) the total number of loaded and empty Railcars in the accounts of both Operators in CRC Trains, during such time period in such Zone.

-2-

(o) "CSX" means CSX Corporation.

(p) "CSXT Operating Agreement" means the agreement, dated June 1, 1999, between CSXT and NYC providing for the use, operation and maintenance by CSXT of certain assets owned or leased by NYC.

(q) "Damage(s)" means all assessments, fines, losses, damages, liabilities, and costs and expenses related thereto, including, without limitation, interest, penalties and attorneys' and consultants' fees and also expressly including, without limitation, all liabilities arising after the effective date hereof under the Federal Employers Liability Act, as amended, and environmental laws.

(r) "Dispute Letter" means a letter delivered by an Operator pursuant to Section 9(g)(i).

(s) "Excluded Taxes" means: (A) all Taxes based, in whole or in part, on net income or gross income (including, without limitation, any minimum tax) of CRC or which are in substitution for, or relieve CRC from, any Tax based upon or measured by CRC's net income or gross income, together with any interest, penalties, additions to tax or additional amounts that may become payable in respect thereof; (B) business and occupation taxes, and gross receipts taxes (unless in the nature of a sales tax) of CRC and Taxes based upon the equity interests of CRC; and (C) interest, fines and penalties to the extent due to the acts or omissions of CRC in connection with such Excluded Taxes.

(t) "Expense Statement" means a statement delivered by CRC pursuant to Section 9(c).

(u) "GAAP" at any time means generally accepted accounting principles in effect at such time.

(v) "General Manager" means the chief executive officer of CRC.

(w) "Governmental Entity" means any federal, state, local or foreign court, administrative agency or commission or other governmental or regulatory authority or commission or any arbitration tribunal.

(x) "Interest Rental" means an amount representing a fair periodic return on the Shared Asset Value as of the most recent preceding Valuation Date as determined by such appraiser

as CSXT and NSR may select. The Interest Rental for the first six years of this Agreement shall be as follows:

-3-

June 1, 1999 through May 31, 2000 -- \$6 million
June 1, 2000 through May 31, 2001 -- \$7 million
June 1, 2001 through May 31, 2002 -- \$7 million
June 1, 2002 through May 31, 2003 -- \$8 million
June 1, 2003 through May 31, 2004 -- \$8 million
June 1, 2004 through May 31, 2005 -- \$9 million

(y) "Jointly-Operated Facility" means a facility or yard which is operated by or for a rail carrier and one or more other rail carriers.

(z) "Lesser Insured Operator" means the Operator which has the lesser (as between the Operators) amount of available insurance benefits as specified in Section 11(f)(i)(A.1)(2).

(aa) "Liabilities" means any and all debts, liabilities and obligations of any kind whatsoever, whether or not accrued, contingent or reflected on a balance sheet, known or unknown, absolute, determined, determinable or otherwise, including, without limitation, those arising under any law, rule, regulation, action, order or consent decree of any Governmental Entity or any judgment in any Action of any kind or award of any arbitrator of any kind and those arising under any contract.

(bb) "Nonseverable Improvement" means a capital improvement which is integral to the operation of the Shared Assets and is not readily removable.

(cc) "NSC" means Norfolk Southern Corporation.

(dd) "NSR Operating Agreement" means the agreement, dated June 1, 1999, between NSR and PRR providing for the use, operation and maintenance by NSR of certain assets owned or leased by PRR.

(ee) "NYC" means New York Central Lines LLC, a Delaware limited liability company.

(ff) "Operating Budget" means a written budget specifying estimated operating revenues and expenses and working capital requirements of CRC with respect to the Shared Assets for the periods of time specified in such budget.

-4-

(gg) "Operating Plan" means the plan for road train and local train schedules and classifications and related operating protocols for the Shared Assets Area as may be agreed to, and modified from time to time, by CRC, CSXT and NSR.

(hh) "Operator" means either CSXT or NSR.

(ii) "Operator Consequential Damages" means consequential, indirect, incidental or other similar damage, injury or loss to an Operator.

(jj) "Operator's Expense Percentage" means for an Operator the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total Reimbursable Expenses (except for Interest Rental, Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by such Operator for a particular period, by (ii) the total Reimbursable Expenses (except for Interest Rental, Taxes, insurance costs and any other CRC expenses not apportioned between the Operators on a usage basis) payable by both Operators for such period.

(kk) "Operator's Facility" means a present, expanded or

new facility or yard which is owned or controlled exclusively by an Operator.

(ll) "Operator Train" means a train operated by an Operator and performing services in accordance with Sections 3(a) and 3(c).

(mm) "Person" means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

(nn) "Program Maintenance" means scheduled renewal of track, signals, structures and other fixed facilities performed by system or production gangs assembled to accomplish a specific task or tasks.

(oo) "Program Maintenance Proposal" means a written proposal prepared by CRC, CSXT or NSR which describes specific Program Maintenance which the preparer of such proposal believes is necessary or desirable to maintain the Shared Assets in a safe operating condition to permit or facilitate (i) the performance by CRC of its services pursuant to this Agreement, or (ii) the use of Shared Assets by the Operators, and which specifies a budget for such Program Maintenance.

(pp) "PRR" means Pennsylvania Lines LLC, a Delaware limited liability company.

-5-

(qq) "Railcar" means, except as otherwise provided in the Accounting Plan, each railroad freight car, locomotive, caboose or other equipment (including RoadRailer or comparable bimodal freight hauling equipment in the account of either Operator) furnished in substitution of railroad equipment, loaded or empty, which an Operator originates, terminates, switches or moves on or overhead to any Shared Assets, except that (i) a single standard flat car not exceeding 96 feet in length (excluding articulated flat cars) shall count as a single Railcar, (ii) freight rail cars consisting of articulated units bearing AAR Car Type Codes "Q" and "S" shall count as multiple Railcars based on the second (numeric) digit of the Car Type Code for such articulated units (by way of example, a car consisting of AAR Car Type Code "S566" would be counted as five Railcars) (or corresponding car type codes and digits if the AAR Car Type Codes should be modified at any time during the term of this Agreement), and (iii) a single unit of RoadRailer equipment (or comparable bimodal freight hauling equipment in the account of either Operator) shall count as one-half (1/2) of a Railcar.

(rr) "Reimbursable Expenses" means the expenses shown on an Expense Statement, minus the revenues, if any, shown on such Expense Statement.

(ss) "Renewal Term" means the term of extension of this Agreement under Section 14.

(tt) "RoadRailer " means bimodal freight hauling equipment manufactured by or under license from "RoadRailer ", a division of Wabash National Corporation, and capable of movement over the highway when pulled by a tractor and on the rails using locomotive power.

(uu) "Routine Maintenance" means day-to-day repairs to track, signals, structures and other fixed facilities that are not part of Program Maintenance.

(vv) "Severable Improvement" means a capital improvement which is not a Nonseverable Improvement.

(ww) "Shared Asset Value" means at any date the value of the Shared Assets, except leases and other contract rights granted by either Operator to CRC, as of the most recent

preceding Valuation Date as determined by such appraiser as CSXT and NSR may select.

(xx) "Shared Assets" means all tracks, lands, easements, rights of way, structures, facilities, appurtenances and rights related thereto, which CRC owns, leases or otherwise has the right to operate over (including those segments over which CRC or an Operator possesses operating rights pursuant to Section 3(c)), and which are used for railway purposes in the Shared Assets Area, including the properties, rights, equipment, inventory and supplies, whether owned or leased, described or referred to in Item 3A of Schedule 1 (including Attachments I and II) of the Transaction Agreement, but excluding Operator's Facilities.

-6-

(yy) "Shared Assets Area" means the geographical area comprising the Shared Assets and Operator Facilities and Jointly-Operated Facilities directly (without intermediate connection to another railroad) attached to trackage included within the Shared Assets, which is designated as the "Detroit" Shared Assets Area.

(zz) "STB" means the Surface Transportation Board or, if there shall be no Surface Transportation Board, any federal agency which is charged with the function of approving combinations by rail carriers or persons controlling them, or of other arrangements between rail carriers, and granting exemptions from other laws with respect thereto or regulating other specific functions with respect to the context in which such term is employed or any successor entity thereof.

(aaa) "Switching and Yard Services" means the service of classifying and assembling trains for the account of an Operator in Jointly-Operated Facilities; movement of loaded or empty Railcars between yards and local industries; and switching trains and Railcars at yards, terminals and local industries.

(bbb) "Tax" or "Taxes" means taxes of any kind, levies or other similar assessments, customs, duties, imposts, charges or fees, including, without limitation, income taxes, gross receipts, ad valorem, excise, real or personal property, sales, use, payroll, withholding, unemployment, transfer and gains taxes or other governmental taxes imposed by or payable to the United States, or any state, local or foreign government or subdivision thereof, and in each instance such term shall include any interest, penalties or additions to tax attributable to such Tax or Taxes.

(ccc) "Temporary Services" means services provided by CSXT or NSR employees in the operation, maintenance or repair of any Shared Asset on an emergency basis with the prior approval of the General Manager or senior CRC employee who is directly responsible for the operation or maintenance of such Shared Asset.

(ddd) "Tier One Damages" means those Damages defined as Tier One Damages in Section 11(f) (i) (A.1).

(eee) "Tier Two Damages" means those Damages defined as Tier Two Damages in Section 11(f) (i) (B.1).

-7-

(fff) "Total Train Usage Percentage" means for an Operator for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the sum of the total number of loaded and empty Railcars in the account of such Operator in CRC Trains and the total number of loaded and empty Railcars in the account of such Operator in Operator Trains, by (ii) the sum of the total number of loaded and empty Railcars in the accounts of both Operators in CRC

Trains and the total number of loaded and empty Railcars in the accounts of both Operators in Operator Trains, during such period in such Zone.

(ggg) "Transaction Agreement" means the Transaction Agreement dated as of June 10, 1997, among CSX, CSXT, NSC, NSR, Conrail Inc., CRC and CRR Holdings LLC.

(hhh) "Usage Statement" means a statement delivered by CRC pursuant to Section 9(b).

(iii) "USOA" means the uniform system of accounts prescribed for class I railroads by the STB or any successor federal agency that shall succeed to the functions of the STB in prescribing uniform systems of accounts for rail carriers; provided, that if there shall be no STB and no such federal agency, USOA shall mean such system of accounts as is generally maintained by rail carriers consistent with GAAP as applied in the rail industry.

(jjj) "Valuation Date" means the date of this Agreement and thereafter the sixth (6th), twelfth (12th), eighteenth (18th) and twenty-fourth (24th) anniversaries of the date of this Agreement and the first day of each Renewal Term.

(kkk) "Zone" means a designated geographic section, or designated facilities, of the Shared Assets Area as established and described in the Accounting Plan.

Section 2. Management.

(a) CRC Board.

(i) The CRC Board shall manage the Shared Assets.

(ii) The CRC Board may appoint a Board of Managers, a committee, a CRC officer or other persons to have such duties and authority with respect to the Shared Assets as may be assigned to them from time to time by the CRC Board.

(iii) Any Board of Managers appointed by the CRC Board shall be comprised of an equal number of individuals (and their successors) nominated by CSXT and nominated by NSR.

-8-

(iv) The CRC Board shall remove from any Board of Managers (A) at the direction of CSXT, any person who was nominated by CSXT, and (B) at the direction of NSR, any person who was nominated by NSR.

(b) General Manager.

(i) The General Manager shall not at any time have been an employee of CSXT or NSR or any of their affiliates unless otherwise agreed to by both Operators, and shall be appointed by the CRC Board.

(ii) The General Manager shall manage and supervise the ownership, operation, maintenance and use of the Shared Assets in accordance with directives and policies of the CRC Board and this Agreement, subject to the authority of the CRC Board, and through such Shared Assets Area superintendents and other Shared Assets Area executives as are appointed by the General Manager with the approval of the CRC Board. The General Manager shall report to the CRC Board. The General Manager shall perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR.

(iii) The General Manager may be removed from office prior to the expiration of his or her term at any time by a majority of the CRC Board for any reason or for no reason. Upon the written request of CSXT or NSR to the CRC Board, the General Manager shall also be removed from office

prior to the expiration of his or her term for serious misconduct, which shall mean conduct that would make it unreasonable to retain the General Manager, including but not limited to conduct such as: (A) violation of applicable alcohol or drug use policies, (B) fraud, (C) embezzlement or other act of dishonesty against CRC, CSXT or NSR or any of their customers or suppliers, (D) activities willfully undertaken by the General Manager which reflect adversely upon the reputation of CRC, CSXT or NSR, (E) refusal to perform or substantial neglect of the responsibilities assigned to the General Manager, (F) failure to perform his or her responsibilities on an impartial and non-discriminatory basis as between CSXT and NSR after 45 days' written notice from an Operator describing such failure, (G) any violation of any law or rule or regulation of any Governmental Entity which results in serious adverse consequences to CRC, CSXT or NSR, or (H) any material violation of any directive or policy of the CRC Board or any statutory or common law duty of loyalty to CRC. If a majority of the CRC Board in response to such a request of CSXT or NSR fails to direct the removal of the General Manager, the dispute may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13, provided, however, that in any such arbitration to resolve a dispute under this Section 2(b)(iii), the hearing shall commence no later than 30 days following the appointment of the arbitrator and the award shall be rendered no later than 30 days following the completion of the hearing.

-9-

(c) Employees. The General Manager and all persons who operate and maintain the Shared Assets shall be employees of CRC, except for CSXT or NSR employees who provide Temporary Services and employees of Operators or independent contractors which provide services pursuant to contracts or arrangements in accordance with Section 2(f).

(d) CRC Responsibilities. CRC shall be responsible for safely and efficiently operating, controlling and managing the use of the Shared Assets, impartially as between CSXT and NSR in accordance with directives and policies of the CRC Board, and with responsible business practices which are consistent with those used by CSXT and NSR in the operation of their businesses, and are designed to achieve the lowest cost of the safe and efficient operation, use and maintenance of the Shared Assets.

(e) Impartiality. CRC shall perform all of its obligations pursuant to this Agreement on an impartial and non-discriminatory basis as between CSXT and NSR, giving no preference to either of them in providing Switching and Yard Services, in the control of train dispatching over the Shared Assets, or in any other way whatsoever.

(f) Independent Contractors. CRC may, at least to the extent it may do so immediately prior to the date of this Agreement, procure the use of equipment or facilities owned by independent contractors, or services provided by independent contractors (using their own employees), with respect to the operation, maintenance and use of Shared Assets, including, without limitation, accounting, computer and other administrative services, and the furnishing of equipment and mechanical services. For purposes of this Section 2(f), independent contractors may include CSXT or NSR.

Section 3. Operations.

(a) Operator's Rights. CRC hereby grants to each Operator full operating rights to operate its own trains (staffed by a road crew) and equipment, with its own crews and equipment and at its own expense, over any and all tracks included in the Shared Assets, and to use all of the Shared Assets in connection with the operation of such trains or equipment, for the following purposes:

(i) Movement by such Operator of trains (staffed

by a road crew) through the Shared Assets Area between two geographical locations outside the Shared Assets Area;

-10-

(ii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and an Operator's Facility or a Jointly-Operated Facility which is within the Shared Assets Area;

(iii) Movement by such Operator of trains (staffed by a road crew) between a geographical location outside the Shared Assets Area and local industries which are within the Shared Assets Area;

(iv) Movement by such Operator of trains (staffed by a road crew) between Operator's Facilities or Jointly-Operated Facilities which are within the Shared Assets Area and local industries which are within the Shared Assets Area;

(v) Movement, handling, pick-up, set off, switching, transfer and interchange of Railcars, blocks of Railcars or trains (staffed by a road crew) to, from or at local industries, Operator's Facilities or Jointly-Operated Facilities, in connection with movements described in Sections 3(a)(i) through (iv), to the extent provided for in the Operating Plan agreed to and modified by the parties from time to time; and

(vi) such other purposes as may be agreed upon by CRC, CSXT and NSR.

(b) Use. The crews of each train operated by an Operator on Shared Assets shall be qualified under and shall comply with applicable laws and regulations as well as the safety and operating rules of CRC.

(c) Grant of Rights. Subject to reasonable compensation and other terms established in the Accounting Plan, and in each case for the purpose of Switching and Yard Services performed by CRC pursuant to Section 3(d) and movement of Operator Trains pursuant to Section 3(a):

(i) CSXT hereby grants to CRC and NSR overhead operating rights to operate CRC trains and NSR trains, respectively, with their own crews, over such CSXT line segments access to and use of which by CRC and NSR are necessary to effectuate the train operations and services contemplated by this Agreement.

(ii) NSR hereby grants to CRC and CSXT overhead operating rights to operate CRC trains and CSXT trains, with their own crews, over such NSR line segments access to and use of which by CRC and CSXT are necessary to effectuate the train operations and services contemplated by this Agreement.

-11-

When required by the CSXT Operating Agreement and the NSR Operating Agreement, CSXT and NSR have obtained the consent of NYC and PRR, respectively, for the grant of rights referred to in this Section 3(c). Notwithstanding any other provision of this Agreement, each rail line segment identified in this Section 3(c) shall be dispatched, maintained, operated and controlled by the Operator which granted the rights with respect to such segment, provided that such dispatching, maintenance, operation and control shall be performed on an impartial and non-discriminatory basis as between the Operators. Trains operated by an Operator pursuant to operating rights granted under this Section 3(c) shall be governed by and subject to the Operating Plan.

(d) Switching and Yard Services.

(i) At the request of and as agent for each

Operator, CRC shall perform Switching and Yard Services required by such Operator within the Shared Assets Area, including without limitation any such services which such Operator may be responsible for performing or having performed for a shipper or other Person.

(ii) Except as otherwise provided in Section 3(a), and other than within an Operator's Facility, neither Operator shall with its own equipment or with its own crews perform any Switching and Yard Service within the Shared Assets Area for itself or for any other Person.

(e) Operating Protocols. From time to time, NSR, CSXT and CRC may mutually establish Shared Assets Area Operating Plans, General Dispatching Guidelines, Car Movement Guidelines, Switching/Blocking Requirements and other operating protocols and rules concerning operations within the Shared Assets Area, for the purpose of assuring timely train operations, fluid movement of all railcars, equal and impartial handling of Operators' trains and railcars, minimization in the number of empty cars in the Shared Assets Area, and overall operating efficiency in the Shared Assets Area. The current Operating Protocols have been agreed upon by NSR, CSXT and CRC and are set forth as Exhibit A to this Agreement. The Operating Protocols may be modified only upon mutual agreement of all parties.

(f) Freight Traffic To Remain in Account of Each Operator. Switching and Yard Services and other services performed by CRC for either Operator under this Agreement shall be performed as agent for, and for the account of, such Operator. All freight traffic and Railcars handled within the Shared Assets Area, including traffic and Railcars handled by CSXT or NSR pursuant to Sections 3(a) and 3(c), and traffic and Railcars handled by CRC pursuant to Sections 3(c) and 3(d), shall at all times remain in the waybill, car hire and revenue accounts of either CSXT or NSR.

-12-

(g) Rates, Routes and Divisions. Each Operator shall have exclusive and independent authority to establish all rates, charges, service terms, routes and divisions, and to collect all freight revenues, relating to freight traffic transported for its account to, from and within the Shared Assets Area (except those Shared Assets Area line segments over which such Operator possesses only overhead operating rights pursuant to Section 3(c)). CRC shall not participate or appear in any rates, routes or divisions relating to any freight traffic whatsoever to, from and within the Shared Assets Area, and shall not be entitled to or responsible for any freight charges relating to such freight traffic. CRC shall not quote or establish any rate or service terms applicable to freight transportation services to, from and within the Shared Assets Area, enter into transportation contracts with any Person (other than an Operator) for freight transportation services to, from and within the Shared Assets Area, or undertake to perform any for-hire transportation services directly, in its own name or for its own account for any Person (other than an Operator). The transfer or exchange of freight traffic between CSXT and CRC, and between NSR and CRC, within the Shared Assets Area shall not constitute an interchange of freight traffic or freight rail cars for purposes of determining rates, routes, divisions or interline settlements relating to any such freight traffic.

(h) Shipper Bills. Neither Operator shall inform the other or CRC of any rates or charges to shippers to which such Operator provides freight transportation services in the Shared Assets Area, and no copies of any shipper bill of lading or waybill shall be given by such Operator to the other or to CRC except to the extent that such documents are exchanged between rail carriers in the usual course of interline shipments and documenting.

(i) Service Responsibility. Each Operator shall at

all times be solely responsible for obtaining, supplying and routing Railcars other than locomotives, for all Railcar ownership costs (including per-diem charges and mileage allowances) and for providing service to its shippers within the Shared Assets Area pursuant to its transportation contracts or other prices with its shippers, including interline accounting, and all car hire and demurrage or detention charges associated with Railcars in its account within the Shared Assets Area.

(j) Dispatching. CRC shall, from local locations or a location agreed upon by CSXT and NSR, control the dispatching, scheduling and movement of, and Switching and Yard Services for, all trains (including Operator Trains and CRC Trains) over the Shared Assets (other than Operator's Facilities, unless requested to do so by the Operator thereof) without any discrimination at any time in favor of or against either Operator, but in accordance with written policies and priorities for categories of freight, type of Railcar, size of train and train destinations established from time to time by the General Manager and approved by the CRC Board to achieve the maximum efficiency and lowest aggregate Shared Asset costs of CRC and the Operators, provided, however, that CSXT shall control the dispatching, scheduling, movement and Switching and Yard Services for all CRC Trains and Operator Trains over the following Shared Asset rail segments:

-13-

(A) the current CRC Lincoln Secondary between Carleton, MI and Hold Out Signal at Lincoln Yard;

and NSR shall control the dispatching, scheduling, movement and Switching and Yard Services for all CRC Trains and Operator Trains over the following Shared Asset rail segments:

(B) the current CRC Detroit Line between Trenton, MI and CP YD;

(C) the current CRC Junction Yard Secondary between CP YD and CP Townline, including New Wye Runner; and

(D) the current CRC Lincoln Running Track between Ecorse Jct. and the connection with NSR.

Dispatching, scheduling and movement of trains performed by either Operator under this Section 3(j) shall conform to the same standards of non-discrimination, written policies and priorities applicable to the control of such functions by CRC at other locations included within the Shared Assets Area.

(k) Railcar Weighing. All Railcars for the account of an Operator which originate or terminate on Shared Assets and which require weighing shall be weighed by and at the expense of such Operator or its customer, and at no cost to CRC.

(l) Freight Claims. The Operators shall agree among themselves on the most fair, practical and efficient arrangements for handling and administering freight loss and damage claims with the intent that (i) each Operator shall be responsible for losses occurring to lading either in its possession or in the possession of CRC for the account of such Operator, and (ii) the Operators shall follow relevant AAR rules and formulas in providing for the allocation of losses which are either of undetermined origin or in Railcars handled in interline service by or for the account of both Operators.

(m) Freight Car Repairs. If any Railcars are bad ordered while on the Shared Assets and must be set out from a CRC Train or Operator Train, CRC shall promptly return such Railcars to the Operator in whose account such Railcars reside in accordance with such Operator's instructions. CRC shall furnish, at such Operator's expense, required labor and material to perform, and shall perform, light repairs on such bad ordered Railcars as necessary to make such Railcars legal and safe for movement. CRC shall bill such Operator for the costs of such

light repairs in accordance with the Field and Office Manuals of the AAR Interchange Rules in effect at the time such repairs are performed. CRC shall bill directly to and collect from the applicable Operator charges for repair items that, under the AAR Interchange Rules, are the responsibility of the Railcar owner and/or the handling line carriers. Each Operator may rebill charges for repair items that are the responsibility of the Railcar owner and/or the handling line carriers. If any such bad ordered Railcar cannot be made legal and safe for movement by the performance of light repairs, CRC shall, at such Operator's expense, arrange for appropriate removal of the affected Railcar in accordance with such Operator's instructions.

-14-

(n) Train Services. Actual costs incurred by CRC to provide special services (other than services otherwise provided for in this Agreement) at the request of an Operator with respect to trains, locomotives and Railcars for the account of such Operator, shall be paid by such Operator to CRC, provided that the costs and terms of similar special services rendered to each Operator shall be without discrimination between Operators as to cost and terms, giving due allowance to any differences in the costs of providing such services.

(o) Wrecking Service. Wrecking service or wrecking train service required in connection with services contemplated by this Agreement shall be provided by CRC (or its designee) as promptly as possible.

(p) Admission of Third Parties. Notwithstanding any other provision in this Agreement, no party may permit any Person (other than a party hereto) to have access to, operate over or use any Shared Asset without the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

Section 4. Equipment and Properties.

(a) Procurement. CRC shall procure, operate and maintain all equipment, real property rights and improvements thereon which are reasonably required for (i) CRC to operate the Shared Assets, and (ii) the Operators to move trains over the Shared Assets, in each case in accordance with this Agreement.

(b) Contribution of Locomotives by Operators. Upon reasonable request by the General Manager, the Operators shall furnish to CRC, through full-service lease or other mutually satisfactory arrangements, locomotives reasonably required by CRC for the performance of its obligations under this Agreement. The respective obligations of each Operator to furnish such locomotives shall be based, insofar as reasonably practicable, upon the Operator's CRC Train Usage Percentage during the calendar month preceding such request for the Shared Assets Area or Zone in which such locomotives are needed by CRC. It is the parties' intention that (i) the arrangements pursuant to which such locomotives are furnished by either Operator to CRC shall provide that heavy maintenance, repair and overhaul shall be the responsibility of such Operator, (ii) locomotives furnished by either Operator to CRC may, in order to permit maintenance, repair and overhaul of such locomotive units, be exchanged for other locomotive units furnished by such Operator, and (iii) the respective obligations of each Operator to furnish such locomotives upon request by the General Manager shall be adjusted on at least a monthly or more frequent basis.

-15-

(c) Locomotive Service and Repairs. At the request of an Operator, CRC shall furnish required labor and material to perform, and shall perform, fueling and servicing of any Operator's locomotive, as well as light repairs on any Operator's locomotive as necessary to make such locomotive legal and safe

for movement. CRC shall bill such Operator (or other owner of such locomotive) for the costs of such fueling, servicing and light repairs in accordance with industry practice in effect at the time such fueling, services or repairs are performed. If any such locomotive cannot be made safe for movement by the performance of light repairs, CRC shall, at the expense of such Operator (or other owner of such locomotive), arrange for appropriate removal of such locomotive in accordance with such Operator's instructions.

Section 5. Maintenance.

(a) Routine Maintenance.

(i) CRC shall be responsible for Routine Maintenance when necessary or desirable to maintain the Shared Assets in a safe operating condition, and to permit and facilitate (A) the performance by CRC of its obligations pursuant to this Agreement, and (B) the use of Shared Assets by the Operators in accordance with this Agreement.

(ii) CSXT or NSR, directly or through their respective affiliates, may perform the work which CRC performed prior to the date of this Agreement when (A) CRC does not possess the skills needed for such work, (B) CRC lacks the necessary employees to do such work in a timely fashion, or (C) CRC does not possess the equipment needed to do such work. CRC and the party performing the work shall agree to a reasonable fee for such work prior to performance. CRC, CSXT and NSR may agree to have additional work performed either by CSXT, NSR or their affiliates.

-16-

(b) CRC Program Maintenance.

(i) The General Manager shall prepare and submit to the CRC Board a Program Maintenance plan concurrently with the submission of an Operating Budget and the Capital Expenditure Budget to the CRC Board.

(ii) Any of CRC, CSXT or NSR may at any time deliver a Program Maintenance Proposal to the other two of them and to the General Manager and each member of the CRC Board.

(iii) The CRC Board shall either (A) approve any or all of such Program Maintenance Proposals and plan with such changes as it deems appropriate, include the costs thereof in a pending or amended Capital Expenditure Budget, and direct the General Manager to cause the maintenance described in approved Program Maintenance Proposals or plan to be performed in accordance with Sections 5(b)(iv) and (v), or (B) disapprove any or all of such Program Maintenance Proposals or plan.

(iv) Program Maintenance shall be the responsibility of CSXT and NSR pursuant to contracts or arrangements with CRC, and CRC shall not perform Program Maintenance, except for Program Maintenance which can be provided by Persons other than CSXT or NSR at a lower cost to CRC than the CSXT or NSR cost thereof.

(v) CRC shall select, to perform each Program Maintenance project or program, the Operator which CRC reasonably determines will perform such project or program at the least cost to CRC consistent with safe and efficient operations, and taking into account scheduling considerations, based on written proposals submitted by each Operator.

(c) Maintenance Standards. Unless otherwise authorized by the CRC Board, the General Manager shall prepare and submit to the CRC Board proposals (including the Program Maintenance plan submitted pursuant to Section 5(b)) for the performance of such Routine Maintenance and Program Maintenance as is reasonably necessary to keep and maintain the Shared Assets

substantially in their condition as of the date of this Agreement. If the CRC Board fails either to approve or disapprove by majority vote any such proposal within 45 days after it was submitted to the CRC Board, the disagreement over the propriety or need for any of the Routine Maintenance or Program Maintenance included in such proposal may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

-17-

Section 6. Capital Improvements. Except as provided in Section 5, all capital improvements involving Shared Assets shall be governed by the following provisions:

(a) Proposed Projects. Either Operator, CRC or the General Manager may propose to the CRC Board from time to time capital improvement projects. Each such project shall be reviewed by the CRC Board, which may approve or disapprove by majority vote, or fail to approve, such projects.

(b) CRC Board Approved Projects. Each Operator shall be responsible for an equal share of the initial budgeted funding of each capital improvement project which has been approved by the CRC Board and is included in an approved Capital Expenditure Budget, except as provided in Section 6(c). A final accounting shall be made to adjust the initial budgeted funding to the actual project cost as specified in the Accounting Plan.

(c) Nonseverable Improvement Projects.

(i) At the written request of an Operator delivered to the other, each Operator shall, within 45 days of the delivery of such request, submit to an arbitrator in accordance with Section 13 a written proposal with respect to a Nonseverable Improvement project which was neither approved nor disapproved by majority vote by the CRC Board within 45 days after such project was proposed to the CRC Board (A) describing any changes which such Operator proposes be made to such project and specifying a schedule, budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement, or (B) proposing that it not be made.

(ii) The arbitrator receiving the proposals referred to in Section 6(c)(i) (A) shall consider (1) the degree, if any, to which the construction, operation and use of such Nonseverable Improvement would impair or interfere with the use of Shared Assets by CRC or either Operator, or conflict with any pending capital improvements included in an approved Capital Expenditure Budget, and (2) the budget and allocations between the Operators of initial capital costs of such Nonseverable Improvement as proposed by each Operator, and (B) shall determine within 45 days of such receipt which of such proposals shall be implemented, or that such Nonseverable Improvement shall not be made, and the CRC Board shall approve any proposal which such arbitrator determines shall be implemented.

(d) Severable Improvement Projects.

(i) Each Operator shall have the unilateral right to construct and exclusively fund any Severable Improvement which was not approved by the CRC Board.

-18-

(ii) Each Severable Improvement funded exclusively by an Operator shall be used exclusively by that Operator, which shall be solely responsible for maintaining such Severable Improvement at its own expense, until such time that the other Operator gives written notice that it desires also to use such Severable Improvement, stating the amount which such other Operator is prepared to pay to the Operator which initially funded such Severable Improvement for the right to use such

Severable Improvement.

(iii) If the Operators are unable to agree on the amount of such payment within 45 days after the notice referred to in Section 6(d)(ii) was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, each Operator shall, within 15 days of the delivery of such request, submit to an arbitrator in accordance with Section 13 a written statement setting forth the proposed payment by the second Operator, and the arbitrator shall within 45 days of such receipt determine which of such proposed amounts shall apply, which shall be binding on both Operators and paid promptly.

(iv) Such Severable Improvement shall become a Nonseverable Improvement at the time such second Operator pays the amount so determined and, thereafter, maintenance and other costs associated with the operation of such improvement shall be apportioned between the Operators as provided in this Agreement.

(e) Capital Improvements as Shared Assets. Upon completion, all capital improvements approved by the CRC Board and all Nonseverable Improvements shall become part of the Shared Assets owned by CRC subject to all provisions of this Agreement, free and clear of all Operator liens.

(f) Title to Severable Improvements. Each Operator shall retain title to all Severable Improvements exclusively funded by such Operator. At any time during the term of this Agreement, an Operator may remove (at its sole expense) any Severable Improvement which it exclusively funded, provided that such Operator has repaired (at its sole expense) any damage to a Shared Asset caused by such removal and has restored the related Shared Assets substantially to their condition at the time such Severable Improvements were made. In the event an Operator shall not have removed any Severable Improvement to which the Operator shall have title prior to the expiration or termination of this Agreement, title to such Severable Improvement shall vest in CRC, free and clear of all Operator liens, upon such expiration or termination.

(g) Noninterference. The construction, operation and use of Severable Improvements by an Operator shall not impair or interfere with the use of Shared Assets by CRC or the other Operator, nor shall any Severable Improvement conflict with any pending capital improvements included in an approved Capital Expenditure Budget.

-19-

(h) Switch Connections. CRC shall, upon the written request of one or both Operators, provide for switch and turnout connections from Shared Asset tracks to a private sidetrack owned by a shipper or other Person, if such request:

(i) includes the commitment of the Operator or both Operators making such request, or

(ii) is accompanied by a written undertaking from such shipper or other Person, in each case satisfactory to CRC, to pay to CRC all costs incurred from time to time by CRC to provide for such switch and turnout connections within 30 days after it delivers a bill for such costs to such Operator, Operators, shipper or other Person.

(i) Adjacent Improvements.

(i) In the event an Operator constructs, acquires or funds the cost of an Adjacent Improvement (whether or not such Adjacent Improvement is ultimately owned by such Operator), the other Operator shall be entitled to share usage of such Adjacent Improvement by giving written notice stating the amount which such other Operator is prepared to pay to the first Operator for such right. If the Operators are unable to agree on

the amount of such payment within 45 days after such notice was given, then at the written request of an Operator delivered to the other after 45 days but before 60 days after such notice was given, the matter shall be submitted for resolution by binding arbitration pursuant to Section 13 and the provisions of Section 6(d)(iii) shall apply to determine the amount of such payment.

(ii) After the second Operator pays the amount so determined, if the first Operator owns or has a property interest in the Adjacent Improvement, the provisions of this Section 6 shall be applied as if such improvement were a Nonseverable Improvement. If a shipper or another Person unrelated to the first Operator owns such Adjacent Improvement, the second Operator shall be entitled to share fully the rights of the first Operator in connection with such Adjacent Improvement in consideration of the initial payment.

(j) Operator's Facilities. The foregoing provisions of this Section 6 shall not apply to any capital improvement (including, but not limited to, a transloading facility or automotive ramp) within an Operator's Facility.

-20-

Section 7. Accounting.

(a) Books of Record and Account. CRC shall keep proper books of record and account, in which full and correct entries shall be made of all CRC transactions, costs, expenses and revenues in accordance with GAAP and the USOA, as modified by the Accounting Plan. All expense and revenue transactions related to the Shared Assets Area shall be readily identifiable by distinct accounting codes.

(b) Financial Statements. CRC shall deliver to each Operator (i) within 30 days after the end of each calendar month, a summary income statement and a summary balance sheet showing as of the last day of and for such calendar month, major categories of CRC revenue, expense, assets and liabilities, (ii) within 30 days after the last day of each CRC fiscal quarter, interim financial statements as of and for the fiscal quarter ended on such day, similar to statements described in Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended, as modified by the Accounting Plan, and (iii) within 30 days after the last day of each CRC fiscal year, statements of income and cash flow and a balance sheet as of and for the fiscal year ended on such day, prepared in accordance with GAAP and the USOA, as modified by the Accounting Plan.

Section 8. Costs and Budgets.

(a) CRC Costs. CRC shall pay (and, except for Excluded Taxes, CSXT and NSR shall, pursuant to Section 9, reimburse CRC for) all of the costs and expenses to maintain its ownership of the Shared Assets and to operate and maintain the Shared Assets, including but not limited to all Taxes and assessments, licenses, permits and any other governmental authorizations required to own, operate and maintain the Shared Assets, the principal of and interest and premium, if any, on, and all other costs of, its indebtedness and all other costs of its capital.

(b) Employee Cost Reimbursement. CRC shall reimburse CSXT and NSR for the wages, pro rata portion of fringe benefits, other direct employment costs (including additives) and other actual employee-related costs of any CSXT or NSR employee, respectively, who provides Temporary Services.

(c) Capital Expenditure Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each CRC fiscal year, a Capital Expenditure Budget for such fiscal year, specifying for such year the

schedule of Program Maintenance and Shared Asset capital improvements to be performed and constructed for the benefit of both Operators during such fiscal year and the months therein during which such expenditures are proposed to be made, for approval, or modification and approval, by the CRC Board.

-21-

(ii) The General Manager shall not permit any capital expenditure to be made by CRC, CSXT or NSR except in accordance with the Capital Expenditure Budget in effect from time to time, Severable Improvements exclusively funded by an Operator and emergency capital expenditures made (A) to preserve, or to mitigate a serious diminution in, the value and usefulness of a Shared Asset to CRC, CSXT and NSR, or (B) to prevent or mitigate a serious disruption in the operation and use of the Shared Assets by or for CRC, CSXT or NSR.

(iii) Any Capital Expenditure Budget may be amended in writing at any time by the CRC Board.

(d) Operating Budget.

(i) The General Manager shall prepare and submit to each member of the CRC Board at least 30 days prior to the beginning of each fiscal year of CRC, an Operating Budget for such fiscal year showing the budget amounts of revenues and expenses for each month during such fiscal year, for approval, or modification and approval, by the CRC Board.

(ii) The General Manager shall use all reasonable efforts to prevent CRC expenses with respect to Shared Assets for a period from exceeding the amounts shown on the Operating Budget for such period.

(iii) The General Manager shall give prompt written notice to each member of the CRC Board of any actual or, in the judgment of the General Manager, probable, material change in the revenues, expenses or working capital requirements shown on the Operating Budget for any period.

(iv) Any Operating Budget may be amended in writing at any time by the CRC Board.

Section 9. Cost Sharing.

(a) Accounting Plan. The parties shall develop and implement a written plan of accounting containing a detailed description, by category of cost and location, of the costs associated with the management and operation of the Shared Assets Area and the method by which such costs shall be fairly and properly apportioned among the parties. Such plan of accounting may include separate accounting and sharing of costs for particular Zones, and shall conform to the following general principles:

-22-

(i) Forty two percent (42%) of Interest Rental shall be apportioned to CSXT and fifty eight percent (58%) of Interest Rental shall be apportioned to NSR;

(ii) Locomotive ownership, lease, fueling, light repair and servicing costs incurred by CRC within the Shared Assets Area or each Zone (except costs incurred by CRC and charged directly to an Operator pursuant to Section 4(c)) shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(iii) Crew compensation and other crewcosts incurred by CRC within the Shared Assets Area or each Zone with respect to CRC Trains shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(iv) General and administrative, supervisory and overhead expenses incurred by CRC within the Shared Assets Area or for functions related to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(v) Dispatching and train control costs (including, without limitation, labor, equipment, materials and maintenance expenses) incurred by CRC with respect to the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vi) Police and other costs incurred by CRC with respect to security within the Shared Assets Area shall be apportioned between the Operators on the basis of the CRC Train Usage Percentages;

(vii) Damage paid by CRC pursuant to Section 11(c) shall be apportioned between the Operators in accordance with Section 11(b);

(viii) All other costs incurred by CRC with respect to the Shared Assets Area or each Zone (except Taxes and insurance) shall be apportioned between the Operators on the basis of the Total Train Usage Percentages;

(ix) Taxes (other than Excluded Taxes) incurred by CRC with respect to the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such Taxes relate; and

-23-

(x) Insurance costs incurred by CRC with respect to Shared Assets within the Shared Assets Area or each Zone shall be apportioned between the Operators on the basis of the Operator's Expense Percentages for the period to which such insurance costs relate;

If the parties are unable to agree on the terms and provisions of the Accounting Plan, such disagreement may be submitted by either Operator for resolution by binding arbitration pursuant to Section 13.

(b) Usage Statement. CRC shall deliver to each Operator prior to the last day of each calendar month, a written statement showing for the prior Billing Month:

(i) the total number of loaded and empty Railcars in the account of each Operator in CRC Trains which performed Switching and Yard Services or operated directly between customer facilities in each Zone;

(ii) the total number of loaded and empty Railcars moved by or for such Operator in Operator Trains which operated overhead or directly to Jointly-Operated Facilities, Operators' Facilities or customer facilities in each Zone;

(iii) the calculation of the CRC Train Usage Percentage and the Total Train Usage Percentage for each Operator for each Zone,

and (A) all Railcars in a train shall be deemed to be on Shared Assets when the first or last Railcar of such train is on Shared Assets and (B) each time that a Railcar is removed from or added to a train in the Shared Assets Area shall constitute a separate movement of such Railcar.

(c) Expense Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing (i) the expenses incurred by CRC to own, operate and maintain the Shared Assets during the

Billing Month, (ii) the revenues, if any, derived by CRC from the ownership and operation of the Shared Assets during such Billing Month, and (iii) the Reimbursable Expenses for such Billing Month, in each case computed in accordance with GAAP and the USOA, as modified by the Accounting Plan.

(d) Capital Expenditure Statement. Concurrently with the delivery of each Usage Statement to the Operators, CRC shall deliver to the Operators a statement showing the estimated Budgeted Capital Expenditures for the calendar month immediately succeeding the calendar month in which such statement is delivered.

-24-

(e) Bills. Concurrently with the delivery to the Operators of a Usage Statement for a Billing Month, CRC shall deliver to each Operator a bill (a "Bill") showing for such Billing Month:

(i) one hundred and two percent (102%) of the amount of each Reimbursable Expense apportioned to such Operator for such Billing Month under the Accounting Plan;

(ii) one-twelfth of fifty percent (50%) of the annual amount of Budgeted Capital Expenditures approved by the CRC Board; and

(iii) one-twelfth of the Interest Rental apportioned to such Operator.

(f) Payment. Each Operator shall pay to CRC the amount shown on each Bill as being payable by such Operator, on or before the 30th day after the date of such Bill regardless of whether or not such Operator disputes the accuracy of any amount or calculation shown on such Bill.

(g) Disputed Bills.

(i) Any dispute by an Operator of the accuracy of any amount or calculation shown on any Bill shall be described and specified in reasonable detail in a Dispute Letter from such Operator to CRC and the other Operator within two years after the date of such Bill.

(ii) Any amounts or calculations shown on any Bill which are not disputed in accordance with Section 9(g)(i) shall conclusively be deemed to be accurate and shall be binding on each Operator and CRC.

(iii) CRC and both Operators shall promptly endeavor to resolve the disputes described in each Dispute Letter, and if they fail to agree to a resolution of such disputes within 60 days of the delivery of such Dispute Letter to CRC, then the firm of independent public accountants which has been engaged as auditors for CRC shall be engaged to resolve such disputes in accordance with GAAP and the USOA, as modified by the Accounting Plan, and the written resolution of such disputes signed by such accounting firm shall be binding on each Operator and CRC.

(iv) Any adjustments to Bills which result from the resolution of Dispute Letter disputes shall be reflected as charges or credits on the first Bills delivered by CRC to the Operators after such disputes have been resolved.

-25-

(v) The fees in connection with the resolution of any Dispute Letter disputes of the accounting firm which has been engaged as auditor for CRC shall be paid fifty percent (50%) by CSXT and fifty percent (50%) by NSR.

Section 10. Access. CRC shall give to each Operator during normal CRC Administrative Office business hours, access to inspect and make copies of any and all books of record and accounts relating to this Agreement, all of which shall be maintained by CRC at the CRC Administrative Office.

Section 11. Liability. Except as otherwise provided in Section 3(1) (Freight Claims), Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), the responsibility between and among CRC, CSXT and NSR for all Damage arising out of, incidental to or occurring in connection with this Agreement shall be apportioned without consideration of fault or negligence of any kind or degree in accordance with the remaining provisions of this Section 11. The provisions of this Section 11 are intended to inure only to the benefit of the parties hereto and their corporate successors and affiliates, and not to create any benefits for any third parties.

(a) Operators' Sole Responsibility. Except as otherwise provided in Section 11(f) (Specified Level Damages) and Section 11(g) (Substance Abuse Exceptions), each Operator shall assume and bear all responsibility for Damage to its own trains, locomotives and equipment, to Railcars and lading in its possession or being handled for its account and for the death of or injury to its own employees.

(b) Operators' Joint Responsibility.

(i) Train Usage. Except as otherwise provided in (1) Section 11(b)(ii) (First Year), (2) Section 11(a) (Operators' Sole Responsibility), (3) Section 11(c)(i) (CRC Damages Generally), (4) Section 11(c)(ii)(B) (No Reallocation for Insurance), (5) Section 11(f) (Specified Level Damages), and (6) Section 11(g) (Substance Abuse Exceptions), and subject to Section 11(c)(ii)(A) (Net of Insurance), all Damage shall be apportioned between the Operators in proportion to their respective Total Train Usage Percentages in the Zone in which the incident giving rise to such Damage occurred for the 12 calendar month period immediately preceding the incident giving rise to such Damage.

(ii) First Year. If an incident giving rise to Damage for which the Operators are jointly responsible under Section 11(b)(i) (Train Usage) occurs before June 1, 2000, responsibility for such Damage shall be borne equally by the Operators, with each being liable for one-half (1/2) of the damages.

-26-

(c) CRC Responsibility - Allocation and Insurance.

(i) CRC Damages Generally. Except as otherwise provided in this Section 11(c), all Damages incurred by CRC, including, without limitation, those Damages apportioned to CRC under Section 11(f) (Specified Level Damages) shall be CRC expenses, allocated as provided in Section 11(b) (Operators' Joint Responsibility), and included in Expense Statements charged to the Operators.

(ii) (A) Net of Insurance.

(1) Notwithstanding any other provision in this Agreement (but subject to Section 11(c)(ii)(B) (No Reallocation for Insurance)), all Damages (including without limitation, loss or destruction of, or damage to, CRC's own property) charged to the Operators, under the Expense Statements or otherwise, shall be net of any CRC insurance. It is the intent of the parties (a) for CRC to look first to any insurance proceeds available to it before attempting to recover any such Damages from the Operators and (b) for the Operators' obligation to make direct payment to

CRC not to include any obligation to make direct payment for any Damages covered by insurance procured by or on behalf of CRC.

(2) If and to the extent that CRC is an insured under, or otherwise provided coverage under, an insurance policy or policies each of which provides coverage for both CRC and one Operator but not the other Operator, and regardless of whether two or more of these policies shall be in existence or have different deductible-retention amounts and/or limits of recovery, then the amount of insurance proceeds deemed "available" under Section 11(c)(ii)(A)(1) to which CRC shall look before either Operator shall have any obligation for direct payment shall, as to each Operator, be the maximum available limit of the insurance providing coverage for both that Operator and CRC.

(B) No Reallocation for Insurance. When part of the apportioned Damage will be satisfied from insurance coverage under this Section 11(c), and part paid directly by the Operator, the insured portion of the Damage shall be apportioned among or between CRC and the Operators (and consequently between or among their insurers) in the same manner and amounts as it would have been apportioned if the loss were not net of insurance. If any such allocation results in one party hereto suffering a greater uninsured loss than the other(s) because of differing deductibles or self-retentions, that difference in coverage shall not be a basis for any reapportionment or reallocation of Damage.

-27-

(d) Process. Each Operator shall be responsible for the payment, handling, administration and disposition of all Damage for which it bears exclusive responsibility under Section 11(a) (Operators' Sole Responsibility), and both Operators shall have joint responsibility for the payment, handling, administration and disposition of all Damage for which they are jointly responsible under Section 11(b) (Operators' Joint Responsibility) and Section 11(c) (CRC Responsibility - Allocation and Insurance). In assigning joint responsibility to both Operators, it is not the intent of this Agreement that the Operators will actually act jointly, but rather that the Operators will agree between themselves on the most practical and efficient arrangements for handling, administering, and disposing of Damage for which they bear joint responsibility, with the objective of eliminating unnecessary duplication of effort and minimizing overall costs.

(e) Indemnification. Each party to this Agreement covenants and agrees to (i) fully indemnify and save harmless the other parties to this Agreement from and against any payments which are the responsibility of such party under this Agreement, and all expenses, including attorneys' fees and expenses and other expenses of any court or regulatory proceeding, incurred by such other parties in defending any claim that they are liable for such payments, and (ii) defend such other parties against such claims with counsel selected by such party and reasonably acceptable to such other parties.

(f) Specified Level Damages.

(i) Damages Amount. Section 11(a) (Operators' Sole Responsibility) and Section 11(b) (Operators' Joint Responsibility) shall apply directly only when the total amount of all Damages resulting from a single incident is \$25 million or less. Responsibility for Damages resulting from a single

incident for which Damages exceed \$25 million shall be allocated as stated in this Section 11(f)(i).

(A.1) Tier One Damages Defined. In this Section 11(f), "Tier One Damages" for any incident occurring during and between June 1, 1999 and May 31, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include the greater of:

(1) \$25 million of Damages; or

(2) the lowest amount of Damages which, when allocated among all parties, results in an allocation to either Operator of Damages in an amount equal to all insurance benefits available to that Operator (called the "Lesser Insured Operator") which has the lesser (as between the Operators) amount of insurance benefits available to it, including, without limitation, insurance to which CRC looks under Section 11(c) (CRC Responsibility - Allocation and Insurance). In determining insurance benefits available to the Lesser Insured Operator, both property and liability insurance shall be considered but (I) only to the extent benefits are actually available in connection with that incident and (II) they shall be calculated separately (i.e., property insurance benefits shall not be considered in any determination of available liability insurance benefits and vice versa).

-28-

In this Section 11(f), "Tier One Damages" for any incident occurring on or after June 1, 2000 shall, except as otherwise provided in Section 11(g) (Substance Abuse Exceptions), include only the first \$25 million of Damages incurred by the parties, unless otherwise agreed by the parties.

(A.2) Allocation of Tier One Damages.

Tier

One Damages shall be allocated among the parties as follows:

Operator

(1) Any Damage for which each

would otherwise be solely responsible under Section 11(a) (Operators' Sole Responsibility) shall be allocated as provided in Section 11(a);

than

(2) Any and all CRC Damages other

those specified in preceding Section 11(f)(i)(A.2)(1) (including, without limitation, Damage to its trains, locomotives and equipment, whether owned or leased, to Railcars and lading in its possession or being handled for its account, and to the property of any others, as well as any Damage arising from or in connection with the death of or injury to any persons, including, without limitation, its own employees) shall be allocated and paid as provided in Section 11(c) (CRC Responsibility - Allocation and Insurance); and

shall be

(3) Any and all other Damages

allocated as provided in Section 11(b) (Operators' Joint Responsibility).

(B.1) Tier Two Damages Defined. In this Section 11(f), "Tier Two Damages" shall include (1) those Damages allocated to Tier Two under Section 11(g) (Substance Abuse Exceptions) and (2) all of those Damages in excess of the aggregate Tier One Damages calculated under Section 11(f) (i) (A.1).

-29-

(B.2) Allocation of Tier Two Damages.
Tier Two Damages shall be allocated between or among the parties hereto in proportion to their respective fault or negligence in causing the Damage.

(ii) Dispute Resolution. Any dispute between or among the parties hereto in determining their respective fault or negligence in causing the Damage or otherwise relating to their respective responsibilities for Damage arising out of, incidental to or occurring in connection with any incident shall be submitted for resolution by binding arbitration pursuant to Section 13 (Arbitration).

(iii) Amendment of Certain Amounts. The \$25 million amount referred to in this Section 11(f) may be adjusted every five years following the date of this Agreement with the prior approval of all parties, which approval may be given or refused in the sole discretion of each party.

(g) Substance Abuse Exceptions. Each Operator shall assume and bear all responsibility for Damage to the extent caused by acts or omissions of any of its employees while under the influence of drugs or alcohol, and Sections 11(b) (Operators' Joint Responsibility) and Section 11(f) (Specified Level Damages) shall not apply to any such Damage. If, but for the operation of this Section 11(g), all or any Damages from an incident would otherwise have been Tier One Damages under Section 11(f) (Specified Level Damages), the portion of the Damages caused by acts or omissions of any the employee(s) while under the influence of drugs or alcohol shall be Tier Two Damages, and allocated under Section 11(f) (i) (B.2) (Allocation of Tier Two Damages), and the remaining portion of the Damages from that incident shall be included in, and allocated under, Tier One or Tier Two under the otherwise applicable provisions for Section 11(f) (i).

(h) Transaction Agreement. Section 2.8 of the Transaction Agreement shall control any conflict between Sections 11(b) and (c) and said Section 2.8.

(i) Damages. As used in this Section 11 only, the term "Damage(s)" shall exclude:

(i) Operator Consequential Damages (which are always borne by the Operator which sustained them); and

(ii) any claim by any party, in its own right, against any other party for exemplary or punitive damages, but not for allocation under this Section 11 of exemplary or punitive damages claimed against that party by a third person not a party hereto.

-30-

With regard to exemplary and punitive Damages the parties acknowledge and agree that, with regard to the subject of this Agreement, the intent and agreement of the parties is that no party shall bring or recover any claim for exemplary or punitive damages, in its own right, against any other party, but that any party will allocate, in accordance with this Section 11, exemplary or punitive Damages from any claim against it by a third person not a party hereto.

Section 12. No Partnership. Nothing in this Agreement shall be construed to establish a partnership or joint venture between or among CRC, CSXT or NSR or any of their affiliates or associates.

Section 13. Arbitration. Any dispute, controversy or claim (or any failure by the parties to agree on a matter as to which this Agreement expressly or implicitly contemplates subsequent agreement by the parties, except for matters left to the sole discretion of a party) arising out of or relating to this Agreement, or the breach, termination or validity hereof, shall be finally settled through binding arbitration by a sole, disinterested arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitrator shall be jointly selected by the parties but, if the parties do not agree on an arbitrator within 30 days after demand for arbitration is made by a party, they shall request that the arbitrator be designated by the American Arbitration Association. The award of the arbitrator shall be final, binding and conclusive upon the parties. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, experts and counsel. The compensation and any costs and expenses of the arbitrator shall be borne equally by the parties. The arbitrator shall have the power to require the performance of acts found to be required by this Agreement, and to require the cessation or nonperformance of acts found to be prohibited by this Agreement. The arbitrator shall not have the power to award consequential or punitive damages. Judgment upon the award rendered may be entered in any court having jurisdiction thereof, which court may award appropriate relief at law or in equity. All proceedings relating to any such arbitration, and all testimony, written submissions and award, of the arbitrator therein, shall be private and confidential as among the parties, and shall not be disclosed to any other Person, except as required by law and except as reasonably necessary to prosecute or defend any judicial action to enforce, vacate or modify such arbitration award.

Section 14. Term. This Agreement shall become effective as of the date first above written and shall remain in effect until the twenty-fifth (25th) anniversary of such date, subject to the right of CSXT and NSR to agree prior to the twenty-third (23rd) anniversary of such date to extend this Agreement for a renewal period of five (5) years; and if so extended, to agree prior to the twenty-eighth (28th) anniversary of such date to further extend this Agreement for an additional renewal period of five (5) years (each such period, a "Renewal Term").

-31-

Section 15. Force Majeure. The obligations, other than payment obligations, of the parties to this Agreement shall be subject to force majeure (which shall include strikes, riots, floods, accidents, Acts of God, and other causes or circumstances beyond the control of the party claiming such force majeure as an excuse for non-performance), but only as long as, and to the extent that, such force majeure shall prevent performance of such obligations.

Section 16. Entire Agreement. This Agreement and the Transaction Agreement, including the other Ancillary Agreements (as defined in the Transaction Agreement) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except the letter agreement dated April 8, 1997 between CSX and NSC to the extent such April 8, 1997 letter agreement covers matters not addressed or amended hereby or in the Transaction Agreement or the Ancillary Agreements (as defined in the Transaction Agreement); provided that it is the intent of the parties that this Agreement shall be an effectuation of such April 8, 1997 letter agreement consistent with its terms, and that the provisions of this Agreement shall

be interpreted to give effect to such April 8, 1997 letter agreement; and provided further that, in the event of any inconsistency between the terms of this Agreement and such April 8, 1997 letter agreement, this Agreement shall prevail.

Section 17. Amendment and Waiver. Any amendment to this Agreement must be in writing and executed and delivered by CRC, CSXT and NSR, subject to any jurisdiction of the STB. Any waiver of any term or provision of this Agreement must be in writing and executed and delivered by the party entitled to enforcement of such term or provision.

Section 18. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, such provision is intended to be ineffective only to the most limited extent possible in such context and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 19. Remedies.

(a) Entitlement to Certain Remedies. Each party acknowledges and agrees that the other parties would be irreparably damaged in the event any of the provisions of this Agreement were not performed by it in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each party shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to specifically enforce such provisions, in addition to any other remedy to which such party may be entitled, at law or in equity.

-32-

(b) Preclusion of Certain Remedies. In no event shall any party be liable to the other parties for any consequential, indirect, incidental, punitive or other similar damages including, but not limited to, lost profits for any breach or default, or any act or omission arising out of or in any way relating to this Agreement, under any form or theory of action whatsoever, whether in contract, tort or otherwise. The foregoing is not intended to alter or limit the allocation of responsibility for Damage as provided in Section 11.

Section 20. Interpretation. This Agreement was drafted jointly by CSXT and NSR, each of which was advised by its own counsel and other advisors concerning all of the terms and provisions hereof; accordingly, any ambiguity herein should not be construed in favor of or against any of them.

Section 21. Headings. Headings of Sections and paragraphs in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any term or provision of this Agreement.

Section 22. Parties. This Agreement shall inure to the benefit of and be binding upon CRC, CSXT and NSR and any successor of any of them by operation of law, and any assignee agreed to by them in accordance with Section 23, and nothing in this Agreement is intended or shall be construed to give any other Person any legal or equitable right, remedy or claim under or with respect to this Agreement or any term or provision hereof.

Section 23. Assignment.

(a) Limitation. Except as provided in Section 23(b), neither this Agreement (including the documents and instruments referred to herein) nor any of the rights, interests or obligations hereunder, shall be assigned by any party, including by operation of law, without the prior written consent of the other parties (except to a controlled subsidiary), which consent

may be given or refused in the sole discretion of each party.

(b) Successor. Any party without the consent of the other parties may assign all of its rights and obligations under this Agreement only to any successor in the event of a merger, consolidation, sale of all or substantially all its assets (but only if such sale includes all routes and lines owned by such party to access the Shared Assets), if such assignee executes and delivers to the other parties hereto an agreement reasonably satisfactory in form and substance to such other party under which such assignee, which is reasonably satisfactory to the other party, assumes and agrees to perform and discharge all the obligations and liabilities of the assigning party; provided that any such assignment shall not relieve the assigning party from the performance and discharge of such obligations and liabilities.

-33-

Section 24. Notices. Any notice given by CRC, CSXT or NSR to the others under this Agreement shall be deemed delivered on the date sent by registered mail, or by such other means as they may agree, and shall be addressed to them as follows:

(A) If to CSXT:

Executive Vice President and
Chief Operating Officer
CSX Transportation, Inc.
500 Water Street, J120
Jacksonville, Florida 32202

(B) If to NSR:

Senior Vice President Operations
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

(C) If to CRC:

President and Chief Executive Officer
Consolidated Rail Corporation
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19101

and each of them may from time to time change its address in this Section 24 by written notice delivered to the others.

Section 25. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to principles of conflicts of laws.

-34-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officials as of the day first above written.

CSX TRANSPORTATION, INC.

By: /s/ Peter J. Shudtz

Title: Vice President - Law and
General Counsel - CSX
Corporation, authorized agent
for CSX Transportation, Inc.

NORFOLK SOUTHERN RAILWAY COMPANY

By: /s/ J. L. Manetta

Title: Senior Vice President
Operation

CONSOLIDATED RAIL CORPORATION

By: /s/ Timothy O'Toole

Title: President

-35-

EXHIBIT A

OPERATING PROTOCOLS

Consolidated Rail Corporation
Shared Assets Area
Terminal Capacity Guidelines

Yard Operations

- o Cars loaded or empty moving outbound to either parent* company, which have been made up for train departure at either a serving merchandise yard, Automotive Terminal or jointly used Intermodal Facility will be considered available at the published departure time for scheduled trains and the later of 4 hours after notice to the parent or actual available time (set time) for non-scheduled or extra trains. Cars remaining available for departure in excess of ten (10) hours will be subject to a charge of \$141.00 per car. Thereafter, for every eight (8) hours that the same cars continue to remain on track, along with all other cars of the same block codes within the originating dispatch yard, will be subject to an additional charge of \$141.00 per car.
- o Cars loaded or empty assembled for outbound train dispatch to either parent company will be considered available at published departure time for such scheduled trains. The Shared Assets Areas management will provide four (4) hours advance notice prior to set time on non-scheduled or extra trains before they will be considered available for departure.
- o Management of Shared Assets Areas may refuse an inbound train of the same category when a specific destination terminal has been holding more than one (1) intermodal, automotive, manifest or unit train of a parent for power and/or crew beyond ten (10) hours of scheduled departure or availability and conditions within the involved destination terminal preclude the effective handling of the offered inbound trains.
- o Acts of God, Mainline blockages, labor strikes or other causes to a cessation of consistent service beyond the control of a parent company will be considered by the management of the Shared Assets Areas as to the legitimacy of any assessment.
- o Opportunities for the Shared Assets Areas management to

*The term "parent" means CSXT and/or Norfolk Southern Railway Co. ("NSR") and is not intended to describe the legal relationship between the parties.

1

consolidate - trains for the benefit of a specific Shared Assets Area operation and the involved parent, as mutually agreed by the parties, will not result in charges on cars designated for the annulled train resulting from said consolidation.

- o An inventory of hold cars awaiting disposition within any given Shared Assets Area territory should not exceed thirty (30) cars per day for either CSXT or NSR individually. The Shared Assets Areas management may elect to limit receipt of inbound car flow from the delinquent parent for the affected Shared Assets Areas territory, in accordance with the guidelines for holding trains. Any loaded or empty car including those in unit train consists carrying a "No Bill" status more than twenty-four (24) hours will be assessed \$10.00 per hour in excess thereof.
- o Trains inbound to the Shared Assets Area territory must have proper car and train documents. If this information is lacking, the Shared Area managers, at their discretion, may hold trains outside the boundaries of the Shared Assets Area until proper documentation is received.
- o Regardless of company of employment, any qualified crew in the Shared Area may operate any locomotive, regardless of ownership, in that area for the purposes of positioning/hostling or movement of light power between yards.

Held Trains

- o In recognition of terminal fluidity and capacity utilization, the Shared Assets Areas management can require, in coordination with a parent's command center, an inbound train to be held outside the boundaries of a Shared Assets Area.
 - Such notification must be given with enough notice for the parent to chamber the train at a location that minimizes disruption to operations.
 - Decisions by the Director of Train Operations of Shared Assets Areas management are final in this regard. Neither parent may compel the Shared Assets Areas management to accept trains.
 - Similarly, the decision to hold out a train other than temporary holds is recognized as a serious action, which will be done only after all other alternatives are exhausted. Data on these actions will be maintained by Shared Assets Areas management and will be regularly available for briefing to the Conrail's Board of Directors at its pleasure.

2

Storage

- o Neither parent company may store or pre-position cars on Shared Assets Area's tracks, including yard and industrial tracks to which they have access. Empty cars routed to the Shared Assets Areas must have a customer destination assigned, and must be loaded without beginning to accrue charges as described in Conrail's Demurrage Tariff in effect on May 1, 1999. When it is determined that cars cannot be

delivered to the customer within 60 hours of arrival, a call will be made to the parent's operations center. After such a call is made, except in extraordinary cases, these cars will then be placed on the parent's first available outbound train.

- o CSXT and NS will independently establish such demurrage and car storage arrangements with customers as each deems proper. Should customers keep or store cars on SAA tracks beyond the time at which charges would begin to accrue as called for in Conrail's Demurrage Tariff in effect on May 1, 1999, then the parent road will be assessed \$100 per car per day to cover the operational cost of congestion and inefficient use of Shared Assets Areas facilities.
- o CSXT and NSR recognize that certain customers are currently provided car storage within the Shared Asset Areas, and that this storage may be essential to the functioning of the business of these customers. CSXT, NSR and Shared Assets will review current pools and by consent of all three parties approve their makeup and location based on operating efficiencies. Thereafter pools will be regularly reviewed for the provision of such storage to avoid congestion. Any request for additional car storage for any Shared Assets Area customers must be approved by the Parents, who will consider the availability of additional space with a view toward assuring that operations in the Shared Assets Area remain fluid and will not be affected by providing such car storage.

Interchange

- o CSXT and NSR will not interchange cars to each other within the Shared Assets Areas locations unless specifically provided through separate agreements. No open interchanges have been established except at industries.

3

Blocking

- o To ensure the equal and fair use of the Shared Assets Area capacity by its parent companies, the following car classification requirements will govern:
 - Each parent company will be required to block inbound trains for the Shared Assets Areas. Each parent will make the number of blocks called for in the split-date Operating Plan. Failure to comply with inbound blocking requirements and execute appropriate setoffs (unless otherwise directed by Shared Assets management) within the Shared Assets Area will result in an assessment of \$50.00 per loaded or empty car.
 - Management of the Shared Assets Areas will be required to block outbound trains. Parent companies will receive the number of blocks at each Shared Assets Area terminal that is called for in the split-date Operating Plan.
 - Changes to the number of blocks made by or delivered to a Shared Asset terminal may be made only by mutual consent of all three parties.
 - Parent companies, except by joint agreement, may not compel the Shared Assets Areas management to make a greater number of blocks at any terminal, beyond the number of called for in the split-date Operating Plan.
 - Each parent may change the definition of its own specific blocks originating at a Shared Assets Area terminal.

Hours of Service and Recrews

- o Train crews on parent trains approaching a Shared Assets Area must have sufficient time to terminate in or exit the Shared Assets Areas before hours-of-service laws require them to rest. Sufficient time is considered the trains scheduled elapsed time to terminate in or pass through the Shared Assets Area. The Shared Assets Areas management may grant an exception if the train can make it to its destination without undue disruption.
- o Shared Assets Areas shall have the option to provide T&E relief service for any road train on the hours-of-service law, regardless of parent company.
 - Such relief will be provided after coordination with the appropriate parent's operations center indicating the involved parent will provide no relief crew.

4

- Recrews will be at the sole cost and expense of the parent whose train is recrewed at full cost plus a \$500 surcharge.
- If specific trains frequently require recrews, Shared Assets Areas management may request the parent to change its schedule or slotting of subject train with the right to repeatedly hold that train for a recrew outside the Shared Assets Areas as set forth under the "held trains" provision until such appropriate adjustments are made to the non-conforming schedule.
- Data on trains recrewed will be maintained by Shared Assets Areas management and will be regularly available for briefing to Conrail's Board of Directors at its pleasure.

Charges

- o The charges paid by either owner under these protocols will be made to a Conrail "passive income" account, which will be administered by Conrail.

Changes

- o These terminal capacity guidelines will be reviewed at the request of any of the three parties (CSXT, NSR, and/or CSAO). Proposed changes are subject to the arbitration provisions of the Shared Asset Area Operating Agreements in the event CSXT and NSR cannot agree.

MONONGAHELA USAGE AGREEMENT

Dated as of June 1, 1999

By and Among

CSX TRANSPORTATION, INC.

NORFOLK SOUTHERN RAILWAY COMPANY

PENNSYLVANIA LINES LLC

NEW YORK CENTRAL LINES LLC

TABLE OF CONTENTS

Page

Section 1. Definitions.	4
Section 2. Description of Monongahela	10
Section 3. Customer Service	11
Section 4. Usage of Subject Trackage.	11
Section 5. Miscellaneous Operations Provisions.	12
Section 6. Car Hire	19
Section 7. Accounting Records	19
Section 8. Repairs and Lading Adjustments	20
Section 9. Usage Charges.	21
A. Transportation Costs	21
B. Other Usage Charges.	21
Section 10. Maintenance of the Monongahela.	27
Section 11. Capital Improvements.	29
Section 12. Labor Claims.	32
Section 13. Freight Claims.	32
Section 14. Liability	33
(a) Sole Responsibility	33
(b) NSR-CSXT Joint Responsibility.	34
(c) Process.	34
(d) Indemnification.	35

Page

(e) Specified Level Damages.	35
--------------------------------------	----

(f) Exceptions	36
(g) Damages.	36
(h) Limitation	37
Section 15. No Partnership.	37
Section 16. Arbitration	37
Section 17. Force Majeure	39
Section 18. Entire Agreement.	39
Section 19. Amendment and Waiver.	40
Section 20. Severability.	40
Section 21. Remedies.	40
Section 22. Interpretation.	41
Section 23. Headings.	41
Section 24. Parties	42
Section 25. Assignment.	42
Section 26. Term.	43
Section 27. Termination of Other Agreements	45
Section 28. Notices	45
Section 29. Governing Law	47

-ii-

MONONGAHELA USAGE AGREEMENT

This Monongahela Usage Agreement ("Agreement") made this 1st day of June, 1999, by and between NORFOLK SOUTHERN RAILWAY COMPANY, hereinafter referred to as "NSR", PENNSYLVANIA LINES LLC, hereinafter referred to as "PRR", and CSX TRANSPORTATION, INC., hereinafter referred to as "CSXT," and NEW YORK CENTRAL LINES LLC, hereinafter referred to as "NYC";

WITNESSETH:

WHEREAS, all capitalized terms in this Agreement have the respective meanings set forth in Section 1; and

WHEREAS, Consolidated Rail Corporation ("CRC") is a wholly owned subsidiary of Conrail Inc. ("CRR"); and

WHEREAS, CSX Corporation ("CSX") owns all of the common stock of and controls CSXT, Norfolk Southern Corporation ("NSC") owns all of the common stock of and controls NSR, and CSX and NSC jointly control CRC; and

WHEREAS, pursuant to the Transaction Agreement, certain assets of CRC have been allocated to PRR, which is a wholly-owned subsidiary of CRC, to be operated by NSR under the terms of the NSR Operating Agreement; and

WHEREAS, NSR and CSXT have agreed, and the STB has approved in Finance Docket No. 33388, that certain tracks comprising all the rail facilities described in Section 2 of this Agreement (hereinafter "Monongahela"), shall be allocated to PRR pursuant to the Transaction Agreement, and pursuant to the NSR Operating Agreement, be operated by NSR, and NSR shall control, operate and maintain the Monongahela under this Agreement,

provided, however, that NYC shall have equal access, pursuant to the terms of this Agreement, through full use of the Monongahela to all current and future customer facilities located on or accessed from the Monongahela; and

WHEREAS, pursuant to the Transaction Agreement, certain assets of CRC (including equal access to the Monongahela that is the subject of this Agreement) have been allocated to NYC, which is a wholly-owned subsidiary of CRC, to be operated by CSXT under the terms of the CSXT Operating Agreement; and

WHEREAS, pursuant to the CSXT Operating Agreement, NYC is assigning to CSXT all of its rights and obligations to operate NYC's assets, including all of its rights and obligations with respect to the Monongahela set forth in this Agreement, and thus CSXT, pursuant to this Agreement and the CSXT Operating Agreement, shall have all of the rights and obligations conferred by or imposed under this Agreement during the term of the CSXT Operating Agreement;

WHEREAS, under provisions of this Agreement and the CSXT Operating Agreement, CSXT, as the assignee of NYC, shall have equal access through full use of the Monongahela to all current and future customer facilities located on or accessed from the Monongahela; and

-2-

WHEREAS, in accordance with the terms of this Agreement, NSR and CSXT shall share all maintenance and other expenses as specifically described herein which relate directly to the Monongahela on a joint usage basis; and

WHEREAS, NSR and CSXT shall be able to provide separately transportation service to all customers on or accessed from the Monongahela and, except as provided herein, no access fees shall be charged NYC for the joint usage; provided, however, the Operating Fee payable by CSXT to NYC under the CSXT Operating Agreement includes an arm's-length charge for the assignment by NYC to CSXT of access to the Monongahela; and

WHEREAS, as provided herein, NSR and CSXT will work together to develop the expansion of existing and future facilities serving customers located on or accessed from the Monongahela; and

WHEREAS, NSR and CSXT are agreeable to such an arrangement under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises, covenants and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, CSXT and NSR hereby agree as follows:

-3-

Section 1. Definitions.

For purposes of this Agreement, the following terms have the following meanings:

- (a) "AAA" means the American Arbitration Association.
- (b) "AAR" means the Association of American Railroads.
- (c) "Accounting Plan" means the plan of accounting adopted pursuant to Section 9(B)(a).
- (d) "Action" means any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity.

(e) "Bill" means a bill delivered by NSR to CSXT pursuant to Section 9(B) (e).

(f) "Billing Month" means the calendar month for which information is shown on a Usage Statement.

(g) "Budgeted Capital Expenditures" means capital expenditures included on a Capital Expenditure Budget which has been agreed upon by NSR and CSXT.

(h) "CCBU" means CSXT's Cumberland Coal Business Unit, currently headquartered in Cumberland, MD, or any successor thereof.

(i) "CSXT Operating Agreement" has the meaning set forth in the Transaction Agreement.

-4-

(j) "Capital Expenditure Budget" means a written budget specifying proposed capital expenditures to be made on the Monongahela for the periods of time specified in such budget and the proposed sources of the capital required to make such expenditures.

(k) "Capital Expenditure Statement" means a statement delivered by NSR pursuant to Section 9(B) (d).

(l) "Carpenter/Tobias Letter" means the letter agreement dated April 28, 1998, concerning the operation of the Monongahela.

(m) "Damage(s)" means all assessments, fines, losses, damages, liabilities, and costs and expenses related thereto, including, without limitation, interest, penalties and attorneys' and consultants' fees and also expressly including, without limitation, all liabilities arising after the effective date hereof under the Federal Employers Liability Act, as amended, and environmental laws.

(n) "Dispute Letter" means a letter delivered by CSXT pursuant to Section 9(B) (g).

(o) "Expense Statement" means a statement delivered by NSR pursuant to Section 9(B) (c).

(p) "GAAP" at any time means generally accepted accounting principles in effect at such time.

(q) "Governmental Entity" means any federal, state, local or foreign court, administrative agency or commission or other governmental or regulatory authority or commission or any arbitration tribunal.

-5-

(r) "Liabilities" means any and all debts, liabilities and obligations of any kind whatsoever, whether or not accrued, contingent or reflected on a balance sheet, known or unknown, absolute, determined, determinable or otherwise, including, without limitation, those arising under any law, rule, regulation, action, order or consent decree of any Governmental Entity or any judgment in any Action of any kind or award of any arbitrator of any kind and those arising under any contract.

(s) "Monongahela Train" means a train operated by NSR for NSR or for CSXT and serving customers located on the Monongahela.

(t) "Monongahela Train Usage Percentage" means for either NSR or CSXT, for a particular time period, the percentage obtained by multiplying 100 by the quotient obtained by dividing (1) the total number of loaded and empty Railcars in the account

of NSR or CSXT, as the case may be, that are in Monongahela Trains, by (2) the sum of the total number of loaded and empty Railcars in the accounts of both NSR and CSXT that are in Monongahela Trains, during such period for each Zone.

(u) "Nonseverable Improvement" means a capital improvement which is integral to the operation of the Monongahela and is not readily removable.

(v) "NSR Operating Agreement" has the meaning set forth in the Transaction Agreement.

(w) "Railcar" means, except as otherwise provided in the Accounting Plan, each railroad freight car, locomotive, caboose or other equipment (including RoadRailer equipment (or comparable bimodal freight hauling equipment in either NSR's or CSXT's account)) furnished in substitution of railroad equipment, loaded or empty, which an Operator originates, terminates, switches or moves on or overhead within the Monongahela, except that (i) a single standard flat car not exceeding 96 feet in length (excluding articulated flat cars) shall count as a single Railcar, (ii) freight railcars consisting of articulated units bearing AAR car type codes "Q" and "S" shall count as multiple Railcars based on the second (numeric) digit of the car type code for such articulated units (by way of example, a car consisting of AAR Car Type Code "S566" would be counted as five Railcars) (or corresponding car type codes and digits if the AAR car type codes should be modified at any time during the term of this Agreement), and (iii) a single unit of RoadRailer equipment (or comparable bimodal freight hauling equipment in either NSR's or CSXT's account) shall count as one-half (1/2) of a Railcar.

-6-

(x) "Railroad Consequential Damages" means consequential, indirect, incidental or other similar damage, injury or loss to either NSR or CSXT.

(y) "Reimbursable Expenses" means the expenses shown on an Expense Statement, minus the revenues, if any, shown on such Expense Statement.

(z) "RoadRailer" means bimodal freight hauling equipment manufactured by or under license from "RoadRailer", a division of Wabash National Corporation, and capable of movement over the highway when pulled by a tractor and on the rails using locomotive power.

-7-

(aa) "Severable Improvement" means a capital improvement that is not a Nonseverable Improvement, and specifically includes but is not limited to, track extensions to customer facilities.

(bb) "STB" means the Surface Transportation Board, or if there shall be no Surface Transportation Board, any federal agency which is charged with the function of approving combinations by rail carriers or persons controlling them, or of other arrangements between such rail carriers, and granting exemptions from other laws with respect thereto or regulating other specific functions with respect to the context in which such term is employed or any successor entity thereof.

(cc) "Tax" or "Taxes" means taxes, levies or other similar assessments, customs, duties, imposts, charges or fees, including, without limitation, ad valorem, excise, real or personal property, sales, use, payroll, withholding, unemployment, transfer and gains taxes or other governmental taxes imposed by or payable to the United States, or any state, local or foreign government or subdivision thereof, and in each instance such term shall include any interest, penalties or additions to tax attributable to such Tax or Taxes.

(dd) "Total Monongahela Train Usage Percentage" means for either NSR or CSXT, for a particular time period, the percentage obtained by multiplying 100 by the quotient obtained by dividing (1) the total number of loaded and empty Railcars in the account of NSR or CSXT, as the case may be, that are in Monongahela Trains by (2) the sum of the total number of loaded and empty Railcars in the accounts of both NSR and CSXT that are in Monongahela Trains, during such period for the entire Monongahela.

-8-

(ee) "Total Train Usage Percentage" means for either NSR or CSXT for a particular time period, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total number of loaded and empty Railcars in the account of either NSR or CSXT, as the case may be, by (ii) the sum of the total number of loaded and empty Railcars in the accounts of both NSR and CSXT, during such period on the Monongahela.

(ff) "Train Usage Percentage" means for either NSR or CSXT for a particular time period and Zone, the percentage obtained by multiplying 100 by the quotient obtained by dividing (i) the total number of loaded and empty Railcars in the account of either NSR or CSXT, as the case may be, by (ii) the sum of the total number of loaded and empty Railcars in the accounts of both NSR and CSXT, during such period in such Zone.

(gg) "Transaction Agreement" means the Transaction Agreement dated as of June 10, 1997, among CSX, CSXT, NSC, NSR, Conrail Inc., CRC and CRR Holdings LLC.

(hh) "Usage Statement" means a statement delivered by NSR pursuant to Section 9(B)(b).

(ii) "USOA" means the uniform system of accounts prescribed for class I railroads by the STB or any successor federal agency that shall succeed to the functions of the STB in prescribing uniform systems of accounts for rail carriers; provided, that if there shall be no STB and no such federal agency, USOA shall mean such system of accounts as is generally maintained by rail carriers consistent with GAAP as applied in the rail industry.

-9-

(jj) "Zone" refers to the division of the Monongahela for accounting purposes, into the following three segments.

Zone 1: MP 0.0 CP BROWN to CP 85 WAYNESBURG
(including Manor Branch)

Zone 2: CP 85 WAYNESBURG to MP W27.3 FEDERAL
2 MINE

Zone 3: MP 0.0 CP BROWN to MP 79.6 LOVERIDGE

Section 2. Description of Monongahela.

The Monongahela is defined as the trackage described in the definition of Zones set forth above, and as shown on Exhibit "A", which is attached and made a part hereof (which includes CRC's Waynesburg Southern Branch), and includes all existing and future spurs, sidings, leads, industry, switching, loading, side, team and other tracks extending therefrom, together with the right to use the Manor Branch shown on Exhibit "A", which is attached hereto and made a part hereof. Monongahela includes the track structure (rails, ties, ballast, etc., including structures supporting the track), right of way, communication facilities, signal facilities and all other appurtenances thereto. The Monongahela also includes all future Nonseverable Improvements.

The Monongahela excludes any tracks or facilities constructed beyond the limits of the Zones described above, or connecting to CP 58, MP 0.0 or MP 66.4 (Rivesville) from outside the Zones.

-10-

Section 3. Customer Service.

Both NSR and CSXT shall be able to provide separately and independently rail transportation service to all customers on or accessed from the Monongahela with their own equipment and crews.

Section 4. Use of Subject Trackage.

(a) CSXT shall have equal access to the Monongahela, as more specifically provided herein.

(b) Subject to the terms of this Agreement, NSR shall have control of the management and operation of the Monongahela. However, should CSXT be dissatisfied with the fairness and equality of treatment of CSXT's movements by NSR's Monongahela dispatchers, NSR and CSXT shall attempt to resolve these dispatching concerns. If the attempt does not resolve CSXT's concerns about Monongahela dispatching, CSXT shall have the right to request a change of control of Monongahela dispatching to CSXT. If NSR disagrees with such request for change in dispatching control, NSR and CSXT agree to submit that request to binding arbitration as provided in Section 16 of this Agreement. From time to time, but not more frequently than 12 months after the last change in dispatching control or arbitration, the party not controlling dispatching may again seek a change and require arbitration.

-11-

Section 5. Miscellaneous Operations Provisions.

(a) When operating over the Monongahela, locomotives and crews shall be equipped to communicate with the controlling dispatcher on radio frequencies normally used in directing train movements on the Monongahela.

(b) Procedures for qualification and occupancy of the Monongahela shall be arranged by the local supervision of NSR and CSXT, and shall be fair and impartial as between NSR and CSXT.

(c) Before locomotives or equipment of NSR and CSXT enter onto Monongahela, the employees shall request permission from the dispatcher in charge of the Monongahela. Further, NSR and CSXT shall ascertain that the trackage is clear and shall await confirmation from the dispatcher that such permission has been issued to allow NSR and/or CSXT movements on or over the Monongahela. Upon completing its operations and clearing the Monongahela, NSR or CSXT, as the case may be, shall notify the dispatcher that it has completed its operations and that its equipment is in the clear for other operations or has moved off of Monongahela. Once NSR or CSXT has notified the dispatcher it is in the clear or has cleared the Monongahela, NSR or CSXT shall not reenter the Monongahela without again obtaining permission from the dispatcher.

-12-

(d) The operation and equal access to the mines on the Monongahela (the "Mines") will be governed by the loading demand of the Mines, while always taking into account the customer's choice of carrier for the particular movement. Trains will be scheduled onto the Monongahela based on the Mines' request. The current practice of the Mines in providing a seven day loading schedule of required loading will continue. The scheduling and sequencing will be coordinated between the Mines and designated

NSR and CSXT representatives. All parties will work towards a monthly loading projection to facilitate advanced planning and scheduling.

A rolling 36 hour loading schedule will be coordinated and maintained by the Mines, NSR and CSXT, and will be updated every four hours. The loading schedule will be the governing vehicle for sequencing trains on the Monongahela by the dispatcher. This will allow each carrier to have sufficient notification to ensure trains are positioned to protect loading on the Monongahela. NSR and CSXT will develop scheduled running times from their staging facilities to the entrance to the Monongahela. NSR and CSXT will jointly develop running times from the entrance points to each of the Mines.

Changes in the train loading schedule or train ordering will be coordinated jointly between NSR and CSXT to assure demand is met for all Mines. In the event either an NSR or CSXT train fails to make the loading schedule, every effort will be made to coordinate and resequence the loading schedule to facilitate both carriers. The governing factor is to provide the

-13-

appropriate NSR or CSXT trains required by the Mines. NSR and CSXT agree to coordinate and implement an operating plan for the Monongahela (the "Operating Plan") to ensure efficient movement of traffic on the Monongahela. Related to the Operating Plan, Accounting Plan and this Agreement is the Carpenter/Tobias Letter. The Carpenter/Tobias Letter was executed in furtherance of this Agreement, the Operating Plan and the Monongahela Accounting Plan and shall be enforceable according to its terms. In the event that coal producers on the Monongahela need to change the loading sequence once trains are positioned on the Monongahela, every attempt will be made to have the original carrier secure the loading, subject to customer approval.

A Service Standards Committee ("Committee") shall be established with equal local representation from NSR and CSXT including General Manager Coal Operations and General Manager CCBU or other representatives for CSXT and the Superintendent of the Pittsburgh Division and the AVP Transportation, or other representatives, for NSR. The Committee is charged with developing and agreeing upon the contents of a "Report Card" for the service on the Monongahela. The Report Card will attempt to provide a mechanism to determine whether impartial access (as measured by train performance, dispatching and maintenance) to all Mines is being provided. The Committee will meet on a quarterly basis, or more frequently if required, to review service, dispatching, maintenance and other issues as they arise. The Committee's goal is to resolve all issues encompassing the operation on the Monongahela.

-14-

(e) NSR and CSXT shall comply with the provisions of the Federal Locomotive Inspection Act and the Federal Safety Appliance Act, as amended, and any other federal and state and local laws, regulations and rules respecting the operation, condition, inspection and safety of its trains, locomotives, cars and equipment while such trains, locomotives, cars, and equipment are being operated over the Monongahela.

(f) CSXT in its use of the Monongahela shall comply in all respects with the safety rules, operating rules and other regulations of NSR, and the movement of CSXT trains, locomotives, cars, and equipment over the Monongahela shall at all times be subject to the orders of the transportation officers of NSR; provided that all such rules, regulations, practices and orders must be impartially administered as between NSR and CSXT. NSR and CSXT trains shall not include locomotives, cars or equipment which exceed the width, height, weight or other restrictions or capacities of the Monongahela as published in Railway Line

Clearances, and no train shall contain locomotives, cars or equipment which require speed restrictions or other movement restrictions that would violate operating rules and regulations applicable to the Monongahela, except with the concurrence of NSR which shall not be unreasonably withheld.

(g) CSXT shall make such arrangements with NSR as may be required to have all CSXT employees who shall operate its trains, locomotives, cars and equipment over the Monongahela qualified for operation thereover, and CSXT shall pay to NSR, upon receipt of bills therefor, any cost incurred by NSR in connection with the cost of pilots furnished by NSR, until such time as such employees are deemed by the appropriate examining officer of NSR to be properly qualified for operation over Monongahela.

-15-

(h) In the event of any investigation or hearing concerning the violation of any operating rule or practice by CSXT's employees while on the Monongahela, CSXT shall be notified in advance of any such investigation or hearing and such investigation or hearing may be attended by any official designated by CSXT, and any such investigation or hearing shall be conducted in accordance with the collective bargaining agreements, if any, that pertain to CSXT's employee or employees required to attend such hearings.

(i) NSR shall have the right to exclude from the Monongahela any employee of CSXT determined by above, to be in violation of NSR's rules, regulations, orders, practices, or instructions issued by NSR's timetable or otherwise. CSXT shall release, indemnify, defend, and save harmless NSR and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, agents and employees from and against any and all claims and expenses resulting from such reasonable and lawful exclusion.

(j) The railcars, trains, locomotives, cars and equipment of NSR and CSXT shall be operated without prejudice or partiality to either party and in such manner as shall afford the most economical and efficient movement of all traffic.

-16-

(k) In the event that a train of CSXT shall be forced to stop on the Monongahela, due to mechanical failure of CSXT's equipment, or any other cause not resulting from an accident or derailment, and such train is unable to proceed, or if a train of CSXT fails to maintain the minimum speeds required on the Monongahela, or if in emergencies, crippled or otherwise defective Railcars are set out of CSXT's trains on the Monongahela, NSR shall arrange for motive power or such other assistance as may be necessary to haul, help or push such trains or Railcars, or to properly move the disabled equipment in the clear or off the Monongahela, and CSXT shall reimburse NSR for the cost of rendering any such assistance. If such assistance cannot be commenced within a reasonable time, CSXT shall have the option through coordination with NSR, to provide such assistance itself. If a train of NSR becomes unable to proceed or maintain the required minimum speed or NSR Railcars become crippled and are set out, NSR shall promptly clear off such trains or Railcars so as not to impede movements on the Monongahela.

(l) If it becomes necessary to move, make repairs to, adjust or, transfer the lading of crippled or defective Railcars, such work shall be done by NSR, and if the Railcar is in the account of CSXT, CSXT shall reimburse NSR for the cost thereof. If the Railcar is in the account of NSR, such cost shall be borne by NSR and not shared pursuant to Section 9.

(m) In the event NSR and CSXT agree that NSR should retain employees or provide additional employees for the sole

benefit of CSXT, the parties hereto shall enter into a separate

-17-

agreement under which CSXT shall bear all cost and expense for any such retained or additional employees provided, including without limitation all cost and expense associated with labor protective payments which are made by NSR and which would not have been incurred had the retained or additional employees not been provided.

(n) Notwithstanding the provisions of Section 14, for the purposes of this Section 5, the word "equipment" shall mean and be confined to (i) cabooses, (ii) vehicles and machinery which are capable of being operated on railroad tracks that, at the time of an occurrence, are being operated on the Monongahela and (iii) vehicles and machinery that, at the time of an occurrence, are on the Monongahela or its right of way for the purpose of maintenance, repair or inspection thereof or the clearing of wrecks thereon.

(o) Whenever CSXT's or NSR's use of the Monongahela requires rerailling, wrecking service or wrecking train service, NSR shall perform or provide such service. The cost of rerailling and the repair and restoration of roadbed, track and structures shall be borne 100% by CSXT if the Railcars are in CSXT's account or 100% by NSR if they are in NSR's account. Any other cost, liability and expense related to the foregoing, including without limitation loss of, damage to, or destruction of any property whatsoever and injury to and death of any person or persons whomsoever or any damage to or destruction of the environment whatsoever, including without limitation land, air, water, wildlife, and vegetation, resulting therefrom, shall be apportioned in accordance with the provisions of Section 14 hereof. All locomotives, railcars, and equipment and salvage from the same so picked up and removed which is owned by or under the management and control of or used by CSXT at the time of such wreck, shall be promptly delivered to CSXT. If such assistance cannot be commenced within a reasonable time, CSXT shall have the option to provide such assistance itself.

-18-

Section 6. Car Hire.

All NSR and CSXT Railcars shall remain in the respective accounts of NSR and CSXT at all times. NSR and CSXT Railcars and lading being moved in their respective trains pursuant to this Agreement shall be the sole property of that party. NSR and CSXT shall each pay and collect or cause to be paid and collected all car hire and mileage charges pertaining to their respective Railcars, and neither NSR nor CSXT shall have any responsibility for any such car hire or mileage charges in the other party's account however incurred.

Section 7. Accounting Records.

The records of each party hereto, insofar as they pertain to matters covered by this Agreement, shall be retained for a period of three (3) calendar years and shall be open at all reasonable times to inspection by the other party during such period. These records shall include train consist (list) indicating car initial and number with associated car type code.

-19-

Section 8. Repairs and Lading Adjustments.

If any CSXT Railcars are bad ordered en route and it is necessary that they be set out, such Railcars, after being promptly repaired, shall be returned or delivered to CSXT. NSR shall at the expense of CSXT, furnish required labor and

material, and perform light repairs on such bad ordered equipment to make it safe for movement. For liability purposes only, the employees and equipment of NSR while in any manner so engaged or while en route to or returning from such repair assignment shall be considered sole CSXT employees and exclusive CSXT equipment. In the case of such repairs by NSR to CSXT Railcars, billing therefor shall be in accordance with the Field and Office Manuals of the AAR Interchange Rules, or similar rules providing "industry standard" procedures which are in effect at the time such work is performed, hereinafter called "Interchange Rules". NSR shall prepare and submit billing directly to and collect from the car owners for car owner responsibility items as determined under the Interchange Rules and NSR shall prepare and submit billing directly to and collect from CSXT for handling line responsibility items as determined under the Interchange Rules. NSR shall also submit billing to and collect from CSXT any charges for repair to freight cars that are car owner responsibility items as determined under the Interchange Rules, should said car owner refuse or otherwise fail to make payment therefor. In the event NSR Railcars are bad ordered en route and set out, repaired, or work is performed on such Railcars, as provided above, all such costs shall be borne by NSR and not shared pursuant to Section 9.

-20-

Section 9. Usage Charges.

A. Transportation Costs. The Carpenter/Tobias letter states that NSR will provide crews to operate CSXT trains between the Mines and CSXT's Newell Yard or the Alicia or LaBelle barge terminals (or such other locations as may be mutually agreed upon). Transportation costs associated with NSR's operation of CSXT trains shall be as set forth in the Accounting Plan. To the extent NSR and CSXT will be performing service over the Monongahela by operating their own trains with their own crews, any and all costs directly associated with the operation of such trains and crews shall be borne by the party operating such trains and crews.

B. Other Usage Charges. Given the rights of equal access to the Monongahela, the parties agree that certain costs directly related to the maintenance and operation of the Monongahela shall be shared based upon usage. Accordingly, the parties agree to the following:

(a) The parties shall develop and implement a written Accounting Plan containing a detailed description, by category of cost and location, of the costs directly associated with the management and operation of the Monongahela and the method by which such costs shall be fairly and properly apportioned between the parties. Such Accounting Plan will include separate accounting and sharing of costs as mutually agreed for particular Zones or for the overall Monongahela, as the case may be, and shall conform to the following general principles:

-21-

(i) General and administrative, supervisory and overhead expenses incurred within the Monongahela or for functions directly related to the Monongahela shall be apportioned on the basis of the Total Train Usage Percentages, or Total Monongahela Train Usage Percentages, whichever is applicable as provided in the Accounting Plan;

(ii) Dispatching (where dispatching is located on the Monongahela or where dispatching is devoted 100% to the Monongahela), maintenance of dispatching equipment and train control costs (including labor, materials and maintenance expenses) incurred with respect to the Monongahela shall be apportioned on the basis of the Total Train Usage Percentages, or Total Monongahela Train Usage Percentages, whichever is applicable as provided in the Accounting Plan;

(iii) Police and other costs incurred with respect to security within the Monongahela shall be apportioned on the basis of the Total Train Usage Percentages, or Total Monongahela Train Usage Percentages, whichever is applicable as provided in the Accounting Plan;

(iv) Damage paid by NSR pursuant to Section 14 shall be apportioned in accordance with Section 14;

(v) Taxes (excluding income taxes) incurred with respect to the Monongahela or individual Zones thereof shall be apportioned between NSR and CSXT on the basis of the Total Train Usage Percentages, or Total Monongahela Train Usage Percentages, whichever is applicable as provided in the Accounting Plan, or Train Usage Percentage for the individual Zone, if capable of determination, for the period for which such Taxes apply;

-22-

(vi) The cost of premiums for liability and property insurance, other than self-insurance, incurred with respect to the Monongahela or individual Zones thereof shall be apportioned between NSR and CSXT on the basis of (w) Total Train Usage Percentage, (x) Train Usage Percentage for the individual Zone, (y) Total Monongahela Train Usage Percentage, or (z) Monongahela Train Usage Percentage for the individual Zone, whichever is applicable, as provided in the Accounting Plan, if capable of determination for the period for which such Insurance costs apply;

(vii) The expense of installation and maintenance of AEI readers including, but not limited to, those in the vicinity of CP 58 (existing), CP 85 Waynesburg, MP 0.5 and MP 66.0 shall be borne 50% by NSR and 50% by CSXT;

(viii) Section 14 of this Agreement deals with the apportionment of Liability between the parties. Any payments made by NSR pursuant to Section 14(a) which arise from the death or injury to NSR employees, when such NSR employees are "joint employees," such as Maintenance of Way, Signal, Dispatch, Bridge and Building, Mechanical and other employees whose work on the Monongahela is other than revenue train operations, shall be paid by NSR in accordance with Section 14(a), but apportioned based on Total Train Usage Percentage or Train Usage Percentage for the individual Zone, whichever is applicable as provided in the Accounting Plan; provided, however, should such employee Liability expense arise from work performed as a result of capital improvements at the sole cost of NSR or CSXT, then that party shall be fully responsible for all such payments; and

-23-

(ix) Maintenance of track structure (rails, ties, ballast, etc., including structures supporting the track), right of way, tunnels, communication facilities, signal facilities and all other appurtenances thereto shall be apportioned on the basis of the Total Train Usage Percentage, for the entire Monongahela or Train Usage Percentage for each Zone, whichever is applicable, as provided in the Accounting Plan.

(x) Any other costs shall be reimbursed as otherwise provided in this Agreement.

If the parties are unable to agree on the terms and provisions of the Accounting Plan, such disagreement may be submitted by either NSR or CSXT for resolution by binding arbitration pursuant to Section 16.

(b) NSR shall deliver to CSXT prior to the last day of each calendar month, a written statement (the "Usage Statement") showing for the prior Billing Month:

(i) the total number of Railcars moved by NSR or CSXT on the Monongahela and in each Zone; and

(ii) the calculation of the Total Train Usage Percentage, the Train Usage Percentage, Total Monongahela Train Usage Percentage and Monongahela Train Usage Percentage for each party for each Zone, and (A) all Railcars in a train shall be deemed to be on the Monongahela, or a Zone, as the case may be, when the first or last Railcar of such train is on the Monongahela, or a Zone, as the case may be, and (B) each time that a Railcar is removed from or added to a train on the Monongahela, or a Zone, as the case may be, shall constitute a separate movement of such Railcar.

-24-

(c) Concurrently with the delivery of each Usage Statement, NSR shall deliver to CSXT a statement (the "Expense Statement") showing the expenses incurred by NSR and CSXT during the Billing Month, computed in accordance with GAAP and the USOA, as modified by the Accounting Plan.

(d) Concurrently with the delivery of each Usage Statement, NSR shall deliver to CSXT a statement (the "Capital Expenditure Statement") showing the estimated Budgeted Capital Expenditures for the calendar month immediately succeeding the calendar month in which such statement is delivered.

(e) Concurrently with the delivery of a Usage Statement for a Billing Month, NSR shall deliver to CSXT a bill (a "Bill") showing for such Billing Month:

(i) the amount of each Reimbursable Expense payable by CSXT for such Billing Month calculated in accordance with the Accounting Plan; and

-25-

(ii) CSXT's percentage of the amount of Budgeted Capital Expenditures and shown on the Capital Expenditure Statement delivered with such Usage Statement.

(f) CSXT shall pay to NSR the amount shown on each Bill on or before the 30th day after the date of such Bill regardless of whether or not CSXT disputes the accuracy of any amount or calculation shown on such Bill.

(g) Disputed Bills:

(i) Any dispute by CSXT of the accuracy of any amount or calculation shown on any Bill, shall be described and specified in reasonable detail in a Dispute Letter from CSXT to NSR within two (2) years after the date of such Bill.

(ii) Any amounts or calculations shown on any Bill which are not disputed in accordance with this section 9 shall conclusively be deemed to be accurate and shall be binding on both parties.

(iii) CSXT and NSR shall promptly endeavor to resolve the disputes described in each Dispute Letter, and if they fail to agree to a resolution of such disputes within 45 days of the delivery of such Dispute Letter, then a firm of independent public accountants shall be selected jointly by CSXT and NSR (or if they do not agree on such firm, then such firm shall be selected by arbitration pursuant to Section 16) to resolve such disputes, in each case in accordance with GAAP and the USOA, as modified by the Accounting Plan, and the written resolution of such disputes signed by such accounting firm shall be binding on CSXT and NSR.

-26-

(iv) Any adjustments to Bills which result from

the resolution of Dispute Letter disputes shall be reflected as charges or credits on the first Bills delivered by NSR to CSXT after such disputes have been resolved.

(v) The costs of NSR's and CSXT's auditors in connection with the resolution of any Dispute Letter disputes shall be paid by each respective party, and the fees of any independent public accounting firm engaged to resolve such disputes shall be paid 50 percent by NSR and 50 percent by CSXT.

(h) At the option of either party hereto, the Accounting Plan provided for in this Section 9 may be opened for reevaluation every year from the effective date of this Agreement. Such reevaluation may include the definition of the Zones and any modifications needed thereto. In the event the parties fail to reach agreement upon reevaluation, such failure shall not constitute a breach of this Agreement, and the parties shall continue to be bound by the terms of compensation provided in this Section 9 until the matter is settled or submitted to binding arbitration as outlined in Section 16.

Section 10. Maintenance of the Monongahela.

(a) NSR shall be responsible to maintain, repair and renew the infrastructure of the Monongahela. NSR shall keep and maintain the Monongahela in good condition for the use herein contemplated. NSR shall take all reasonable steps to ensure that

-27-

any interruptions to train operations shall be kept to a minimum. Furthermore, except as may be otherwise provided in Section 14, CSXT shall not by reason of failure or neglect on the part of NSR to maintain, repair or renew the Monongahela, have or make any claim or demand against NSR or its parent corporation, subsidiaries or affiliates, including PRR, or their respective directors, officers, agents or employees for any injury to or death of any person or persons whomsoever, or for any damage to or loss or destruction of any property whatsoever, or for any damages of any nature suffered by CSXT resulting from any such failure or neglect.

(b) The Monongahela will be jointly inspected by each party's Chief Engineer or their designees at any time upon mutual agreement, but not less than once every three (3) years to determine if appropriate track standards are maintained, and to review the performance of any capital plan for the Monongahela as pertains to maintenance of track, signals, right of way and appurtenances thereto. On or before August 15 of each year, NSR will provide CSXT with a capital improvement plan covering the next three (3) years.

(c) Existing and future connections or facilities which are jointly used by the parties hereto shall continue to be maintained, repaired and renewed by and at the expense of both parties apportioned in accordance with Sections 9 and 11 and the Accounting Plan, which shall become a part hereof.

-28-

Section 11. Capital Improvements.

Capital Improvements on the Monongahela shall be governed by the following provisions:

(a) From time to time, NSR or CSXT may propose to each other construction of capital improvement projects ("Project"). Each Project shall be reviewed promptly by the other party. If approved by both parties, NSR and CSXT shall be responsible for an equal share of the budgeted initial funding, as approved in the Capital Expenditure Budget, for the approved Project. A final accounting will be made to adjust the initial budgeted

funding to the actual project cost as specified in the Accounting Plan.

-29-

(b) If a proposed project is not approved, and the proposed Project would be a Nonseverable Improvement of the Monongahela which may be used in the normal course of business by NSR or CSXT, then the following procedure shall occur:

(i) At the written request of either NSR or CSXT delivered to the other, each party shall, within 45 days of the delivery of such request, submit to an arbitrator in accordance with Section 16 a written proposal with respect to a Nonseverable Improvement Project which was not agreed upon by the parties (1) describing any changes from the initial request which such party proposes be made to such Project and specifying a schedule, budget and allocations between NSR and CSXT of the capital costs of such Nonseverable Improvement or (2) proposing that it not be made.

-29-

(ii) The arbitrator receiving the proposals referred to in Section 11(b)(i) (A) shall consider (1) the degree, if any, to which the construction, operation and use of such Nonseverable Improvement would impair or interfere with the use of the Monongahela, conflict with any pending capital improvements, or be necessary or unnecessary to the operations of a particular party, and (2) the budget and allocations between NSR and CSXT of the capital costs of such Nonseverable Improvement as proposed by NSR and CSXT and (B) shall determine within 45 days of such receipt which of such proposals shall be accepted, or that such Nonseverable Improvement shall not be made. The arbitrator's decision shall be binding and enforceable upon NSR to fund and cause the Nonseverable Improvement to be made in accordance with such decision and upon CSXT to fund such Nonseverable Improvement in accordance with such decision, unless the decision is that such Nonseverable Improvement shall not be made.

(c) Severable Improvements:

(i) (A) NSR shall have the right to cause the construction, at its sole expense, and (B) CSXT shall have the right to require NSR to cause the construction, but at CSXT's sole expense, of any Severable Improvement which has not been agreed upon by the parties to be funded on a shared basis.

(ii) Each Severable Improvement funded exclusively by NSR or CSXT shall be used exclusively by NSR or CSXT, as the case may be, and each party shall be solely responsible for the cost of maintaining such Severable Improvement (recognizing that in either case the actual performance of such maintenance shall be the responsibility of NSR), until such time that the other party gives written notice that it desires also to use such Severable Improvement, stating the amount which such other party is prepared to pay to the party which initially funded such Severable Improvement for the right to use such Severable Improvement.

-30-

(iii) If the parties are unable to agree on the amount of such payment within 45 days after such notice was given, then at the written request of a party delivered to the other after 45 days but before 60 days after such notice was given, NSR and CSXT, within 15 days of the delivery of such request, shall submit to an arbitrator in accordance with Section 16 a written statement setting forth the proposed payment by the other party, and the arbitrator shall within 45 days of such receipt determine which of such proposed amounts shall apply, which shall be binding on both parties and paid promptly. Upon

payment of the amount determined by the arbitrator, the improvement shall become a Nonseverable Improvement.

(d) Upon completion, all capital improvements shall become part of the Monongahela owned by PRR subject to all provisions of this Agreement.

(e) Subject to all of the provisions hereof, the parties will work together to develop the expansion of existing and future facilities serving customers located on or accessed from the Monongahela.

(f) The construction, operation and use of a Severable Improvement by a party shall not unduly impair or interfere with the use of a Severable Improvement by the other party, nor shall any Severable Improvement unduly impair or interfere with train operations on the Monongahela. No Severable Improvement shall unduly impair or interfere with any pending or proposed capital improvements included in an approved Capital Expenditure Budget.

-31-

Section 12. Labor Claims.

Each party shall indemnify and hold harmless the other party against any and all costs and payments, including benefits, allowances, and arbitration, administrative, and litigation expenses, arising out of claims or grievances made by or on behalf of or lawsuits brought by or on behalf of its own employees or their collective bargaining representatives, either pursuant to employee protective conditions imposed by a governmental agency upon the agency's approval or exemption of this Agreement and operations hereunder or pursuant to a collective bargaining agreement. It is the parties' intention that each party shall bear the full costs of protection of its own employees under employee protective conditions that may be imposed, and of grievances filed by its own employees arising under its collective bargaining agreements with its employees.

Section 13. Freight Claims.

The parties shall agree between themselves on the most fair, practical and efficient arrangements for handling and administering freight loss and damage claims with the intent that (a) each party shall be responsible for losses occurring to lading in its possession for the account of such party and (b) the parties shall follow relevant AAR rules and formulas in providing for the allocation of losses which are either of undetermined origin or in Railcars handled in interline service by or for the account of both parties.

-32-

Section 14. Liability.

Except as otherwise provided in Section 13 and this Section 14, the responsibility between CSXT and NSR for all Damage arising out of, incidental to or occurring in connection with this Agreement shall be apportioned without consideration of fault or negligence of any kind or degree as follows:

(a) Sole Responsibility. Except as otherwise provided in Section 14(e) (Specified Level Damages) and Section 14(f) (Exceptions), each party shall assume and bear all responsibility for Damage to its own trains, locomotives and equipment, to Railcars and lading in its possession or being handled for its account, and for the death of or injury to its own employees. Subject to Section 14(f) (Exceptions), for the purpose of this Section 14(a):

(i) when NSR employees are engaged in capital improvements at the sole cost of CSXT under Section

9(B)(a)(viii), such employees engaged in such capital improvements shall be treated as if they were CSXT employees; and

(ii) when NSR is operating trains for CSXT, NSR employees engaged in moving, inspecting, preparing, handling, being transported to or from, transporting such employees to or from, or other similar activities directly related to the movement of CSXT trains shall be treated as if they were CSXT employees and such trains shall be CSXT trains.

-33-

(b) NSR-CSXT Joint Responsibility. (i) Except as otherwise provided in Section 14(b)(ii) with regard to Damages occurring in the first 12 months of operation and in Sections 14(a) (Sole Responsibility), Section 14(e) (Specified Level Damages) and Section 14(f) (Exceptions), the parties shall jointly assume and bear all responsibility for all Damage in proportion to their respective Train Usage Percentages in the Zone in which the incident giving rise to such Damage occurred for the 12 calendar month period immediately preceding the incident giving rise to such Damage.

(ii) In the event an incident giving rise to Damage for which the parties are jointly responsible occurs during the 12-month period immediately following the date of this Agreement, responsibility for such Damage shall be borne equally by the parties with each being liable for one-half (1/2) of the damages.

(c) Process. Each party shall be responsible for the payment, handling, administration and disposition of all Damage for which it bears exclusive responsibility under Section 14(a), and both parties shall have joint responsibility for the payment, handling, administration and disposition of all Damage for which they are jointly responsible under Section 14(b). In assigning joint responsibility to both parties, it is not the intent of this Agreement that the parties will actually act jointly, but rather that the parties will agree between themselves on the most practical and efficient arrangements for handling, administering, and disposing of Damage for which they bear joint responsibility, with the objective of eliminating unnecessary duplication of effort and minimizing overall costs.

-34-

(d) Indemnification. Each party to this Agreement covenants and agrees to (i) fully indemnify and save harmless the other party to this Agreement from and against any payments which are the responsibility of such party under this Agreement, and all expenses, including attorneys' fees and expenses and other expenses of any court or regulatory proceeding, incurred by such other parties in defending any claim that it is liable for such payments, and (ii) defend such other party against such claims with counsel selected by such party and reasonably acceptable to such other party.

(e) Specified Level Damages. Sections 14(a) (Sole Responsibility) and 14(b) (NSR-CSXT Joint Responsibility) shall apply directly only when the total amount of all Damages resulting from a single incident is \$25 million or less. Responsibility for Damages resulting from a single incident for which Damages exceed \$25 million shall be classified as "Tier One Damages" or "Tier Two Damages" and allocated as stated in subparagraphs (i), (ii) and (iii) of this Section 14(e).

(i) In this Section 14(e), "Tier One Damages" for any incident include the greater of (1) \$25 million of Damages or (2) an amount equal to all combined liability insurance benefits available to whichever of NSR or CSXT has the lesser (as between them) amount of insurance benefits available to it applicable to that incident, but only to the extent that benefits are actually available.

(ii) Tier One Damages shall be allocated between NSR and CSXT in accordance with Sections 14(a) (Sole Responsibility) and 14(b) (NSR-CSXT Joint Responsibility).

(iii) In this Section 14(e), "Tier Two Damages" include all of those Damages in excess of the Tier One Damages calculated under Section 14(e)(i). Tier Two Damages shall be allocated between the parties hereto in proportion to their respective fault or negligence in causing the Damage.

(f) Exceptions. Each party shall assume and bear all responsibility for Damage to the extent caused by acts or omissions of any of its employees while under the influence of drugs or alcohol and Sections 14(b) and (e) shall not apply to any such Damage. Notwithstanding any other provision of this Agreement including, without limitation, both clauses of the last sentence of Section 14(a) and Section 9(B)(a)(viii), no NSR employee handling a CSXT train or performing other functions on the Monongahela shall be treated as a CSXT employee for purposes of this Section 14(f).

(g) Damages. As used in this Section 14 only, the term "Damage(s)" shall exclude Railroad Consequential Damages (which are always borne by whichever of NSR or CSXT sustained them) and claims for exemplary and punitive Damages. With regard to exemplary and punitive Damages, the parties acknowledge and agree that, with regard to the subject of this Agreement, the intent and agreement of the parties is that no party shall bring or recover any claim for exemplary or punitive damages, in its own right, against any other party, but that any party will allocate, in accordance with this Section 14, exemplary or punitive Damages from any claim against it by a third person not a party hereto.

(h) Limitation. The parties hereto acknowledge that, pursuant to the penultimate paragraph of the Carpenter/Tobias Letter, CSXT can elect to operate its own trains with its own crews, and if CSXT exercises that election in the future and runs its own trains with its own crews, the provisions of clause (ii) of the last sentence of Section 14(a) shall not apply during any such CSXT operations.

Section 15. No Partnership.

Nothing in this Agreement shall be construed to establish a partnership or joint venture between or among CSXT or NSR or any of their affiliates or associates.

Section 16. Arbitration.

Any dispute, controversy or claim (or any failure by the parties to agree on a matter as to which this Agreement expressly or implicitly contemplates subsequent agreement by the parties, except for matters left to the sole discretion of a

party) arising out of or relating to this Agreement, or the breach, termination or validity hereof, shall be finally settled through binding arbitration by a sole, disinterested arbitrator in accordance with the Commercial Arbitration Rules of the AAA. The arbitrator shall be jointly selected by the parties, but if the parties do not agree on an arbitrator within 30 days after demand for arbitration is made by a party, they shall request that the arbitrator be designated by the AAA. The award of the arbitrator shall be final, binding and conclusive upon the

parties. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, experts and counsel. The compensation, and any costs and expenses of the arbitrator, shall be borne equally by the parties. The arbitrator shall have the power to require the performance of acts, found to be required by this Agreement, and to require the cessation or nonperformance of acts found to be prohibited by this Agreement. The arbitrator shall not have the power to award consequential or punitive damages. Judgment upon the award rendered may be entered in any court having jurisdiction thereof, which court may award appropriate relief at law or in equity. All proceedings relating to any such arbitration, and all testimony, written submissions and award of the arbitrator therein, shall be private and confidential as between the parties, and shall not be disclosed to any third party, except as required by law and except as reasonably necessary to prosecute or defend any judicial action to enforce, vacate or modify such arbitration award.

-38-

Section 17. Force Majeure.

The obligations, other than payment obligations, of the parties to this Agreement shall be subject to force majeure (which shall include strikes, riots, floods, accidents, Acts of God, and other causes or circumstances beyond the control of the party claiming such force majeure as an excuse for non-performance), but only as long as, and to the extent that, such force majeure shall prevent performance of such obligations.

Section 18. Entire Agreement.

This Agreement, the Carpenter/Tobias Letter, and the Transaction Agreement (including the other Ancillary Agreements, as defined in the Transaction Agreement) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except the letter agreement dated April 8, 1997 between CSX and NSC to the extent such April 8, 1997 letter agreement covers matters not addressed or amended hereby or in the Transaction Agreement or the Ancillary Agreements (as defined in the Transaction Agreement); provided that it is the intent of the parties that this Agreement shall be an effectuation of such April 8, 1997 letter agreement consistent with its terms, and that the provisions of this Agreement should be interpreted to give effect to such April 8, 1997 letter agreement; and provided further that, in the event of any inconsistency between the terms of this Agreement and such April 8, 1997 letter agreement, this Agreement shall prevail.

-39-

Section 19. Amendment and Waiver.

Any amendment to this Agreement must be in writing and executed and delivered by CSXT, NSR, PRR, and NYC subject to any jurisdiction of the STB. Any waiver of any term or provision of this Agreement must be in writing and executed and delivered by the party entitled to enforcement of such term or provision.

Section 20. Severability.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, such provision is to be intended to be ineffective only to the most limited extent possible in such context and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 21. Remedies.

(a) Each party acknowledges and agrees that the other parties would be irreparably damaged in the event any of the provisions of this Agreement were not performed by it in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each party shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to specifically enforce such provisions, in addition to any other remedy to which such party may be entitled, at law or in equity.

-40-

(b) In no event shall any party be liable to the other parties for any consequential, indirect, incidental, punitive or other similar damages including but not limited to lost profits for any breach or default, or any act or omission arising out of or in any way relating to this Agreement, under any form or theory of action whatsoever, whether in contract, tort or otherwise.

Section 22. Interpretation.

This Agreement was drafted jointly by CSXT, NSR, PRR and NYC, each of which was advised by its own counsel and other advisors concerning all of the terms and provisions hereof; accordingly, any ambiguity herein should not be construed in favor of or against any of them.

Section 23. Headings.

Headings of sections in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any term or provision of this Agreement.

-41-

Section 24. Parties.

This Agreement shall inure to the benefit of and be binding upon NSR, CSXT, PRR, and NYC and any successor of any of them by operation of law, and any assignee agreed to by them in accordance with Section 25, and nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or with respect to this Agreement or any term or provision hereof.

Section 25. Assignment.

(a) Except as provided herein, neither this Agreement (including the documents and instruments referred to herein) nor any of the rights, interests or obligations hereunder, shall be assigned by any party, including by operation of law, without the prior written consent of the other parties, except to a controlled subsidiary, or in the case of PRR, to NS, NSR or a subsidiary or affiliate of NS, and in the case of NYC, to CSX, CSXT or a subsidiary or affiliate of CSX.

(b) (i) Except as otherwise provided herein, in the event either of NSR or PRR proposes to sell or transfer its interest in all or any portion of the Monongahela, CSXT shall have the right of first refusal to purchase such interest at the same price, and substantially the same terms and conditions offered to NSR or PRR; provided CSXT must make such offer within 30 days of receiving notification from NSR or PRR of the price, terms and conditions being offered by such other prospective

purchaser.

-42-

(ii) In the event CSXT or NYC proposes to sell or transfer its operating rights on all or any portion of the Monongahela, NSR shall have the right of first refusal to purchase such rights at the same price, and substantially the same terms and conditions offered to CSXT or NYC, provided NSR must make such offer within 30 days of receiving notification from CSXT or NYC of the price, terms and conditions being offered by such other prospective purchaser.

(c) Any party without the consent of the other party may assign all of its rights and obligations under this Agreement only to any successor in the event of a merger, consolidation, sale of all or substantially all its assets, including all routes and lines owned by such party to access the Monongahela, if such assignee executes and delivers to the other party hereto an agreement reasonably satisfactory in form and substance to such other party under which such assignee, which is reasonably satisfactory to the other party, assumes and agrees to perform and discharge all the obligations and Liabilities of the assigning party; provided that any such assignment shall not relieve the assigning party from the performance and discharge of such obligations and Liabilities.

Section 26. Term.

(a) This Agreement shall become effective as of the date first above written and shall remain in effect until the 25th anniversary of such date, and shall remain in effect continuously thereafter unless and until terminated by CSXT or, if the CSXT Operating Agreement shall have terminated, by NYC, in its sole discretion, upon (90) days written notice.

-43-

(b) The rights, benefits, duties and obligations running from or to NSR under this Agreement shall in all events expire (except liabilities incurred prior to termination) upon the earlier of: (i) termination of this Agreement or (ii) termination of the NSR Operating Agreement (including any renewals thereof) and the rights, benefits, duties and obligations running from or to CSXT under this Agreement shall in all events expire (except liabilities incurred prior to termination) upon the earlier of (i) termination of this Agreement or (ii) termination of the CSXT Operating Agreement (including any renewals thereof). Notwithstanding any other provision of this Agreement, (1) upon termination of the NSR Operating Agreement, the rights, benefits, duties and obligations running from or to NSR under this Agreement shall run from or to PRR, and (2) upon termination of the CSXT Operating Agreement, the rights, benefits, duties and obligations running from or to CSXT under this Agreement shall run from or to NYC. In the event PRR is unable or unwilling to carry out the duties and obligations of NSR or fails to designate an operator reasonably satisfactory to NYC to do so, then NYC, or an operator designated by NYC and satisfactory to PRR, shall have the option to carry out such duties and obligations related solely to the Monongahela.

-44-

Section 27. Termination of Other Agreement.

This Agreement, upon the effective date hereof, supersedes and terminates the agreement by and between The Monongahela Railway Company (now CRC) and CSXT dated October 19, 1990, relating to CSXT trackage rights between Brown, Pennsylvania, and Catawba Junction (Rivesville), West Virginia.

Section 28. Notices.

Any notice given by CSXT, NSR, PRR, or NYC to the others under this Agreement shall be deemed delivered on the date sent by registered mail, or by such other means as they may agree, and shall be addressed to them as follows:

(a) If to CSXT:

Executive Vice President and
Chief Operating Officer
CSX Transportation, Inc.
500 Water Street, J120
Jacksonville, Florida 32202

(b) If to NSR:

Senior Vice President Operations
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

-45-

(c) If to PRR:

PRR
2001 Market Street
Philadelphia, Pennsylvania 19103
Attention: Vice President-General Counsel

Copy to:

Senior Vice President Operations
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510

(d) If to NYC:

NYC
2001 Market Street
Philadelphia, Pennsylvania 19103
Attention: Vice President-General Counsel

Copy to:

Executive Vice President and
Chief Operating Officer
CSX Transportation, Inc.
500 Water Street, J120
Jacksonville, Florida 32202

and each of them may from time to time change its address in this Section 28 by written notice delivered to the others.

-46-

Section 29. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to principles of conflicts of laws.

-47-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officials as of the day first above written.

CSX TRANSPORTATION, INC.

By: /s/ Peter J. Shudtz

Title: Vice President - Law and
General Counsel - CSX
Corporation, authorized agent
for CSX Transportation, Inc.

NORFOLK SOUTHERN RAILWAY COMPANY

By: /s/ J. L. Manetta

Title: Senior Vice President Operations

PENNSYLVANIA LINES LLC

By: /s/ James D. McGeehan

Title: Assistant Treasurer

NEW YORK CENTRAL LINES LLC

By: /s/ C. A. Cook

Title: Vice President and Assistant Secretary

-48-

EXHIBIT "A" [MAP]

Map of Monongahela Mine District

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