

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

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):

September 2, 2004 (August 27, 2004)

| (Exact Name of Registrant as Specified in its Charter and Address of Principal Executive Offices and Registrant's telephone number, including area code) | (Commission File Number)             | (State or Other Jurisdiction of Incorporation) | (IRS Employer Identification No.) |
|--|--------------------------------------|--|-----------------------------------|
| Norfolk Southern Corporation<br>Three Commercial Place, Norfolk, Virginia<br>23510-9241<br>(757) 629-2680  | 1-8339                               | Virginia                                       | 52-1188014                        |
| Norfolk Southern Railway Company<br>Three Commercial Place, Norfolk, Virginia<br>23510-9241<br>(757) 629-2680  | 1-743<br>1-3744<br>1-4793<br>1-546-2 | Virginia                                       | 52-6002016                        |

No Change

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 1 - Registrant's Business and Operations

Item 1.01. Entry into a Material Definitive Agreement.

- (a) On August 27, 2004, pursuant to the consummation of the transactions contemplated by that certain Distribution Agreement listed as Exhibit 2.1 (the "Distribution Agreement") hereto with respect to certain debt and assets relating to Consolidated Rail Corporation ("Conrail") (such transactions hereinafter referred to collectively as the "Conrail Spin Off Transactions") and as described further in Item 2.01, Norfolk Southern Railway Company ("NSR") and its parent Norfolk Southern Corporation ("NSC") entered into the following agreements:
  - (i) Amendment No. 5 to the Transaction Agreement, dated as of August 27, 2004, by and among CSX Corporation ("CSX"), CSX Transportation, Inc. ("CSXT"), NSC, NSR, CRR Holdings LLC ("CRR Holdings"), Conrail Inc. ("CRR") and Conrail (such amendment listed as Exhibit 10.1 hereto and hereinafter referred to as

"Amendment No. 5").

Conrail is a wholly-owned subsidiary of CRR. CRR is a wholly-owned subsidiary of Green Acquisition Corp. ("Green Corp."), which is wholly-owned by CRR Holdings. NSC directly owns 58% of the economic interests of CRR Holdings and 50% of its voting interests. CSX owns, through its wholly-owned subsidiaries CSX Rail Holding Corporation ("CSX Rail") and CSX Northeast Holding Corporation ("CSX Northeast"), 42% of the economic interests of CRR Holdings and 50% of its voting interests.

NSC and CSX jointly acquired Conrail in May 1997 and through the Transaction Agreement entered into as of June 10, 1997 (the "Transaction Agreement"), reallocated Conrail's assets into three principal categories (i) assets allocated to Pennsylvania Lines LLC ("PRR") for the exclusive use and operation of and by NSC and its wholly-owned subsidiary, NSR; (ii) assets allocated to New York Central Lines LLC ("NYC") for the exclusive use and operation of and by CSX and its wholly-owned subsidiary, CSXT; and (iii) the remaining assets designated as "Shared Assets Areas" to be operated by Conrail for the benefit of both NSC and CSX. NSR and CSXT operated the PRR and NYC properties, respectively, pursuant to various operating and lease agreements. From June 1, 1999 until August 27, 2004, NSC and CSX paid operating fees to PRR and NYC, respectively, for the use of their assets.

As a consequence of the Conrail Spin Off Transactions, the assets and properties of PRR were consolidated into NSR and the assets and properties of NYC were consolidated into CSXT. Therefore, the prior arrangements contemplated by the Transaction Agreement whereby the PRR assets and the NYC assets were leased to NSC and CSX, respectively, under various lease and operating agreements were terminated or restructured as part of the Conrail Spin Off Transactions.

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The arrangements with respect to Conrail's Shared Assets Areas, however, remain in place.

Amendment No. 5 therefore materially amends the Transaction Agreement in order to (A) amend or terminate certain ancillary agreements entered into pursuant to the Transaction Agreement in order to effect the Conrail Spin Off Transactions; (B) reallocate certain operating fees, interest rentals and base rent in order to adjust for the distribution of the PRR and NYC assets to NSR and CSXT, respectively; and (C) effect agreements among NSC, NSR, CSX and CSXT relating to certain lines of railroad within the State of New Jersey or New York or the area within 25 miles of the City of Philadelphia, Pennsylvania in order to maintain the understandings set forth pursuant to the Transaction Agreement.

- (ii) Tax Allocation Agreement, dated as of August 27, 2004, by and among Green Corp., CRR, Conrail, NYC and PRR (such agreement listed as Exhibit 10.2 hereto and hereinafter referred to as the "Tax Allocation Agreement"). By operation of law as a result of the August 27, 2004, merger of PRR with and into PRR Newco, with PRR Newco as the surviving corporation, and the August 27, 2004 merger of PRR Newco with and into NSR, with NSR as the surviving corporation, NSR is now a direct party to the Tax Allocation Agreement.

For a description of the material relationships between NSC and NSR and the other parties to the Tax Allocation Agreement, please see (i) above.

The Tax Allocation Agreement governs the respective rights, responsibilities, and obligations of NYC, PRR and Green Corp., after the Conrail Spin Off Transactions with respect to tax liabilities, refunds, tax proceedings and other tax matters

regarding income taxes, other taxes and related returns. The Tax Allocation Agreement also provides restrictions on NSC and CSX and any of their respective subsidiaries (including restrictions on share issuance, business combinations, and sales of assets and similar transactions) that are designed to preserve the tax-free nature of the Conrail Spin Off Transactions. In the event that a party to the Tax Allocation Agreement breaches its obligations under the agreement, it will be required to make an indemnity payment for the resulting taxes. The amount of any such indemnity payment could be material.

Item 1.02. Termination of a Material Definitive Agreement.

- (a) On August 27, 2004, pursuant to the Conrail Spin Off Transactions, NSR terminated the Operating Agreement dated as of June 1, 1999 by and between PRR, as owner, and NSR as operator (filed as Exhibit 10.3 to NSC's and NSR's Quarterly Report on Form 10-Q filed with the Commission on August 11, 1999). The termination was effected by the Operating Agreement Termination Agreement, dated as of August 27, 2004, between PRR and NSR listed as Exhibit 10.3 hereto. See Item 1.01(a)(i) for a brief description of the material

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circumstances surrounding the termination. No material penalties were incurred by NSC or NSR as a result of the termination.

Section 2 - Financial Information

Item 2.01. Completion of Acquisition or Disposition of Assets.

- (a) On August 27, 2004, as more fully described above, NSR and its parent NSC completed the restructuring of Conrail. As noted above, NSC and CSX have an indirect equity interest in Conrail of 58% and 42%, respectively, and voting interests of 50% each.
- (b), (c) In connection with the restructuring of Conrail, effective as of August 27, 2004:
- (i) Conrail, through a series of transactions, caused the distribution to NSC of 99.9% of the then-outstanding common stock of PRR Newco (the "PRR Shares"), which at the time of the distribution wholly-owned PRR;
  - (ii) NSC thereafter contributed the PRR Shares to NSR;
  - (iii) PRR was then merged with and into PRR Newco, with PRR Newco as the surviving company; and
  - (iv) As a final step, PRR Newco was then merged with and into NSR, with NSR as the surviving company, thereby consummating the consolidation of PRR's business, assets and operations within NSR.

As a result of the above transactions, NSR became the direct owner, and NSC, through its wholly-owned subsidiary NSR, became the indirect owner, of all of PRR's assets, which consist principally of former PRR lines, including lines running from New York/New Jersey and Philadelphia through Pittsburgh and Cleveland to Chicago, and certain owned and unencumbered rolling stock of Conrail. Pursuant to operating and lease agreements, NSR operated and managed PRR in a substantially independent manner prior to the foregoing restructuring.

- (d), (e) In connection with the foregoing restructuring of Conrail, PRR Newco, a subsidiary of NSR prior to the restructuring, issued and NSR guaranteed an aggregate of \$313,741,000 in principal amount of its 9 3/4% unsecured debentures due June 15, 2020 and an aggregate of \$138,085,000 in principal amount of its 7 7/8% unsecured debentures due May 15, 2043. The foregoing debentures were delivered to Conrail, along with the PRR Shares, in partial consideration for Conrail's membership interest in PRR. Conrail exchanged these debentures and cash for Conrail's unsecured debt securities and distributed the PRR Shares to NSC as noted above.

## Section 9 - Financial Statements and Exhibits

## Item 9.01. Financial Statements and Exhibits.

- (a) Pursuant to the instructions of Item 9.01.(a)(4) of Form 8-K, no later than 71 calendar days after the date that this Report was required to be filed, NSC and NSR intend to file an amendment to this Report on Form 8-K/A that will include any required financial statements.
- (b) The required pro forma financial information of NSR is incorporated by reference to the previously filed Exhibit 99.5 of Form 8-K of NSR filed on July 30, 2004 with the Securities and Exchange Commission.

Pursuant to the instructions of Item 9.01.(b)(2) of Form 8-K, no later than 71 calendar days after the date that this Report was required to be filed, NSC intends to file an amendment to this Report on Form 8-K/A that will include the required pro forma financial information of NSC.

## (c) Exhibits

| Exhibit No.<br>----- | Description<br>-----  |
|----------------------|---|
| 2.1                  | Distribution Agreement, dated as of July 26, 2004, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holding Corporation, Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC, NYC Newco, Inc. and PRR Newco, Inc. |
| 10.1                 | Amendment No. 5 to the Transaction Agreement, dated as of August 27, 2004, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Conrail Inc. and Consolidated Rail Corporation.  |
| 10.2                 | Tax Allocation Agreement, dated as of August 27, 2004, by and among Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC.   |
| 10.3                 | Operating Agreement Termination Agreement, dated as of August 27, 2004, between Pennsylvania Lines LLC and Norfolk Southern Railway Company.  |
| 99.1                 | Norfolk Southern Railway Company and CSX Transportation, Inc. Joint Press Release, dated August 30, 2004.   |

## 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 hereunto duly authorized.

NORFOLK SOUTHERN CORPORATION  
and  
NORFOLK SOUTHERN RAILWAY COMPANY  
(Registrants)

By: /s/ Reginald J. Chaney

-----  
Name: Reginald J. Chaney  
Title: Assistant Corporate Secretary of  
Norfolk Southern Corporation and

Corporate Secretary of Norfolk  
Southern Railway Company

Date: September 2, 2004

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- 2.1 Distribution Agreement, dated as of July 26, 2004, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holding Corporation, Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC, NYC Newco, Inc. and PRR Newco, Inc.
- 10.1 Amendment No. 5 to the Transaction Agreement, dated as of August 27, 2004, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Conrail Inc. and Consolidated Rail Corporation.
- 10.2 Tax Allocation Agreement, dated as of August 27, 2004, by and among Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC.
- 10.3 Operating Agreement Termination Agreement, dated as of August 27, 2004, between Pennsylvania Lines LLC and Norfolk Southern Railway Company.
- 99.1 Norfolk Southern Railway Company and CSX Transportation, Inc. Joint Press Release, dated August 30, 2004.

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DISTRIBUTION AGREEMENT

by and among

CSX CORPORATION,

CSX TRANSPORTATION, INC.,

CSX RAIL HOLDING CORPORATION,

CSX NORTHEAST HOLDING CORPORATION,

NEW YORK CENTRAL LINES LLC,

NORFOLK SOUTHERN CORPORATION,

NORFOLK SOUTHERN RAILWAY COMPANY,

PENNSYLVANIA LINES LLC,

CONRAIL INC.,

GREEN ACQUISITION CORP.,

CONSOLIDATED RAIL CORPORATION,

CRR HOLDINGS LLC,

NYC NEWCO, INC.

and

PRR NEWCO, INC.

Dated as of July 26, 2004

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#### DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (this "Agreement"), dated as of July 26, 2004 by and among CSX CORPORATION, a Virginia corporation ("CSX"), CSX TRANSPORTATION, INC., a Virginia corporation and wholly-owned subsidiary of CSX, for itself and on behalf of its controlled Subsidiaries (collectively, "CSXT"), CSX RAIL HOLDING CORPORATION, a Delaware corporation and wholly-owned subsidiary of CSX ("CSX Rail"), CSX NORTHEAST HOLDING CORPORATION, a Delaware corporation and wholly-owned subsidiary of CSX ("CSX Northeast"), NORFOLK SOUTHERN CORPORATION, a Virginia corporation ("NSC"), NORFOLK SOUTHERN RAILWAY COMPANY, a Virginia corporation and a subsidiary of NSC, for itself and on behalf of its controlled Subsidiaries (collectively, "NSR"), CRR HOLDINGS LLC, a Delaware limited liability company ("CRR Parent"), GREEN ACQUISITION CORP., a Pennsylvania corporation and a wholly-owned Subsidiary of CRR Parent ("Green Acquisition"), CONRAIL INC., a Pennsylvania corporation and wholly-owned subsidiary of Green Acquisition, for itself and on behalf of its controlled Subsidiaries (collectively, "CRR"), CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation and wholly-owned subsidiary of CRR ("CRC"), NEW YORK CENTRAL LINES LLC, a Delaware limited liability company and a wholly-owned Subsidiary of CRC ("NYC"), PENNSYLVANIA LINES LLC, a Delaware limited liability company and wholly-owned subsidiary of CRC ("PRR"), NYC Newco, Inc., a Virginia corporation and wholly-owned subsidiary of CSXT ("NYC Newco"), and PRR Newco, Inc., a Virginia corporation and wholly-owned subsidiary of NSR ("PRR Newco").

WHEREAS, the Board of Directors of CRR Parent has determined to transfer or cause to be transferred to CSX Rail and CSX Northeast all of CRR Parent's NYC Shares (as defined herein) and CSX Rail and CSX Northeast are willing to accept such transfer of all of CRR Parent's NYC Shares;

WHEREAS, the Board of Directors of CRR Parent has determined to transfer or cause to be transferred to NSC all of CRR Parent's PRR Shares (as defined herein) and NSC is willing to accept such transfer of all of CRR Parent's PRR Shares;

WHEREAS, the parties hereto have obtained private letter rulings from the Internal Revenue Service (the "Service") substantially to the effect that, among other matters, the transfers of all of the NYC Shares and the PRR Shares to CSX Rail and CSX Northeast and NSC, respectively, as contemplated by this Agreement (such transfers, the "Distribution"), qualify as tax-free transactions under the Code (as defined herein);

WHEREAS, in order to undertake the transactions contemplated by this

Agreement, the parties hereto have obtained the approval of the STB (as defined herein);

WHEREAS, in order to undertake the transactions contemplated by this Agreement, the Board of Directors of CRC has further determined that it is appropriate and desirable, on the terms and subject to the conditions contemplated hereby, for CRC to seek the Secured Holders Required Consent (as defined herein), the Lease Consents (as defined herein) and the Debenture Holders Required Consent (as defined herein) to the transactions contemplated by this Agreement and to make the Exchange Offer (as defined herein);

WHEREAS, in connection with the transactions contemplated hereby, the respective parties hereto shall enter into the Tax Allocation Agreement (as defined herein) and the New Amendment to the 1997 Transaction Agreement (as defined herein); and

WHEREAS, the parties hereto have determined that it is desirable to set forth the principal transactions required to effectuate the Distribution and to set forth other matters relating to the relationship and the respective rights and obligations of the parties hereto prior to or following such transactions.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Action" means any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any Governmental Entity or forum or authority having jurisdiction over the matter involving or related to the transactions contemplated by the Agreement.

"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, for the purposes of Article IV hereof (a) NYC shall be an affiliate of CSX and its Subsidiaries and not an affiliate of CRR, CRR Parent or NSC and their respective Subsidiaries, (b) PRR shall be an affiliate of NSC and its Subsidiaries and not an affiliate of CRR, CRR Parent or CSX and their respective Subsidiaries, and (c) neither CSX, NSC nor their respective Subsidiaries shall be affiliates of CRR, CRR Parent or their respective Subsidiaries and vice versa.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Closing" shall have the meaning ascribed thereto in Section 5.1.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor United States federal tax statute. References to a specific section of the Code shall include a reference to the corresponding provisions of any such successor United States federal tax statute.

"CSXT Merger" shall have the meaning ascribed thereto in Section 2.3(a).

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"Damages" means all assessments, losses, claims, damages, Liabilities, judgments, costs and expenses, including interest, penalties, attorneys' and consultants' fees and any legal or other expenses incurred in connection with investigating or defending any matter.

"Debenture Cash Payments" means the cash payments to be made to the holders of the Debentures tendered and accepted in the Exchange Offer.

"Debenture Consent Solicitation" shall have the meaning ascribed thereto in Section 2.6.

"Debenture Holders Required Consent" means the consent of the holders of a majority of the aggregate principal amount of the Debentures voting together as a single class pursuant to the terms set forth in the Debenture Consent Solicitation.

"Debentures" means the \$550,000,000 principal amount of 9-3/4% debentures of CRC due June 15, 2020 and the \$250,000,000 principal amount of 7-7/8% debentures of CRC due May 15, 2043 outstanding under the Indenture.

"Distribution" shall have the meaning ascribed hereto in the recitals to this Agreement.

"Distribution Date" shall have the meaning ascribed thereto in Section 5.1.

"Equipment Obligation Agreements" means the pass-through trust agreements, equipment trust agreements, lease agreements, trust indenture and security agreements and participation agreements and other related agreements pursuant to which the equipment trust certificates and pass-through certificates of CRC have been issued, and pursuant to which CRC has acquired rights in equipment and undertaken obligations in respect thereof, all as identified on Exhibit A hereto.

"Equipment Obligation Agreements Amendments" shall have the meaning ascribed thereto in Section 2.5(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" shall have the meaning ascribed thereto in Section 2.6.

"Exchange Offer Expiration Date" means the expiration date of the Exchange Offer as such date may be extended pursuant to the terms of the Exchange Offer as described in the Registration Statement.

"FMVs" means the fair market values of each of PRR and NYC.

"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, including, without limitation, the Service and the STB.

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"Indemnifiable Losses" means, with respect to any claim by an Indemnified Party for indemnification pursuant to Article IV hereof, any and all Damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and expenses in connection therewith) suffered by such Indemnified Party with respect to such claim.

"Indemnified Party" means a Person who is entitled to indemnification under Article IV.

"Indemnifying Party" means a Person who is required to indemnify another Person under Article IV.

"Indenture" means the indenture, dated as of May 1, 1990, between CRC and the Trustee, pursuant to which the Debentures were issued, as such Indenture has been amended, modified or supplemented from time to time in accordance with its terms.

"JP Morgan Chase" means J.P. Morgan Chase & Co.

"Lease Consent Payments" shall have the meaning ascribed thereto in Section 2.5.

"Lease Consents" shall have the meaning ascribed thereto in Section

2.5(a).

"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.

"Mergers" shall have the meaning ascribed thereto in Section 2.3(a).

"New Amendment to the 1997 Transaction Agreement" means the amendment to the 1997 Transaction Agreement, to be entered into by and among CSX, CSXT, NSC, NSR, CRR and CRR Parent, in the form attached hereto as Exhibit E.

"New Debentures" means collectively the NYC Newco Debentures and the PRR Newco Debentures proposed to be issued pursuant to the Exchange Offer, to be fully and unconditionally guaranteed by CSXT and NSR, respectively, and whose maturity dates, interest payment dates and interest rates are intended to be identical in all respects to the corresponding Debentures, except for the identity of the issuer and the aforementioned guarantees and the other terms, conditions and covenants provided in the NYC Newco Indenture and the PRR Newco Indenture, respectively, with such other changes as may be agreed to by CRC, CSXT, NSR, NSC and CSX.

"Newco Shares" shall have the meaning ascribed thereto in Section 2.1(a).

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"1997 Transaction Agreement" means the Transaction Agreement, dated as of June 10, 1997, and as now in effect, by and among CSX, CSXT, NSC, NSR, CRR, CRC and CRR Parent.

"NSR Merger" shall have the meaning ascribed thereto in Section 2.3(a).

"NYC Allocated Liabilities" shall have the meaning ascribed thereto under the 1997 Transaction Agreement.

"NYC Membership Interest" means all limited liability company interests of NYC.

"NYC Newco Debentures" shall have the meaning ascribed thereto in Section 2.6(c).

"NYC Newco Indenture" means the indenture, to be dated as of the Distribution Date, by and among NYC Newco, CSXT (as guarantor), and The Bank of New York, as trustee, pursuant to which the NYC Newco Debentures are expected to be issued.

"NYC Shares" shall have the meaning ascribed thereto in Section 2.1(a).

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

"Prospectus" means any prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the prospectus included in any Registration Statement, including post-effective amendments and all material incorporated therein by reference.

"PRR Allocated Liabilities" shall have the meaning ascribed thereto under the 1997 Transaction Agreement.

"PRR Membership Interest" means all limited liability company interests of PRR.

"PRR Newco Debentures" shall have the meaning ascribed thereto in Section 2.6(c).

"PRR Newco Indenture" means the base indenture and a first supplemental indenture, to be dated as of the Distribution Date, by and among PRR Newco, NSR (as guarantor) and The Bank of New York, as trustee, pursuant to which the PRR Newco Debentures are expected to be issued.

"PRR Shares" shall have the meaning ascribed thereto in Section 2.1(a).

"Registration Statement" means the registration statement(s) filed by certain of the parties hereto, including NYC Newco and PRR Newco, to register under the Securities Act the New Debentures and the corresponding guarantees pursuant to the Exchange Offer, including

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the Prospectus which is part of such Registration Statement, amendments (including post-effective amendments) and supplements to such Registration Statement and all exhibits and appendices to any of the foregoing.

"Related Agreements" means those new agreements and amended agreements, as set forth in Exhibit C, as shall be necessary and appropriate under the Equipment Obligation Agreements or the Equipment Obligation Agreements Amendments to provide payment flows to CRC after the Distribution to enable CRC to satisfy its ongoing obligations under the Equipment Obligation Agreements.

"Rulings" shall have the meaning ascribed thereto in Section 3.2.

"SEC" means the Securities and Exchange Commission.

"Secured Cash Payments" means the cash payments to be made to holders of equipment trust certificates and pass-through certificates set forth in Part I, Sections I and II in Exhibit A hereto who consent in the Secured Holders Consent Solicitation.

"Secured Holders Consent Solicitation" shall have the meaning ascribed thereto in Section 2.5(a).

"Secured Holders Required Consent" means the consent of the holders of a majority of the aggregate principal amount of each issue of equipment trust certificates and each issue of pass-through certificates set forth in Part I, Sections I and II in Exhibit A hereto pursuant to the terms set forth in the Secured Holders Consent Solicitation.

"Securities Act" means the Securities Act of 1933, as amended.

"Service" shall have the meaning ascribed thereto in the recitals to this Agreement.

"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.

"Subsidiary" means, when used with reference to a specified Person, any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its subsidiaries or by such Person and one or more of its subsidiaries; provided that CRR Parent and any Person in which CRR Parent owns, directly or indirectly, an interest (it being assumed for the purposes of this Agreement that CRR Parent does not own, directly or indirectly, an interest in either CSX or NSC) shall not be considered a subsidiary of either CSX or NSC for purposes of this Agreement; provided further that, for purposes of Article

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IV hereof (a) NYC shall be deemed a subsidiary of CSX and not a subsidiary of

CRR, CRR Parent or NSC, and (b) PRR shall be deemed a subsidiary of NSC and not a subsidiary of CRR, CRR Parent or CSX.

"Supplemental Indenture" means the supplemental indenture to be dated as of the Distribution Date, between CRC and the Trustee which is expected to set forth the changes delineated in the Debenture Consent Solicitation, with such further amendments as may be agreed by CRC, NSC, CSXT, NSR and CSX as necessary or appropriate to permit the consummation of the Distribution and the other transactions provided herein.

"Tax Allocation Agreement" means the Tax Allocation Agreement to be entered into by and among the parties hereto, substantially in the form attached hereto as Exhibit D.

"Third Party Claim" shall have the meaning ascribed thereto in Section 4.4(b).

"Transfer" means to assign, convey, transfer and deliver.

"True Up" shall have the meaning ascribed thereto in Section 2.4.

"Trustee" means The First National Bank of Chicago or any successor thereto, as trustee pursuant to the Indenture.

## ARTICLE II

### DISTRIBUTION AND RELATED TRANSACTIONS

Section 2.1 Transfer of Securities. Until the Closing, NYC Newco and PRR Newco shall conduct no business and shall have no assets or liabilities, except as expressly provided for in this Agreement. Upon the terms and subject to the conditions set forth herein, on the Distribution Date, the following shall occur at substantially the same point in time:

(a) CRC shall Transfer the NYC Membership Interest and the PRR Membership Interest to NYC Newco and PRR Newco, respectively, in exchange for (i) the issuance by NYC Newco and PRR Newco of shares of common stock, par value \$.01 per share, of each of NYC Newco (the "NYC Shares") and PRR Newco (the "PRR Shares," collectively with the NYC Shares, the "Newco Shares"), respectively, which, after giving effect to such issuances, will represent 99.9% of each of the NYC Shares and the PRR Shares then issued and outstanding, (ii) the New Debentures issued to CRC by each of NYC Newco and PRR Newco, respectively and (iii) the assumption of certain liabilities, including equipment obligations, by each of NYC Newco and PRR Newco,

(b) CRC shall then Transfer the Newco Shares to CRR,

(c) CRR shall then Transfer the Newco Shares to Green Acquisition,

(d) CRC shall exchange the New Debentures and the Debenture Cash Payments for the Debentures pursuant to the Exchange Offer (as provided below),

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(e) Green Acquisition shall then Transfer the Newco Shares to CRR Parent,

(f) CRR Parent shall then Transfer the NYC Shares to CSX Rail and CSX Northeast, and the PRR Shares to NSC,

(g) CSX Rail and CSX Northeast shall then Transfer the NYC Shares to CSX, which shall in turn Transfer the NYC Shares to CSXT,

(h) NSC shall then Transfer the PRR Shares to NSR,

(i) PRR shall be merged into PRR Newco and NYC shall be merged into NYC Newco, and

(j) PRR Newco shall be merged into NSR and NYC Newco shall be merged into CSXT.

Section 2.2 Method of Transfer. The parties hereto agree that the

Transfers of the securities contemplated pursuant to Section 2.1 hereof shall be effected by delivery by the transferor to the transferee of such good and sufficient instruments of assignment, conveyance, transfer and delivery, in form and substance reasonably satisfactory to CRC, CSX and NSC, as the case may be, as shall be necessary to vest in the transferee good title thereto, free and clear of any lien, encumbrance, security interest, claim or other restriction on title or transfer whatsoever and without any liability attaching thereto.

### Section 2.3 The Mergers.

(a) On the Distribution Date, immediately following the consummation of the Distribution and the transfers described in Sections 2.1(e), (f), (g) and (h), the parties shall file or cause to be filed Articles of Merger with the State Corporation Commission of the Commonwealth of Virginia providing for (a) (i) PRR to be merged with and into PRR Newco and (ii) PRR Newco to be then merged with and into NSR and (b) (i) NYC to be merged with and into NYC Newco and (ii) NYC Newco to be then merged with and into CSXT, in accordance with the provisions of the Code of Virginia. The separate corporate existence of each of (i) PRR and PRR Newco and (ii) NYC and NYC Newco shall thereupon cease and each of NSR and CSXT, respectively, shall be the surviving entity. The transactions contemplated by this Section 2.3 are sometimes herein referred to as the "Mergers" and separately as the "NSR Merger" and the "CSXT Merger," respectively.

(b) By virtue of the Mergers and without any action on the part of the holders thereof, the equity interests of NSR and CSXT outstanding immediately prior to the Mergers shall automatically become an equal number of equity interests of NSR and CSXT, respectively, as the respective surviving corporation in the Mergers, and the equity interests of PRR, PRR Newco, NYC and NYC Newco outstanding immediately prior to the Mergers shall be cancelled. Accordingly, the parties hereto acknowledge and agree that there will be no change in the respective capitalization of NSR and CSXT as a result of the Mergers.

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Section 2.4 True Up. (a) If there shall have been any condition, circumstance, event or occurrence occurring or existing, individually or in the aggregate, that has resulted or could result in a change in the percentage allocation to NYC of 42%, and to PRR of 58%, of the FMVs of NYC and PRR taken together, then NSC and CSX may, in their sole discretion, discuss the means and nature of the consideration to be paid or furnished such that the percentage allocation to NYC is 42% and the percentage allocation to PRR is 58%, after reviewing and analyzing the various applicable tax, financial and other business concerns, and may seek to mutually agree in their respective sole discretion upon such consideration that will permit an economically balanced solution acceptable to the parties, taking into account NSC's and CSX's ongoing ownership interest in CRC and CRR ("True Up"). The parties hereto agree that such True Up, if agreed to in their respective sole discretion, shall be consummated on the Distribution Date prior to the Distribution.

(b) If there shall not have been any condition, circumstance, event or occurrence occurring or existing that, individually or in the aggregate, has resulted or could result in a change in the percentage allocation to NYC of 42%, and to PRR of 58%, of the FMVs of NYC and PRR taken together, then NSC and CSX shall reconfirm in writing on or prior to the Distribution Date that (i) a True Up is not required, (ii) the percentage allocation of the FMVs to NYC is 42% and the percentage allocation of the FMVs to PRR is 58%, and (iii) it is the intent of the parties that responsibility for the Retained Liabilities will continue to be borne without change, indirectly, 42% by CSX and 58% by NSC. The parties hereto agree that as of the date of this Agreement the percentage allocation to NYC is 42% and the percentage allocation to PRR is 58%.

Section 2.5 Equipment Obligation Agreements. The parties intend to seek the Secured Holders Required Consent and the Lease Consents in connection with, and to permit, the Distribution and certain of the other transactions contemplated hereby. The parties shall seek such consents on the terms and subject to the conditions set forth herein and/or on such other terms as may be agreed by CRC, NSC and CSX as necessary or appropriate in order to facilitate obtaining such consents, including without limitation, the amount of the Secured Cash Payments and any payments required to obtain the Lease Consents (the "Lease Consent Payments"). It is the intent of the parties that, in connection with obtaining such consents, following the Closing, CRC shall remain directly obligated with respect to all obligations evidenced by the Equipment Obligation

Agreements and on the Distribution Date, the respective parties shall enter into the Equipment Obligation Agreements Amendments and the Related Agreements. In order to obtain the Secured Holders Required Consent and the Lease Consents, the parties shall undertake the following transactions:

(a) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CRC, in consultation with NSC and CSX, shall (i) prepare a consent solicitation to seek the Secured Holders Required Consent, pursuant to which CRC will solicit consents (as amended from time to time, the "Secured Holders Consent Solicitation") to the amendments to the Equipment Obligation Agreements identified in Part I, Sections I and II of Exhibit B and/or such other amendments as may be agreed by CRC, NSC and CSX as necessary or appropriate to permit the consummation of the Distribution and the other transactions contemplated hereby and (ii) privately negotiate with the lessor and other counterparties to CRC's equipment leases identified in Part II of Exhibit B for their respective consents (the

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"Lease Consents") to the amendments to the Equipment Obligation Agreements identified in Part II of Exhibit B and/or such other amendments as may be agreed by CRC, NSC and CSX as necessary or appropriate to effectuate the Distribution and the transactions related thereto (the amendments contemplated by clauses (i) and (ii) being collectively referred to herein as the "Equipment Obligation Agreements Amendments"). Subject to the satisfaction of the conditions set forth in Section 5.2 hereof, NSC and CSX shall ensure that CRC has sufficient cash to make, and CRC shall make, the Secured Cash Payments and the Lease Consent Payments at the Closing. CRC shall comply with all applicable laws or regulations in connection with the Secured Holders Consent Solicitation.

(b) Subject to the satisfaction of the conditions of Section 5.2 hereof, on the Distribution Date, (i) CRC, in consultation with CSX and NSC, shall execute and deliver the Equipment Obligation Agreements Amendments and may request any other applicable parties to execute the same and (ii) CRC, NSR, PRR Newco, CSXT and NYC Newco shall execute their respective Related Agreements and any ancillary agreements thereto. The parties agree to execute and deliver all reasonable and necessary opinions, officer's certificates and other documents in connection with the execution of the Equipment Obligation Agreements Amendments, the Related Agreements and any other ancillary agreements thereto.

Section 2.6 Debentures. The parties intend to seek the Debenture Holders Required Consent in connection with, and to permit, the Distribution and certain of the other transactions contemplated hereby. It is the intent of the parties that, in connection with obtaining such consent, prior to the Closing, CRC will conduct a consent solicitation to seek the Debenture Holders Required Consent (as amended from time to time, the "Debenture Consent Solicitation") and, in connection therewith, prior to the Closing, CSXT, NYC Newco, NSR, PRR Newco and CRC will conduct an offer to exchange New Debentures initially issued by each of NYC Newco and PRR Newco for the Debentures on the terms and subject to the conditions set forth herein and/or on such other terms as may be agreed by CRC, NSC and CSX as necessary or appropriate in order to facilitate obtaining the Debenture Holders Required Consent, including without limitation, the amount of the Debenture Cash Payments (the "Exchange Offer"). The Exchange Offer shall be on the basis that each holder of Debentures accepting the New Debentures in exchange for such holder's Debentures must grant a consent in respect of the Debenture Holders Required Consent. In connection with the foregoing, the parties shall undertake the following transactions:

(a) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CRC, in consultation with NSC and CSX, shall prepare a consent solicitation, which consent solicitation shall form part of the Registration Statement, to seek the Debenture Holders Required Consent in connection with the Distribution and certain other transactions contemplated hereby and to the execution of the Supplemental Indenture. CRC shall comply with all applicable laws or regulations in connection with the Debenture Consent Solicitation.

(b) Subject to the satisfaction of the conditions set forth in Section 5.2 hereof, on the Distribution Date, CRC shall execute and deliver the Supplemental Indenture and such other necessary documents and request the Trustee to execute the same. The parties agree

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to execute and deliver all reasonable and necessary opinions, officer's certificates and other documents in connection with the execution of the Supplemental Indenture.

(c) Prior to the Closing, on a timetable agreed by the parties to most expeditiously lead to the Closing, CSXT, NYC Newco, NSR, PRR Newco and CRC will promptly prepare and cause to be filed with the SEC, Registration Statements offering to exchange for each \$1,000.00 principal amount of each series of the Debentures \$580.00 principal amount of the corresponding series of New Debentures to be issued by PRR Newco (the "PRR Newco Debentures") and \$420.00 principal amount of the corresponding series of New Debentures to be issued by NYC Newco (the "NYC Newco Debentures"), subject to the treatment of fractional interests. The PRR Newco Debentures shall be fully and unconditionally guaranteed by NSR and the NYC Newco Debentures shall be fully and unconditionally guaranteed by CSXT. CSXT and NSR shall execute and deliver the NYC Newco Indenture and the PRR Newco Indenture, respectively, setting forth their respective guarantee obligations on the Distribution Date and any other necessary documents ancillary thereto and shall request the respective trustees to execute the same. Upon completion of the mergers set forth in Section 2.1(j), the NYC Newco Debentures shall be assumed by and shall become the primary obligations of CSXT and the PRR Newco Debentures shall be assumed by and shall become the primary obligations of NSR. The respective guarantee obligations of CSXT and NSR shall automatically cease to exist upon completion of the mergers described in Section 2.1(j). Subject to the satisfaction of the conditions set forth in Section 5.2 hereof, NSC and CSX shall ensure that CRC has sufficient cash to make, and CRC shall make, the Debenture Cash Payments at the Closing. The Exchange Offer will be registered under the Securities Act on the appropriate form of Registration Statement and shall comply with all applicable rules and regulations under the Exchange Act and with all other applicable laws. As a result of such Exchange Offer and Debenture Consent Solicitation, the parties hereto agree to make such additional filings pursuant to the Securities Act or the Exchange Act as are necessary or appropriate. The parties shall also take all such action as may be necessary or appropriate under state securities or "Blue Sky" laws in connection with the transactions contemplated by this Agreement.

Section 2.7 Tax Allocation Agreement. On or prior to the Distribution Date, the respective parties hereto shall execute and deliver the Tax Allocation Agreement.

Section 2.8 Timing. All transactions to be consummated on the Distribution Date under this Agreement shall be consummated at substantially the same point in time at a single Closing.

Section 2.9 New Amendment to the 1997 Transaction Agreement. On the Distribution Date, the respective parties hereto shall execute and deliver the New Amendment to the 1997 Transaction Agreement in the form attached hereto as Exhibit E.

### ARTICLE III

#### ADDITIONAL COVENANTS

Section 3.1 Cooperation Prior to the Closing. As promptly as practicable after the date hereof and through the Distribution Date, the parties hereto shall use their

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reasonable best efforts to take all actions necessary or advisable to make effective as expeditiously as possible the transactions to be consummated on the Distribution Date, including cooperating in good faith and using reasonable best efforts to take, or cause to be taken, the actions set forth in Article II and this Article III.

Section 3.2 Private Letter Rulings from the IRS. Prior to the Closing, CRR Parent, Green Acquisition, NSC and CSX shall use their reasonable best efforts to take all actions necessary or advisable to ensure that the private letter rulings obtained from the Service (collectively, the "Rulings") concerning certain aspects of the transactions contemplated hereby remain in full force and effect. Each of the parties hereto shall take all such further reasonable actions which, in such party's judgment, may ensure that the Rulings remain in full force and effect. All submissions to any Governmental Entity by

any party hereto relating to such matters shall only be made after prior consultation with and approval by CSX, NSC and Green Acquisition (not to be unreasonably withheld or delayed) as to the form and substance of such submissions, in accordance with Section 3.4.

Section 3.3 STB Approval. Prior to the Closing, the parties shall use their reasonable best efforts to take all actions necessary or advisable to ensure that the STB approval obtained for the consummation of the transactions contemplated by this Agreement remains in full force and effect. Each of the parties hereto shall take all such further reasonable action which, in such party's judgment, may ensure that the STB approval remains in full force and effect. All submissions to any Governmental Entity by any party hereto relating to such matters shall only be made after prior consultation with the other parties hereto and the approval by such other parties (not to be unreasonably withheld or delayed) to the form and substance of such submissions, in accordance with Section 3.4.

Section 3.4 Cooperation Between the Parties Hereto. In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties shall: (i) coordinate and cooperate with one another to prepare and distribute, if necessary, all documents described or referred to herein; (ii) provide each of the other parties with a reasonable opportunity to review and comment on any material related to the transactions contemplated by this Agreement prior to the filing or submission of such material to any Governmental Entity or other public use thereof, and no such material shall be filed with or submitted to any Governmental Entity or otherwise publicly utilized unless all parties hereto have approved (not to be unreasonably withheld or delayed) the contents of such material prior to such filing or submission; (iii) provide each of the other parties with copies of any such material as filed with or submitted to any Governmental Entity or third party (provided, however, that for purposes of this Section 3.4, "third party" shall not include a party's attorneys, accountants or other retained advisors) and provide all of the other parties with copies of any correspondence with any Governmental Entity or third party; (iv) conduct no communications relating to the transactions contemplated by this Agreement with any Governmental Entity or third party, including meetings or conferences with personnel from such Governmental Entity or third party, whether in person, telephonically or otherwise, without notifying all other parties and giving such parties the opportunity to participate; and (v) use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement. Notwithstanding anything contained in this

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Agreement, the parties agree that no party shall be required to take any action or agree to any term or condition which in such party's reasonable judgment would materially adversely affect such party or materially decrease the proposed benefits to such party associated with the Distribution.

#### ARTICLE IV

##### INDEMNIFICATION

Section 4.1 CSX and CSXT Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date, CSX and CSXT shall jointly and severally indemnify, defend and hold harmless CRR Parent, NSC and their respective Affiliates and Subsidiaries and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

(a) the untruth or inaccuracy of any representation or warranty of CSX, CSXT or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of CSX, CSXT or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(c) the NYC Allocated Liabilities; and

(d) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case as amended or supplemented if CSX, CSXT or their Affiliates or Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that CSX and CSXT shall not be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in any such document in reliance upon and in conformity with information furnished in writing on behalf of CRR Parent or any of its Affiliates or Subsidiaries or NSC or any of its Affiliates or Subsidiaries expressly for use therein.

Section 4.2 NSC and NSR Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date, NSC and NSR shall jointly and severally indemnify, defend and hold harmless CRR Parent, CSX and their respective Affiliates and Subsidiaries and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

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(a) the untruth or inaccuracy of any representation or warranty of NSC, NSR or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of NSC, NSR or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(c) the PRR Allocated Liabilities; and

(d) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case as amended or supplemented if NSC, NSR or their Affiliates or Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that NSC and NSR shall not be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in any such document in reliance upon and in conformity with information furnished in writing on behalf of CRR Parent or any of its Affiliates or Subsidiaries or CSX or any of its Affiliates or Subsidiaries expressly for use therein.

Section 4.3 CRR Parent, Green Acquisition, CRR and CRC Agreement to Indemnify. Subject to the provisions of this Article IV, from and after the Distribution Date, CRR Parent, Green Acquisition, CRR and CRC shall jointly and severally indemnify, defend and hold harmless CSX, NSC and their respective Affiliates and Subsidiaries and any director, officer, employee or agent of any of them from and against any and all Indemnifiable Losses asserted against, relating to, imposed upon or incurred by any such Person, directly or indirectly, by reason of or resulting from:

(a) the untruth or inaccuracy of any representation or warranty of CRR Parent, Green Acquisition, CRR or CRC or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements;

(b) the breach or non-performance of any agreement of CRR Parent, Green Acquisition, CRR or CRC or any of their respective Affiliates or Subsidiaries contained in or made pursuant to this Agreement or any of the Related Agreements; and

(c) any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or any amendment thereof, the Secured Holders Consent Solicitation or the Exchange Offer (in each case, as amended or supplemented if CRR Parent,

Green Acquisition, CRR, CRC or their Subsidiaries shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that CRR Parent, Green Acquisition, CRR and CRC and any of their respective Subsidiaries shall not

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be liable in respect of the foregoing indemnity to the extent that any such Indemnifiable Losses are caused by any untrue statement or omission or alleged untrue statement or omission made in any such document in reliance upon and in conformity with information furnished in writing on behalf of CSX or any of its Affiliates and Subsidiaries or NSC or any of its Affiliates and Subsidiaries expressly for use therein.

#### Section 4.4 Procedure for Indemnification.

(a) If any Action shall be threatened or instituted or any 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 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 Action or demand 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 IV unless the Indemnified Party's failure has materially prejudiced the Indemnifying Party's ability to defend the demand or Action. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle, or compromise any Action or demand that is solely for money damages, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder and shall provide to the Indemnifying Party a written release from all liability in respect of such Action or demand.

(b) If the Indemnified Party seeks indemnification from the Indemnifying Party as a result of an Action or demand being made by a third party (a "Third Party Claim"), the Indemnifying Party shall have the right to promptly 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. If the Indemnifying Party elects not to assume the control of the defense of any such Third Party Claim (which shall be without prejudice to its right at any time to assume subsequently the control of such defense), the Indemnifying Party will nonetheless be entitled, at its own expense, to participate in such defense. The Indemnified Party may, in its sole discretion and, if the Indemnifying Party shall have assumed the control of the defense of the Action, at its own expense, employ counsel to represent it in the defense of the 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, if the Indemnifying Party shall have assumed the control of the defense of the Action, the Indemnifying Party shall direct and control the defense of such Third Party Claim or proceeding. Without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), the Indemnifying Party shall not admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim or consent to the entry of any judgment with respect thereto, except in the case of any settlement that includes as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Party of a written release from all liability in respect of such Third Party Claim. In addition, except as provided in the last sentence of Section 4.4(a), whether or not the Indemnifying Party shall have assumed the defense of the Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim or consent to the entry of any judgment with respect thereto, without the prior written consent of the Indemnifying Party

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(which consent shall not be unreasonably withheld or delayed), and the Indemnifying Party will not be subject to any liability for any such admission, settlement, compromise, discharge or consent to judgment made by an Indemnified Party without such prior written consent of the Indemnifying Party.

Section 4.5 Contribution. If the indemnification provided for in Sections 4.1(d), 4.2(d) or 4.3(c) is unavailable to an Indemnified Party or insufficient to hold it harmless in respect of any Indemnifiable Losses (or Actions in respect thereof) referred to therein (other than through the failure of an Indemnified Party to follow the indemnification procedures set forth in Section 4.4), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Indemnifiable Losses (or Actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by each of the parties hereto from the transactions contemplated by this Agreement. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits of the transactions contemplated by this Agreement but also the relative fault of each of the parties hereto in connection with the untrue statements or omissions which resulted in such Indemnifiable Losses (or Actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by a party hereto and such party's relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. Each of the parties agrees that it would not be just and equitable if contributions pursuant to this Section 4.5 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.5. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 4.5, each director of the parties hereto and each officer of the parties hereto who signed the Registration Statement, and each Person, if any, who controls any of the parties hereto within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the applicable party to this Agreement.

Section 4.6 Scope. Notwithstanding any other provisions of this Article IV, the provisions of this Article IV shall not apply to any indemnification matters relating to taxes, all of which shall be governed exclusively by the Tax Allocation Agreement.

Section 4.7 Construction of Agreements. Notwithstanding any other provision in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Article IV and the provisions of any other part of this Agreement or any exhibit or schedule hereto (other than the Tax Allocation Agreement), the provisions of this Article IV shall control, and in the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of the Tax Allocation Agreement, the provisions of the Tax Allocation Agreement shall control.

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#### Section 4.8 Remedies.

(a) 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 or the Related Agreements or the transactions contemplated herein or therein or any matter or theory concerning or relating to any of the foregoing under any form or theory of Action whatsoever whether in contract, tort or otherwise.

(b) The remedies provided in this Article IV shall be cumulative and shall not preclude assertion by any Indemnified Person of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

#### ARTICLE V

##### CLOSING

Section 5.1 Closing. Upon the terms and subject to the conditions of

this Agreement, the Distribution and the other transactions to occur at or prior to the closing (the "Closing") shall, if not previously consummated, be consummated at a time and location mutually agreed by the parties on the third Business Day following the first date on which all of the conditions set forth in Section 5.2 shall have been satisfied or waived, or at such other time, date and place as the parties shall agree (the "Distribution Date").

Section 5.2 Conditions Precedent to the Closing. The respective obligations of the parties to effect the Distribution and the other transactions to occur on the Distribution Date shall be subject to the fulfillment or waiver (as provided below) on or prior to the Distribution Date of the following conditions:

(a) no preliminary or permanent injunction or other order or decree issued by a court of competent jurisdiction or any other legal restraint or prohibition which prevents the consummation of the Distribution shall be in effect and no statute, rule or regulation shall have been enacted by any Governmental Entity prohibiting the consummation of the transactions to occur on the Distribution Date;

(b) since the date of execution of this Agreement through the last Business Day immediately preceding the Exchange Offer Expiration Date, there shall not have been any condition, circumstance, event or occurrence occurring or existing that, individually or in the aggregate, has resulted or could result in a change in the percentage allocation to NYC of 42%, and to PRR of 58%, of the FMVs of NYC and PRR taken together, or in the event that such change has occurred, CSX and NSC shall have agreed on or prior to the Exchange Offer Expiration Date to a True Up in accordance with Section 2.4; provided, however, that this condition is for the sole benefit of each of CSX and NSC;

(c) (i) the Rulings from the Service referred to in Section 3.2 shall remain in full force and effect and (ii) there shall not have occurred any change in, or interpretation of, any law, IRS policy, IRS procedure, or facts that formed the basis of such Rulings (other than changes in the transactions that are agreed upon by the parties) that affects adversely or could

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affect adversely any significant aspect of the Rulings or the ability of NSC or CSX to rely on such Rulings;

(d) the STB approval referred to in Section 3.3 and obtained by the parties shall remain in full force and effect;

(e) CRC shall have obtained the Secured Holders Required Consent and the Lease Consents on terms no less favorable to CRC, CSX and NSC and their respective subsidiaries, or shall have received a decision of the STB on terms no less favorable to CRC, CSX and NSC and their respective subsidiaries than are as set forth in the Secured Holders Consent Solicitation and the Equipment Obligation Agreements, establishing that such consents are not necessary to the effectuation of the transactions contemplated hereby;

(f) CSXT, NYC Newco, NSR, PRR Newco and CRC shall have obtained the Debenture Holders Required Consent, or shall have received a decision of the STB, on terms no less favorable than are as set forth in the Debenture Consent Solicitation, establishing that such consents are not necessary to the effectuation of the transactions contemplated hereby;

(g) the parties shall have entered into the instruments of transfer and distribution and the other agreements contemplated herein;

(h) since the date of the filings made to the Service or the STB, there shall not have been any condition, circumstance, event or occurrence occurring or existing that, individually or in the aggregate, has resulted or could reasonably be expected to result in a material adverse effect on any of the parties hereto involving or relating to the Distribution and the other transactions to occur on the Distribution Date;

(i) each of the parties shall have delivered an officer's certificate to the other parties to the effect that (1) the representations and warranties of such party contained herein are true and correct in all material respects on the date hereof and as of the Distribution Date as if made on and as of the date hereof and as of the Distribution Date, (2) the conditions set forth

in subparts (g) and (h) above are satisfied with respect to such party and (3) such party has satisfied in all material respects all covenants to be performed by such party hereunder at or prior to the Distribution Date; and

(j) the conditions to the Exchange Offer shall have been satisfied or jointly waived by CRC, CSXT and NSR.

The conditions described in this Section 5.2, other than the conditions described in Section 5.2(j) above, may be asserted by either CSX or NSC regardless of the circumstances giving rise to any such condition and such conditions may only be waived by CSX and NSC acting jointly.

Section 5.3 Further Assurances; Subsequent Transfers. Each of the parties hereto will execute and deliver such further instruments of transfer and distribution and will take such other actions as CRR, CSX or NSC or any of their respective Affiliates may reasonably request, at CRR's, CSX's or NSC's respective expense, in order to fully effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the

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foregoing, at any time and from time to time after the Distribution Date, as CSX, CRR or NSC or any of their respective Affiliates may reasonably request, at CSX's, CRR's or NSC's respective expense, CRR Parent, Green Acquisition, CRR, NSR and CSX will execute and deliver such other instruments of transfer and distribution, and take such action as CSX, CRR or NSC or any of their respective Affiliates may reasonably deem necessary or desirable and in form and substance and upon terms and subject to the conditions acceptable to CSX, CRR or NSC, in order to more effectively transfer, convey and assign to: (i) NYC Newco and PRR Newco and to confirm NYC Newco's or PRR Newco's right, title to or interest in, the NYC Membership Interest and PRR Membership Interest, respectively, (ii) NSC and CSX Rail and CSX Northeast and to confirm NSC's and CSX Rail's and CSX Northeast's right, title to or interest in the PRR Shares and the NYC Shares, respectively, transferred pursuant to this Agreement, (iii) CRC that number of shares of common stock, par value \$.01 per share, which represents 99.9% of the then issued and outstanding NYC Shares and PRR Shares and (iv) CRC that number of NYC Newco Debentures and PRR Newco Debentures in a combined aggregate principal amount equal to the aggregate principal amount of Debentures tendered in the Exchange Offer (subject to Section 2.4 and to the treatment of fractional interests, with NYC Newco Debentures equal to 42% and PRR Newco Debentures equal to 58% of such combined aggregate principal amount).

#### ARTICLE VI

##### TERMINATION; AMENDMENTS; WAIVERS

Section 6.1 Termination. This Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution Date:

(a) by CRC, NSC or CSX at any time after September 30, 2004 if the Closing shall not have occurred by such date;

(b) by any of the parties if another party shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (1) would give rise to the failure of a condition set forth in Section 5.2 and (2) cannot be or has not been cured within 30 days after such defaulting party has received written notice from the other parties;

(c) by any of the parties if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; or

(d) prior to the Exchange Offer Expiration Date, by any of the parties upon any condition for such party's benefit becoming incapable of satisfaction on or before the Exchange Offer Expiration Date.

Any termination under this Section shall be effective upon delivery of a writing to such effect by the terminating party to all other parties. In the event of any such termination pursuant to this Section 6.1, no party shall

have any liability of any kind to any other party;

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provided, however, that Article IV and Section 8.13 shall survive such termination and remain in full force and effect.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties. Each party hereto represents for itself (unless otherwise specified), as of the date hereof and as of the Distribution Date as follows:

(a) Organization and Good Standing. Such party is duly organized, validly existing and in good standing under its organizational documents and under the laws of the state in which such party is organized.

(b) Authority. Such party has full corporate power and authority to execute and deliver this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments, as applicable, and to consummate the transactions contemplated hereby and thereby. All corporate acts and other corporate proceedings required to be taken by or on the part of such party to authorize such party to execute, deliver and authorize the performance of this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments, as applicable, and the transactions contemplated hereby and thereby have been properly taken.

(c) Enforceability. This Agreement has been and each of the Related Agreements and the Equipment Obligation Agreements Amendments will be duly executed and delivered by such party, as applicable, and when duly executed and delivered by such party thereto (to the extent such agreement is not being entered into as of the date hereof), will constitute the legal, valid and binding obligation of such party enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws of general application relating to or affecting 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.

(d) No Violation. Except for (i) the required approval(s) by the STB, (ii) the filing required under the Securities Act with respect to the New Debentures and (iii) with respect to CRC, the Debenture Holders Required Consent, the Secured Holders Required Consent, the Lease Consents and the Equipment Obligation Agreements Amendments, the execution and delivery by such party of this Agreement, the Related Agreements and the Equipment Obligation Agreements Amendments and the consummation of the transactions contemplated hereby and thereby, as applicable, will not violate any applicable law, or conflict with, result in any breach of, constitute a default (or any event which with notice or lapse of time or both would become a default) under, or give rise to any penalty, detriment or right of termination under the articles of incorporation or articles of association or bylaws, or such similar organizational documents, as applicable, or any material contracts to which such party is

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a party or by which it or its property or assets is bound, including with respect to CRC, any material commercial agreement or arrangement of CRC or its Subsidiaries.

(e) No Approvals. Except for (i) the required approval(s) by the STB, (ii) the filings required under the Securities Act with respect to the New Debentures, and (iii) with respect to CRC, the Debenture Holders Required Consent, the Secured Holders Required Consent, the Lease Consents and the Equipment Obligation Agreements Amendments, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Governmental Entity or third party is necessary for the consummation by such party of the transactions contemplated hereby, other than such filings, registrations, authorizations, consents or approvals which have been obtained or made, or if not obtained or made, will not, in the aggregate, materially

adversely affect the ability of such party to consummate the transactions contemplated hereby.

(f) Information Supplied. None of the information supplied or to be supplied by such party specifically for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Exchange Offer or Secured Holders Consent Solicitation materials will, at the date such materials are first mailed to the applicable recipients and at the time the Exchange Offer and Secured Holders Consent Solicitation are consummated, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(g) Allocation of Fair Market Values. (i) NSC has determined as of March 23, 2004, that the relative value of PRR is equal to 58% of the FMVs of NYC and PRR taken together, and that as of the date of execution of this Agreement there has not been any condition, circumstance, event or occurrence occurring or existing since March 23, 2004 that, individually or in the aggregate, has resulted in a change in the percentage allocation to NYC of 42%, and to PRR of 58%, of the FMVs of NYC and PRR taken together.

(ii) CSX has determined as of May 4, 2004, that the relative value of NYC is equal to 42% of the FMVs of NYC and PRR taken together, and that as of the date of execution of this Agreement there has not been any condition, circumstance, event or occurrence occurring or existing since May 4, 2004 that, individually or in the aggregate, has resulted in a change in the percentage allocation to NYC of 42%, and to PRR of 58%, of the FMVs of NYC and PRR taken together.

#### ARTICLE VIII

#### MISCELLANEOUS

Section 8.1 Amendment. This Agreement may be amended by the parties at any time by an instrument in writing signed on behalf of each party.

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Section 8.2 Extension; Waiver. At any time prior to the Distribution Date the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

Section 8.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the date delivered if delivered personally (including by reputable overnight courier), on the date transmitted if sent by telecopy (which is confirmed) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to CSX, CSXT, CSX Rail, CSX Northeast, NYC Newco, NYC or CRR Parent, to:

CSX Corporation  
1331 Pennsylvania Avenue, NW  
Suite 560  
Washington, District of Columbia 20004-1703  
Attention: Peter J. Shultz  
Telecopy number: 202-783-5929

CSX Transportation, Inc.  
15th Floor, Speed Code C900  
500 Water Street  
Jacksonville, Florida 32202  
Attention: Ellen M. Fitzsimmons  
Telecopy number: 904-359-3597

with a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Steven A. Cohen, Esq.  
Telecopy number: 212-403-2000

(b) if to NSC, NSR, PRR Newco, PRR or CRR Parent, to:

Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510  
Attention: General Counsel - Corporate  
Telecopy number: 757-629-2816

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with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522  
Attention: Eric J. Friedman, Esq.  
Telecopy number: 212-735-2000

(c) If to CRR or CRC, to:

Conrail Inc.  
2001 Market Street  
Philadelphia, Pennsylvania 19103  
Attention: General Counsel  
Telecopy number: 215-209-5020

All notices regarding matters requiring handling within thirty days will be given by overnight mail or confirmed telecopy.

Section 8.4 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "including" as used herein shall mean "including, without limitation," unless the context otherwise specifically requires.

Section 8.5 Entire Agreement. This Agreement (including the exhibits hereto, the Tax Allocation Agreement, the Related Agreements and other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 8.6 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party and their respective successors and assigns and is not intended to confer upon any other Person any rights or remedies, except for the rights of an Indemnified Party as contemplated by Article IV.

Section 8.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof; provided, however, that the laws of the respective jurisdictions of incorporation of each of the parties shall govern the relative rights, obligations, powers, duties and other internal affairs of such party and its board of directors.

Section 8.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

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Section 8.9 Assignment.

(a) Except as provided in Section 8.9(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, except by operation of law, without the prior written consent of the other parties, which consent may be withheld at the sole discretion of the relevant party; provided, however, that the Mergers pursuant to Section 2.3 shall not require any consent and that, upon consummation of the Mergers, CSXT and NSR shall each succeed to and become bound by the terms and provisions of this Agreement that were applicable to (i) NYC Newco and NYC and (ii) PRR Newco and PRR, respectively.

(b) Any party, without the consent of the other parties, may assign all or any part of its rights and obligations under this Agreement to (i) any of its Subsidiaries or (ii) any successor in the event of a sale of all or substantially all its assets, liquidation or dissolution; 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 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 (it being understood by the parties that a consolidation or merger shall not be considered an assignment for purposes of this Section 8.9).

(c) Subject to the terms of this Section 8.9, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted assignees.

Section 8.10 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 8.11 Survival. The representations, warranties, covenants and agreements made in this Agreement or in any officer's certificate delivered at the Closing shall survive the Distribution Date.

Section 8.12 Confidentiality. Except as otherwise contemplated by this Agreement, including Sections 3.2 and 3.3 hereof, the parties 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 another party or their respective representatives pursuant to this Agreement (except to the extent such information can be shown to have been (i) available to such Person on a non-confidential basis prior to its disclosure by the other Person, (ii) in the public domain through no fault of such Person or (iii) later lawfully acquired from other sources by the Person to which it was furnished), and no Person shall release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall

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be bound by the provisions of this Section 8.12. In the event that a subpoena, discovery or other request is received that arguably calls for production or disclosure of such confidential information, the Person receiving such request must promptly notify in writing the Person whose information has been requested. The Person receiving such request shall provide the Person 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 parties if it exercises the same care as it takes to preserve confidentiality for its own similar information. Until the Distribution Date, no party hereto shall make any oral or written public statement, comment or press release with respect to the transactions contemplated by this Agreement except after prior consultation with and approval by the other parties hereto; provided, however, that in the case of disclosures required by law or applicable stock exchange requirements, the party making the required disclosure shall provide each of the parties a reasonable opportunity to review and comment on

any material related to the transactions contemplated by this Agreement prior to the filing or submission of such material.

Section 8.13 Fees and Expenses. Except as otherwise provided in this Agreement or the Tax Allocation Agreement, all costs and expenses incurred by each party hereto in connection with entering into this Agreement and the Tax Allocation Agreement and consummating such party's obligations hereunder and thereunder including, without limitation, investment banking, legal, accounting, audit and printing costs and expenses, shall be paid by the party incurring such costs and expenses. Notwithstanding the foregoing, unless otherwise agreed by NSC and CSX, CRC shall pay all of the costs and expenses, including the fees and expenses of counsel, accountants, investment bankers and other consultants and experts related to: (i) the petition for STB approval contemplated by Section 3.3 hereof; (ii) the Debenture Consent Solicitation and obtaining the consents contemplated hereby; and (iii) the Secured Holders Consent Solicitation and the solicitation of the Lease Consents and obtaining the consents contemplated thereby; and (iv) the Rulings; provided, however, that with respect to any joint counsel engaged in respect of subpart (i) herein and mutually acceptable to NSC and CSX, each in their respective sole discretion, the fees and expenses of such joint counsel shall be shared equally by NSC and CSX; provided further that, each of NSC and CSX shall be solely responsible for the fees and expenses of their respective legal counsel.

Section 8.14 Jurisdiction and Forum. The parties agree that the appropriate and exclusive forum for any disputes between the parties arising out of this Agreement or the transactions contemplated hereby will be any state or federal court in the State of New York. Each party unconditionally and irrevocably waives any objections which it may have now or in the future to such jurisdiction including objections by reason of lack of personal jurisdiction, improper venue, or inconvenient forum.

\* \* \* \* \*

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IN WITNESS WHEREOF, each of the parties has caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

CSX CORPORATION

By: /s/ Peter J. Shudtz  
-----  
Name: Peter J. Shudtz  
Title: VP-Regulatory Affairs &  
Washington Counsel

CSX TRANSPORTATION, INC.

By: /s/ Peter J. Shudtz  
-----  
Name: Peter J. Shudtz  
Title: Authorized Signatory

CSX RAIL HOLDING CORPORATION

By: /s/ Peter J. Shudtz  
-----  
Name: Peter J. Shudtz  
Title: Authorized Signatory

CSX NORTHEAST HOLDING CORPORATION

By: /s/ Peter J. Shudtz  
-----  
Name: Peter J. Shudtz  
Title: Authorized Signatory

NORFOLK SOUTHERN CORPORATION

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

NORFOLK SOUTHERN RAILWAY COMPANY

By: /s/ William J. Romig

-----  
Name: William J. Romig

Title: Vice President and Treasurer

[Distribution Agreement Signature Page]

CONRAIL INC.

By: /s/ Joseph W. Rogers

-----  
Name: Joseph W. Rogers

Title: Assistant Treasurer

CONSOLIDATED RAIL CORPORATION

By: /s/ Joseph W. Rogers

-----  
Name: Joseph W. Rogers

Title: Chief Financial Officer &  
Corporate Treasurer

GREEN ACQUISITION CORP.

By: /s/ Peter J. Shudtz

-----  
Name: Peter J. Shudtz

Title: Vice President

CRR HOLDINGS LLC

By: /s/ Peter J. Shudtz

-----  
Name: Peter J. Shudtz  
Title: Vice President

PENNSYLVANIA LINES LLC

By: /s/ William J. Romig  
-----

Name: William J. Romig  
Title: Authorized Signatory

NEW YORK CENTRAL LINES LLC

By: /s/ Peter J. Shudtz  
-----

Name: Peter J. Shudtz  
Title: Authorized Signatory

NYC NEWCO, INC.

By: /s/ Peter J. Shudtz  
-----

Name: Peter J. Shudtz  
Title: Vice President

[Distribution Agreement Signature Page]

PRR NEWCO, INC.

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





## AMENDMENT NO. 5 TO TRANSACTION AGREEMENT

THIS AMENDMENT NO. 5 to the Transaction Agreement (this "Amendment") is made as of August 27, 2004 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"). CSX, CSXT, NSC, NSR, CRR, CRC and CRR Parent are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

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; Amendment No. 2 to Transaction Agreement, dated as of June 1, 1999; Amendment No. 3 to Transaction Agreement, which is also referred to as the Environmental Amendment, dated as of June 1, 1999; and Amendment No. 4 to Transaction Agreement, previously referred to as Amendment No. 3, pertaining to the size of the CRC Board, dated as of August 1, 2000 (the "Transaction Agreement"); and the Ancillary Agreements (as defined in the Transaction Agreement) related thereto;

WHEREAS, the Parties, CSX RAIL HOLDING CORPORATION, a Delaware corporation ("CSX Rail"), CSX NORTHEAST HOLDING CORPORATION, a Delaware corporation ("CSX Northeast"), NEW YORK CENTRAL LINES LLC, a Delaware limited liability company and a wholly-owned Subsidiary of CRC ("NYC"), PENNSYLVANIA LINES LLC, a Delaware limited liability company and wholly-owned Subsidiary of CRC ("PRR"), GREEN ACQUISITION CORP., a Pennsylvania corporation and a wholly-owned Subsidiary of CRR Parent ("Green Acquisition"), NYC Newco, Inc., a Virginia corporation and wholly-owned Subsidiary of CSXT ("NYC Newco"), and PRR Newco, Inc., a Virginia corporation and wholly-owned Subsidiary of NSR ("PRR Newco"), are the parties to that certain Distribution Agreement, dated as of July 26, 2004 (the "Distribution Agreement");

WHEREAS, the parties to the Distribution Agreement are on the date hereof consummating the Closing (as defined in the Distribution Agreement) and entering into various documents and instruments to effectuate the same;

WHEREAS, in connection with the Parties' preparations for the Closing and as required under the terms of the Distribution Agreement, the Parties have identified certain provisions of the Transaction Agreement and the Ancillary Agreements for which the Parties desire to clarify their understandings and agreements with respect to certain matters related to the Transaction Agreement and the Ancillary Agreements in order to effectuate the Distribution Agreement;

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

WHEREAS, it is the intent of the Parties that, except as expressly amended hereby, the Transaction Agreement and the Ancillary Agreements as in effect immediately prior to the execution and delivery of this Amendment shall remain in full force and effect;

NOW, THEREFORE, the Parties hereby amend the Transaction Agreement and the Ancillary Agreements as follows:

1. References; Interpretation.

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 in the Transaction Agreement, as now in effect, to "hereof," "hereunder," "herein," "hereby" or words of similar import and each reference to "this Agreement" and each other similar reference contained in the Transaction Agreement, or in Ancillary Agreements, as now in effect, shall from and after the date of

this Amendment refer to the Transaction Agreement as amended hereby.

Nothing contained in the reaffirmations in this Amendment shall prejudice or otherwise affect the position of any Party hereto in any dispute as to interpretation of the Transaction Agreement or any Ancillary Agreement.

2. Integration. The Parties to the Transaction Agreement which execute this Amendment hereby reaffirm the Transaction Agreement and the Ancillary Agreements referred to therein so that the Transaction Agreement and the Ancillary Agreements, each as presently in effect, and the conforming changes set forth in Schedule A to this Amendment and contemplated by Section 5 of this Agreement shall be read as integrated documents from and after the Distribution Date (as defined in the Distribution Agreement).
3. No Changes to Shared Assets. Notwithstanding any provision of this Amendment, or of Schedule A hereto, or any action taken in connection with the transactions contemplated by the Distribution Agreement or by this Amendment, no changes, modifications or amendments to the North Jersey, South Jersey/Philadelphia, or Detroit Shared Assets Operating Agreements, or to those Shared Assets Areas, are being made by this Amendment, any Schedule hereto or those transactions, and none shall be implied.
4. Reaffirmation. Except as specifically amended as set forth in this Amendment or the instruments or documents provided for herein including Schedule A hereto, all other terms and provisions of the Transaction Agreement and the Ancillary Agreements, as now in effect, subject to the conforming changes provided for herein or set forth in Schedule A hereto, shall continue in full force and effect and unchanged as now in effect and are hereby confirmed in all respects, including, without limitation, all of the Allocations of CRC lines, equipment and other property made in Article II, all of the trackage and other operating agreements referred to in Section 2.5 and listed in

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Schedule 4, all of the allocation and retentions of liabilities provided for in Section 2.8, the provisions of Section 4.3(a) with respect to the "keepwell" therein provided, and the Percentage allocation provided for in Section 4.3(b), in each case of the Transaction Agreement as now in effect.

5. Required Modifications. In order to consummate the transactions contemplated in the Distribution Agreement, the Parties shall cooperate to modify the Transaction Agreement and the Schedules thereto and other agreements contemplated thereby, including without limitation, any Ancillary Agreements so as to permit the transfer of properties and other actions contemplated by the Distribution Agreement in order to reflect changes to rentals and the flow of funds resulting from the restructuring of debt obligations in accordance with the terms and subject to the conditions of the Distribution Agreement, all in accordance with the Percentage principles contained in the Transaction Agreement.
6. 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).

\* \* \* \* \*

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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/ Peter J. Shultz

-----  
Name: Peter J. Shultz

Title: VP - Regulatory Affairs & Washington  
Counsel

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

By: /s/ Peter J. Shudtz

-----  
Name: Peter J. Shudtz  
Title: Authorized Signatory

NORFOLK SOUTHERN CORPORATION

By: /s/ William J. Romig

-----  
Name: William J. Romig  
Title: Vice President and Treasurer

NORFOLK SOUTHERN RAILWAY COMPANY, for itself and  
on behalf of its controlled Subsidiaries

By: /s/ William J. Romig

-----  
Name: William J. Romig  
Title: Vice President and Treasurer

[Signature Page to Amendment No. 5]

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

By: /s/ Joseph W. Rogers

-----  
Name: Joseph W. Rogers  
Title: Assistant Treasurer

CONSOLIDATED RAIL CORPORATION

By: /s/ Joseph W. Rogers

-----  
Name: Joseph W. Rogers  
Title: Chief Financial Officer & Corporate  
Treasurer

CRR HOLDINGS LLC

By: /s/ Peter J. Shudtz

-----  
Name: Peter J. Shudtz  
Title: VP

[Signature Page to Amendment No. 5]

SCHEDULE A

AMENDMENTS AND CONFORMING CHANGES

1. Transaction Agreement Amendments.

- 1.1 Section 1.1 of the Transaction Agreement is hereby amended by inserting the following definition:

"Distribution Agreement" means the Agreement of that name dated as of July 26, 2004, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holding Corporation, New York Central Lines LLC, Norfolk Southern Corporation, Norfolk Southern Railway Company, Pennsylvania Lines LLC, Conrail Inc., Consolidated Rail Corporation, CRR Holdings LLC, Green Acquisition Corp., NYC Newco, Inc. and PRR Newco, Inc.

- 1.2 Section 4.5 of the Transaction Agreement is hereby amended to read in its entirety as set forth below:

- (a) Historically, Section 4.5 read as follows:

"The parties anticipate that as of the Closing Date, the sum of the following amounts will total seven hundred and fifty million dollars: (i) Interest Rentals payable under the Shared Assets Agreements, (ii) Operating Fees payable under the CSXT Operating Agreement and the NSR Operating Agreement and (iii) Base Rent payable under the CSXT Equipment Agreement and the NSR Equipment Agreement. The parties acknowledge that as of a Valuation Date, (i) the Interest Rentals, Operating Fees and Base Rent shall be determined as set forth in the CSXT Operating Agreement, the NSR Operating Agreement, the CSXT Equipment Agreement, the NSR Equipment Agreement and the Shared Assets Agreements and (ii) the allocation between CSXT and NSR of the Operating Fees and Base Rent payable under the CSXT Operating Agreement, the NSR Operating Agreement, the CSXT Equipment Agreement and the NSR Equipment Agreement shall reflect the then relative Fair Market Rental Values of the NYC Allocated Assets, the PRR Allocated Assets, the CSXT Equipment and the NSR Equipment as of the most recent Valuation Date (which allocation, in the case of a Valuation Date that is also the Closing Date, shall be a 58% allocation to NSR and a 42% allocation to CSXT)."

- (b) As a consequence of the transactions contemplated by the Distribution Agreement, the rentals provided for under paragraph (a) above will change as follows: (i) NSR and CSXT shall no

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longer pay rents under the NSR and CSXT Operating Agreements and the NSR and CSXT Equipment Agreements and the parties hereto shall take all actions necessary to terminate such agreements, (ii) PRR Newco and NYC Newco (each as defined in

the Distribution Agreement) or their successors will pay rents to CRC pursuant to certain Related Agreement Amendments relating to the Equipment Obligation Agreements, as amended, as defined in the Distribution Agreement, and (iii) NSR and CSXT will continue to pay Interest Rentals to CRC under the Shared Assets Agreements in accordance with Section 9(a)(i) thereof. Notwithstanding anything to the contrary in the Distribution Agreement or any other document or instrument contemplated thereby, the costs and expenses set forth in subpart (ii) (to the extent not specified in the Related Agreement Amendments) and subpart (iii) above shall be borne by CSXT and NSR in accordance with the Percentage. The parties acknowledge and agree that (x) NSR and CSXT will be obligated to the holders of CRC's unsecured debt pursuant to the New Debentures (as defined in the Distribution Agreement) to the extent such debt is tendered and accepted in the Exchange Offer (as defined in the Distribution Agreement) and (y) CRC shall continue to be obligated to the holders of CRC's unsecured debt to the extent such debt is not tendered and accepted in the Exchange Offer. The parties further acknowledge and agree that, notwithstanding anything to the contrary set forth in the Distribution Agreement or any other document or instrument contemplated thereby, any category of cost or expense which was borne by CSXT and NSR in accordance with the Percentage prior to the Closing of the Transactions contemplated thereby will continue to be borne in accordance with the Percentage after the Closing of the Distribution Agreement.

- 1.3 Article V of the Transaction Agreement is hereby amended to read in its entirety as set forth below:

[Intentionally omitted.]

- 1.4 The introductory paragraph of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to delete the words "(other than NYC and PRR)."

- 1.5 Schedule 2 of the Transaction Agreement is hereby amended as follows:

- (i) Paragraph (a) of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to read in its entirety as set forth below:

(a) [Intentionally omitted.]

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- (ii) Paragraph (b) of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to delete the words "(other than NYC and PRR)."

- (iii) Paragraph (k) of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to delete the following words:

"provided that in respect of Contracts that are Allocated Assets, CRC shall follow NYC's (in the case of Contracts that are NYC Allocated Assets) or PRR's (in the case of Contracts that are PRR Allocated Assets) reasonable instructions in respect of such Contracts and no CRC Board approval shall be necessary for CRC to take such actions."

- (iv) Paragraph (n) of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to delete the words "(other than NYC and PRR)."

- (v) Paragraph (u) of Part 1 to Schedule 2 of the Transaction Agreement is hereby amended to read in its entirety as set forth below:

(u) [Intentionally omitted.]

- (vi) Part 2 to Schedule 2 of the Transaction Agreement is hereby amended to read in its entirety as set forth below:

Except as approved by the CRC Board of Directors, neither CSX, CSXT, NSC, nor NSR shall make, agree to make, or permit to be made any transfer, easement, lease, license, sale of improvements, trackage rights or operating rights or other grant of the right to use any railroad line for railroad service (other than to an entity controlling, controlled by, or under common control with the grantor, such entity to be thereafter bound by this provision) (regardless of whether the grantor's rights depend on ownership or trackage rights or a combination thereof) which is part of any Main Line until May 31, 2024, or thereafter for the duration of any renewal term of the Shared Assets Operating Agreements for North Jersey and South Jersey. Notwithstanding the foregoing or any contrary provision herein, CSX, CSXT, NSC or NSR may make, agree to make, or permit to be made, in their sole discretion, any transfer, easement, lease, license, trackage rights, operating rights, sale of improvements or other arrangement for rail passenger service on any railroad line which is part of a Main Line, so long as (A) such arrangement does not include transferring fee ownership of such Main Line, and (B) CSX, CSXT, NSC or NSR, as the case may be, retains the exclusive right and obligation to

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provide freight service on the railroad line for a term not less than the term stated in the preceding sentence (including any renewals) which is part of such Main Line. As used herein, "Main Line" means a line of railroad held by NYC or PRR as of the Distribution Date within the State of New Jersey or New York, or the area within twenty-five miles of the City of Philadelphia, PA, that has daily rail service, but does not include any branch line connecting to a Main Line and does not include the Main Line that lies east of the Hudson River and south of Selkirk, NY.

## 2. Ancillary Agreement Amendments and Other Agreement Amendments.

### 2.1 The following agreements will amend or terminate certain Ancillary Agreements and other agreements:

- (i) AMENDED AND RESTATED EQUIPMENT ALLOCATION AGREEMENT between Consolidated Rail Corporation and New York Central Lines LLC, amending and restating the Equipment Allocation Agreement dated as of June 1, 1999, between the parties.
- (ii) AMENDED AND RESTATED EQUIPMENT ALLOCATION AGREEMENT between Consolidated Rail Corporation and Pennsylvania Lines LLC, amending and restating the Equipment Allocation Agreement dated as of June 1, 1999, between the parties.
- (iii) TERMINATION AGREEMENT between New York Central Lines LLC and CSX Transportation, Inc., terminating the Equipment Agreement dated as of June 1, 1999, between the parties.
- (iv) TERMINATION AGREEMENT between Pennsylvania Lines LLC and Norfolk Southern Railway Company, terminating the Equipment Agreement dated as of June 1, 1999, between the parties.
- (v) TERMINATION AGREEMENT between New York Central Lines LLC and CSX Transportation, Inc., terminating the Operating Agreement dated as of June 1, 1999, between the parties.
- (vi) TERMINATION AGREEMENT between Pennsylvania Lines LLC and Norfolk Southern Railway Company, terminating the Operating Agreement dated as of June 1, 1999, between the parties.
- (vii) AMENDED AND RESTATED LEASE ADMINISTRATION AGREEMENT among Consolidated Rail Corporation, CSX Corporation and Norfolk Southern Corporation, amending the Lease Administration

Agreement dated as of June 1, 1999, among the parties.

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## TAX ALLOCATION AGREEMENT

by and among

GREEN ACQUISITION CORP.,

CONRAIL INC.,

CONSOLIDATED RAIL CORPORATION,

PENNSYLVANIA LINES LLC,

and

NEW YORK CENTRAL LINES LLC

Dated as of August 27, 2004

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## TAX ALLOCATION AGREEMENT

This Tax Allocation Agreement, dated as of August 27, 2004 (this "AGREEMENT"), is entered into by and among Green Acquisition Corp., a Pennsylvania corporation ("GREEN"), Conrail Inc., a Pennsylvania corporation ("CRR"), Consolidated Rail Corporation, a Pennsylvania corporation ("CRC"), Pennsylvania Lines LLC, a Delaware limited liability company ("PRR") and New York Central Lines LLC, a Delaware limited liability company ("NYC"); and, solely for purposes of Articles III of this Agreement, CSX Corporation, a

Virginia corporation ("CSX") and Norfolk Southern Corporation, a Virginia corporation ("NS").

#### RECITALS

A. WHEREAS, Green is the common parent of an affiliated group of corporations (the "AFFILIATED GROUP"), as defined in Code (as defined herein) Section 1504(a), filing a U.S. federal consolidated Income Tax Return (as such terms are defined herein);

B. WHEREAS, CRR is a wholly-owned Subsidiary of Green and CRC is a wholly-owned Subsidiary of CRR;

C. WHEREAS, PRR and NYC are limited liability companies that are wholly-owned by CRC and are treated (i) as divisions of CRC for U.S. federal Income Tax purposes and by some states and local governments for state and local Tax purposes and (ii) as corporations by other states and local governments for state and local Tax purposes;

D. WHEREAS, CSX and certain of its Subsidiaries, NS and certain of its Subsidiaries, and Green and certain of its Subsidiaries have entered into the Distribution Agreement, dated as of July 26, 2004 (the "DISTRIBUTION AGREEMENT");

E. WHEREAS, capitalized terms used but not defined herein have the meanings ascribed to them in the Distribution Agreement;

F. WHEREAS, upon the terms and subject to the conditions set forth in the Distribution Agreement, effective on the Distribution Date, (i) CRC shall Transfer the NYC Membership Interest to NYC Newco (the "NYC SEPARATION") and the PRR Membership Interest to PRR Newco (the "PRR SEPARATION," together with the NYC Separation, the "SEPARATIONS"), in exchange for 99.9% of the outstanding common stock of each of NYC Newco (the "NYC SHARES") and PRR Newco (the "PRR SHARES," together with the NYC Shares the "NEWCO SHARES"), respectively, and new debentures issued by each of NYC Newco and PRR Newco, respectively, (ii) CRC shall then Transfer the Newco Shares to CRR, (iii) CRR shall then Transfer the Newco Shares to Green (the Transfers in steps (ii) and (iii), to the extent they relate to the NYC Shares, the "NYC INTERNAL DISTRIBUTIONS," and, to the extent they relate to the PRR Shares, the "PRR INTERNAL DISTRIBUTIONS," collectively the "INTERNAL DISTRIBUTIONS"), (iv) Green shall then Transfer the Newco Shares to CRR Parent (the Transfer of the NYC shares to CRR Parent, the "NYC DISTRIBUTION," and the transfer of the PRR Shares to CRR Parent, the "PRR DISTRIBUTION," collectively, the "DISTRIBUTIONS") and (v) CRR Parent shall then Transfer the NYC Shares to CSX and the PRR Shares to NS. CSX then may engage in various transactions with respect to the NYC Shares and NYC Newco and NS then may engage in various transactions with respect to the PRR Shares and PRR Newco respectively;

G. WHEREAS, the Internal Distributions and the Distributions are intended to qualify as Tax free under Code Sections 368 and 355;

H. WHEREAS, it is the intent and desire of the parties hereto that a method be established for allocating certain Taxes among the Parties, for the treatment of refunds of certain Taxes, and for the conduct of Tax Contests (as defined herein) that could result in a redetermination of certain Taxes.

I. NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties hereto agree as follows:

#### ARTICLE I

##### DEFINITIONS

As used in this Agreement, the following terms (whether used in the singular or the plural) shall have the following meanings:

"ADDITIONAL RULING" has the meaning set forth in Section 3.02(c).

"AFFILIATED GROUP" has the meaning set forth in the Recitals.

"AGREEMENT" has the meaning set forth in the Preamble.

"ALLOCABLE SHARE" means, with respect to the CRR Group, NYC Group and the

PRR Group, an amount equal to the consolidated U.S. federal Income Tax liability of such Applicable Group for the relevant Tax Period as reflected on that groups' Pro Forma Consolidated Federal Income Tax Return for such Tax Period; provided, however, that, if any Applicable Group has a consolidated U.S. federal Income Tax loss for any Tax Period, such group's consolidated U.S. federal Income Tax liability for such Tax Period shall be treated as zero.

"APPLICABLE GROUP" has the meaning set forth in the definition of Pro Forma Consolidated Federal Income Tax Return.

"CODE" means the U.S. Internal Revenue Code of 1986, as amended, or any successor law.

"CONSOLIDATED GROUP" means an affiliated group of corporations within the meaning of Code Section 1504 (or any analogous state or local law) that files a consolidated, combined or unitary Return.

"CONTEMPLATED ACTIONS" has the meaning set forth in Section 3.02(c).

"CRC" has the meaning set forth in the Preamble.

"CRR" has the meaning set forth in the Preamble.

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"CRR GROUP" means CRR and its Subsidiaries (excluding the PRR Group and the NYC Group).

"CSX" has the meaning set forth in the Preamble.

"CSX ENTITIES" has the meaning set forth in Section 3.01(a).

"DISTRIBUTIONS" has the meaning set forth in the Recitals.

"DISTRIBUTION AGREEMENT" has the meaning set forth in the Recitals.

"EXEMPTION AMOUNT" means, (A) in the case of the PRR Group, an amount equal to the largest amount that both (i) does not exceed (but may equal) the PRR Group's Allocable Share and (ii) when multiplied by 0.724137931 does not exceed (but may equal) the NYC Group's Allocable Share, (B) in the case of the NYC Group, an amount equal to the product of (i) the PRR Group's Exemption Amount and (ii) 0.724137931, and (C) in the case of all other Group's, the Exemption Amount shall be zero. The Parties agree and acknowledge that the calculation of the Exemption Amount for the NYC Group and the PRR Group may be an iterative calculation and agree that such a calculation shall be made with the goal of determining, and in a manner that will result in, the largest Exemption Amount for each. The Exemption Amount shall only apply to offset Taxes described in Section 2.01(a).

"FINAL DETERMINATION" means any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise (including the expiration of a statute of limitations or a period for the filing of claims for refund, amended Returns or appeals from adverse determinations).

"GREEN" has the meaning set forth in the Preamble.

"GREEN CONSOLIDATED GROUP" shall mean Green, the CRR Group, the CRC Group, the PRR Group, and the NYC Group.

"GREEN CONSOLIDATED RETURN" means any Tax Return with respect to U.S. federal Income Taxes filed on a consolidated basis wherein Green and any one or more of Green's Subsidiaries join in the filing of such Return for any Tax Period or portion thereof.

"INCOME TAX" means all taxes based, in whole or in part, on net income or gross income (including alternative minimum and estimated taxes), together with any interest, penalties, additions to tax or additional amounts that may become payable in respect thereof, imposed by any U.S. federal, state, local, foreign or other taxing authority on a Party.

"INDEMNIFYING PARTY" shall have the meaning set forth in Section 5.02(c).

"INTERNAL DISTRIBUTIONS" has the meaning set forth in the Recitals.

"NEWCO SHARES" has the meaning set forth in the Recitals.

"NS" has the meaning set forth in the Preamble.

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"NS ENTITIES" has the meaning set forth in Section 3.01(b).

"NYC" has the meaning set forth in the Preamble.

"NYC DISTRIBUTION" has the meaning set forth in the Recitals.

"NYC GROUP" means NYC and its Subsidiaries.

"NYC INTERNAL DISTRIBUTIONS" has the meaning set forth in the Recitals.

"NYC SEPARATION" has the meaning set forth in the Recitals.

"NYC SHARES" has the meaning set forth in the Recitals.

"PARTY" means, as the context requires, one or more of Green, CRR Group, a member of the CRR Group, CRC Group, a member of the CRC Group, PRR Group, a member of the PRR Group, NYC Group, or a member of the NYC Group.

"PERSON" means any individual and any partnership, joint venture, corporation, limited liability company, trust, unincorporated organization or other business entity formed or operating under applicable U.S. federal, state or foreign law.

"POST-DISTRIBUTION PERIOD" means any Tax Period that, to the extent it relates to a member of the NYC Group or the PRR Group, begins after a Distribution Date.

"PRE-DISTRIBUTION PERIOD" means any Tax Period that, to the extent it relates to a member of the NYC Group or the PRR Group, ends on or before the Distribution Date.

"PRO FORMA CONSOLIDATED FEDERAL INCOME TAX RETURN" means a consolidated U.S. federal Income Tax Return prepared as if NYC, in the case of the NYC Group and PRR, in the case of the PRR Group, filed a consolidated federal Income Tax Return on behalf of the other eligible members of the NYC Group and the PRR Group as applicable (such applicable group, the "APPLICABLE GROUP"), for such taxable year; provided, however, that for purposes of preparing such consolidated federal Income Tax Return for a taxable period that includes the Distribution Date, the taxable period of the NYC Group and the PRR Group shall be treated as ending on the Distribution Date. Pro Forma Consolidated Federal Income Tax Returns shall be prepared in accordance with the following principles:

(a) in the case of the PRR Group and the NYC Group, each Pro Forma Consolidated Federal Income Tax Return shall be prepared as if PRR and NYC were corporations and were the common parent filing consolidated federal income tax returns with its eligible Subsidiaries;

(b) each Pro Forma Consolidated Federal Income Tax Return shall be prepared as if the Applicable Group had never been included in the Green Consolidated Group and did not include members of any other Applicable Group;

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(c) each Pro Forma Consolidated Federal Income Tax Return shall reflect any actual short taxable years resulting from the Applicable Group joining or leaving the Green Consolidated Group;

(d) each Pro Forma Consolidated Federal Income Tax Return shall reflect any carryovers of net operating losses, net capital losses, excess Tax credits, or other Tax attributes ("TAX ITEMS") from prior years' Pro Forma Consolidated Federal Income Tax Returns that could have been utilized by the Applicable Group if no member of the Applicable Group had ever been included in the Green Consolidated Group and all Pro Forma Consolidated Federal Income Tax Returns had been actual consolidated

federal Income Tax Returns; provided, however, that such consolidated federal Income Tax Returns shall not reflect any carryovers of any Tax Items from a Tax Period ending on or before the date of the Transaction Agreement, including Tax Items that arise from any adjustment to taxable income, regardless whether such Tax Items were utilized on a consolidated federal Income Tax Return of Green for such a Tax Period;

(e) each Pro Forma Consolidated Federal Income Tax Return shall be prepared such that the provisions of the Code that require consolidated computations, such as Code Sections 1201-1212 and 1231, shall be applied separately to each Applicable Group;

(f) each Pro Forma Consolidated Federal Income Tax Return shall apply Treas. Reg. Section 1.1502-13 as if the Applicable Group and the Green Consolidated Group (including the members of the NYC Group and the PRR Group) were a single affiliated group; provided, however, that if and when the Applicable Group ceases to be included in the Green Consolidated Group each Pro Forma Consolidated Federal Income Tax Return also shall include any gains or losses of the members of the Applicable Group on transactions that must be taken into account pursuant to Treas. Reg. Section 1.1502-13 and reflected on the Green Consolidated Return; and

(g) each Pro Forma Consolidated Federal Income Tax Return shall be prepared, to the extent practicable and not inconsistent with items (a) through (f) of this definition, in a manner consistent with Green's preparation of the consolidated U.S. federal Income Tax Return for the Affiliated Group for the relevant Tax Period.

"PRR" has the meaning set forth in the Preamble.

"PRR DISTRIBUTION" has the meaning set forth in the Recitals.

"PRR GROUP" means PRR and its Subsidiaries.

"PRR INTERNAL DISTRIBUTIONS" has the meaning set forth in the Recitals.

"PRR SEPARATION" has the meaning set forth in the Recitals.

"PRR SHARES" has the meaning set forth in the Recitals.

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"RETURN" means any report of Taxes due, any information return with respect to Taxes, or any other similar report, statement, declaration, or documentation required to be filed under the Code or other laws, any claims for refund of Taxes paid, and any amendments or supplements to any of the foregoing.

"RULING" means the initial private letter ruling, if any, issued by the Service in connection with the Internal Distributions and the Distributions (and, in each case, any related transactions).

"RULING DOCUMENTS" means the request for the Ruling submitted to the Service, together with the appendices and exhibits thereto and any supplemental filings or other materials subsequently submitted to the Service, in connection with the Internal Distributions and the Distributions (and, in each case, any related transactions).

"SEPARATIONS" has the meaning set forth in the Recitals.

"SERVICE" means the U.S. Internal Revenue Service, or any successor agency or authority.

"STATE AND LOCAL INCOME TAX FLOOR" means (A) in the case of the members of the PRR Group, an aggregate amount equal to the largest amount that both (i) does not exceed (but may equal) the aggregate state and local Income Taxes allocated to such members pursuant to Sections 2.02(a) and (b) and (ii) when multiplied by 0.724137931, does not exceed (but may equal) the aggregate amount of state and local Income Taxes allocated to the members of the NYC Group pursuant to Sections 2.02(a) and (b) and (B) in the case of the members of the NYC Group, an aggregate amount equal to the product of (i) the PRR Group's State and Local Income Tax Floor and (ii) 0.724137931 and (C) in the case of all other Group's, the State and Local Income Tax Floor shall be zero. The Parties agree and acknowledge that the calculation of the State and Local Income Tax Floor for the members of the NYC Group and the members of the PRR Group may be an

iterative calculation and agree that such a calculation shall be made with the goal of determining, and in a manner that will result in, the largest State and Local Income Tax Floor for each. The State and Local Income Tax Floor shall only apply to offset those state and local Income Taxes described in Sections 2.02(a) and (b) that would otherwise be payable.

"SUBSIDIARY" means, when used with reference to a specified Person, any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its subsidiaries or by such Person and one or more of its subsidiaries; provided that CRR Parent and any Person in which CRR Parent owns, directly or indirectly, an interest (it being assumed for the purposes of this Agreement that CRR Parent does not own, directly or indirectly, an interest in either CSX or NSC) shall not be considered a subsidiary of either CSX or NSC for purposes of this Agreement.

"TAX" 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,

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excise, real or personal property, sales, use, payroll, withholding, unemployment, transfer and gains taxes or other governmental taxes imposed 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.

"TAX CONTEST" means an audit, review, examination, or any other administrative or judicial proceeding (in each case, including, without limitation, any determination with respect to a claim for refund and without regard to whether such matter was initiated by an appropriate taxing authority or in response to a claim for a refund of Taxes) with the purpose or effect of redetermining Taxes of a Party.

"TAX-FREE STATUS" shall mean the qualification of each of the Distributions (i) as transactions described in Sections 355(a)(1) and 368(a)(1)(D) of the Code, (ii) as transactions in which the stock distributed thereby is qualified property for purposes of section 355(c)(2) of the Code, and (iii) as a transaction in which Green and its Subsidiaries recognizes no income or gain other than intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

"TAX ITEMS" has the meaning set forth in the definition of Pro Forma Consolidated Federal Income Tax Return.

"TAX LOSSES" shall mean Taxes, plus any fees, costs and expenses (including legal and accounting fees, costs and expenses) that lead to an indemnification payment under Article III.

"TAX PERIOD" means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable law.

"TRANSACTION AGREEMENT" means the Transaction Agreement among CSX, CSX Transportation, Inc., NS, Norfolk Southern Railway Company, CRR, CRC and CRR Holdings LLC, dated as of June 10, 1997.

The following terms shall have the meanings ascribed to them in the Distribution Agreement (the page number opposite each term refers to the page in the Distribution Agreement where such term is defined):

|                                |    |
|--------------------------------|----|
| "BUSINESS DAY".....            | 2  |
| "CRR PARENT".....              | 1  |
| "CSXT".....                    | 1  |
| "DISTRIBUTION DATE".....       | 16 |
| "NSR".....                     | 1  |
| "NYC MEMBERSHIP INTEREST"..... | 4  |

|                                |   |
|--------------------------------|---|
| "NYC NEWCO".....               | 4 |
| "PRR MEMBERSHIP INTEREST"..... | 5 |
| "PRR NEWCO".....               | 5 |
| "TRANSFER".....                | 6 |

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## ARTICLE II

### ALLOCATION OF INCOME TAXES AND OTHER TAXES

#### Section 2.01. Allocation of U.S. Federal Income Taxes.

(a) For each Tax Period ending after the date of the Transaction Agreement and beginning on or before the Distribution Date, each Applicable Group shall prepare a Pro Forma Consolidated Federal Income Tax Return. Each Applicable Group shall pay to Green within ten days of receiving a written request for payment from Green an amount equal to the excess, if any, of (i) such Group's Allocable Share over (ii) such Group's Exemption Amount; provided, however, that no portion of the State and Local Income Tax Floor shall be taken into account.

(b) If the U.S. federal Income Taxes of the Affiliated Group are adjusted for any Tax Period ending after the date of the Transaction Agreement and beginning on or before the Distribution Date, whether by means of an amended Return, claim for refund, loss carryback for a tax period following the Distribution Date or after a Tax Contest, the liability of each Applicable Group shall be recomputed under Section 2.01(a) to give effect to such adjustments and appropriate payments shall promptly be made from the Applicable Group to Green or from Green to the Applicable Group consistent with such recalculation.

#### Section 2.02. Allocation of State and Local Income Taxes.

(a) If state and local Income Taxes are reflected on a Return filed by one member of the Green Consolidated Group which Return includes income, profits or transactions of one or more other members of the Green Consolidated Group, such Income Taxes shall be allocated among and, subject to Section 2.02(d), paid by such members consistent with the principles set forth in Sections 2.01(a) and 2.01(b); provided, however, that no portion of the Exemption Amount shall be taken into account.

(b) State and local Income Taxes attributable to a Return that includes only the income, profits or transactions of one member of the Green Consolidated Group shall, subject to Section 2.02(d), be paid by such member; provided, however, that no portion of the Exemption Amount shall be taken into account.

(c) If the state and local Income Taxes are adjusted for any Tax Period ending after the date of the Transaction Agreement and beginning on or before the Distribution Date, whether by means of an amended Return, claim for refund, carryback of a tax loss from a tax period following the Distribution Date or after a Tax Contest, the liability for such Taxes shall be recomputed under the principles of Section 2.02(a) or (b), as applicable, to give effect to such adjustments and appropriate payments shall be made between the Parties within 10 days of receipt of notice of the change and the amount involved (or, if later, within 10 days of receipt of a refund).

(d) Notwithstanding the provisions of Section 2.02(a) and (b), the aggregate annual amount of state and local taxes payable by the members of the PRR Group and the NYC Group shall equal (A) in the case of the members of the PRR Group, an amount equal to the

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excess, if any, of (i) the aggregate amount allocated to such members pursuant to Sections 2.02(a) over (ii) the State and Local Income Tax Floor and (B) in the case of the members of the NYC Group, an amount equal to the excess, if any, of (i) the aggregate amount allocated to such members pursuant to Sections 2.02(a) and (b) over (ii) the State and Local Income Tax Floor.

#### Section 2.03. Allocation of Taxes Other Than Income Taxes.

(a) Taxes not provided for in Sections 2.01 or 2.02 and

attributable to a Return filed by one member of the Green Consolidated Group and that relate to the assets, employees, transactions of or are otherwise attributable to one or more other members of the Green Consolidated Group shall, to the extent not inconsistent with the Transaction Agreement or any other agreement entered into among NS, CSX and one or more of the Parties, be allocated among and paid by such members of the Green Consolidated Group consistent with the principles set forth in Sections 2.01(a) and 2.01(b); provided, however, that no portion of the Exemption Amount or the State and Local Income Tax Floor shall be taken into account.

(b) Taxes not provided for by Sections 2.01 or 2.02 and attributable to a Return that relates to only the assets, employees, transactions of or is otherwise attributable to only one member of the Green Consolidated Group shall be paid by such member; provided, however, that no portion of the Exemption Amount or the State and Local Income Tax Floor shall be taken into account.

(c) If Taxes subject to section 2.03(a) or 2.03(b) are adjusted for any Tax Period ending after the date of the Transaction Agreement and beginning on or before the Distribution Date, whether by means of an amended Return, claim for refund, or after a Tax Contest, the liability for such Taxes shall be recomputed under the principles of Section 2.03(a) or (b), as applicable, to give effect to such adjustments and appropriate payments shall be made between the Parties within 10 days of receipt of notice of the change and the amount involved (or, if later, within 10 days of receipt of a refund).

### ARTICLE III

#### TAXES ATTRIBUTABLE TO THE CSX DISTRIBUTIONS AND THE NS DISTRIBUTIONS; ADDITIONAL RULINGS

##### Section 3.01. Restrictions on Post-Distribution Actions.

(a) If the NYC Separation, the NYC Internal Distributions and the NYC Distribution occur and are intended to qualify as tax free under Code Sections 368 and 355, neither CSX nor any of its Subsidiaries (collectively, the "CSX ENTITIES") shall take any action, fail to take any action or permit any Subsidiary to take or fail to take any action, which action or failure to act would be inconsistent with or cause to be untrue any information, covenant or representation in the Ruling Documents, the Ruling or this Agreement.

(b) If the PRR Separation, the PRR Internal Distributions and the PRR Distribution occur and are intended to qualify as tax free under Code Sections 368 and 355, neither NS nor any of its Subsidiaries (collectively, the "NS ENTITIES") shall take any action, fail to take any action or permit any Subsidiary to take or fail to take any action, which action or

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failure to act would be inconsistent with or cause to be untrue any information, covenant or representation in the Ruling Documents, the Ruling or this Agreement.

##### Section 3.02. Allocation of Distribution Related Liability.

(a) NYC Newco and the CSX Entities shall be jointly and severally liable for, and shall indemnify and hold harmless the NS Entities, Green and each member of the Green Consolidated Group (other than NYC Newco and the CSX Entities) from and against, on an after-tax basis, any and all Tax Losses resulting from the NYC Separation, the NYC Internal Distributions and the NYC Distribution to the extent such Taxes result from

- (i) any event or transaction after the NYC Distribution that involves the stock, assets, or business of the CSX Entities, whether or not such event or transaction is the result of direct actions of, or within the control of, the CSX Entities,
- (ii) any act or failure to act on the part of any of the CSX Entities after the NYC Distribution,
- (iii) the breach of any representation or covenant or the inaccuracy of any information regarding the CSX Entities included in the Ruling Documents or the Ruling, or

- (iv) any Contemplated Actions undertaken by any of the CSX Entities pursuant to Section 3.02(d).

(b) PRR Newco and the NS Entities shall be jointly and severally liable for, and shall indemnify and hold harmless the CSX Entities, Green and each member of the Green Consolidated Group (other than PRR Newco and the NS Entities) from and against, on an after-tax basis, any and all Tax Losses resulting from the PRR Separation, the PRR Internal Distributions and the PRR Distribution to the extent such Taxes result from

- (i) any event or transaction after the PRR Distribution that involves the stock, assets, or business of the NS Entities, whether or not such event or transaction is the result of direct actions of, or within the control of, the NS Entities,
- (ii) any act or failure to act on the part of any of the NS Entities after the PRR Distribution,
- (iii) the breach of any representation or covenant or the inaccuracy of any information regarding the NS Entities included in the Ruling Documents or the Ruling, or
- (iv) any Contemplated Actions undertaken by any of the NS Entities pursuant to Section 3.02(d).

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(c) NS or CSX may request that Green seek to obtain a ruling from the Service that certain actions that the requesting party wishes to take (the "CONTEMPLATED ACTIONS") will not result in the Separations, the Internal Distributions or the Distributions (and, in each case, any related transactions) being taxable to the Green Consolidated Group or its direct or indirect shareholders (an "ADDITIONAL RULING"). Such a request shall not be unreasonably denied; provided, however, that Green shall not be obligated to request an Additional Ruling if it determines in good faith that such request might have a material adverse effect on the Green Consolidated Group. The party requesting the Additional Ruling shall bear all reasonable costs and expenses incurred by Green in requesting any Additional Ruling.

(d) If an Additional Ruling is obtained in form and substance acceptable to Green, CSX and NS, then the CSX Entities or the NS Entities, as the case may be, may engage in such Contemplated Actions to the extent consistent with the Additional Ruling. CSX agrees that Green is to have no liability for any Tax resulting from any Contemplated Actions permitted pursuant to this Section 3.02(d) undertaken by any CSX Entity, and CSX agrees to indemnify and hold harmless Green, each member of the Green Consolidated Group (other than the CSX Entities), and each NS Entity from and against any such Tax. NS agrees that Green is to have no liability for any Tax resulting from any Contemplated Actions permitted pursuant to this Section 3.02(d) undertaken by any NS Entity, and NS agrees to indemnify and hold harmless Green, each member of the Green Consolidated Group (other than the NS Entities), and each CSX Entity from and against any such Tax.

(e) The CSX Entities and the NS Entities shall cooperate with Green and take all reasonable actions requested by Green in connection with obtaining the Ruling and any Additional Rulings, including making any representation or covenant and providing any materials or information requested by Green or the Service (provided that neither the CSX Entities nor the NS Entities, as the case may be, shall be required to make any representation or covenant that is inconsistent with historical facts or as to future matters or events over which it has no control).

#### Section 3.03. Special Representations.

(a) Each of NS and PRR hereby represents and warrants that (i) it has examined the Ruling Documents (including, without limitation, the representations to the extent that they relate to the plans, proposals, intentions, and policies of NS and its Subsidiaries and PRR and its Subsidiaries, the NS business and the PRR business, and the NS affiliated group of corporations and the PRR Group) and (ii) to the extent descriptive of NS and PRR their respective Subsidiaries, the NS business and the PRR business, and the PRR Group, the facts presented and the representations made therein are true and

correct, except to the extent that any such facts or representations:

- (i) are about the CSX and its Subsidiaries or the Green Consolidated Group, including NYC (except for facts about the PRR Business);
- (ii) describe or characterize the purposes of CSX or Green management for the Distributions; or

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- (iii) set forth legal conclusions.

(b) Each of NS and PRR hereby represents and warrants that it has no plan or intention of taking any action, or failing or omitting to take any action, that would (i) cause either of the Distributions not to have Tax-Free Status or (ii) cause any representation or factual statement made in this Tax Sharing Agreement or in the Ruling Documents to be untrue in a manner that would have an adverse effect on the Tax-Free Status of either of the Distributions.

(c) Each of CSX and NYC hereby represents and warrants that (i) it has examined the Ruling Documents (including, without limitation, the representations to the extent that they relate to the plans, proposals, intentions, and policies of CSX and its Subsidiaries and NYC and its Subsidiaries, the CSX business and the NYC Business, and the CSX affiliated group of corporations and the NYC Group) and (ii) to the extent descriptive of CSX and NYC and their respective Subsidiaries, the CSX business and the NYC Business and the NYC Group, the facts presented and the representations made therein are true and correct, except to the extent that any such facts or representations:

- (i) are about the NS and its Subsidiaries or the Green Consolidated Group, including PRR (except for facts about the NYC Business);
- (ii) describe or characterize the purposes of NS or Green management for the Distributions; or
- (iii) set forth legal conclusions.

(d) Each of CSX and NYC hereby represents and warrants that it has no plan or intention of taking any action, or failing or omitting to take any action, that would (i) cause either of the Distributions not to have Tax-Free Status or (ii) cause any representation or factual statement made in this Tax Sharing Agreement or in the Ruling Documents to be untrue in a manner that would have an adverse effect on the Tax-Free Status of either of the Distributions.

#### ARTICLE IV

##### FILING OF INCOME TAX RETURNS; PAYMENT OF INCOME TAXES

###### Section 4.01. Tax Returns for Pre-Distribution Periods.

(a) Green shall prepare and file or cause to be prepared and filed (i) the Green Consolidated Return for all Pre-Distribution Periods, including the taxable period which includes the Distribution Date, (ii) all other Returns for Pre-Distribution Periods that are required to be filed by Green or any member of the Green Consolidated Group and (iii) all other Returns of or which include one or more members of the PRR Group and/or the NYC Group that are required to be filed (taking into account any extensions) on or prior to the Distribution Date. Green shall pay, or cause to be paid, any and all Taxes due with respect to such Returns, subject to its right, if any, to receive payments for such Taxes from the party to which the Tax liability is allocated pursuant to Article II of this Agreement.

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(b) Green shall prepare or cause to be prepared, with the cooperation and assistance of members of the NYC Group or the PRR Group, as the case may be, and the NYC Group or the PRR Group, as the case may be, shall file or cause to be filed (in the form and manner so prepared by Green), any Return that (X) includes one or more members of the NYC Group or the PRR Group for a Pre-Distribution Period, (Y) is not required to be, and is not, filed on or

prior to the Distribution Date and (Z) is required to be filed by a member of the NYC Group or the PRR Group. Green shall pay or cause to be paid, to the relevant taxing authority, any and all Taxes due with respect to such Returns, subject to its right to receive payments for such Taxes from the party to which the Tax liability is allocated pursuant to Article II of this Agreement. If either the NYC Group or the PRR Group receives a refund in respect of any return filed pursuant to this Section 4.01(b), and such refund is allocable to members of the Green Consolidated Group other than the NYC Group or the PRR Group (whichever group filed the Return), such refund shall be paid to Green upon receipt and allocated among the Parties pursuant to Article II of this Agreement.

(c) Green shall prepare or cause to be prepared any documentation required to be filed in connection with the making of estimated Tax payments due in respect of Pre-Distribution Periods for which Green (or another member of the Green Consolidated Group) is obligated to prepare a Return hereunder, and shall make any such estimated Tax payments, whether due before, on or after the Distribution Date, subject to its right to receive payments for such Taxes from the party to which the Tax liability is allocated pursuant to Article II of this Agreement.

#### Section 4.02. Tax Returns for Post-Distribution Periods.

(a) The NYC Group or the PRR Group, as the case may be, shall be responsible for (i) preparing and filing or causing to be prepared and filed all Returns that are required to be filed by any member of the NYC Group or the PRR Group, as the case may be, for any Post-Distribution Period and (ii) paying the Tax liability due with respect to such Returns.

(b) Green shall be responsible for (i) preparing and filing or causing to be prepared and filed all Returns required to be filed by a member of the Green Consolidated Group (other than the NYC Group and the PRR Group) for any Post-Distribution Period and (ii) paying the Tax liability due with respect to such Returns.

#### Section 4.03. Preparation of Returns.

(a) Green shall have the authority to (i) determine the entities to be included in a Return that includes one or more members of the Green Consolidated Group and (ii) make or revoke any Tax elections, adopt or change any accounting methods, and determine any other position taken on or in respect of any Return that it is required to prepare pursuant to this Article IV. The NYC Group or the PRR Group, as the case may be, shall have the authority to make or revoke any Tax elections, adopt or change any accounting methods, and determine any other position taken on or in respect of any Return that it is required to prepare pursuant to this Article IV.

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(b) The NYC Group or the PRR Group, as the case may be, shall, and shall cause each of their respective members to prepare and submit promptly to Green, at the NYC Group or the PRR Group's expense, all information that Green shall reasonably request, in such form as Green shall reasonably request, relating to the rights and obligations of Green hereunder, including such information so requested to enable Green to prepare any Return that Green is responsible for preparing or filing under this Article IV.

(c) Except as required by applicable law or as a result of a Final Determination, NYC shall not, and shall cause each member of the NYC Group not to, take any position that is either inconsistent with the treatment of the Distributions as tax-free under Sections 355 and 368(a)(1)(D) of the Code (or analogous status under state, local or foreign law) or, with respect to a specific item of income, deduction, gain, loss, or credit on an income tax Return for a Post-Distribution Period inconsistent with a position taken on an income tax Return prepared or filed by Green pursuant to Article IV hereof (including, without limitation, the claiming of a deduction previously claimed on any such income tax Return). Except as required by applicable law or as a result of a Final Determination, PRR shall not, and shall cause each member of the PRR Group not to, take any position that is either inconsistent with the treatment of the Distributions as tax-free under Sections 355 and 368(a)(1)(D) of the Code (or analogous status under state, local or foreign law) or, with respect to a specific item of income, deduction, gain, loss, or credit on an income tax Return for a Post-Distribution Period inconsistent with a position taken on an income tax Return prepared or filed by Green pursuant to Article IV

hereof (including, without limitation, the claiming of a deduction previously claimed on any such income tax Return). For U.S. federal income Tax purposes, the taxable year of each domestic member of the NYC Group and the PRR Group shall end as of the close of the Distribution Date and, with respect to all other income Taxes, Green (or the appropriate member of the Green Consolidated Group) and PRR and NYC shall, unless prohibited by applicable law, take all action necessary or appropriate to close the taxable period of the members of its respective Group as of the close of the Distribution Date. Neither any member of the Green Consolidated Group nor any member of the NYC Group or the PRR Group shall take any position inconsistent with the preceding sentence on any income tax Return.

## ARTICLE V

### TAX CONTESTS

Section 5.01. Notification, Participation and Consultation. Green shall promptly notify the appropriate member of the NYC Group or the PRR Group, as the case may be, in writing of any written communication received by Green or any member of the Green Consolidated Group with respect to any pending or threatened Tax Contest in connection with any Tax liability (or an issue related thereto) for which a member of the NYC Group or the PRR Group may be responsible pursuant to this Agreement (provided that if notice is received with regard to a pending or threatened Tax Contest for which either the CSX Entities or the NS Entities would reasonably be expected to have an indemnification obligation pursuant to Article III of this Agreement, prompt notice shall be supplied to both the NYC Group and the PRR Group). Green shall include with such notice an accurate and complete copy of any written communication so received by a member of the Green Consolidated Group. The failure of Green timely to forward such notification in accordance with the immediately preceding sentence shall not relieve the

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appropriate member of the NYC Group or the PRR Group, as the case may be, of its obligation (if any) to pay such Tax liability or indemnify any other Party therefor, except and to the extent that the failure timely to forward such notification actually and materially prejudices the ability of the appropriate member of the NYC Group or the PRR Group, as the case may be, to contest such Tax liability or materially increases the amount of such Tax liability. The parties shall consult with each prior to entry into any settlement.

### Section 5.02. Pre-Distribution Periods.

(a) The NYC Group shall have the sole right, at the NYC Group's expense, to represent the interest of the NYC Group in any Tax Contest with respect to a Return that (i) includes solely one or more members of the NYC Group and (ii) relates solely to items for which the NYC Group is responsible hereunder.

(b) The PRR Group shall have the sole right, at the PRR Group's expense, to represent the interest of the PRR Group in any Tax Contest with respect to a Return that (i) includes solely one or more members of the PRR Group and (ii) relates solely to items for which the PRR Group is responsible hereunder.

(c) Except as otherwise provided in Sections 5.02(a) and 5.02(b), Green shall have the sole right, at its own expense, to represent the interests of the members of the Green Consolidated Group in any Tax Contest relating to a Pre-Distribution Period (including the right to retain counsel, at Green's expense, reasonably acceptable to the NYC Group and the PRR Group); provided, however, that if a Tax Contest includes any issue for which either the CSX Entities or the NS Entities would reasonably be expected to have an indemnification obligation pursuant to Article III of this Agreement, either the CSX Entities or the NS Entities, or both Groups jointly and cooperatively, as the case may be (the "INDEMNIFYING PARTY"), shall have the right to represent the members of the Green Consolidated Group (including the right to retain counsel of the Indemnifying Party's choice) with respect to any such issue in such a Tax Contest, and, regardless of whether the Indemnifying Party elects to represent the members of the Green Consolidated Group with respect to such issue, any expenses relating to any such issue shall be borne and paid by the Indemnifying Party. Regardless of whether there is an Indemnifying Party that is entitled to represent the Green Consolidated Group with respect to any part of a Tax Contest pursuant to the proviso in the preceding sentence, both the CSX Entities (or their designee) and the NS Entities (or their designee) shall have

the right to attend any formally scheduled meetings with any taxing authority or hearings or proceedings before any judicial authorities in connection with any Tax Contest for which representation is determined by this Section 5.02(c).

#### Section 5.03. Post-Distribution Periods.

(a) Green shall have the sole right to represent (at its own expense) the interests of the Green Consolidated Group and its members (other than the NYC Group and the PRR Group) in any Tax Contest relating to a Post-Distribution Period.

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(b) The members of the NYC Group or the PRR Group shall have the sole right to represent (at each group's own expense) the interests of any member of their respective groups in any Tax Contest relating to a Post-Distribution Period.

### ARTICLE VI

#### COOPERATION AND RECORD RETENTION

Section 6.01. Cooperation. Each member of the Green Consolidated Group shall cooperate fully, as and to the extent reasonably requested by any other member of such group, in connection with the preparation and filing of Returns and in any Tax Contest. Such cooperation shall include the retention and (upon a member of the Green Consolidated Group's request) the provision of records and information that are reasonably relevant to any such Tax Contest and making employees available on a mutually convenient basis to provide additional information and explanation of any document or information provided hereunder.

Section 6.02. Record Retention. The Parties agree (A) to retain all books and records with respect to Tax matters pertinent to a member of the Green Consolidated Group for any Pre-Distribution Period until the expiration of the statute of limitations (including extensions thereof) of the respective Tax Periods, and to abide by all record retention agreements entered into with any taxing authority and (B) to give each other member of the Green Consolidated Group reasonable written notice prior to transferring, destroying or discarding any such books and records and, if a member of the Green Consolidated Group so requests, Green or the Applicable Group shall allow such Party to take possession of such books and records.

### ARTICLE VII

#### MISCELLANEOUS MATTERS

Section 7.01. Amendment and Waiver. This Agreement shall not be amended or modified in any manner whatsoever without the written consent of each of the Parties. No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or covenant, duty, agreement or condition.

Section 7.02. Entire Agreement. Except as otherwise provided herein, the Parties agree that this Agreement constitutes the entire Agreement among them in respect of the subject matter of this Agreement.

Section 7.03. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the date delivered if delivered personally (including by reputable overnight courier), on the date transmitted if sent by telecopy (which is confirmed) or on the date received if mailed by registered or certified mail (return receipt requested) to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

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(a) If to Green, CRR, CRR Group, CRC or CRC Group:

Conrail Inc.  
2001 Market Street  
Philadelphia, Pennsylvania 19103  
Telecopy number: 215-209-1300

Attention: Pat Rogers, Vice President

(b) If to NS, PRR or PRR Group:

PRR  
2001 Market Street  
Philadelphia, Pennsylvania 19103  
Telecopy number: 215-209-1300  
Attention: William A. Galanko, Vice-President-Taxation

Copy to:

Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510  
Telecopy number: 757-629-2898  
Attention: William A. Galanko, Vice-President-Taxation

(c) If to CSX, NYC or NYC Group:

NYC  
2001 Market Street  
Philadelphia, Pennsylvania 19103  
Telecopy number: 215-209-1300  
Attention: David A. Boor, Vice-President - Tax & Treasury

Copy to:

CSX Corporation  
500 Water Street  
15th Floor  
Jacksonville, Florida 32202  
Telecopy number: 904-633-5226  
Attention: David A. Boor, Vice-President -Tax & Treasury

Section 7.04. Dispute Resolution. Any dispute or disagreement relating to this Agreement shall be resolved under the dispute resolution procedures set forth in Section 11.12 of the Transaction Agreement.

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Section 7.05. Remedies. Any Party having any rights under any provision of this Agreement will have all rights and remedies set forth in this Agreement and all rights and remedies that such Party may have been granted at any time under any other agreement or contract and (except as may be limited by this Agreement) all of the rights which such Party may have under any law. Any such Party shall be entitled to enforce such rights specifically, without posting a bond or other security, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

Section 7.06. Successors and Assigns. No Party may assign or delegate any of such Party's rights or obligations under or in connection with this Agreement without the written consent of the other Parties. All covenants and agreements contained in this Agreement by or on behalf of any of the Parties will be binding upon and enforceable against the respective successors and assigns of such Party and will be enforceable by and will inure to the benefit of the respective successors and permitted assigns of such Party.

Section 7.07. Severability; No Presumption Against Drafter. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 7.08. Counterparts. This Agreement may be executed simultaneously in three or more counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together will constitute one and the same agreement, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

Section 7.09. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 7.10. No Third-Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

Section 7.11. Form of Payments and Late Payments. Any payments owed by one Party to another under this Agreement shall be made in U.S. dollars, and shall be paid in immediately available funds and in such other manner as the Party to whom such payment is owed may reasonably request. Any payments required by this Agreement that are not made when due shall bear interest at the rate publicly announced by Citibank, N.A. in New York City from time to time as its prime rate, plus six percent, from the due date of the payment to the date paid.

Section 7.12. Confidentiality. Each of NYC, PRR and Green agrees that any information furnished pursuant to this Agreement is confidential and, except as and to the extent required by law or otherwise during the course of an audit or litigation or other administrative or

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legal proceeding, shall not be disclosed to other Persons. Notwithstanding anything in this Agreement to the contrary, the Parties hereto (and each employee, representative, or other agent of the Parties) may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analysis) relating to such tax treatment and tax structure (but no other details regarding matters covered by this Agreement, including without limitation, the identities of the Parties), provided, however, that with respect to any contemplated mergers and acquisitions, as defined in paragraph (b) (3) (ii) (B) of treasury regulations Section 1.6011-4, this Agreement shall only permit the disclosure of the tax treatment and tax structure, each as defined in treasury regulations Section 1.6011-4, of the transaction (but no other details regarding matters covered by this Agreement, including, without limitation, the identities of the Parties), from and after the earliest to occur of the circumstances described in paragraph (b) (3) (ii) (B) of treasury regulations Section 1.6011-4. This Agreement shall not be construed to limit in any way any Parties ability to consult any tax advisor regarding the tax treatment or tax structure of any aspect of the transactions contemplated by this Agreement. These provisions are meant to be interpreted so as to prevent any proposed transaction from being treated as offered under "conditions of confidentiality" within the meaning of the Code and the treasury regulations thereunder.

Section 7.13. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal law, and not the law of conflicts, of the State of Delaware.

\* \* \* \* \*

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IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

GREEN ACQUISITION CORP.,  
a Pennsylvania corporation

By: /s/ David A. Boor  
-----  
Name: David A. Boor  
Title: Treasurer

CONRAIL INC.

By: /s/ Joseph W. Rogers  
-----  
Name: Joseph W. Rogers  
Title: Assistant Treasurer

CONSOLIDATED RAIL CORPORATION,  
a Pennsylvania corporation

By: /s/ Joseph W. Rogers

-----  
Name: Joseph W. Rogers  
Title: Chief Financial Officer & Corporate  
Treasurer

PENNSYLVANIA LINES LLC,  
a Delaware limited liability company

By: /s/ William A. Galanko

-----  
Name: William A. Galanko  
Title: Vice President

[Signature Page to Tax Allocation Agreement]

NEW YORK CENTRAL LINES LLC,  
a Delaware limited liability company

By: /s/ David A. Boor  
-----  
Name: David A. Boor  
Title: Authorized Signatory

Solely for purposes of Article III and Sections 3.03  
and 4.03(c)

CSX CORPORATION,  
a Virginia corporation

By: /s/ David A. Boor  
-----  
Name: David A. Boor  
Title: Vice President Tax & Treasurer

Solely for purposes of Article III and Sections 3.03  
and 4.03(c)

NORFOLK SOUTHERN CORPORATION,  
a Virginia corporation

By: /s/ William A. Galanko  
-----  
Name: William A. Galanko  
Title: Vice President - Taxation

[Signature Page to Tax Allocation Agreement]

OPERATING AGREEMENT TERMINATION AGREEMENT dated as of August 27, 2004 between PENNSYLVANIA LINES LLC, a Delaware limited liability company (hereinafter called the OWNER) and Norfolk SOUTHERN RAILWAY COMPANY, a Virginia corporation (hereinafter called the OPERATOR).

WHEREAS the parties hereto have entered into the Operating Agreement dated as of June 1, 1999, and certain amendments and supplements thereto (the Operating Agreement, together with all amendments and supplements thereto prior to the date hereof, being hereinafter called the OPERATING AGREEMENT); and

WHEREAS the parties hereto wish to terminate the Operating Agreement.

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Termination. The Operating Agreement is hereby terminated on and as of the date hereof.

2. Reversion. All interests of the Operator in and to the property covered by the Operating Agreement revert to and are deemed the property of the Owner.

3. Rent. The parties hereto shall adjust their accounts for rents paid in advance and payable in arrears under the Operating Agreement to give effect to the termination contemplated hereby. Rent for partial periods shall be determined using a 360-day year of twelve 30-day months.

The Operator shall settle for any "Event of Loss" (as defined in the Operating Agreement) occurring prior to or on the date hereof in accordance with the terms of the Operating Agreement, whether or not such Event of Loss shall be known on the date hereof.

The Settlement Account contemplated by Article VI of the Operating Agreement shall terminate on the date hereof, and the Operator shall be credited with any balance therein.

4. Indemnities and other Obligations to Survive. The indemnity and other obligations set forth in the Operating Agreement survive the termination contemplated by this agreement, as to events and obligations occurring and claims arising prior to the date hereof.

5. Counterparts. This agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, all of which together shall constitute a single agreement.

6. Effectiveness. This agreement shall be effective on the date first above written.

IN WITNESS WHEREOF, the parties hereto have each caused this agreement to be duly executed by their respective officers or representatives thereunto duly authorized:

PENNSYLVANIA LINES LLC

by: /s/ William J. Romig

-----  
Name: William J. Romig  
Title: Vice President and Treasurer

NORFOLK SOUTHERN RAILWAY COMPANY

by: /s/ William J. Romig

-----  
Name: William J. Romig  
Title: Vice President and Treasurer

FOR IMMEDIATE RELEASE  
August 30, 2004

Contacts: Adam Hollingsworth  
904-366-2949  
CSX Corp.

Bob Fort  
757-629-2710  
Norfolk Southern Corp.  
(Media inquiries)

Leanne Marilley  
757-629-2861  
Norfolk Southern Corp.  
(Investor inquiries)

Jonathan M. Broder  
215-209-5020  
Consolidated Rail Corp.

CONRAIL, CSXT AND NSR ANNOUNCE CLOSING OF EXCHANGE OFFER, UNSECURED AND  
SECURED DEBT CONSENT SOLICITATIONS AND CONRAIL'S RESTRUCTURING

WASHINGTON, D.C. - Consolidated Rail Corporation (Conrail), CSX Transportation, Inc. (CSXT) and Norfolk Southern Railway Company (NSR) announced today that they have closed both their previously announced offer to exchange new unsecured debt securities of CSXT and NSR and cash for existing unsecured debt securities of Conrail and their solicitation of consents relating to the restructuring of Conrail's indebtedness. The new unsecured debt securities were issued, and cash was paid, to holders of Conrail's unsecured debt securities that had tendered their debt securities, and provided their consent to the transactions relating to the restructuring of Conrail's indebtedness, on or prior to the expiration date of the exchange offer. Cash was also paid to holders of Conrail's equipment trust certificates and pass through trust certificates that provided their consents to, among other things, the restructuring of Conrail's indebtedness on or prior to the expiration of the secured debt consent solicitation.

The exchange offer and the unsecured and secured debt consent solicitations were part of a series of transactions relating to the restructuring of Conrail's indebtedness and assets as described in the parties' joint petition filed with the Surface Transportation Board on June 4, 2003. The restructuring was completed on Friday, August 27, 2004. As a result of the completion of the restructuring, the business, assets, and operations of New York

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Central Lines LLC were consolidated into CSXT and the business, assets, and operations of Pennsylvania Lines LLC were consolidated into NSR.

CSX Corporation (CSX), based in Jacksonville, Fla., owns the largest rail network in the eastern United States. CSXT and its 34,000 employees provide rail transportation services over a 23,000 route-mile network in 23 states, the District of Columbia and two Canadian provinces. CSX also provides intermodal and global container terminal operations through other subsidiaries.

Norfolk Southern Corp. (NSC) through its NSR subsidiary operates 21,500 route miles in 22 states, the District of Columbia and Ontario, Canada, serving every major container port in the eastern United States and providing connections to western rail carriers. NSC operates an extensive intermodal network and is the nation's largest rail carrier of automotive parts and finished vehicles.

Conrail is a principal freight railroad in the Northeastern United States, and is indirectly owned 58% by NSC and 42% by CSX.

This press release contains forward-looking statements which speak only as of the date they are made, and none of CSX, NSC, Conrail, or any of their respective subsidiaries undertakes any obligation to update or revise any forward-looking statement. If CSX, NSC or Conrail do update any forward-looking

statement, no inference should be drawn that CSX, NSC or Conrail will make additional updates with respect to that statement or any other forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, and other factors which are, in some cases, beyond the control of CSX, NSC and Conrail and could materially affect actual results, performance or achievements. Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others: (i) success in implementing its financial and operational initiatives; (ii) changes in domestic or international economic or business conditions, including those affecting the rail industry (such as the impact of industry competition, conditions, performance and consolidation); (iii) legislative or regulatory changes; and (iv) the outcome of claims and litigation involving or affecting a company. Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements made by each of NSC and CSX are specified elsewhere in NSC's and CSX's respective documents filed with the SEC. Documents filed with the SEC by CSX and NSC are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov), CSX's website at [www.csx.com](http://www.csx.com) and NSC's website at [www.nscorp.com](http://www.nscorp.com).

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