

**PENN CENTRAL COMPANY**

**Transportation Center  
Six Penn Center Plaza  
Philadelphia, Pa. 19104**

April 10, 1969

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**NOTICE OF ANNUAL MEETING AND ELECTION**

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**TO THE STOCKHOLDERS:**

The Annual Meeting and Election of the Stockholders of Penn Central Company will be held on Tuesday, May 13, 1969 beginning at 2:00 P.M., at Philadelphia Civic Center, Civic Center Boulevard at 34th Street, Philadelphia, Pa. for the purpose of acting upon:

1. Election of five Directors for a four-year term expiring in 1973.
2. Consideration and adoption of proposed amended and restated Articles of Incorporation as set forth and described in the attached Proxy Statement.
3. Consideration and approval of the Plan of Merger and Reorganization as set forth and described in the attached Proxy Statement.
4. Consideration and approval of the Incentive Program for officers and key employes as set forth and described in the attached Proxy Statement.
5. Confirmation of the appointment of Messrs. Peat, Marwick, Mitchell & Co. as independent auditors.
6. Such other business as may properly come before the Meeting.

Stockholders of record at the close of business on April 3, 1969, will be entitled to vote at the Annual Meeting and Election.

By Order of the Board of Directors,

BAYARD H. ROBERTS,

*Secretary*

**You are urged to sign the accompanying Proxy and return it promptly in the envelope provided, which requires no postage if mailed in the United States or its possessions.**

*It is hoped that as many Stockholders as possible will attend the Annual Meeting and Election. Cards of admission will be furnished by the Secretary to all Stockholders upon request.*

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# PROXY STATEMENT

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## GENERAL INFORMATION

The Management is making this solicitation, and, as customary, the expense will be paid by the Company. Proxies will be solicited by mail, and, in addition, officers and regular employees of the Company may solicit proxies by telephone, telegraph or personal interview. The Company will also request brokers and other custodians, nominees and fiduciaries to forward proxy solicitation material to beneficial owners of shares held of record by such persons, and will reimburse them for their expenses in so doing.

On March 1, 1969, the Company had 24,104,708 shares of capital stock outstanding, and each share is entitled to one vote except as stated below with respect to holders of New York Central stock certificates. No other class of securities has voting rights. If you were a stockholder of record at the close of business on April 3, 1969, you will be entitled to vote at the Meeting and Election, except that if you hold New York Central stock certificates, you may vote the stock represented by such certificates only if you surrender your certificates for exchange prior to the date of the Meeting and Election.

Properly executed proxies will be voted for the nominees for directors listed under "Election of Directors" and FOR proposals designated as 2, 3, 4 and 5 herein unless a contrary choice is indicated on the proxy. Whether or not you attend the Meeting, your proxy may be revoked at any time prior to the Election by notice in writing to the Secretary.

## 1. ELECTION OF DIRECTORS

The four-year terms of Messrs. Graham, Grainger, Mellon, Perkins, Rabe and Symes will expire in 1969. In accordance with a retirement policy heretofore approved by the Board, Messrs. Grainger, Rabe and Symes will retire as Directors effective with the Annual Meeting. In addition, Mr. Mellon has indicated that he does not wish to be a nominee for reelection. There are also two vacancies in the class of directors with a term expiring in 1970.

The Board has decided, effective with the Annual Meeting, to reduce its number from 25 to 21 and, to effect such a reduction, has adopted a resolution abolishing the positions now held by Messrs. Grainger and Rabe and the vacant positions in the class of 1970. In order to comply with the legal requirement that all classes be as nearly equal in number as possible, the Board has further resolved, with the specific consent of Dr. Harnwell and Mr. Lunding, to move the positions presently held by them from the class with a term expiring in 1971 to the class with a term expiring in 1969 and from the class with a term expiring in 1972 to the class with a term expiring in 1970, respectively.

Messrs. Louis W. Cabot and Walter A. Marting have been selected by the Board as nominees for election to succeed Messrs. Mellon and Symes.

Accordingly, properly signed proxies will be voted in favor of the reelection of Messrs. Graham, Harnwell and Perkins, and for the election of Messrs. Cabot and Marting as successors to Messrs. Mellon and Symes, for a four-year term expiring in 1973 or until their successors are chosen. Each such nominee has consented to being named herein and to serve if elected. If prior to the Election, any of the nominees should become unable to serve for any reason, the proxies will be voted for such substitute nominee or nominees as shall be designated by the Board of Directors.

Information regarding the nominees for election and other Directors appears below, including Company shares beneficially owned as of April 1, 1969:

Name, Principal Occupation and Other Positions Held with the Company	Term Expiring	First Became a Director	Company Shares Beneficially Owned
<b>Nominees</b>			
Louis W. Cabot .....	1973	—	100
President, Cabot Corporation, Boston, Mass. (manufacturer of carbon black). He has served as such for more than five years.			
R. Walter Graham, Jr. (M.D.) .....	1973	1968*	83,708 <sup>(1)</sup>
Management of personal investments, Baltimore, Md. Member of Pension Committee.			
Gaylord P. Harnwell .....	1973	1958	1,500 <sup>(2)</sup>
President, University of Pennsylvania, Philadelphia, Pa.			
Walter A. Marting .....	1973	—	50
President, The Hanna Mining Company, Cleveland, Ohio (operates iron and nickel ore properties). He has served as such for more than five years.			
Thomas L. Perkins .....	1973	1959	200
Counsel to, formerly member of, the law firm of Perkins, Daniels & McCormack, New York, N. Y., and Chairman of the Trustees, The Duke Endowment. Member of Pension Committee.			
<b>Other Directors</b>			
Edward J. Hanley .....	1970	1959	200 <sup>(2)</sup>
Chairman of the Board, Allegheny Ludlum Steel Corpora- tion, Pittsburgh, Pa. Member of Finance Committee.			
James S. Hunt .....	1970	1968*	1,130
Chairman of the Board (also President prior to December, 1966), Coral Ridge Properties, Inc., Coral Springs, Fla. (land development). He has served as such for more than five years. Member of Pension Committee.			
Franklin J. Lunding .....	1970	1964	100
Chairman of the Finance Committee, Jewel Companies, Inc., Chicago, Ill. Member of Finance Committee.			

Name, Principal Occupation and Other Positions Held with the Company	Term Expiring	First Became a Director	Company Shares Beneficially Owned
<b>Robert S. Odell</b> President, Allied Properties, San Francisco, Cal. (investments and real estate). He has served as such for more than five years.	1970	1968*	1,300
<b>Carlos J. Routh</b> President, Pittston Company, New York, N.Y. (coal mining, petroleum distribution, transportation and warehousing), since March, 1967; Vice President and Secretary prior thereto. Member of Finance Committee.	1970	1968*	130
<b>F. M. Kirby</b> Chairman of the Board and President, Alleghany Corporation, New York, N.Y., Chairman of the Board, Investors Diversified Services, Minneapolis, Minn. Member of Executive and Salary Committees.	1971	1968*	— (4)
<b>Seymour H. Knox</b> Chairman of the Board, Marine Midland Trust Company of Western New York, Buffalo, N.Y. Vice Chairman of the Finance Committee.	1971	1968*	1,300(5)
<b>R. Stewart Rauch, Jr.</b> President, The Philadelphia Saving Fund Society, Philadelphia, Pa. Member of Pension Committee.	1971	1964	980
<b>R. G. Rincliffe</b> Chairman of the Board, Philadelphia Electric Company, Philadelphia, Pa. Member of Pension Committee.	1971	1956	100
<b>Stuart T. Saunders</b> Chairman of the Board of the Company, Philadelphia, Pa. Member of Executive and Finance Committees.	1971	1963	46,205(6)
<b>Daniel E. Taylor</b> Management of personal affairs, West Palm Beach, Fla.; Trustee of the Taylor Foundation. Member of Executive and Salary Committees.	1971	1968*	13,500(7)
<b>William L. Day</b> Chairman of the Board, The First Pennsylvania Banking and Trust Company, Philadelphia, Pa. Member of Pension Committee.	1972	1958	750

Name, Principal Occupation and Other Positions Held with the Company	Term Expiring	First Became a Director	Company Shares Beneficially Owned
John T. Dorrance, Jr. Chairman of the Board, Campbell Soup Co., Camden, N. J.	1972	1968	4,101
Otto N. Frenzel Chairman of the Board, Merchants National Bank & Trust Company, Indianapolis, Ind.	1972	1957	321
Alfred E. Perlman President of the Company, New York, N. Y. Member of Executive and Finance Committees.	1972	1968*	2,600
John M. Seabrook Chairman of the Board and President, International Utili- ties Corporation, Philadelphia, Pa.	1972	1968*	5,850 <sup>(8)</sup>

(\*) A former Director of The New York Central Railroad Company who became a Director of the Company on February 1, 1968, pursuant to the terms of the Penn Central merger agreement.

(1) Does not include 2,610 shares beneficially owned by Dr. Graham's wife.

(2) Does not include 1,300 shares beneficially owned by Dr. Harnwell's wife.

(3) Does not include 800 shares beneficially owned by Mr. Hanley's wife.

(4) Alleghany Corporation beneficially owns 196,195 shares. In addition, Mr. Kirby is a co-guardian of assets, including 390,130 shares.

(5) Mr. Knox is Chairman of the Board of, and he and his wife have interests in, a holding company which beneficially owns 1,300 shares.

(6) Includes 218 shares held by Trustees of the Company's Thrift Plan which are not withdrawable.

(7) The Taylor Foundation, of which Mr. Taylor is a Trustee, beneficially owns 1,300 shares.

(8) Does not include 590 shares beneficially owned by Mr. Seabrook's wife. In addition, International Utilities Corporation beneficially owns 500,000 shares.

## 2. PROPOSED RESTATED ARTICLES

The Company was incorporated by special act of the Commonwealth of Pennsylvania in the year 1846. Its charter powers since that time have been embodied in various subsequent special acts as well as various corporate statutes of general applicability. In addition, certain revised charter powers and provisions were embodied in the Joint Agreement of Merger between The Pennsylvania Railroad Company and The New York Central Railroad Company which became effective on February 1, 1968.

The Pennsylvania Business Corporation Law was extensively revised last year, and it now permits the Company to elect to be covered by that law. In the opinion of the Board of Directors it is highly desirable that the Company be enabled to carry on its business under the standard and flexible provisions of that law. Therefore, at its meeting on February 26, 1969 the Board of Directors elected to be covered by the Pennsylvania Business Corporation Law. The election becomes effective when a certificate evidencing the action by the Board of Directors is filed with the Department of State of the Commonwealth of Pennsylvania. It is planned to file that certificate shortly before the date of the Annual Meeting and Election.

Counsel for the Company has advised that, once the Company becomes subject to the Pennsylvania Business Corporation Law, it would be advisable to amend and restate the Company's Articles of Incorporation in order to eliminate any possible confusion as to which provisions of the numerous statutes continue to be applicable to the Company as part of its charter. A copy of the proposed revision and restatement of the Articles of Incorporation is attached as Appendix A to this proxy statement. If approved by the Stockholders, the restated Articles will be filed with the Department of State promptly after the Annual Meeting and Election.

The effect of the proposed restated Articles will be to continue the present name of the Company, its registered office in the Commonwealth of Pennsylvania, its perpetual existence, its authority to issue up to 27,000,000 shares of capital stock of the par value of \$10 per share and the previously applicable grant to stockholders of preemptive rights with respect to issuance of authorized stock. The corporate powers of the Company would be expanded to include all lawful businesses in addition to its presently more limited charter powers to engage in railroad and other transportation operations and in businesses and activities related to those operations. The Company has no present plans to enter directly into other lines of business; nevertheless, the Board of Directors believes that the Company should not be restricted by its charter to railroad and related operations.

Adoption of the restated Articles requires the affirmative vote of the holders of a majority of the outstanding capital stock of the Company. The Board of Directors urges you to vote FOR adoption of the proposed amendment and restatement of the Articles of Incorporation.

### **3. PROPOSED REORGANIZATION PLAN**

A Plan of Merger and Reorganization (the "Plan"), a copy of which is attached as Appendix B, has been approved by the Board of Directors. In order to consummate the Plan, approval of the Stockholders of the Company must be obtained and accordingly it will be submitted to a vote at the Annual Meeting and Election. The affirmative vote of the holders of at least a majority of the outstanding capital stock is required for approval. The Board of Directors urges you to vote FOR adoption of the proposed Plan of Merger and Reorganization.

The effect of the proposed Plan upon Stockholders will be to transform their investment into stock of a holding company which will own all the stock of the present Company. This holding company will be a corporation with broad business powers. The mechanics for achieving this result are described below under "Method of Reorganization."

#### **Reasons for the Plan**

Management has embarked on a program of diversification and is investigating, and has had some preliminary discussions with, several possible acquisition prospects that might be considered for inclusion in the holding company enterprise. There is no assurance that any of these acquisitions will be effected and at present there is no contract or agreement with respect to any specific acquisition.

This diversification will probably involve the issue of additional securities and the Board believes that stock of a holding company will provide greater flexibility in this program. The investing public identifies the securities presently issuable by the Company or by its investment subsidiaries with securities of companies involved almost exclusively in railroad transportation. Securities of the holding company should reflect the broader scope of the Company.

The issuance of securities by a railroad requires the prior approval of the Interstate Commerce Commission. Due to the restrictions applicable to the issuance of securities by a railroad for non-railroad purposes, it would be difficult for Penn Central Company to carry out a diversification program by issuance of its securities. Even if the Interstate Commerce Commission asserts jurisdiction over any phase of the transactions contemplated by the Plan (See "Regulation" below), the proposed holding company would not be a railroad subject to restrictions applicable to the issue of securities for non-railroad purposes.

Reorganizing Penn Central Company into a wholly-owned subsidiary of the proposed holding company also will expedite and facilitate the merger of various railroad subsidiaries into the Company. These mergers

may be needed to comply with the order of the Interstate Commerce Commission, issued in connection with its approval of the Penn Central merger, requiring simplification of the intercorporate structure. This is primarily so because the proposed reorganization will, under most circumstances, make it unnecessary to seek approval of the public stockholders for such transactions.

### **Method of Reorganization**

In anticipation of the reorganization and in order not to delay it if the Stockholders give their approval, the Company has caused two new corporations to be formed; the first is a Pennsylvania business corporation "Penn Central Holding Company" which will become the proposed parent holding company, and the second is also a Pennsylvania business corporation "PCT Company", which is a subsidiary of the proposed parent holding company. In the following portions of this Proxy Statement describing the Plan, Penn Central Company is referred to as the "Railroad", Penn Central Holding Company is referred to as the "Holding Company" and PCT Company is referred to as "PCT."

It is planned that Railroad and PCT will enter into a Plan of Merger and Reorganization, to be joined in by Holding Company, providing for the merger of PCT into Railroad. In connection with that merger, each share of the capital stock of Railroad will be exchanged for and converted into one share of common stock of Holding Company, Holding Company will become the owner of all the outstanding stock of Railroad, the outstanding stock of PCT will be cancelled, and the separate existence of PCT will cease. The terms of the merger of PCT into Railroad and of the exchange of the capital stock of Railroad for common stock of Holding Company are set forth in Appendix B to this Proxy Statement.

At present all the outstanding common stock (3 shares) of Holding Company is held by nominees of Railroad. The Articles of Incorporation of Holding Company provide for authority to issue 125,000,000 shares, divided into two classes consisting of 25,000,000 shares of preference stock without par value and 100,000,000 shares of common stock also without par value. On the effective date of the merger each outstanding share certificate representing capital stock of Railroad will automatically become and represent the same number of shares of common stock of Holding Company and the presently outstanding 3 shares of common stock of Holding Company will be cancelled. On March 1, 1969, Railroad had outstanding 24,104,708 shares of capital stock. (See "Stock Options" below for information as to shares of capital stock of Railroad covered by outstanding stock options.)

The effect of the Plan will thus be as follows: (a) each share of the capital stock of Railroad will become one share of common stock of Holding Company, (b) Railroad will become a wholly-owned subsidiary of Holding Company, and (c) PCT will have merged into Railroad and the separate existence of PCT will cease.

On the effective date of the merger the name of Railroad will be changed to "Penn Central Transportation Company" and the name of Holding Company will be changed to "Penn Central Company." Railroad will have the same directors, officers and employees and will conduct the same business as prior to that date. The directors and officers of Holding Company are listed under "Management" below.

The expenses of the Plan are estimated at \$135,000. If the Plan is not consummated, the expenses incurred will be paid by Railroad.

### **Exchange of Stock Certificates**

**It will not be necessary for the Stockholders of Railroad to surrender their certificates formerly evidencing shares of capital stock of Railroad. Such certificates will be deemed for all purposes to represent certificates for an equal number of shares of common stock of Holding Company.** Nevertheless, any Stockholder who wishes to do so may after the effective date of the merger submit to any of Railroad's present transfer agents his stock certificate and receive a new certificate for an equal number of shares of common stock of Holding Company.

The shares of common stock of Holding Company will be listed on the New York, Philadelphia-Baltimore-Washington, Boston and Midwest Stock Exchanges.

## **Federal Tax Consequences**

A ruling has been requested from the Internal Revenue Service to the effect, among other things, that (a) the transactions contemplated by the Plan of Merger and Reorganization will constitute a nontaxable reorganization within the meaning of the Internal Revenue Code, (b) no gain or loss will be recognized to Stockholders of Railroad upon receipt of common stock of Holding Company upon the merger, and (c) the tax basis of the common stock of Holding Company received by each Stockholder of Railroad will be the same as the basis of his capital stock of Railroad and, assuming that the common stock of Holding Company and the capital stock of Railroad are capital assets in his hands, his holding period for the shares of common stock of Holding Company will include the period for which he held his capital stock of Railroad. The Management of Railroad presently intends to consummate the transactions contemplated by the Plan only if such ruling is obtained or, absent a ruling, if Railroad receives an opinion from its counsel substantially to the foregoing effect.

## **Termination, Amendment and Effective Date of Plan**

The transactions contemplated by the Plan will not be made effective until the requisite approval of Stockholders is given, the ruling or opinion of counsel described under "Federal Tax Consequences" is received and any necessary authorization or approval of the Interstate Commerce Commission is granted (see "Regulation" below).

At any time prior to the date the merger becomes effective, the Plan may be terminated by majority vote of the Boards of Directors of Railroad, Holding Company and PCT. Also at any time prior to such date and by like vote, the Plan may be amended or supplemented in any manner except that no change may be made in the share-for-share exchange ratio of capital stock of Railroad for common stock of Holding Company without approval of the Stockholders.

The effective date of the merger will be selected by the Boards of Directors of Railroad and PCT and Articles of Merger incorporating the Plan will be filed with the Secretary of State of the Commonwealth of Pennsylvania. Upon completion of that filing or on such later date as may be specified in the Articles of Merger, the merger will become effective.

## **Appraisal Rights**

Since the capital stock of Railroad is listed on the New York Stock Exchange, under applicable Pennsylvania law the Stockholders of Railroad who dissent from the Plan are not entitled to appraisal rights in the absence of any provision to the contrary in the Articles of Incorporation of Railroad or in the resolutions of the Board of Directors of Railroad submitting the Plan for consideration by the Stockholders. Since there is no such contrary provision, in the opinion of counsel for Railroad Stockholders are not entitled to the rights and remedies of dissenting stockholders.

## **Description of Capital Stock of Holding Company**

As stated above, the authorized capital stock of Holding Company will consist of 25,000,000 shares of preference stock, without par value, and 100,000,000 shares of common stock, also without par value. The outstanding common stock, on the date the Plan becomes effective, will consist of the same number of common shares of Holding Company as the number of shares of capital stock of Railroad outstanding at the close of business on the preceding day.

The Board of Directors of Holding Company will be authorized to issue preference stock, without par value, in one or more series, from time to time, with such voting powers, and with such designations, preferences and other special rights, qualifications, limitations and restrictions as may be provided in resolutions adopted by the Board of Directors. The authority of the Board of Directors is set forth in full in Article Fifth of Holding Company's Articles of Incorporation which appear as Exhibit 1 to the Plan attached hereto as Appendix B. Such authority would include, but not be limited to, the determination or fixing of the following with respect to shares of such class or any series thereof: (i) the number of shares and designation; (ii) the dividend rate and whether dividends are to be cumulative, (iii) whether shares

are to be redeemable and the terms and amounts of any sinking fund providing for the purchase or redemption of such shares; (iv) whether such shares shall have priority over or parity with or be junior to the shares of any other series or class in any respect; (v) whether shares shall be convertible and, if so, the applicable terms and provisions; (vi) what voting rights are to apply, if any; (vii) the rights of the shares on liquidation of the Holding Company; and (viii) whether such shares shall have the benefit of any restrictions on the issue of any additional shares.

In the event that preference stock is issued, the common stock of Holding Company would be subject to such preferences as may be established by the Board of Directors when authorizing the issuance of preference stock.

The holders of common stock of Holding Company will be entitled to vote cumulatively in the election of directors. The Stockholders of Railroad do not have that right.

The Stockholders of Railroad have preemptive rights with respect to authorized and unissued shares of Railroad. The Stockholders of Holding Company will not have preemptive rights. The Board of Directors believes that Holding Company should have maximum flexibility in raising new money through the offer and sale of common stock. If preemptive rights were granted additional shares of common stock to be offered or sold for cash would generally have to be offered first to the holders of common stock for purchase in proportion to their respective holdings. Although the Board has no present plan for effecting any financing which would require an offering to Stockholders if they had preemptive rights, the Board believes that thus restricting Holding Company's ability to meet business needs from equity sources in the future would not be in the best interests of Holding Company or its Stockholders.

The Board of Railroad is divided into four classes as nearly equal in number as possible, and at each Annual Meeting and Election directors are elected for four-year terms to fill the class whose term then expires. The Board of Holding Company will be divided into three classes as nearly equal in number as possible, and the term of each class will be three years.

In the opinion of counsel, the common stock of Holding Company will be exempt from personal property taxes in Pennsylvania.

### **Dividends**

Until other sources of income are developed, Holding Company's sole source of income will consist of dividends paid to it by Railroad. The amount available for the payment of dividends by Holding Company will depend upon many factors, including its earnings and its operating and administrative expenses. Although the declaration of dividends will be within the discretion of the Board of Directors of Holding Company, it is expected that dividends on Holding Company's common stock will be paid quarterly and that the first quarterly dividend will be in the same amount per share as the most recent quarterly dividend declared by Railroad prior to the merger. The latest quarterly dividend paid by Railroad was at the rate of 60 cents per share.

### **Regulation**

Railroad is subject to regulation by the Interstate Commerce Commission ("Commission") under provisions of the Interstate Commerce Act ("Act") and is also subject to regulation in limited respects by public utility commissions of states and other jurisdictions in which Railroad operates. Holding Company as hereinafter explained may or may not be subject to regulation by the Commission but under the Act will not be subject to regulation to the extent now applicable to Railroad.

In accordance with established procedures, an appropriate application is being prepared and will be filed by Holding Company with the Commission for approval and authorization of control by Holding Company of Railroad and other carriers controlled by it pursuant to Section 5(2) of the Act. The Commission has authority under the Act either to assert jurisdiction over this application or to determine that it has no jurisdiction and dismiss the application. If the Commission asserts jurisdiction over the application, it may grant the requested approval and authorization or it may deny the application.

If the Commission asserts jurisdiction over the application by Holding Company for authority to control Railroad and other carriers controlled by it, and thereafter enters an order approving and authorizing such acquisition of control, the Commission is authorized by Section 5(3) of the Act to enter an order requiring that Holding Company thereafter shall be considered to be a carrier for the purposes of such portions of Section 20(1) through (10) of the Act and Section 20a(2) through (11) of the Act as the order of the

Commission shall provide. Section 20(1) through (10) authorizes the Commission to require any such carrier to file specified reports with the Commission and to maintain a uniform system of accounts, to have access to the carrier's records and accounts, and provides enforcement provisions in connection therewith. Section 20a(2) through (11) requires Commission authorization of the issuance or guarantee of securities by any such carrier and empowers it to impose related requirements or conditions in connection with such issuance or guarantee.

Under the foregoing circumstances it is not possible now to say whether securities of Holding Company will be issued solely upon the approval and authorization of the Commission or pursuant to the procedures required by applicable federal or state securities laws; nor is it possible to say to what extent, if at all, Holding Company will be subject to the continuing jurisdiction of the Commission with respect to its accounts and other matters under Section 20(1) through (10) of the Act.

### Management

The officers and directors of Railroad, after the effective date of the merger, will be the same persons holding the same positions as the officers and directors of Railroad prior to that date. The directors of Railroad will have the same terms of office as indicated herein under "Election of Directors."

Holding Company will have three classes of directors with one class being elected each year for a three-year term, and the classes being as nearly equal in number as possible. Stockholders will have the right to vote cumulatively for the election of directors of Holding Company.

The initial directors of Holding Company are Messrs. Stuart T. Saunders, Alfred E. Perlman and David C. Bevan. It is anticipated that on and after the effective date of the Plan, the directors of Holding Company will be the following:

<u>Name</u>	<u>Term Expires</u>
Louis W. Cabot .....	1970
John T. Dorrance, Jr. ....	1970
Walter A. Marting .....	1970
Stuart T. Saunders .....	1970
Edward J. Hanley .....	1971
F. M. Kirby .....	1971
Thomas L. Perkins .....	1971
John M. Seabrook .....	1971
Otto N. Frenzel .....	1972
Franklin J. Lunding .....	1972
Alfred E. Perlman .....	1972
R. Stewart Rauch, Jr. ....	1972

The officers of Holding Company, on and after the effective date of the Plan, will be the following persons, holding the positions indicated, all of whom are officers of Railroad:

<u>Name</u>	<u>Title</u>
Stuart T. Saunders .....	Chairman of the Board
Alfred E. Perlman .....	President
David C. Bevan .....	Chairman of the Finance Committee
David E. Smucker .....	Executive Vice President
William R. Gerstnecker .....	Vice President
Theodore K. Warner, Jr. ....	Vice President
William A. Lashley .....	Vice President
Edward A. Kaier .....	General Counsel
Bayard H. Roberts .....	Secretary
John H. Shaffer .....	Treasurer

There is no present plan to pay compensation to the officers of Holding Company in addition to their compensation as officers of Railroad, although Holding Company and Railroad may agree in the future

to allocate between them the compensation paid to those officers who spend a considerable amount of their time serving both companies.

The Articles of Incorporation of Holding Company provide that it may indemnify each director, officer and certain others, to the extent permitted by law, as may be provided in the by-laws of Holding Company. The Board of Directors of Holding Company has adopted such a by-law provision. The by-laws of Holding Company in Article V thereof, a copy of which is attached hereto as Appendix C, provide that directors, officers and employees of Holding Company shall be indemnified by Holding Company against certain payments in connection with actions or proceedings to which they are or may be parties by reason of their service to Holding Company or to another enterprise at its request, to the extent that any such person is not otherwise indemnified and the power to do so has been or may be granted by statute. Article V also authorizes the Board to buy and maintain, at Holding Company's expense, insurance covering the liability of directors and officers.

Directors and officers of corporations have become increasingly subject to the risk of litigation because of their having acted on behalf of their corporation. This litigation can result in the individual's having to pay large expenses in defense of such lawsuits and sometimes even large sums as fines, settlements and judgments. The Board believes that if a director or officer acts in good faith in what he reasonably believes to be the best interests of Holding Company and, in the case of alleged criminal liability, had no reasonable cause to believe that his conduct was unlawful, Holding Company should protect him by indemnification against this risk. This is believed fair to the persons involved and is similar to the protection provided by other corporations for their directors and officers.

### Market Prices

The following table sets forth the high and low prices at which the capital stock of Railroad was traded on the New York Stock Exchange for the periods stated.

	1967*		1968*		1969	
	High	Low	High	Low	High	Low
1st Quarter	641½	521¼	681½	531½	71¾	52½
2nd Quarter	701¼	531¼	85¾	68½	—	—
3rd Quarter	70¾	61½	86½	63	—	—
4th Quarter	63	53	73¼	59½	—	—

\* Prior to February 1, 1968, the date of merger of the New York Central into Railroad, the prices are the prices for stock of The Pennsylvania Railroad Company.

The closing price on March 28, 1969 was \$54.25.

### Stock Option and Incentive Plans

Information with regard to restricted and qualified stock options held by officers and employees of Railroad is set forth below under "Remuneration and Compensation Plans." Under the proposed Plan, holders of such options to purchase capital stock of Railroad will instead be entitled, after the Plan becomes effective, to purchase an equal number of shares of common stock of Holding Company on the same terms and conditions including option price.

It is contemplated that Holding Company, prior to the effective date of the proposed Plan, will take steps to adopt a Qualified Stock Option Plan in substantially the form approved by stockholders of Railroad at the Annual Meeting in 1964. The shares of Holding Company common stock available for the granting of options will not exceed the number of shares of capital stock of Railroad so available under the 1964 plan on the effective date of the proposed reorganization. On March 1, 1969, there were 292,000 shares of Railroad capital stock available for the grant of options under the Railroad Option Plan. Under the proposed Qualified Stock Option Plan of Holding Company, such options could be granted to qualified employees of Holding Company, of Railroad and of other subsidiaries of Holding Company.

Similarly, it is contemplated that Holding Company will take the required action to adopt an incentive program, to be effective on and after the effective date of the proposed Plan, with provisions substantially identical to the provisions of Railroad's Incentive Program described herein as proposal 4 and set forth in

Appendix D. The incentive program of Holding Company would, however, provide that the conditions to the granting of awards thereunder and the limitation on the aggregate of all awards would be related directly to the consolidated earnings of Holding Company and dividends paid on the common stock of Holding Company. Such proposed incentive program would replace the present program of Railroad and would contemplate the granting of awards to qualified employes of Holding Company, of Railroad and of other subsidiaries of Holding Company.

### CAPITALIZATION

The following table sets forth the capitalization of Railroad and its consolidated subsidiaries as of December 31, 1968, and the pro forma capitalization of Holding Company and its consolidated subsidiaries after giving effect to the Plan.

	Outstanding	Pro Forma	
		Adjustment	As Adjusted
Long-Term Debt—including current portions*:			
Bank loans 4% to 8 $\frac{1}{8}$ % due to 1990	\$ 208,544,826		\$ 208,544,826
Mortgage bonds and notes 2 $\frac{1}{2}$ % to 7 $\frac{1}{4}$ % due to 2862	1,113,402,571		1,113,402,571
Collateral trust bonds and notes 4% to 6 $\frac{1}{2}$ % due to 1993	102,318,950		102,318,950
Railroad equipment obligations 2 $\frac{3}{4}$ % to 7 $\frac{1}{2}$ % due to 1986	682,620,473		682,620,473
Real estate and other secured loans 2 $\frac{1}{4}$ % to 7 $\frac{1}{2}$ % due to 1991	92,789,631		92,789,631
Various unsecured notes 4% to 8 $\frac{1}{2}$ % due to 1970	65,461,972		65,461,972
Miscellaneous obligations	21,358,641		21,358,641
<b>Total Long-Term Debt</b>	<b>\$2,338,312,112</b>		<b>\$2,338,312,112</b>
Short-Term Debt:			
Notes payable to banks and others	\$ 77,326,339		\$ 77,326,339
* Certain issues require annual installments of principal, in varying amounts, to the final maturity dates indicated.			
Shareholders' Equity:			
Capital Stock, \$10 par value authorized 27,000,000 shares, issued 24,085,329 shares	\$ 240,853,290	\$(240,853,290)	\$ —
Preference Stock, no par value authorized 25,000,000 shares	—		—
Common Stock, no par value authorized 100,000,000 shares, issued 24,085,329 shares, at stated value of \$1 per share	—	24,085,329	24,085,329
Paid-in Capital	1,068,257,174	216,767,961	1,285,025,135
Retained earnings	1,674,432,957		1,674,432,957
<b>Total shareholders' equity</b>	<b>\$2,983,543,421</b>		<b>\$2,983,543,421</b>
Book value per share	\$123.87		\$ 123.87

The pro forma balance sheet of Holding Company and its consolidated subsidiaries will reflect assets and liabilities identical with those in the balance sheet of Railroad and its consolidated subsidiaries.

In March and April of 1969 Railroad, with the approval and authorization of the Interstate Commerce Commission, issued \$50,000,000 principal amount of commercial paper obligations. It is anticipated that, in April of 1969, Railroad will request Interstate Commerce Commission approval of the issuance of up to \$300,000,000 of revolving credit notes. Of the proceeds of those notes, \$100,000,000 will be used to repay presently outstanding revolving credit notes, \$50,000,000 will be used to repay a like amount of outstanding commercial paper, and the balance will be used to reimburse Railroad's treasury for capital expenditures and for payment of debt maturities and to augment working capital. These notes will be secured by a covenant against pledging of Railroad's holdings of all outstanding Pennsylvania Company common stock.

Pennsylvania Company is negotiating the issue and sale of \$35,000,000 of twenty-year collateral trust bonds secured by the pledge of the common stock of Buckeye Pipe Line Company. Pennsylvania Company will use these funds to purchase certain securities from Railroad. Consideration is also being given to the issuance of additional junior securities of Pennsylvania Company in an amount of approximately \$40,000,000.

## BUSINESS AND PROPERTIES OF RAILROAD

**General Business**—Effective February 1, 1968, the Penn-Central merger became effective and the name of The Pennsylvania Railroad Company was changed to Pennsylvania New York Central Transportation Company and on May 8, 1968, was changed to Penn Central Company ("Railroad"). On December 31, 1968 Railroad acquired properties and franchises of The New York, New Haven and Hartford Railroad Company. Railroad, which is now the parent company of the Penn Central system, controls, or has substantial stock ownership in certain other operating railroad companies. Railroad also has a number of subsidiaries engaged in businesses other than railroad operations and has substantial real estate holdings, as described below. The information furnished below gives effect to the Penn-Central merger only and not to the New Haven acquisition.

**Railroad Operations**—As of December 31, 1967, Railroad operated 19,177 miles of road, of which 7,220 miles were owned, 10,408 miles were operated under lease or operating agreement and 1,549 miles were operated under trackage rights. The mileage operated included 6,083 miles of main line and 13,094 miles of branch line.

The lines of railroad owned or operated by Railroad are located in the States of Delaware, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia and West Virginia, in the District of Columbia and in Canada. They extend from Boston, New York, Philadelphia, Baltimore and Washington, D. C. on the East to Chicago, Peoria and St. Louis on the West. Other lines extend from Harrisburg to Buffalo and Erie; from Pittsburgh to Buffalo, Cleveland, Toledo and Detroit; from Columbus to Cincinnati, Cleveland, Detroit and Chicago; from Indianapolis to Louisville and Chicago; and from Fort Wayne to Cincinnati and Mackinaw City. They connect New York, Albany, Buffalo, Cleveland, Toledo, and Chicago; Syracuse and Montreal; Cleveland, Cincinnati, Indianapolis, Peoria, and St. Louis; Cincinnati and Chicago; Buffalo, Detroit and Chicago; Detroit, Grand Rapids and Mackinaw City; Toledo, Columbus, Zanesville and Charleston; and Boston and Albany.

As of December 31, 1968, Railroad had in service through ownership or lease 3,861 diesel-electric locomotives, 225 electric locomotives and 184,520 freight cars, including 62,038 box cars, 65,585 hopper cars and 39,807 gondola cars. Its passenger train cars on the same date totaled 4,202, including 652 self-propelled cars used primarily in suburban passenger operations.

In 1968, 87% of Railroad's operating revenues came from freight service and 13% from passenger train service.

Approximately 39% of the miles of track operated by Railroad was operated under lease or contract from other companies. The following tabulation lists the more important lessor lines:

Company	Railroad's Direct or Indirect Voting Stock Interest December 31, 1968	Miles of Track Operated Under Lease or Contract December 31, 1967	Lease Terminates
The Philadelphia, Baltimore and Washington Railroad Company .....	100%	5,052	Jan. 1, 2917 and Jan. 1, 2920
Penndel Company .....	100%	2,126	On 60 days' notice.
The Connecting Railway Company .....	100%	1,096	Feb. 18, 2862
Pittsburgh, Fort Wayne and Chicago Railway Company .....	88.52%	1,675	July 1, 2868
The United New Jersey Railroad and Canal Company .....	54.12%	1,103	June 30, 2870

Company	Railroad's Direct or Indirect Voting Stock Interest December 31, 1968	Miles of Track Operated Under Lease or Contract December 31, 1967	Lease Terminates
The Northern Central Railway Company	80.12%	528	Jan. 1, 2910
The Delaware Railroad Company	84.92%	312	July 1, 2009, then year to year
The Cleveland and Pittsburgh Railroad Company	80.19%	654	Dec. 1, 2870
The Little Miami Railroad Company	80.69%	377	Dec. 1, 2067 renewable forever in 99-year terms.
The Pittsburgh, Youngstown & Ashtabula Railway Company	80.16%	383	July 1, 2909
Pennsylvania Tunnel and Terminal Com- pany	100%	135	July 1, 2927
The Cleveland, Cincinnati, Chicago and St. Louis Railway Company(1)	99.5%	4,235	Feb. 1, 2029
The Michigan Central Railroad Company	99.9%	2,172	Feb. 1, 2029
The New York and Harlem Railroad Com- pany	95.1%	293	April 1, 2274
The Mahoning Coal Railroad Company	80.8%	78	Perpetuity
The Canada Southern Railway Company	71.5%	280	Jan. 1, 2903

(1) Includes the lines of The Peoria and Eastern Railway Company from Indianapolis, Ind., to Pekin, Ill., consisting of approximately 274 miles of track. The operating agreement under which these lines are operated expires April 1, 1970. The C.C.C. & St. L. Ry. and Railroad own approximately 66% of the outstanding stock of The Peoria and Eastern Railway Company. This does not include approximately 14% of the outstanding stock of The Peoria and Eastern Railway Company held by The Bank of New York, as Trustees under a Voting Trust Agreement between the Bank and Railroad dated July 8, 1965. The agreement requires that the shares so held by the Bank as Trustee shall be voted by it independently and that Railroad or its affiliates shall have no voice or influence in the voting of such shares.

## FREIGHT TRAFFIC OF PENN CENTRAL COMPANY

Years 1964-1967

### GROSS FREIGHT REVENUES

	1967		1966		1965		1964	
	\$	%	\$	%	\$	%	\$	%
Farm Products	\$ 59,978,590	4.70	\$ 68,821,343	5.23	\$ 65,855,475	5.11	\$ 71,095,746	5.79
Metallic Ores	55,660,800	4.36	63,784,911	4.84	64,156,172	4.98	66,307,874	5.40
Coal	204,796,027	16.05	204,040,592	15.50	207,616,135	16.10	207,733,086	16.92
Sand, Gravel & Stone	22,354,872	1.75	16,669,233	1.27	25,892,391	2.01	26,299,271	2.14
Food & Kindred Products	135,016,535	10.58	132,255,116	10.04	129,145,929	10.02	131,006,557	10.67
Pulp, Paper & Printed Matter	74,897,367	5.87	76,358,021	5.80	71,471,897	5.54	69,147,444	5.63
Chemical & Allied Products	99,158,328	7.77	97,296,477	7.39	91,774,697	7.12	86,008,549	7.01
Stone, Clay & Glass Products	51,699,598	4.05	55,113,309	4.19	54,056,875	4.19	51,594,413	4.20
Primary Metal Products, Incl. Scrap	183,178,201	14.35	200,081,829	15.20	191,547,290	14.86	170,062,115	13.85
Motor Vehicles & Tires	129,330,172	10.13	138,517,659	10.52	135,993,399	10.55	102,654,959	8.36
All Other	260,292,703	20.39	263,782,094	20.02	251,859,642	19.52	245,720,483	20.03
<b>Total</b>	<b>\$1,276,363,193</b>	<b>100.00</b>	<b>\$1,316,720,584</b>	<b>100.00</b>	<b>\$1,289,369,902</b>	<b>100.00</b>	<b>\$1,227,630,497</b>	<b>100.00</b>

### TONNAGE

	1967		1966		1965		1964	
	Tons	%	Tons	%	Tons	%	Tons	%
Farm Products	10,429,520	3.35	12,271,152	3.80	11,897,226	3.72	13,276,068	4.23
Metallic Ores	27,780,420	8.94	29,881,862	9.26	29,569,236	9.24	30,380,333	9.69
Coal	112,446,709	36.18	113,545,900	35.20	113,927,596	35.61	114,800,814	36.62
Sand, Gravel & Stone	12,237,902	3.94	13,019,076	4.04	14,456,774	4.52	14,696,014	4.69
Food & Kindred Products	20,332,924	6.54	20,106,438	6.23	20,187,526	6.31	20,768,167	6.62
Pulp, Paper & Printed Matter	13,952,236	4.49	14,493,645	4.49	13,564,692	4.24	12,929,465	4.12
Chemical & Allied Products	16,577,668	5.33	16,537,860	5.13	15,843,792	4.95	14,785,159	4.72
Stone, Clay & Glass Products	13,051,956	4.20	14,199,786	4.40	14,015,069	4.38	13,106,967	4.18
Primary Metal Products, Incl. Scrap	41,864,036	13.47	45,847,523	14.21	43,553,492	13.61	39,192,240	12.50
Motor Vehicles & Tires	10,121,406	3.26	10,880,947	3.37	10,921,705	3.41	8,143,241	2.60
All Other	32,043,086	10.30	31,773,822	9.87	31,962,806	10.01	31,427,208	10.03
<b>Total</b>	<b>310,837,863</b>	<b>100.00</b>	<b>332,558,011</b>	<b>100.00</b>	<b>319,899,914</b>	<b>100.00</b>	<b>313,505,676</b>	<b>100.00</b>

Year Ended December 31	Originated				Received from Connection			
	Terminated on Line		Delivered to Connections		Terminated on Line		Delivered to Connections	
	Tons	% of Total	Tons	% of Total	Tons	% of Total	Tons	% of Total
1963	79,843,800	26.87	70,602,366	23.76	96,702,946	32.54	50,017,075	16.83
1964	83,980,666	26.79	75,725,323	24.15	104,913,339	33.47	48,886,288	15.59
1965	86,059,699	26.90	75,743,492	23.68	108,947,221	34.06	49,149,502	15.36
1966	86,130,890	26.70	76,661,212	23.77	113,799,421	35.28	45,966,488	14.25
1967	78,998,945	25.41	73,657,934	23.70	114,398,687	36.80	43,782,297	14.09

Note: The tonnage statistics include slight duplication because of traffic handled between the former New York Central Railroad Co. and The Pennsylvania Railroad Co. Commodity classifications were changed effective January 1, 1964, and comparison with classifications in prior years is not appropriate.

Railroad and/or its affiliated companies control, through ownership of a majority of the capital stock, certain separately operated railroad companies of which the principal are:

Company	Direct or Indirect Voting Stock Ownership by Railroad December 31, 1968	Miles of Track Operated December 31, 1967
Detroit, Toledo and Ironton Railroad Company .....	99.99%	744
The Ann Arbor Railroad Company .....	99.96	407
Pennsylvania-Reading Seashore Lines .....	66.64	503
Lehigh Valley Railroad Company .....	97.32	2,098
The Pittsburgh and Lake Erie Railroad Company .....	92.61	811
Indiana Harbor Belt Railroad Company .....	50.96	587
The Chicago River and Indiana Railroad Company .....	100	147
The Toronto, Hamilton and Buffalo Railway Company .....	72.86	253

In addition to the above principal railway operating subsidiaries, Railroad owns jointly with The Atchison, Topeka and Santa Fe Railway Company, the Toledo, Peoria & Western Railroad Company; Railroad also owns certain other railway and terminal companies jointly with various other railroad companies. Railroad also owns certain motor carrier companies which perform terminal and road services.

**Subsidiaries engaged in other businesses**—Railroad also has certain non-railroad wholly-owned or majority-owned subsidiaries, of which the more important are the following:

Company	Business	Net Assets December 31, 1968
American Contract Company .....	Investment .....	\$ 15,648,823
Arvida Corporation (Consolidated) .....	Real Estate Development .....	69,956,932
Buckeye Pipe Line Company (Consolidated) .....	Pipe Line .....	77,320,952
Clearfield Bituminous Coal Corporation .....	Owning and Developing Coal Lands .....	16,316,414
Despatch Shops, Inc. ....	Car-building and Real Estate .....	17,564,711
Great Southwest Corporation (Consolidated) .....	Real Estate Development .....	36,355,498
Macco Corporation (Consolidated)* .....	Real Estate Development .....	73,062,404
Manor Real Estate Company .....	Real Estate .....	26,658,792
Merchants Despatch Transportation Corporation .....	Refrigerator Car Company .....	45,787,452
Pennsylvania Company .....	Investment .....	419,069,518

\* See below for merger into a subsidiary of Great Southwest.

During 1968, disposition of holdings included stock of Strick Corporation (a manufacturer of trailers and containers) and Transport Pool, Inc. (a trailer leasing company) and Great Southwest's ownership of Six Flags Over Georgia, an amusement park at Atlanta.

**Real Estate Operations**—Railroad and its subsidiaries have substantial real estate holdings in the Grand Central Terminal area in New York City, owning a total of approximately 29 acres of land situated along Park Avenue, from 42nd to 52nd Streets upon which there are situated 16 major office

buildings. In addition, Railroad owns two hotels in New York City (the Biltmore and Barclay) and two subsidiaries of Railroad own one hotel each (the Roosevelt and Commodore), all of which are operated by a subsidiary. Railroad also owns the Waldorf-Astoria, which is leased to an outside operator. The properties in the Grand Central Terminal area are subject to mortgages securing five separate bond issues, and under the terms of these mortgages Railroad's rights with respect to the sale of the properties and the use of the proceeds of sale are restricted.

Railroad, on December 31, 1968, acquired an interest of approximately 23 per cent in Madison Square Garden Corporation in exchange for a 55 per cent interest in the new office building adjacent to the new Madison Square Garden Center and a 25 per cent stock interest in Madison Square Garden Center, Inc. Railroad received 1,168,664 shares of Madison Square Garden Corporation common stock and 100,000 shares of preferred stock which are exchangeable, upon approval by the shareholders of Madison Square Garden Corporation, for 1,151,000 additional shares of common stock.

Railroad, through its subsidiary Pennsylvania Company, also held substantial interests in three real estate companies. Macco Corporation, a large, full-range real estate development company with its headquarters in Southern California, had six operating divisions: residential, apartment, commercial-recreation, commercial-industrial, recreation land and land investments. Principal source of revenue was from sales operations of the six divisions. Great Southwest Corporation, a land company in the Dallas-Fort Worth area of Texas and in Atlanta, Georgia, had principal properties in industrial parks of approximately 7,000 acres in the Dallas-Fort Worth area and 3,000 acres in the Atlanta area. Large family amusement parks are operated at both Dallas-Fort Worth and Atlanta. On March 21, 1969 Macco was merged into a wholly-owned subsidiary of Great Southwest. Arvida Corporation owns land on both the East and West coasts of Florida approximating 40,000 acres. Properties are located in the Miami-Fort Lauderdale-Boca Raton-Palm Beach areas on the East coast and the Sarasota area on the West coast. Arvida's business includes sale of land, construction and sale of condominium apartments and ownership and operation of the Boca Raton Hotel and Club.

**Other Information**—On December 31, 1968, Railroad acquired properties and franchises of the bankrupt The New York, New Haven and Hartford Railroad Company. This acquisition was required by the Interstate Commerce Commission as a condition of the Penn Central merger. The purchase price fixed by the Commission required (1) payment of 950,116 shares of newly issued Railroad capital stock, (2) issue of \$33.6 million new Railroad 5% 25-year bonds, (3) assumption of liability of \$8.9 million in respect of 4¼% New Haven Harlem River bonds due January 1, 1973 (subject to refunding by 25-year 5% bonds), (4) cancellation of \$14 million of Trustees' certificates held by Railroad, (5) assumption of Trustees' obligations on consummation of the plan of reorganization of Boston and Providence Railroad Corporation, (6) payment of about \$3 million in cash, (7) assumption of pension, vacation pay and labor protection costs for New Haven employes and (8) assumption of equipment obligations. On December 31, 1968 and January 2, 1969, consolidated actions were instituted by certain New Haven bond holders and indenture trustees in the United States District Court for the Southern District of New York (a statutory 3-judge court) seeking substantial increases in the purchase price paid by Railroad. Litigation of a similar nature also is before the New Haven's Reorganization Court, the United States Court for the District of Connecticut.

Under the terms and conditions of the report and order of the Interstate Commerce Commission dated June 24, 1964, Railroad and its subsidiaries and affiliates were required to divest themselves of all Norfolk & Western stock within ten years after the effective date (October 16, 1964) of the merger of New York, Chicago & St. Louis Railroad Co. into Norfolk & Western and the lease of Wabash Railroad to Norfolk & Western. At that time Railroad and Pennsylvania Company held a total of 243,419 shares of 4% adjustment preferred, 71,100 shares of 6% cumulative preferred and 2,342,784 shares of common stock of Norfolk & Western. All these shares were put into voting trusts with three banks as voting trustees. Since then, Railroad and Pennsylvania Company have sold or otherwise disposed of all the shares of the 4% adjustment preferred and the 6% cumulative preferred and 506,492 shares of the common stock of Norfolk & Western. The remaining 1,836,292 shares of common stock of Norfolk & Western are presently subject to various

agreements for the exchange of Norfolk & Western common stock for other securities, escrow provisions to cover conversion rights of Pennsylvania Company 4 $\frac{5}{8}$ % preferred stock, or pledges of Norfolk & Western common stock as security for various Pennsylvania Company borrowings. By agreement Pennsylvania Company will receive on October 15, 1970 an additional 671,692 shares of common stock of Norfolk & Western in exchange for its present holdings of common stock of Wabash Railroad Company.

#### **4. INCENTIVE PROGRAM**

The Board of Directors of the Company has adopted an Incentive Program ("Program") which is designed to make possible additional rewards to officers and key employes of the Company and its subsidiaries who make special contributions to the financial success of the enterprise. Counsel for the Company has advised that approval of the Program by Stockholders is not legally required. Nevertheless, the Board has decided to submit it to the Stockholders at the Annual Meeting and Election. The Program will be implemented only if it receives the affirmative vote of the holders of more than a majority of the outstanding capital stock of the Company. A copy of the Program is attached to this Proxy Statement as Appendix D.

The Board may make awards during the first quarter of each calendar year, on the basis of financial results for the preceding year, only if (a) the Company's consolidated net earnings for the preceding year have exceeded the equivalent of \$2.00 per share upon the capital stock outstanding at the close of such year, and (b) the Board has during that year declared dividends on the Company's stock at the rate of at least \$2.00 per share. If these conditions are met, the Board may approve awards to officers and key employes of the Company and its subsidiaries, but the total amount of all such awards may not exceed certain percentage portions of consolidated net earnings as reported to the Stockholders for the previous calendar year. The formula thus limiting the aggregate amount of all awards each year is set forth in Section 7 of the Program (Appendix D).

No awards have been made under the Program. If awards had been made for 1968, under the formula the aggregate amount of all awards based upon the results for 1968 could not have exceeded \$650,992.

The Program provides that awards may be distributed, in the discretion of the Board, either in cash, in allotments of Contingent Compensation or in a combination thereof (Section 5, Appendix D). The amount of awards to officers of subsidiaries would be determined by the Board of Directors of the Company but the distribution thereof would be charged to the subsidiaries involved (Section 9, Appendix D).

Participation in the Program is limited to the holders of positions with the Company or a subsidiary which are from time to time designated by the Board (Sections 3 and 9, Appendix D). The Board has taken action providing that this will include all positions with the Company the holders of which receive annual cash remuneration of at least \$30,000. As of March 1, 1969, there were 36 officers (including two directors) and 44 key employes holding such positions. Appropriate action to participate in the Program has been taken by the boards of three subsidiaries and 20 officers thereof would be eligible for awards. The basis of participation in the Program by any eligible person would be a determination by the Board of Directors of the Company that the contribution by such person to the successful results achieved by the Company and its consolidated subsidiaries merits such recognition.

Each of the three highest paid officers of the Company, Messrs. Saunders, Perlman and Bevan, would have been eligible for an award under the Program if the Board had decided to make such awards based upon the year 1968. The amount which each of the above persons would have received under the Program, based upon results for the year 1968, would have been a matter for determination by the Board of Directors, in its discretion, subject only to the limitation on the aggregate amount of all awards as set forth in Section 7 of Appendix D.

The Program can be amended or modified (as provided in Section 8, Appendix D) by action of the Board of Directors without any vote by Stockholders. However, it is the present intention of the Board to submit to a vote of Stockholders any amendment or modification which would materially increase the present limitation on the aggregate amount of awards, but no such change is presently contemplated. As

discussed under "Proposed Reorganization Plan" above, it is contemplated that the proposed holding company will adopt a substantially identical incentive program which will replace the Program described here.

### REMUNERATION AND COMPENSATION PLANS

Name of Individual or Identity of Group	Capacities in Which Remuneration Was Received	1968 Direct Remuneration (a)
Stuart T. Saunders	Chairman of the Board	\$ 238,706
Alfred E. Perlman	President of the Company and Director and President, The New York Central Railroad Company	176,087 (b) (c)
David C. Bevan	Chairman of the Finance Committee	136,343
All Directors and Officers, (66 persons)		\$2,291,492(d)

- (a) The remuneration shown includes Directors' fees from subsidiary companies but primarily represents salaries received for services as officers of the Company.
- (b) Mr. Perlman's employment contract, dated as of April 1, 1960, as amended October 26, 1967 and February 1, 1968 provides for the extension of Mr. Perlman's active employment with the Company for three years beyond his normal retirement date until November 30, 1970, at an annual salary of \$170,000 and payments annually thereafter at \$50,000 for ten years and eight months.
- (c) Includes payment of \$6,500 on bonus awards made pursuant to the Incentive Bonus Plan of The New York Central Railroad Company. The aggregate amount of subsequent installments to be paid to Mr. Perlman in future years is \$6,500.
- (d) This amount includes bonus award installments under the New York Central Incentive Bonus Plan in the aggregate amount of \$70,400. The aggregate amount of subsequent installments to be paid in future years is \$68,000.

Under the Contingent Compensation Plan adopted by the Board in 1952, contingent allotments were made in 1968 for the account of the officers included in the above tabulation. The contingent allotments are represented by units in funds which are invested in various securities, and payments ultimately made to each participant will be based upon the then current value of such units. Effective July 1, 1961, two sub-funds were created and designated Series A and Series B. Varying proportions of the interests of officer participants on that date became represented in the Series A fund and the remainder in the Series B fund. A further transfer of interests from the Series B fund to the Series A fund was made effective October 1, 1966. Current allotments are represented in the Series B fund. During 1968 there were 749 B units credited to Mr. Saunders and 384 B units to Mr. Bevan. Under a similar Contingent Compensation Plan of The New York Central Railroad Company in effect prior to merger, contingent allotments were represented by units in a single fund. Effective with the merger on February 1, 1968, the two plans were combined and the interests of the participants in the New York Central Fund were transferred in varying proportions to the funds under the Company's Plan. As a result of this transfer, Mr. Perlman was allotted 1,701 A units and 860 B units. Since February 1, 1968, Mr. Perlman was allotted 410 B units. As of December 31, 1968, there had been credited to Mr. Saunders 1,147 A units and 4,194 B units; to Mr. Perlman 1,701 A units and 1,270 B units; and to Mr. Bevan 4,148 A units and 3,487 B units. As of the same date, an aggregate amount of 15,250 A units and 20,845 B units had been credited to all other officers; and the value of each A unit was \$130.58 and of each B unit, \$136.33.

#### Pensions

Set forth below is information regarding pensions:

Name of Individual	Estimated Annual Pension*
Stuart T. Saunders	\$144,445
Alfred E. Perlman	91,141
David C. Bevan	82,542

\* Reflects the exercise of options providing survivorship benefits for wives.

## Stock Options

The following tabulation shows as to certain officers and as to all officers as a group (i) the amount of options granted since January 1, 1964, (ii) the amount of shares of capital stock acquired since that date through the exercise of options granted since that date or prior thereto, (iii) the amount of shares of capital stock sold during such period and (iv) the amount of shares of capital stock subject to all unexercised options held as of March 1, 1969.

<u>Capital Shares*</u>	<u>Mr. Saunders</u>	<u>Mr. Perlman</u>	<u>Mr. Bevan</u>	<u>35 Officers as a Group</u>
<b>Granted—1964 to March 1, 1969:</b>				
Number of shares .....	42,000	28,000	20,000	235,000
Average per share option price .....	\$57.3125	\$57.3125	\$57.3125	\$57.56
<b>Exercised—1964 to March 1, 1969:</b>				
Number of shares .....	47,100	34,000	34,400	342,616
Aggregate option price of options exercised .....	\$1,081,350	\$113,225	\$ 772,800	\$ 6,886,825
Aggregate market value of shares on date options exercised .....	\$2,652,325	\$843,312	\$1,599,450	\$16,899,454
<b>Sales—1964 to March 1, 1969:</b>				
Number of shares .....	4,000	32,890	4,000	193,249†
<b>Unexercised at March 1, 1969:</b>				
Number of shares .....	62,400	28,000	23,600	280,031
Average per share option price .....	\$46.2945	\$57.3125	\$52.3072	\$52.08

In addition, during the period employees (other than officers) were granted options for 141,000 shares at an average option price per share of \$59.80. As of March 1, 1969, a total of 430,976 shares were subject to outstanding and unexercised options.

\* All share figures and amounts representing capital stock of the former New York Central Railroad Company have been adjusted on the basis of the exchange ratio of 1.3 shares of capital stock of the Company for each such share of New York Central stock, as provided in the Penn Central merger.

† Sales by officers who exercised options during the period 1964 to March 1, 1969.

## Other Compensation Plans

*Supplemental Pension Plan.* The Company's Supplemental Pension Plan is made available to (a) all employes occupying positions not subject to labor agreements, (hereinafter called "non-agreement employes"), (b) all agreement employes of the Company hired by the former Pennsylvania Railroad prior to 1961, and (c) all full-time salaried agreement employes of the Company hired by the former New York Central Railroad prior to 1961. The provision of the plan as to each such category of employes is described in paragraphs (a), (b) and (c), respectively, below.

(a) The plan is non-contributory for non-agreement employes. Pension benefits are based on the following formula: a monthly pension calculated on the basis of 1½% credit for each year of creditable service times the average monthly compensation during the five years preceding retirement, less 80% of the Railroad Retirement annuity payable using the \$400 Railroad Retirement base. Non-agreement members may retire at age 62 or over regardless of service, or between ages 60 and 62 with 30 years of service, without a pension reduction. Non-agreement members between ages 60 and 62 with less than 30 years of service may also retire but their pension is reduced 1/180th for each month under age 62. In addition to the Supplemental Pension Plan, the Company under certain circumstances credits certain officers and key employes with service with prior employers for pension purposes. The amounts shown under "Pensions" above reflect that practice.

(b) For eligible agreement employes, the plan is contributory with the member currently paying  $4\frac{1}{4}\%$  of his monthly compensation in excess of \$650 and the Company making a matching contribution. An agreement member retiring at the normal retirement age of 65 receives a monthly pension equal to 1% of the average monthly compensation upon which contributions are based during the ten years preceding retirement, multiplied by the years of creditable service. Agreement members may retire between ages 60 and 65 but their pension is reduced  $1/180$  for each month under age 65.

(c) For eligible full-time salaried agreement employes, the plan is contributory with the member currently paying  $3\frac{3}{4}\%$  of his monthly compensation in excess of \$650. Such a member retiring at the normal retirement age of 65 receives a monthly pension equal to the sum of (1) from January 1, 1968, .775% (1% for such compensation prior to June 1, 1967 and .9% from June 1, 1967 through December 31, 1967) of his average monthly compensation upon which contributions are based during the ten years preceding retirement, multiplied by the years of creditable service, and (2)  $1/120$ th of the member's total contributions to the plan. These members may retire between ages 60 and 65 but their pension is reduced  $1/180$ th for each month under age 65.

*Thrift Plan.* Under the Company's Thrift Plan, all non-agreement employes with six months' service may authorize payroll deductions up to a maximum of 5% of their compensation. These deductions are deposited in trust for investment of equal amounts in Penn Central Company capital stock and United States Savings Bonds. The Company contributes an additional amount equal to one-half of the employe's deductions, all of which is invested in Company stock. In general, dividends on the stock are paid to participants currently and all securities are transferred to them after being held in trust for five years. The New York Central Railroad Company did not have a similar Thrift Plan, but service with that company was recognized in determining eligibility as of the merger date.

*Accidental Death and Dismemberment Plan.* Officers of the Company earning \$30,000 or more are covered by an Accidental Death and Dismemberment Plan which provides 24-hour all-risk coverage equal to two times the member's annual salary or \$100,000, whichever is greater. Total disability benefits are paid weekly in an amount equal to .2% of the principal sum in the event of permanent total disability resulting from an accident.

Employes earning \$10,000 or more but less than \$30,000, or who hold an Air Travel Credit Card provided by the Company, are covered by a \$100,000 accidental death and dismemberment insurance policy if the accident occurs while on business travel for the Company.

Former New York Central Railroad Company employes had similar coverage prior to the merger.

*The New York Central Railroad Company Incentive Bonus Plan.* The plan provided that all officers and employes of The New York Central Railroad Company ("New York Central"), or any 95%-owned subsidiary of New York Central, were eligible for bonus awards under the plan. The Board of Directors had the authority to make awards to eligible officers and employes who, in its opinion, contributed in any extraordinary way to the success and profit of the New York Central by their inventions, ability, industry, loyalty or exceptional service. The awards were made in cash or stock purchased in the open market, or in any combination thereof. Awards were permitted only if the New York Central, during the preceding 12 months, had paid or declared dividends of \$2 or more, at least \$1 of which was to be paid in cash. The incentive award account could not be credited with more than 10% of net income in excess of an amount equivalent to \$2 per share at the time the plan was adopted. No bonus award was permitted in excess of \$50,000 and any award in excess of \$1,000 was payable in five equal annual installments. In the event of retirement or other termination of service with the approval of the Board, an employe was entitled to receive the full amount of the unpaid installments under the plan. In the event of death, the unpaid installments were paid to the employe's executor or administrator. If an employe left the company for any other reason, the unpaid amount of the award lapsed. The last awards, made under this plan were in June 1966, with final payments scheduled for not later than May 1971 and no further awards may be made.

*The New York Central Railroad Company Stock Purchase Plan.* This plan provided that any employe of New York Central, or any 95%-owned subsidiary of New York Central, with two years' service could

purchase shares of New York Central common stock on a payroll deduction basis. Each employe was permitted to purchase one share of New York Central stock for each \$100 of annual salary. The purchase price was 100% of the closing price of the stock on the New York Stock Exchange at the time of purchase. Dividends are credited against the purchase price. Stock is held by the Company until full payment is received. An employe can terminate his participation at any time and receive all the monies which he had paid into the plan, and the stock and dividends thereupon revert to the Company. The last subscriptions under the plan were in January 1968, and the plan for that purpose terminated with the merger, effective February 1, 1968. Payments of all amounts due for these purchases should be concluded by December 31, 1970.

#### **5. CONFIRMATION OF AUDITORS**

At the Meeting, there will be submitted to the Stockholders, for ratification or rejection, the selection of Messrs. Peat, Marwick, Mitchell & Co., independent public accountants, to certify the Company's 1969 annual financial statements to Stockholders. Your proxy will be voted for ratification unless you specify otherwise. If such selection is rejected by the Stockholders, Management will select another firm of independent public accountants for the purpose of making the 1969 annual audit. Messrs. Peat, Marwick, Mitchell & Co. have no direct or indirect financial interest in the Company or any of its subsidiaries, nor have they had any connection during the past three years with the Company or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, director, officer, or employe, except that they have performed auditing services for the Company and certain of its subsidiaries and for New York Central.

#### **FINANCIAL STATEMENTS**

Financial statements of Holding Company and of Railroad have been omitted from this Proxy Statement because they are not deemed material to the exercise of prudent judgment by Stockholders in voting on the Proposed Plan of Merger and Reorganization or any other matter proposed to be acted upon at the Annual Meeting and Election. However, the Balance Sheets of Railroad and of Railroad and its subsidiaries consolidated at December 31, 1968, and the Statement of Income and Retained Earnings of Railroad and of Railroad and its subsidiaries consolidated for the year then ended, appear in the Annual Report of Railroad for 1968, which is being mailed to all Stockholders with this Proxy Statement.

#### **OTHER MATTERS**

The Management does not know of any other matters to be presented for action at the Meeting. However, if any matters not included in this Proxy Statement properly come before the Meeting, it is the intention of the persons named in the enclosed proxy to vote under the authority therein given in accordance with his or their best judgment.

By Order of the Board of Directors,

BAYARD H. ROBERTS,  
Secretary.

April 10, 1969

**PENN CENTRAL COMPANY**  
**ARTICLES OF INCORPORATION**  
**AS AMENDED AND RESTATED**

1. The name of the corporation is PENN CENTRAL COMPANY.

2. The location and post office address of its registered office in this Commonwealth is Six Penn Center Plaza, Philadelphia, Pennsylvania 19104.

3. The purpose or purposes of the corporation are to have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which business corporations may be incorporated including, without limiting the generality of the foregoing, to construct, reconstruct, own, lease, operate, extend, change and maintain transportation systems by railroad and other means of transportation and to have and exercise all rights, powers, privileges, immunities and franchises heretofore or hereafter granted in connection with such transportation systems or otherwise.

4. The term of its existence is perpetual.

5. The aggregate number of shares which the corporation shall have authority to issue is Twenty Seven Million (27,000,000) shares of capital stock of a par value of Ten Dollars (\$10.00) each. Upon the sale of any of such shares at a price in excess of the par value thereof, every holder of shares then outstanding shall have the right to purchase his pro rata share of the number of shares then so sold at the price fixed by the board of directors for such sale.

## PLAN OF MERGER AND REORGANIZATION

THIS IS A PLAN OF MERGER AND REORGANIZATION, dated \_\_\_\_\_, 1969 between PCT COMPANY ("PCT") and PENN CENTRAL COMPANY ("Railroad"), both Pennsylvania corporations, and is joined in by PENN CENTRAL HOLDING COMPANY ("Holding Company"), a Pennsylvania corporation, to evidence, in consideration of its rights under this Plan, its agreement to the issue and exchange of its stock and its other obligations under the terms of this Plan.

The Boards of Directors of PCT, Railroad and Holding Company deem this Plan to be in the best interests of their respective corporations and stockholders and have duly approved its execution.

Accordingly, PCT, Railroad and Holding Company agree as follows:

1. *Method and Effect of Merger; Effective Date*—PCT will merge into Railroad pursuant to the provisions of the Pennsylvania Business Corporation Law on the terms and subject to the conditions and requirements hereinafter stated. Without any limitation on the effect of the merger as provided by law, all the rights, powers, privileges, immunities, franchises and property, real, personal and mixed of PCT will, without further act or deed, be transferred to and vested in Railroad which will be the surviving corporation in the merger. Railroad will thenceforth be responsible for all of the liabilities and obligations of PCT. The merger will take effect on the date and at the time provided in articles of merger filed in the office of the Secretary of the Commonwealth of Pennsylvania ("Effective Date").

2. *Conversion of Shares Through Exchange; Record Holders; Option and Purchase Rights*—

(a) The manner by which this Plan will convert the shares of each of the corporations which are parties thereto will be through the exchange of shares provided for herein.

(b) The holders of the shares of stock of PCT and Railroad, respectively, will, by reason of the merger, receive in exchange for such shares the following:

(i) each holder of record of outstanding shares of capital stock of Railroad on the Effective Date will receive in exchange therefor the same number of shares of common stock of Holding Company;

(ii) Holding Company, as the holder of all of the outstanding stock of PCT on the Effective Date, will receive in exchange therefor all of the outstanding shares of capital stock of Railroad on the Effective Date; and

(iii) all shares of outstanding stock of PCT will cease to exist on the Effective Date and Holding Company as the holder of such shares will not be entitled to any consideration in respect thereof other than the outstanding shares of Railroad.

(c) No other stock, securities, cash or property will be allocated to stockholders of PCT, Railroad or Holding Company or to any other person, firm or corporation by reason of the merger in respect of stock held prior to the merger.

(d) Prior to the Effective Date, PCT will not issue or dispose of additional shares of stock other than to Holding Company and Holding Company will not transfer or otherwise dispose of any stock of PCT other than to PCT.

(e) By reason of the exchange of capital stock of Railroad for common stock of Holding Company effected by the merger, each holder of record of outstanding shares of capital stock of Railroad on the Effective Date will, without further action, become the holder of record on that date of the same number of shares of common stock of Holding Company and Holding Company will, without further action, become the holder of record on that date of all of the shares of capital stock of Railroad outstanding on the Effective Date. The records of Railroad with respect to the registered holders of its capital stock outstanding immediately prior to the merger will on the Effective Date become the stock ledger of Holding Company with respect to the shares of common stock of Holding Company exchanged therefor.

(f) On the Effective Date, options and agreements to purchase shares of capital stock of Railroad shall be converted in the merger and reorganization into options and agreements to purchase from time to

time on and after the Effective Date, and subject to the terms and conditions of such options or agreements, the same number of shares of common stock of Holding Company as the number of shares of capital stock of Railroad which were then subject to purchase from time to time under such options and agreements.

(g) In the event that the Effective Date occurs after the declaration by Railroad of a dividend on its capital stock but prior to the payment date thereof, Railroad will pay on such payment date the amount of such dividend to the holders of record of Railroad entitled thereto as of the record date of Railroad for the payment of such dividend if such record date is prior to the Effective Date. If such record date occurs on or after the Effective Date, it will be the intention of the board of directors of Holding Company to pay to the holders of record of its common stock at the close of business on the same date as the record date of Railroad a dividend in the same amount per share as the dividend declared by Railroad.

### 3. *Exchange of Share Certificates*—

(a) Outstanding certificates representing shares of capital stock of Railroad may but need not be exchanged by the holders thereof, after the Effective Date, for new certificates for the appropriate number of shares bearing the name of Holding Company. Until so exchanged, each certificate nominally representing shares of capital stock of Railroad will be deemed for all corporate purposes, after the Effective Date, to evidence ownership of the same number of shares of common stock of Holding Company.

(b) On the Effective Date, Railroad will deliver to Holding Company a certificate evidencing the aggregate number of shares of capital stock of Railroad outstanding on that date which have been received by Holding Company in the exchange for its common stock effected by the merger.

### 4. *Concerning Railroad*—

(a) On the Effective Date the articles of incorporation of Railroad will be amended to change its name to "Penn Central Transportation Company."

(b) The By-laws of Railroad in effect on the Effective Date will continue to be its By-laws until changed pursuant to law.

(c) The directors of Railroad on the Effective Date will continue as its directors for their respective terms of office and until their successors have been elected and qualified pursuant to law.

### 5. *Concerning Holding Company*—

(a) The articles of incorporation of Holding Company are set forth in Exhibit 1, annexed hereto and, on the Effective Date, will be amended to change its name to "Penn Central Company."

(b) The By-laws of Holding Company in effect on the Effective Date will continue to be its By-laws until changed pursuant to law.

(c) The directors of Holding Company on the Effective Date will continue as its directors for their respective terms of office and until their successors have been elected and qualified pursuant to law.

### 6. *Conditions to Plan; Selection of Effective Date*—

(a) The consummation of this Plan will be subject to the conditions that:

(i) this Plan will have been approved by the shareholders of Railroad, PCT and Holding Company respectively;

(ii) Railroad will have received a ruling, satisfactory to it and its counsel, from Internal Revenue Service, or an opinion of counsel satisfactory to it, to the effect that neither gain nor loss will be recognized for Federal income tax purposes to Railroad, PCT, Holding Company or the shareholders of Railroad by reason of the consummation of this Plan and as to such other matters as Railroad may deem advisable; and

(iii) it will have been determined, by appropriate proceedings if deemed advisable, that no regulatory approval or authorization is required for consummation of this Plan or that all regulatory approvals and authorizations that may be found necessary have been obtained.

(b) If all of the conditions to this Plan have been satisfied, the Effective Date will be selected by the boards of directors of PCT and Railroad.

7. *Termination of Plan*—At any time prior to the Effective Date, this Plan may be terminated for any reason by a majority vote of the boards of directors of Railroad, PCT and Holding Company, respectively.

8. *Modification of Plan*—At any time and from time to time prior to the Effective Date, this Plan, if not previously terminated, may be amended or supplemented in any manner by a majority vote of the board of directors of each of Railroad, PCT and Holding Company, except that no change may be made in the share-for-share exchange ratio provided in this Plan without approval thereof by the shareholders of Railroad, PCT and Holding Company, respectively.

ATTEST:

(SEAL)

PENN CENTRAL COMPANY

By \_\_\_\_\_

(SEAL)

PCT COMPANY

By \_\_\_\_\_

(SEAL)

PENN CENTRAL HOLDING COMPANY

By \_\_\_\_\_

**COMMONWEALTH OF PENNSYLVANIA**  
**DEPARTMENT OF STATE CORPORATION BUREAU**

ARTICLES OF INCORPORATION

In compliance with the requirements of the Business Corporation Law, approved the 5th day of May, A.D. 1933, P.L. 364, as amended, the undersigned, all of whom are of full age desiring that they may be incorporated as a business corporation, do hereby certify:

**FIRST.** The name of the corporation is Penn Central Holding Company.

**SECOND.** The location and post office address of its initial registered office in this Commonwealth is Transportation Center, Six Penn Center Plaza, Philadelphia County, Philadelphia 19104.

**THIRD.** The purpose or purposes of the corporation which shall be organized under this Act are to have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which business corporations may be incorporated, including but not limited to manufacturing, processing, research and development.

**FOURTH.** The term of its existence is perpetual.

**FIFTH.** The aggregate number of shares which the corporation shall have authority to issue is 125,000,000 shares, divided into two classes consisting of 25,000,000 shares of Preference Stock without par value (hereafter called "Preference Stock") and 100,000,000 shares of Common Stock without par value (hereafter called "Common Stock").

**PREFERENCE STOCK**

1. *Issue in Series.* Preference Stock may be issued from time to time in one or more series, each such series to have the terms stated herein and in the resolution of the board of directors providing for its issue. All shares of any one series of Preference Stock shall be identical, but shares of different series of Preference Stock need not be identical or rank equally except insofar as provided by law or herein.

2. *Creation of Series.* The board of directors shall have authority by resolution to cause to be created one or more series of Preference Stock, and to determine and fix with respect to each series prior to the issuance of any shares of the series to which such resolution relates:

(a) The distinctive designation of the series and the number of shares which shall constitute the series, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by action of the board of directors;

(b) The dividend rate and the times of payment of dividends on the shares of the series, whether dividends shall be cumulative, and, if so, from what date or dates;

(c) The price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the corporation;

(d) Whether or not the shares of the series shall be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

(e) Whether or not the shares of the series shall be convertible into, or exchangeable for, any other shares of stock of the corporation or other securities, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(f) The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation;

(g) Whether or not the shares of the series shall have priority over or parity with or be junior to the shares of any other series or class in any respect or shall be entitled to the benefit of limitations

restricting the issuance of shares of any other series or class having priority over or being on a parity with the shares of such series in any respect, or restricting the payment of dividends on or the making of other distributions in respect of shares of any other series or class ranking junior to the shares of the series as to dividends or assets, or restricting the purchase or redemption of the shares of any such junior series or class, and the terms of any such restriction, or any other restriction with respect to shares of any other series or class ranking junior to the shares of the series in any respect;

(h) Whether the series shall have voting rights, in addition to any voting rights provided by law, and if so, the terms of such voting rights; and

(i) Any other preferences, qualifications, privileges, options and other relative or special rights and limitations of that series.

3. *Preference on Liquidation.* In the event of the voluntary or involuntary liquidation, dissolution or winding up of the corporation, holders of each series of Preference Stock shall be entitled to receive the amount fixed for such series plus, in the case of any series on which dividends shall have been determined by the board of directors to be cumulative, an amount equal to all dividends accumulated and unpaid thereon to the date of final distribution whether or not earned or declared. If the assets of the corporation are not sufficient to pay such amounts in full, holders of all shares of Preference Stock shall participate in the distribution of assets ratably in proportion to the full amounts to which they are entitled or in such order of priority if any, as shall have been fixed in the resolution or resolutions providing for the issue of series of Preference Stock. Neither the merger nor consolidation of the corporation into or with any other corporation, nor a sale, transfer or lease of all or part of its assets, shall be deemed a liquidation, dissolution or winding up of the corporation within the meaning of this paragraph.

4. *Redemption.* The corporation at the option of the board of directors may redeem all or part of the shares of any series of Preference Stock on the terms and conditions fixed for such series. In case of the redemption of less than all outstanding shares of any series of Preference Stock, the shares to be redeemed shall be selected by lot or in such other manner as the board of directors determines.

5. *Voting Rights.* Except as otherwise required by law or as otherwise determined by the board of directors as to the shares of any series of Preference Stock prior to the issuance of any such shares, the holders of Preference Stock shall have no voting rights and shall not be entitled to any notice of any meeting of shareholders.

#### COMMON STOCK

6. *Dividends.* Holders of Common Stock shall be entitled to receive such dividends as may be declared by the board of directors, except that the corporation will not declare, pay or set apart for payment any dividend on shares of Common Stock (other than dividends payable in Common Stock), or directly or indirectly make any distribution on, redeem, purchase or otherwise acquire any such shares, if at the time of such action the corporation is in default with respect to any dividend due and payable on or any sinking or purchase fund requirement relating to any shares of Preference Stock, provided that the provisions of this paragraph shall not prevent the payment of any dividend within sixty days after the declaration thereof if such declaration, when made, complied with the provisions hereof.

7. *Distribution of Assets.* In the event of the voluntary or involuntary liquidation, dissolution or winding up of the corporation, holders of Common Stock shall be entitled to receive pro rata all of the remaining assets of the corporation available for distribution to its shareholders after all amounts to which the holders of Preference Stock are entitled have been paid or set aside in cash for payment.

8. *Voting Rights.* Holders of Common Stock shall have general rights to vote for all purposes, as provided by law.

SIXTH. The corporation may indemnify each director, officer, employee or agent of the corporation and each person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the extent permitted by law, as may be provided in the bylaws of the corporation as the same may be amended from time to time.

SEVENTH. The names and addresses of each of the first directors, who shall serve until the first annual meeting, are:

Name	Address (Including street and number, if any)
Stuart T. Saunders	Six Penn Center Plaza, Phila., Pa. 19104
Alfred E. Perlman	Room 3201, 230 Park Ave., New York, N. Y. 10017
David C. Bevan	Six Penn Center Plaza, Phila., Pa. 19104

EIGHTH. The names and addresses of each of the incorporators and the number and class of shares subscribed by each are:

Name	Address (including street and number, if any)	Number and Class of Shares
Stuart T. Saunders	Six Penn Center Plaza Phila., Pa. 19104	1 share—Common
Alfred E. Perlman	Room 3201, 230 Park Ave. New York, N.Y. 10017	1 share—Common
David C. Bevan	Six Penn Center Plaza Phila., Pa. 19104	1 share—Common

IN TESTIMONY WHEREOF, the incorporators have signed and sealed these Articles of Incorporation this 26th day of March, 1969.

/s/ STUART T. SAUNDERS (SEAL)

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**Stuart T. Saunders**

/s/ ALFRED E. PERLMAN (SEAL)

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**Alfred E. Perlman**

/s/ DAVID C. BEVAN (SEAL)

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**David C. Bevan**

Approved and filed in the Department of State on the                      day of                      A.D. 1969.

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**Secretary of the Commonwealth**

Excerpt from By-Laws of Holding Company

ARTICLE V

INDEMNIFICATION

The Company shall indemnify any person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer or employee of another enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent that (1) such person is not otherwise indemnified, and (2) the power to do so has been or may be granted by statute; and for this purpose the Board, on request of any such person, shall be required to determine in each case whether or not the applicable standards in any such statute have been met, or such determination shall be made by independent legal counsel if the Board so directs or if the Board is not empowered by statute to make such determination.

This indemnification shall not be deemed exclusive of any other right to which one indemnified may be entitled, both as to action in his official capacity or as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

The Board may buy and maintain insurance and may also give other indemnification, all to the extent that the power to do so has been or may be granted by law to the Company.

## **INCENTIVE PROGRAM**

### **1. Purpose**

The purpose of this Incentive Program is to provide greater incentive and reward to employes, including employes who are officers, of Penn Central Company (the "Company"), who contribute in an unusual degree to the success of the Company by their ability, industry, loyalty or exceptional service.

### **2. Administration**

The program shall be administered under procedures to be established by the Board of Directors of the Company which shall have full power and authority to construe, interpret and administer the program. In exercising its power and authority hereunder the Board may delegate any function to such committee of the Board as the Board may designate from time to time, except that the decision as to the amounts of all incentive awards shall not be delegated but shall be made by the Board. Action by the Board or by any such committee in exercising such power and authority shall be conclusive and binding upon all persons.

Recommendations for incentive awards shall be made by the Committee of the Board on Organization and Officers Salaries or by such other committee as the Board may direct. Membership on any committee recommending awards shall render a person ineligible for an award. The Board shall decide upon all incentive awards and its decisions with respect thereto shall be conclusive and binding upon all persons. Neither the making of any incentive award, nor any action of the Board or of any committee in connection therewith, shall confer on any person any legal right to continue as an employe of the Company.

### **3. Eligibility**

The Board may from time to time designate those positions with the Company the holders of which will be eligible for consideration of awards under this program.

### **4. Granting of Awards**

The Board will consider awards under this program during the first quarter of each calendar year but will not make any award during such year unless (a) earnings of the Company for the preceding calendar year shall exceed the equivalent of \$2.00 per share upon the capital stock of the Company outstanding at the close of such year and (b) dividends upon the Company's stock have been declared during the preceding calendar year aggregating at least \$2.00 per share in cash or in kind.

Awards will first be considered in the first quarter of the calendar year 1969 on the basis of earnings and dividends for the year 1968.

As used in this program the term "earnings" as applied to any calendar year shall mean the Consolidated Net Earnings reported to the Company's stockholders in its Annual Report for such year adjusted by adding the amount, if any, accrued under this program as an expense in determining such Consolidated Net Earnings as reported.

### **5. Form and Payment of Awards**

The Board in its discretion shall determine whether any award made to an employe shall be distributed to him (i) in cash, (ii) in allotments under the Contingent Compensation Plan of the Company, or (iii) in any combination of such cash and allotments. In all cases the total award shall be expressed in dollars. Each award of \$1,000 or less shall be distributed at the time of the award; all other awards shall be distributed in annual installments of 20% (except that no installment other than the last shall be less than \$1,000), the first installment at the time of the award and the remaining installments in January of succeeding calendar years until the full amount of the award is distributed; but the Board may in its discretion at any time provide for the distribution of any award at a time or in an amount different than as herein provided, but in no event shall final distribution be postponed beyond 5 years from the time the award was made. Except as otherwise provided in Article 6, an employe's right to the distribution of an award may not be assigned or transferred.

## 6. Termination of Employment

If an employe to whom an award has been made ceases to be employed by the Company in any circumstances other than death, any undistributed portion of his award shall be distributed to him in cash at times and in amounts determined in accordance with Article 5 hereof. In case of the death of an employe, any portion remaining undistributed at the time of his death shall be distributed as promptly as practicable in full and in cash to his estate, but if the employe shall have designated a beneficiary or beneficiaries in accordance with procedures established by the Board, such portion shall be distributed to such designated beneficiary or beneficiaries. The Board may provide that distributions in circumstances mentioned in this Article 6 shall be made at times or in amounts different than as herein provided, but in no event shall final distribution be postponed beyond five years from the time of the award.

## 7. Limitation on Awards

The total amount of awards made pursuant to this program in any calendar year shall not exceed the aggregate sum resulting from the addition of the several amounts produced by multiplying the portion of the earnings for the preceding calendar year which represent the following stated earnings equivalents by the following stated percentages:

Earnings Equivalent	Percentage
Over \$2.00 per share but not more than \$3.00 per share .....	1%
Over \$3.00 per share but not more than \$4.00 per share .....	2%
Over \$4.00 per share but not more than \$5.00 per share .....	3%
Over \$5.00 per share but not more than \$6.00 per share .....	4%
Over \$6.00 per share .....	5%

## 8. Amendment and Termination of Program

The Board may amend, modify or suspend this program at any time without notice or revoke or terminate it, provided that no award made prior thereto shall be adversely affected thereby.

## 9. Officers and Employes of Subsidiaries

As a modification and extension of the foregoing provisions of the program, awards may be made to holders of positions (designated as eligible by the Board of the Company) with subsidiaries which are included in the consolidated financial statements of the Company and which take appropriate action to implement this program. Such awards shall be administered and granted in accordance with the provisions of Articles 2 and 4 hereof and, together with awards to employes of the Company, shall be limited as provided in Article 7. Payment of any such award shall be made by the subsidiary employing the payee, upon appropriate authority of the board thereof, and shall be made in such form as the said board shall decide, but the timing and other circumstances of such payment shall be in accordance with the applicable provisions of Articles 5 and 6 hereof.