

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-8022



**CSX CORPORATION**

(Exact name of registrant as specified in its charter)

<b>Virginia</b> <i>(State or other jurisdiction of incorporation or organization)</i>	<b>62-1051971</b> <i>(I.R.S. Employer Identification No.)</i>
<b>500 Water Street 15th Floor Jacksonville FL</b> <i>(Address of principal executive offices)</i>	<b>32202 904 359-3200</b> <i>(Zip Code) (Telephone number, including area code)</i>

No Change

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

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of exchange on which registered</b>
Common Stock, \$1 Par Value	CSX	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes (X) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company (as defined in Exchange Act Rule 12b-2).

Large Accelerated Filer (X) Accelerated Filer ( ) Non-accelerated Filer ( ) Smaller Reporting Company ( ) Emerging growth company ( )

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ( )

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ( ) No (X)

There were 1,976,131,035 shares of common stock outstanding on September 30, 2023 (the latest practicable date that is closest to the filing date).

**CSX CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023**  
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**CSX CORPORATION**  
**PART I - FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**CONSOLIDATED INCOME STATEMENTS (Unaudited)**  
*(Dollars in millions, except per share amounts)*

	Third Quarters		Nine Months	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 3,572	\$ 3,895	\$ 10,977	\$ 11,123
<b>Expense</b>				
Labor and Fringe	752	759	2,216	2,135
Purchased Services and Other	689	664	2,061	1,986
Depreciation and Amortization	399	378	1,194	1,107
Fuel	349	438	1,025	1,215
Equipment and Other Rents	94	104	266	299
Gains on Property Dispositions	(6)	(27)	(26)	(183)
<b>Total Expense</b>	<b>2,277</b>	<b>2,316</b>	<b>6,736</b>	<b>6,559</b>
<b>Operating Income</b>	<b>1,295</b>	<b>1,579</b>	<b>4,241</b>	<b>4,564</b>
Interest Expense	(203)	(193)	(605)	(543)
Other Income - Net	34	37	106	89
<b>Earnings Before Income Taxes</b>	<b>1,126</b>	<b>1,423</b>	<b>3,742</b>	<b>4,110</b>
Income Tax Expense	(280)	(312)	(913)	(962)
<b>Net Earnings</b>	<b>\$ 846</b>	<b>\$ 1,111</b>	<b>\$ 2,829</b>	<b>\$ 3,148</b>
<b>Per Common Share (Note 2)</b>				
Net Earnings Per Share, Basic	\$ 0.42	\$ 0.52	\$ 1.40	\$ 1.46
Net Earnings Per Share, Assuming Dilution	\$ 0.42	\$ 0.52	\$ 1.40	\$ 1.46
Average Shares Outstanding <i>(In millions)</i>	1,994	2,122	2,022	2,156
Average Shares Outstanding, Assuming Dilution <i>(In millions)</i>	1,999	2,126	2,027	2,161

**CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (Unaudited)**  
*(Dollars in millions)*

	Third Quarters		Nine Months	
	2023	2022	2023	2022
<b>Total Comprehensive Earnings (Note 10)</b>	<b>\$ 864</b>	<b>\$ 1,129</b>	<b>\$ 2,845</b>	<b>\$ 3,236</b>

See accompanying notes to consolidated financial statements.

**CSX CORPORATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED BALANCE SHEETS**  
*(Dollars in millions)*

	<i>(Unaudited)</i> September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,360	\$ 1,958
Short-term Investments (Note 9)	79	129
Accounts Receivable - Net (Note 8)	1,399	1,313
Materials and Supplies	427	341
Other Current Assets	94	108
<b>Total Current Assets</b>	<b>3,359</b>	<b>3,849</b>
Properties	49,118	48,105
Accumulated Depreciation	(14,462)	(13,863)
<b>Properties - Net</b>	<b>34,656</b>	<b>34,242</b>
Investment in Affiliates and Other Companies	2,364	2,292
Right-of-Use Lease Asset	496	505
Goodwill and Other Intangible Assets - Net	509	502
Other Long-term Assets	466	522
<b>Total Assets</b>	<b>\$ 41,850</b>	<b>\$ 41,912</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,201	\$ 1,130
Labor and Fringe Benefits Payable	441	707
Casualty, Environmental and Other Reserves (Note 4)	133	144
Current Maturities of Long-term Debt (Note 7)	559	151
Income and Other Taxes Payable	361	111
Other Current Liabilities	239	228
<b>Total Current Liabilities</b>	<b>2,934</b>	<b>2,471</b>
Casualty, Environmental and Other Reserves (Note 4)	302	292
Long-term Debt (Note 7)	17,903	17,896
Deferred Income Taxes - Net	7,700	7,569
Long-term Lease Liability	487	488
Other Long-term Liabilities	570	571
<b>Total Liabilities</b>	<b>29,896</b>	<b>29,287</b>
<b>Shareholders' Equity:</b>		
Common Stock, \$1 Par Value	1,976	2,066
Other Capital	657	574
Retained Earnings	9,689	10,363
Accumulated Other Comprehensive Loss (Note 10)	(372)	(388)
Non-controlling Minority Interest	4	10
<b>Total Shareholders' Equity</b>	<b>11,954</b>	<b>12,625</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 41,850</b>	<b>\$ 41,912</b>

See accompanying notes to consolidated financial statements.

**CSX CORPORATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED CASH FLOW STATEMENTS (Unaudited)**  
*(Dollars in millions)*

	Nine Months	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net Earnings	\$ 2,829	\$ 3,148
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,194	1,107
Deferred Income Taxes	111	125
Gains on Property Dispositions	(26)	(183)
Other Operating Activities	69	(52)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(65)	(143)
Other Current Assets	(86)	(32)
Accounts Payable	52	166
Income and Other Taxes Payable	267	22
Other Current Liabilities	(296)	97
<b>Net Cash Provided by Operating Activities</b>	<b>4,049</b>	<b>4,255</b>
<b>INVESTING ACTIVITIES</b>		
Property Additions	(1,590)	(1,437)
Purchases of Short-term Investments	(103)	(19)
Proceeds from Sales of Short-term Investments	153	9
Proceeds and Advances from Property Dispositions	35	51
Business Acquisition, Net of Cash Acquired	(31)	(223)
Other Investing Activities	(19)	(25)
<b>Net Cash Used In Investing Activities</b>	<b>(1,555)</b>	<b>(1,644)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term Debt Issued (Note 7)	600	2,000
Long-term Debt Repaid (Note 7)	(150)	(178)
Dividends Paid	(666)	(645)
Shares Repurchased	(2,901)	(3,710)
Other Financing Activities	25	(6)
<b>Net Cash Used in Financing Activities</b>	<b>(3,092)</b>	<b>(2,539)</b>
Net (Decrease) Increase in Cash and Cash Equivalents	(598)	72
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents at Beginning of Period	1,958	2,239
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 1,360</b>	<b>\$ 2,311</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Issuance of Common Stock as Consideration for Acquisition	\$ —	\$ 422

See accompanying notes to consolidated financial statements.

**CSX CORPORATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF CHANGES**  
**IN SHAREHOLDERS' EQUITY (Unaudited)**  
*(Dollars in millions)*

Nine Months 2023	Common Shares Outstanding (Thousands)	Common Stock and Other Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income <sup>(a)</sup>	Non-controlling Minority Interest	Total Shareholders' Equity
<b>Balance December 31, 2022</b>	2,066,367	\$ 2,640	\$ 10,363	\$ (388)	\$ 10	\$ 12,625
Comprehensive Earnings:						
Net Earnings	—	—	987	—	—	987
Other Comprehensive Income	—	—	—	2	—	2
Total Comprehensive Earnings						989
Common stock dividends, \$0.11 per share	—	—	(226)	—	—	(226)
Share Repurchases	(35,157)	(35)	(1,032)	—	—	(1,067)
Stock Option Exercises and Other	1,865	15	—	—	(2)	13
<b>Balance March 31, 2023</b>	2,033,075	\$ 2,620	\$ 10,092	\$ (386)	\$ 8	\$ 12,334
Comprehensive Earnings:						
Net Earnings	—	—	996	—	—	996
Other Comprehensive Income	—	—	—	(4)	—	(4)
Total Comprehensive Earnings						992
Common stock dividends, \$0.11 per share	—	—	(222)	—	—	(222)
Share Repurchases	(27,434)	(28)	(835)	—	—	(863)
Stock Option Exercises and Other	712	38	(1)	—	(4)	33
<b>Balance June 30, 2023</b>	2,006,353	\$ 2,630	\$ 10,030	\$ (390)	\$ 4	\$ 12,274
Comprehensive Earnings:						
Net Earnings	—	—	846	—	—	846
Other Comprehensive Income	—	—	—	18	—	18
Total Comprehensive Earnings						864
Common stock dividends, \$0.11 per share	—	—	(218)	—	—	(218)
Share Repurchases	(31,018)	(31)	(940)	—	—	(971)
Excise Tax on Net Share Repurchases	—	—	(28)	—	—	(28)
Stock Option Exercises and Other	797	34	(1)	—	—	33
<b>Balance September 30, 2023</b>	<b>1,976,132</b>	<b>\$ 2,633</b>	<b>\$ 9,689</b>	<b>\$ (372)</b>	<b>\$ 4</b>	<b>\$ 11,954</b>

(a) Accumulated Other Comprehensive Loss balances shown above are net of tax. The associated taxes were \$122 million as of December 31, 2022, \$121 million as of March 31, 2023, \$107 million as of June 30, 2023, and \$101 million as of September 30, 2023. For additional information, see Note 10, Other Comprehensive Income.

See accompanying notes to consolidated financial statements.

**CSX CORPORATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF CHANGES  
IN SHAREHOLDERS' EQUITY (Unaudited)**  
*(Dollars in millions)*

Nine Months 2022	Common Shares Outstanding <i>(Thousands)</i>	Common Stock and Other Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income <sup>(a)</sup>	Non-controlling Minority Interest	Total Shareholders' Equity
<b>Balance December 31, 2021</b>	2,201,787	\$ 2,268	\$ 11,630	\$ (408)	\$ 10	\$ 13,500
Comprehensive Earnings:						
Net Earnings	—	—	859	—	—	859
Other Comprehensive Income	—	—	—	31	—	31
Total Comprehensive Earnings						<u>890</u>
Common stock dividends, \$0.10 per share	—	—	(218)	—	—	(218)
Share Repurchases	(29,365)	(29)	(987)	—	—	(1,016)
Stock Option Exercises and Other	1,831	38	—	—	1	39
<b>Balance March 31, 2022</b>	2,174,253	\$ 2,277	\$ 11,284	\$ (377)	\$ 11	\$ 13,195
Comprehensive Earnings:						
Net Earnings	—	—	1,178	—	—	1,178
Other Comprehensive Income	—	—	—	39	—	39
Total Comprehensive Earnings						<u>1,217</u>
Common stock dividends, \$0.10 per share	—	—	(215)	—	—	(215)
Share Repurchases	(46,508)	(47)	(1,452)	—	—	(1,499)
Issuance of common stock for acquisition of Pan Am Systems, Inc.	13,173	422	—	—	—	422
Stock Option Exercises and Other	314	23	(1)	—	(1)	21
<b>Balance June 30, 2022</b>	2,141,232	\$ 2,675	\$ 10,794	\$ (338)	\$ 10	\$ 13,141
Comprehensive Earnings:						
Net Earnings	—	—	1,111	—	—	1,111
Other Comprehensive Income	—	—	—	18	—	18
Total Comprehensive Earnings						<u>1,129</u>
Common stock dividends, \$0.10 per share	—	—	(212)	—	—	(212)
Share Repurchases	(39,924)	(40)	(1,155)	—	—	(1,195)
Stock Option Exercises and Other	514	22	(1)	—	(1)	20
<b>Balance September 30, 2022</b>	2,101,822	\$ 2,657	\$ 10,537	\$ (320)	\$ 9	\$ 12,883

*(a) Accumulated Other Comprehensive Loss balances shown above are net of tax. The associated taxes were \$107 million as of December 31, 2021, \$99 million as of March 31, 2022, \$88 million as of June 30, 2022, and \$85 million as of September 30, 2022. For additional information, see Note 10, Other Comprehensive Income.*

See accompanying notes to consolidated financial statements.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1. Nature of Operations and Significant Accounting Policies**

***Background***

CSX Corporation together with its subsidiaries ("CSX" or the "Company"), based in Jacksonville, Florida, is one of the nation's leading transportation companies. The Company provides rail-based transportation services including traditional rail service, the transport of intermodal containers and trailers, as well as other transportation services such as rail-to-truck transfers and bulk commodity operations.

CSX's principal operating subsidiary, CSX Transportation, Inc. ("CSXT"), provides an important link to the transportation supply chain through its approximately 20,000 route-mile rail network and serves major population centers in 26 states east of the Mississippi River, the District of Columbia and the Canadian provinces of Ontario and Quebec. The Company's intermodal business links customers to railroads via trucks and terminals. On June 1, 2022, CSX completed its acquisition of Pan Am Systems, Inc. ("Pan Am"), which is the parent company of Pan Am Railways, Inc. This acquisition expanded CSXT's reach in the Northeastern United States. CSXT is also responsible for the Company's real estate sales, leasing, acquisition and management and development activities, substantially all of which are focused on supporting railroad operations.

***Other entities***

In addition to CSXT, the Company's subsidiaries include Quality Carriers, Inc. ("Quality Carriers"), CSX Intermodal Terminals, Inc. ("CSX Intermodal Terminals"), Total Distribution Services, Inc. ("TDSI"), Transflo Terminal Services, Inc. ("Transflo"), CSX Technology, Inc. ("CSX Technology") and other subsidiaries. Quality Carriers is the largest provider of bulk liquid chemicals truck transportation in North America. CSX Intermodal Terminals owns and operates a system of intermodal terminals, predominantly in the eastern United States and also performs drayage services (the pickup and delivery of intermodal shipments) for certain customers. TDSI serves the automotive industry with distribution centers and storage locations. Transflo connects non-rail served customers to the many benefits of rail by transferring products from rail to trucks. The biggest Transflo markets are chemicals and agriculture, which includes shipments of plastics and ethanol. CSX Technology and other subsidiaries provide support services for the Company.

***Sale of Property Rights to the Commonwealth of Virginia***

On March 26, 2021, the Company entered into a comprehensive agreement to sell certain property rights in three CSX-owned line segments to the Commonwealth of Virginia ("Commonwealth") over three phases. The timing and amount of gains recognized were based on the allocation of fair value to each conveyance, the timing of conveyances and collectability. Over the course of this transaction, which was completed in 2022, total proceeds of \$525 million were collected and total gains of \$493 million were recognized. A gain of \$20 million was recognized in first quarter 2022 related to the closing of the second phase. During second quarter 2022, the final \$125 million of proceeds was approved by the Commonwealth, which resulted in a \$122 million gain related to property rights previously conveyed. These proceeds were collected during fourth quarter 2022 upon closing of the third phase. There were no proceeds or gains related to this agreement during third quarter 2022.



**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1. Nature of Operations and Significant Accounting Policies, *continued***

***Basis of Presentation***

In the opinion of management, the accompanying consolidated financial statements contain all normal, recurring adjustments necessary to fairly present the consolidated financial statements and accompanying notes. Where applicable, prior year information has been reclassified to conform to the current presentation. Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted from these interim financial statements. CSX suggests that these financial statements be read in conjunction with the audited financial statements and the notes included in CSX's most recent annual report on Form 10-K and any subsequently filed current reports on Form 8-K.

***Fiscal Year***

The Company's fiscal periods are based upon the calendar year. Except as otherwise specified, references to "third quarter(s)" or "nine months" indicate CSX's fiscal periods ending September 30, 2023 and September 30, 2022, and references to "year-end" indicate the fiscal year ended December 31, 2022.

***New Accounting Pronouncements***

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. As the London Interbank Offered Rate ("LIBOR") is no longer available as of July 2023, this standard update provides practical expedients for contract modifications made as part of the transition from LIBOR to alternative reference rates. The guidance was effective upon issuance and at present can generally be applied through December 31, 2024. The Company applied the practical expedient to its forward starting interest rate swaps effective June 30, 2023. See Note 7, *Debt and Credit Agreements*, for additional information. The Company does not have any other contracts that are affected by the transition from LIBOR.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 2. Earnings Per Share**

The following table sets forth the computation of basic earnings per share and earnings per share, assuming dilution.

	Third Quarters		Nine Months	
	2023	2022	2023	2022
Numerator ( <i>Dollars in millions</i> ):				
Net Earnings	\$ 846	\$ 1,111	\$ 2,829	\$ 3,148
Denominator ( <i>Units in millions</i> ):				
Average Common Shares Outstanding	1,994	2,122	2,022	2,156
Other Potentially Dilutive Common Shares	5	4	5	5
Average Common Shares Outstanding, Assuming Dilution	1,999	2,126	2,027	2,161
Net Earnings Per Share, Basic	\$ 0.42	\$ 0.52	\$ 1.40	\$ 1.46
Net Earnings Per Share, Assuming Dilution	\$ 0.42	\$ 0.52	\$ 1.40	\$ 1.46

Basic earnings per share is based on the weighted-average number of shares of common stock outstanding. Earnings per share, assuming dilution, is based on the weighted-average number of shares of common stock outstanding and common stock equivalents adjusted for the effects of common stock that may be issued as a result of potentially dilutive instruments. CSX's potentially dilutive instruments are made up of equity awards including performance units and employee stock options.

When calculating diluted earnings per share, the potential shares that would be outstanding if all outstanding stock options were exercised are included. This number is different from outstanding stock options because it is offset by shares CSX could repurchase using the proceeds from these hypothetical exercises to obtain the common stock equivalent. The total average outstanding stock options that were excluded from the diluted earnings per share calculation because their effect was antidilutive is in the table below.

	Third Quarters		Nine Months	
	2023	2022	2023	2022
Antidilutive Stock Options Excluded from Diluted EPS ( <i>Units in millions</i> )	3	3	4	3

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 2. Earnings Per Share, continued**

**Share Repurchases**

In July 2022, the Company announced a \$5 billion share repurchase program. At September 30, 2023, approximately \$371 million of repurchase authority remained under this program. On October 17, 2023, a new incremental \$5 billion share repurchase program was approved.

Share repurchases may be made through a variety of methods including, but not limited to, open market purchases, purchases pursuant to Rule 10b5-1 plans, accelerated share repurchases and negotiated block purchases. The timing of share repurchases depends upon management's assessment of marketplace conditions and other factors, and the program remains subject to the discretion of the Board of Directors. Future share repurchases are expected to be funded by cash on hand, cash generated from operations and debt issuances. Shares are retired immediately upon repurchase. In accordance with the *Equity Topic* in the Accounting Standards Codification ("ASC"), the excess of repurchase price over par value is recorded in retained earnings.

During third quarters and nine months ended September 30, 2023, and September 30, 2022, the Company engaged in the following repurchase activities:

	Third Quarters		Nine Months	
	2023	2022	2023	2022
Shares Repurchased ( <i>Millions</i> )	31	40	94	116
Cost of Shares ( <i>Dollars in millions</i> )	\$ 971	\$ 1,195	\$ 2,901	\$ 3,710

The Inflation Reduction Act of 2022 imposes a nondeductible 1% excise tax on the net value of most share repurchases made after December 31, 2022. Excise tax commensurate with net share repurchases is reflected in equity and a corresponding liability for excise taxes payable is included in other current liabilities on the consolidated balance sheet. Amounts shown in the table above exclude the impact of this excise tax.

**Dividend Increase**

In February 2023, the Company's Board of Directors authorized a 10% increase in the quarterly cash dividend to \$0.11 per common share.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 3. Stock Plans and Share-Based Compensation**

Under CSX's share-based compensation plans, awards consist of performance units, stock options and restricted stock units for management and stock grants for directors. Share-based compensation expense for awards under share-based compensation plans is measured using the fair value of the award on the grant date and is recognized on a straight-line basis over the service period of the respective award. Alternatively, expense is recognized upon death or over an accelerated service period for retirement-eligible employees whose agreements allow for continued vesting upon retirement. Forfeitures are recognized as they occur. Total pre-tax expense and income tax benefits associated with share-based compensation are shown in the table below. Income tax benefits include impacts from option exercises and the vesting of other equity awards.

<i>(Dollars in millions)</i>	Third Quarters		Nine Months	
	2023	2022	2023	2022
Share-Based Compensation Expense:				
Performance Units	\$ 5	\$ 1	\$ 14	\$ 27
Restricted Stock Units	5	2	14	11
Stock Options	3	3	9	13
Employee Stock Purchase Plan	2	2	6	4
Stock Awards for Directors	—	—	2	2
Total Share-Based Compensation Expense	\$ 15	\$ 8	\$ 45	\$ 57
Income Tax Benefit	\$ 3	\$ 3	\$ 10	\$ 15

**Long-term Incentive Plan**

In February 2023, the Company granted the following awards under a new long-term incentive plan ("LTIP") for the years 2023 through 2025, which was adopted under the CSX 2019 Stock and Incentive Award Plan.

	Granted <i>(Thousands)</i>	Weighted Avg. Fair Value
Performance Units	680	\$ 32.77
Restricted Stock Units	648	31.67
Stock Options	1,067	9.86

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 3. Stock Plans and Share-Based Compensation, *continued***

***Performance Units***

Payouts will be made in CSX common stock with a payout range for most participants between 0% and 200% of the target awards depending on Company performance against predetermined goals. Payouts for certain executive officers are subject to formulaic upward or downward adjustment by up to 25%, capped at an overall payout of 250%, based upon the Company's total shareholder return relative to specified comparable groups over the performance period. The fair values of performance units granted to certain executive officers were calculated using a Monte-Carlo simulation model.

Measurement against goals related to both average annual operating income growth and economic profit (CSX Cash Earnings or "CCE"), in each case excluding non-recurring items as defined in the plan, will each comprise 50% of the payout. As defined under the plan, CCE is a cash-flow based measure of economic profit that incentivizes strategic investments earning more than the required return and is calculated as CSX's gross cash earnings (after-tax EBITDA) minus the required return on gross operating assets.

***Stock Options***

Stock options were granted with ten-year terms and vest over three years in equal installments each year on the anniversary of the grant date. These awards are time-based and are not based upon attainment of performance goals. The fair values of stock option awards were estimated at the grant date using the Black-Scholes valuation model.

***Restricted Stock Units***

The restricted stock units awarded vest over three years in equal installments each year on the anniversary of the grant date and are settled in CSX common stock on a one-for-one basis. These awards are time-based and are not based upon CSX's attainment of performance goals.

For more information related to the Company's outstanding long-term incentive compensation, see CSX's most recent annual report on Form 10-K.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 4. Casualty, Environmental and Other Reserves**

Personal injury and environmental reserves are considered critical accounting estimates due to the need for management judgment. Casualty, environmental and other reserves are provided for in the consolidated balance sheets as shown in the table below.

(Dollars in millions)	September 30, 2023			December 31, 2022		
	Current	Long-term	Total	Current	Long-term	Total
Casualty:						
Personal Injury	\$ 40	\$ 87	\$ 127	\$ 40	\$ 86	\$ 126
Occupational	7	60	67	10	58	68
Total Casualty	47	147	194	50	144	194
Environmental	40	117	157	53	108	161
Other	46	38	84	41	40	81
Total	\$ 133	\$ 302	\$ 435	\$ 144	\$ 292	\$ 436

These liabilities are accrued when probable and reasonably estimable in accordance with the *Contingencies Topic* in the ASC. Actual settlements and claims received could differ, and final outcomes of these matters cannot be predicted with certainty. Considering the legal defenses currently available, the liabilities that have been recorded and other factors, it is the opinion of management that none of these items individually, when finally resolved, will have a material adverse effect on the Company's financial condition, results of operations or liquidity. Should a number of these items occur in the same period, however, their combined effect could be material in that particular period.

**Casualty**

Casualty reserves represent accruals for personal injury, occupational disease and occupational injury claims primarily related to railroad operations. The Company's self-insured retention amount for casualty claims is \$100 million per occurrence. Currently, no individual claim is expected to exceed the self-insured retention amount.

**Personal Injury**

Personal injury reserves represent liabilities for employee work-related and third-party injuries. Work-related injuries for CSXT employees are primarily subject to the Federal Employers' Liability Act ("FELA"). CSXT retains an independent actuary to assist management in assessing the value of personal injury claims. An analysis is performed by the actuary quarterly and is reviewed by management. This analysis did not result in a material adjustment to the personal injury reserve in the quarters and nine months ended September 30, 2023, or September 30, 2022.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 4. Casualty, Environmental and Other Reserves, *continued***

***Occupational***

Occupational reserves represent liabilities arising from allegations of exposure to certain materials in the workplace (such as solvents, soaps, chemicals and diesel fumes), past exposure to asbestos or allegations of chronic physical injuries resulting from work conditions (such as repetitive stress injuries). The Company retains an independent actuary to analyze the Company's historical claim filings, settlement amounts, and dismissal rates to assist in determining future anticipated claim filing rates and average settlement values. This analysis is performed by the actuary and reviewed by management quarterly. The analysis did not result in a material adjustment to the occupational reserve in the quarters and nine months ended September 30, 2023, or September 30, 2022.

***Environmental***

The Company is a party to various proceedings related to environmental issues, including administrative and judicial proceedings involving private parties and regulatory agencies. The Company has been identified as a potentially responsible party at approximately 230 environmentally impaired sites. Many of these are, or may be, subject to remedial action under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), also known as the Superfund Law, or similar state statutes. Most of these proceedings arose from environmental conditions on properties used for ongoing or discontinued railroad operations. A number of these proceedings, however, are based on allegations that the Company, or its predecessors, sent hazardous substances to facilities owned or operated by others for treatment, recycling or disposal. In addition, some of the Company's land holdings were leased to others for commercial or industrial uses that may have resulted in releases of hazardous substances or other regulated materials onto the property and could give rise to proceedings against the Company.

In any such proceedings, the Company is subject to environmental clean-up and enforcement actions under the Superfund Law, as well as similar state laws that may impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. These costs could be substantial.

The Company reviews its role with respect to each site identified at least quarterly. Based on management's review process, amounts have been recorded to cover contingent anticipated future environmental remediation costs with respect to each site to the extent such costs are reasonably estimable and probable. Payments related to these liabilities are expected to be made over the next several years. Environmental remediation costs are included in purchased services and other on the consolidated income statements.

Currently, the Company does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on some sites until completion of future environmental studies. In addition, conditions that are currently unknown could, at any given location, result in additional exposure, the amount and materiality of which cannot presently be reasonably estimated. Based upon information currently available, however, the Company believes its environmental reserves accurately reflect the estimated cost of remedial actions currently required.

***Other***

Other reserves include liabilities for various claims, such as automobile, property, general liability, workers' compensation and longshoremen disability claims.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 5. Commitments and Contingencies*****Insurance***

The Company maintains insurance programs with substantial limits for property damage, including resulting business interruption, and third-party liability. A certain amount of risk is retained by the Company on each insurance program. Under its property insurance program, the Company retains all risk up to \$100 million per occurrence for losses from floods and named windstorms and up to \$75 million per occurrence for other property losses. For third-party liability claims, the Company retains all risk up to \$100 million per occurrence. As CSX negotiates insurance coverage above its full self-retention amounts, it retains a percentage of risk at various layers of coverage. While the Company believes its insurance coverage is adequate, future claims could exceed existing insurance coverage or insurance may not continue to be available at commercially reasonable rates.

***Legal***

The Company is involved in litigation incidental to its business and is a party to a number of legal actions and claims, various governmental proceedings and private civil lawsuits, including, but not limited to, those related to fuel surcharge practices, tax matters, environmental and hazardous material exposure matters, FELA and labor claims by current or former employees, other personal injury or property claims and disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory as well as punitive damages and others are, or are purported to be, class actions. While the final outcomes of these matters cannot be predicted with certainty, considering, among other things, the legal defenses available and liabilities that have been recorded along with applicable insurance, it is currently the opinion of management that none of these pending items is likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity. An unexpected adverse resolution of one or more of these items, however, could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period.

The Company is able to estimate a range of possible loss for certain matters for which a loss is reasonably possible in excess of reserves established. The Company has estimated this range to be \$3 million to \$16 million in the aggregate at September 30, 2023. This estimated aggregate range is based upon currently available information and is subject to significant judgment and a variety of assumptions. Accordingly, the Company's estimate will change from time to time, and actual losses may vary significantly from the current estimate.

***Fuel Surcharge Antitrust Litigation***

In May 2007, class action lawsuits were filed against CSXT and three other U.S.-based Class I railroads alleging that the defendants' fuel surcharge practices relating to contract and unregulated traffic resulted from an illegal conspiracy in violation of antitrust laws. The class action lawsuits were consolidated into one case in federal court in the District of Columbia. In 2017, the District Court issued its decision denying class certification. On August 16, 2019, the U.S. Court of Appeals for the D.C. Circuit affirmed the District Court's ruling. The consolidated case is now moving forward without class certification. Although the class was not certified, individual shippers have since brought claims against the railroads, which have been consolidated into a separate case.



**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 5. Commitments and Contingencies, *continued***

CSXT believes that its fuel surcharge practices were arrived at and applied lawfully and that the case is without merit. Accordingly, the Company intends to defend itself vigorously. However, penalties for violating antitrust laws can be severe, and resolution of these matters individually or when aggregated could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period.

*Environmental*

CSXT is indemnifying Pharmacia LLC, formerly known as Monsanto Company, ("Pharmacia") for certain liabilities associated with real estate located in Kearny, New Jersey along the Lower Passaic River (the "Property"). The Property, which was formerly owned by Pharmacia, is now owned by CSXT. CSXT's indemnification and defense duties arise with respect to several matters. The U.S. Environmental Protection Agency ("EPA"), using its CERCLA authority, seeks the investigation and cleanup of hazardous substances in the 17-mile Lower Passaic River Study Area (the "Study Area"). CSXT, on behalf of Pharmacia, and a significant number of other potentially responsible parties are together conducting a Remedial Investigation and Feasibility Study of the Study Area pursuant to an Administrative Settlement Agreement and Order on Consent with the EPA. Pharmacia's share of responsibility, indemnified by CSXT, for the investigation and cleanup costs of the Study Area may be determined through various mechanisms including (a) an allocation and settlement with EPA; (b) litigation brought by EPA against non-settling parties; or (c) litigation among the responsible parties.

For the lower eight miles of the Study Area, EPA issued its Record of Decision detailing the agency's mandated remedial process in March 2016. Occidental Chemical Corporation ("Occidental") is performing the remedial design for the lower eight-mile portion of the Study Area pursuant to a consent order with EPA.

For the remaining upper nine miles of the Study Area, EPA selected an interim remedy in a Record of Decision dated September 28, 2021. On March 2, 2023, EPA issued an administrative order requiring Occidental to design the interim remedy for the upper nine miles of the Study Area.

Approximately 80 parties, including Pharmacia, participated in an EPA-directed allocation and settlement process to assign responsibility. CSXT participated in the EPA-directed allocation and settlement process on behalf of Pharmacia. On March 2, 2022, EPA issued a Notice Letter to Pharmacia, Occidental and eight other parties alleging they are liable under Section 107(a) of CERCLA for releases or threatened releases of hazardous substances and requesting each party, individually or collectively, submit good faith offers to EPA in connection with the entire Study Area. CSXT, on behalf of Pharmacia, responded to the Notice Letter and submitted a good faith offer to EPA on June 27, 2022, following meetings with a mediator from EPA's Conflict Prevention and Resolution Center. Negotiations with EPA and other parties to resolve this matter continue.

CSXT is also defending and indemnifying Pharmacia with regard to the Property in litigation filed by Occidental, which is seeking to recover its past and future costs associated with the remediation of the entire Study Area. Alternatively, Occidental seeks to compel some, or all, of the defendants to participate in the remediation of the Study Area. Pharmacia is one of approximately 110 defendants in a federal lawsuit filed by Occidental on June 30, 2018, and one of 37 defendants in a federal lawsuit filed by Occidental on March 24, 2023. CSXT is also defending and indemnifying Pharmacia in a cooperative natural resource damages assessment process related to the Property.

Based on currently available information, the Company does not believe its share of remediation costs as determined by the EPA-directed allocation with respect to the Property and the Study Area would be material to the Company's financial condition, results of operations or liquidity.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 6. Employee Benefit Plans**

The Company sponsors defined benefit pension plans principally for salaried, management personnel. The CSX Pension Plan, the largest plan based on benefit obligation, was closed to new participants beginning in 2020.

Independent actuaries compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that the Company determines are appropriate based on historical trends, current market rates and future projections. These amounts are reviewed by management. Only the service cost component of net periodic benefit costs is included in labor and fringe expense on the consolidated income statement. All other components of net periodic benefit cost are included in other income - net.

<i>(Dollars in millions)</i>	<b>Pension Benefits Cost</b>			
	<b>Third Quarters</b>		<b>Nine Months</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Service Cost Included in Labor and Fringe	\$ 6	\$ 8	\$ 18	\$ 24
Interest Cost	28	16	84	48
Expected Return on Plan Assets	(41)	(47)	(123)	(141)
Amortization of Net Loss	7	12	21	37
Total Included in Other Income - Net	<u>(6)</u>	<u>(19)</u>	<u>(18)</u>	<u>(56)</u>
<b>Net Periodic Benefit Credit</b>	<b>\$ —</b>	<b>\$ (11)</b>	<b>\$ —</b>	<b>\$ (32)</b>

Qualified pension plan obligations are funded in accordance with regulatory requirements and with an objective of meeting or exceeding minimum funding requirements necessary to avoid restrictions on flexibility of plan operation and benefit payments. No contributions to the Company's qualified pension plans are expected in 2023.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 7. Debt and Credit Agreements**

Total activity related to long-term debt as of the end of third quarter 2023 is shown in the table below. For fair value information related to the Company's long-term debt, see Note 9, *Fair Value Measurements*.

<i>(Dollars in millions)</i>	<b>Current Portion</b>	<b>Long-term Portion</b>	<b>Total</b>
Long-term Debt as of December 31, 2022	\$ 151	\$ 17,896	\$ 18,047
2023 Activity:			
Long-term Debt Issued	—	600	600
Long-term Debt Repaid	(150)	—	(150)
Reclassifications	557	(557)	—
Hedging, Discount, Premium and Other Activity	1	(36)	(35)
<b>Long-term Debt as of September 30, 2023</b>	<b>\$ 559</b>	<b>\$ 17,903</b>	<b>\$ 18,462</b>

**Debt Issuance**

On September 7, 2023, CSX issued \$600 million of 5.200% notes due 2033. These notes are included in the consolidated balance sheets under long-term debt and may be redeemed by the Company at any time, subject to payment of certain make-whole premiums. The net proceeds will be used for general corporate purposes, which may include debt repayments, repurchases of CSX's common stock, capital investment and working capital requirements.

**Interest Rate Derivatives**
**Fair Value Hedges**

In first quarter 2022, CSX entered into five separate fixed-to-floating interest rate swaps classified as fair value hedges. The swaps are designed to hedge 10 years of interest rate risk associated with market fluctuations attributable to the Secured Overnight Financing Rate ("SOFR") on a cumulative \$800 million of fixed rate outstanding notes which are due between 2036 and 2040. The cumulative fair value of these swaps, which is included in other long-term liabilities on the consolidated balance sheet, was a liability of \$159 million and \$118 million as of September 30, 2023 and December 31, 2022, respectively. The associated cumulative adjustment to the hedged notes is included in long-term debt. Gains and losses resulting from changes in fair value of the interest rate swaps offset changes in the fair value of the hedged portion of the underlying debt with no gain or loss recognized due to hedge ineffectiveness. The difference in the net fixed-to-float interest settlement on the derivatives is recognized in interest expense and is summarized as follows.

<i>(Dollars in millions)</i>	<b>Third Quarters</b>		<b>Nine Months</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest Expense Impact (Increase) Decrease	\$ (7)	\$ (1)	\$ (19)	\$ 3

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 7. Debt and Credit Agreements, continued**

The swaps will expire in 2032. If settled early, the remaining cumulative fair value adjustment to the hedged notes will be amortized over the remaining life of the associated notes. The amounts recorded in long-term debt on the consolidated balance sheet related to these fair value hedges are summarized in the table below.

*(Dollars in millions)*

	<b>September 30, 2023</b>	December 31, 2022
Notional Value of Hedged Notes	\$ 800	\$ 800
Cumulative Fair Value Adjustment to Hedged Notes	(159)	(118)
Carrying Amount of Hedged Notes	<b>\$ 641</b>	<b>\$ 682</b>

**Cash Flow Hedges**

In 2020, the Company executed forward starting interest rate swaps, classified as cash flow hedges, with an aggregate notional value of \$500 million. These swaps were effected to hedge the benchmark interest rate associated with future interest payments related to the anticipated refinancing of \$850 million of 3.25% notes due in 2027. In accordance with the *Derivatives and Hedging Topic* in the ASC, the Company has designated these swaps as cash flow hedges. Under the terms of the Adjustable Interest Rate (LIBOR) Act, the reference rate on the swaps were automatically replaced with daily compounded SOFR plus the fallback spread on July 1, 2023, the LIBOR replacement date. As of September 30, 2023, and December 31, 2022, the asset value of the forward starting interest rate swaps was \$54 million and \$127 million, respectively, and was recorded in other long-term assets on the consolidated balance sheet. Unrealized gains or losses associated with changes in the fair value of the hedge are recorded net of tax in accumulated other comprehensive income ("AOCI") on the consolidated balance sheet.

In second quarter 2023, CSX executed a partial settlement equal to \$113 million notional value of the cash flow hedges, which resulted in CSX receiving a cash payment of \$44 million. In third quarter 2023, CSX partially settled an additional \$114 million notional value of the cash flow hedges and received a cash payment of \$51 million included in other operating activities on the consolidated cash flow statement. The unsettled aggregate notional value of these swaps was \$114 million as of September 30, 2023.

The unrealized gain associated with the settled portion of the hedges will continue to be classified in AOCI until the associated debt instrument is issued in the future. Unless settled early, the remainder of the swaps will expire in 2027 and the unrealized gain or loss in AOCI will be recognized in earnings as an adjustment to interest expense over the same period during which the hedged transaction affects earnings. Unrealized amounts related to the hedge, recorded net of tax in other comprehensive income, are summarized in the table below.

	<b>Third Quarters</b>		<b>Nine Months</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
Unrealized Gain - Net	\$ 14	\$ 9	\$ 4	\$ 63

See Note 9, *Fair Value Measurements*, and Note 10, *Other Comprehensive Income (Loss)*, for additional information about the Company's hedges.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 7. Debt and Credit Agreements, *continued***

***Credit Facility***

In February 2023, CSX replaced its existing \$1.2 billion unsecured revolving credit facility with a new \$1.2 billion unsecured revolving credit facility backed by a diverse syndicate of banks. This facility allows same-day borrowings at floating interest rates, based on SOFR or an agreed-upon replacement reference rate, plus a spread that depends upon CSX's senior unsecured debt ratings. This facility expires in February 2028. As of September 30, 2023, the Company had no outstanding balances under this facility.

Commitment fees and interest rates payable under the facility were similar to fees and rates available to comparably rated investment-grade borrowers. As of third quarter 2023, CSX was in compliance with all covenant requirements under this facility.

***Commercial Paper***

Under its commercial paper program, which is backed by the revolving credit facility, the Company may issue unsecured commercial paper notes up to a maximum aggregate principal amount of \$1.0 billion outstanding at any one time. Proceeds from issuances of the notes are expected to be used for general corporate purposes. At September 30, 2023, the Company had no outstanding debt under the commercial paper program.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 8. Revenues**

The Company's revenues are primarily derived from the transportation of freight as performance obligations that arise from its contracts with customers are satisfied. The following table presents the Company's revenues disaggregated by market as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

<i>(Dollars in millions)</i>	Third Quarters		Nine Months	
	2023	2022	2023	2022
Chemicals	\$ 646	\$ 678	\$ 1,938	\$ 1,962
Agricultural and Food Products	376	428	1,228	1,227
Automotive	308	274	905	769
Forest Products	243	264	761	743
Metals and Equipment	225	211	704	624
Minerals	190	180	554	494
Fertilizers	124	108	381	346
<b>Total Merchandise</b>	<b>2,112</b>	<b>2,143</b>	<b>6,471</b>	<b>6,165</b>
<b>Coal</b>	<b>594</b>	<b>624</b>	<b>1,864</b>	<b>1,808</b>
<b>Intermodal</b>	<b>517</b>	<b>604</b>	<b>1,508</b>	<b>1,733</b>
<b>Trucking</b>	<b>218</b>	<b>251</b>	<b>678</b>	<b>740</b>
<b>Other</b>	<b>131</b>	<b>273</b>	<b>456</b>	<b>677</b>
<b>Total</b>	<b>\$ 3,572</b>	<b>\$ 3,895</b>	<b>\$ 10,977</b>	<b>\$ 11,123</b>

The Company's accounts receivable - net consists of freight and non-freight receivables, reduced by an allowance for credit losses. Freight receivables include amounts earned, billed and unbilled, and currently due from customers for transportation-related services. Non-freight receivables include amounts billed and unbilled and currently due related to government reimbursement receivables and other non-revenue receivables.

<i>(Dollars in millions)</i>	September 30, 2023	December 31, 2022
Freight Receivables	\$ 1,043	\$ 1,067
Freight Allowance for Credit Losses	(16)	(16)
Freight Receivables, net	1,027	1,051
Non-Freight Receivables	387	279
Non-Freight Allowance for Credit Losses	(15)	(17)
Non-Freight Receivables, net	372	262
<b>Total Accounts Receivable, net</b>	<b>\$ 1,399</b>	<b>\$ 1,313</b>

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of risk characteristics, historical payment experience, and the age of outstanding receivables adjusted for forward-looking economic conditions as necessary. Credit losses recognized on the Company's accounts receivable were not material in the third quarters or nine months ended September 30, 2023, and September 30, 2022.

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 9. Fair Value Measurements****Investments**

The Company's investment assets are carried at fair value on the consolidated balance sheet in accordance with the *Fair Value Measurements and Disclosures Topic* in the ASC. They are valued with assistance from a third-party trustee and consist of fixed income mutual funds, corporate bonds and government securities. The fixed income mutual funds are valued at the net asset value of shares held based on quoted market prices determined in an active market, which are Level 1 inputs. The corporate bonds and government securities are valued using broker quotes that utilize observable market inputs, which are Level 2 inputs. Unrealized losses as of September 30, 2023, and September 30, 2022, were not material. The Company believes any impairment of investments held with gross unrealized losses to be temporary and not the result of credit risk.

The Company's investment assets are carried at fair value on the consolidated balance sheets as summarized in the following table.

	September 30, 2023			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<i>(Dollars in millions)</i>						
Fixed Income Mutual Funds	\$ 78	\$ —	\$ 78	\$ 89	\$ —	\$ 89
Corporate Bonds	—	47	47	—	49	49
Government Securities	—	16	16	—	58	58
Total investments at fair value	<u>\$ 78</u>	<u>\$ 63</u>	<u>\$ 141</u>	<u>\$ 89</u>	<u>\$ 107</u>	<u>\$ 196</u>
Total investments at amortized cost		\$ 147			\$ 201	

These investments have the following maturities:

	September 30, 2023	December 31, 2022
<i>(Dollars in millions)</i>		
Less than 1 year	\$ 79	\$ 129
1 - 5 years	23	24
5 - 10 years	10	10
Greater than 10 years	29	33
Total investments at fair value	<u>\$ 141</u>	<u>\$ 196</u>

**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 9. Fair Value Measurements, *continued***

***Long-term Debt***

Long-term debt is reported at carrying amount on the consolidated balance sheets and is the Company's only financial instrument with fair values significantly different from their carrying amounts. The fair value of a company's debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. The majority of the Company's long-term debt is valued with assistance from a third party that utilizes closing transactions, market quotes or market values of comparable debt. For those instruments not valued by the third party, the fair value has been estimated by applying market rates of similar instruments to the scheduled contractual debt payments and maturities. These market rates are provided by the same third party. All of the inputs used to determine the fair value of the Company's long-term debt are Level 2 inputs.

The fair value and carrying value of the Company's long-term debt is as follows:

<i>(Dollars in millions)</i>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Long-term Debt (Including Current Maturities):		
Fair Value	\$ 15,839	\$ 16,135
Carrying Value	18,462	18,047

***Interest Rate Derivatives***

The Company's fixed-to-floating and forward starting interest rate swaps are carried at their respective fair values, which are determined with assistance from a third party based upon pricing models using inputs observed from actively quoted markets. All of the inputs used to determine the fair value of the swaps are Level 2 inputs. The fair value of the Company's fixed-to-floating interest rate swaps was a liability of \$159 million and \$118 million as of September 30, 2023, and December 31, 2022, respectively. The fair value of the Company's forward starting interest rate swap asset was \$54 million and \$127 million as of September 30, 2023, and December 31, 2022, respectively. See Note 7, *Debt and Credit Agreements*, for further information.



**CSX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 10. Other Comprehensive Income (Loss)**

Total comprehensive earnings are defined as all changes in shareholders' equity during a period, other than those resulting from investments by and distributions to shareholders (e.g. issuance of equity securities and dividends). Generally, for CSX, total comprehensive earnings equal net earnings plus or minus adjustments for pension and other post-retirement liabilities as well as derivative activity and other adjustments. Total comprehensive earnings represent the activity for a period net of tax and was \$864 million and \$1.1 billion for third quarters 2023 and 2022, respectively, and \$2.8 billion and \$3.2 billion for the nine months ended September 30, 2023, and September 30, 2022, respectively.

While total comprehensive earnings is the activity in a period and is largely driven by net earnings in that period, AOCI represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. Changes in the AOCI balance by component are shown in the following table. Amounts reclassified in pension and other post-employment benefits to net earnings relate to the amortization of actuarial losses and are included in other income - net on the consolidated income statements. See Note 6, *Employee Benefit Plans*, for further information. Interest rate derivatives consist of forward starting interest rate swaps classified as cash flow hedges. See Note 7, *Debt and Credit Agreements*, for further information. Other primarily represents CSX's share of AOCI of equity method investees. Amounts reclassified in other to net earnings are included in purchased services and other or equipment and other rents on the consolidated income statements.

	<b>Pension and Other Post-Employment Benefits</b>	<b>Interest Rate Derivatives</b>	<b>Other</b>	<b>Accumulated Other Comprehensive (Loss) Income</b>
<i>(Dollars in millions)</i>				
Balance December 31, 2022, Net of Tax	\$ (497)	\$ 150	\$ (41)	\$ (388)
Other Comprehensive Income (Loss)				
Income Before Reclassifications	—	22	—	22
Amounts Reclassified to Net Earnings	15	—	(1)	14
Tax Expense	(3)	(18)	1	(20)
Total Other Comprehensive Income	12	4	—	16
<b>Balance September 30, 2023, Net of Tax</b>	<b>\$ (485)</b>	<b>\$ 154</b>	<b>\$ (41)</b>	<b>\$ (372)</b>

## CSX CORPORATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## THIRD QUARTER 2023 HIGHLIGHTS

- Revenue decreased \$323 million, or 8%, year over year.
- Expenses decreased \$39 million, or 2%, year over year.
- Operating income of \$1.3 billion decreased \$284 million, or 18%, year over year.
- Operating ratio of 63.8% increased 430 basis points versus prior year.
- Earnings per diluted share of \$0.42 decreased \$0.10, or 19%, year over year.

	Third Quarters				Nine Months			
	2023	2022	Fav / (Unfav)	% Change	2023	2022	Fav / (Unfav)	% Change
<b>Volume (in thousands)</b>	<b>1,550</b>	1,587	(37)	(2)%	<b>4,582</b>	4,679	(97)	(2)%
<i>(in millions)</i>								
<b>Revenue</b>	<b>\$ 3,572</b>	\$ 3,895	\$ (323)	(8)	<b>\$ 10,977</b>	\$ 11,123	\$ (146)	(1)
<b>Expense</b>	<b>2,277</b>	2,316	39	2	<b>6,736</b>	6,559	(177)	(3)
<b>Operating Income</b>	<b>\$ 1,295</b>	\$ 1,579	\$ (284)	(18)%	<b>\$ 4,241</b>	\$ 4,564	\$ (323)	(7)%
<b>Operating Ratio</b>	<b>63.8 %</b>	59.5 %	(430) bps		<b>61.4 %</b>	59.0 %	(240) bps	
<b>Earnings Per Diluted Share</b>	<b>\$ 0.42</b>	\$ 0.52	\$ (0.10)	(19)%	<b>\$ 1.40</b>	\$ 1.46	\$ (0.06)	(4)%

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**Volume and Revenue (Unaudited)**

Volume (Thousands of units); Revenue (Dollars in Millions); Revenue Per Unit (Dollars)

	Volume			Revenue			Revenue Per Unit		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
	<i>Third Quarters</i>								
Chemicals	161	162	(1)%	\$ 646	\$ 678	(5)%	\$ 4,012	\$ 4,185	(4)%
Agricultural and Food Products	108	120	(10)	376	428	(12)	3,481	3,567	(2)
Automotive	101	85	19	308	274	12	3,050	3,224	(5)
Minerals	95	91	4	190	180	6	2,000	1,978	1
Metals and Equipment	70	67	4	225	211	7	3,214	3,149	2
Forest Products	67	75	(11)	243	264	(8)	3,627	3,520	3
Fertilizers	47	48	(2)	124	108	15	2,638	2,250	17
<b>Total Merchandise</b>	<b>649</b>	<b>648</b>	<b>—</b>	<b>2,112</b>	<b>2,143</b>	<b>(1)</b>	<b>3,254</b>	<b>3,307</b>	<b>(2)</b>
<b>Intermodal</b>	<b>708</b>	<b>762</b>	<b>(7)</b>	<b>517</b>	<b>604</b>	<b>(14)</b>	<b>730</b>	<b>793</b>	<b>(8)</b>
<b>Coal</b>	<b>193</b>	<b>177</b>	<b>9</b>	<b>594</b>	<b>624</b>	<b>(5)</b>	<b>3,078</b>	<b>3,525</b>	<b>(13)</b>
<b>Trucking</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>218</b>	<b>251</b>	<b>(13)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>131</b>	<b>273</b>	<b>(52)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>1,550</b>	<b>1,587</b>	<b>(2)%</b>	<b>\$ 3,572</b>	<b>\$ 3,895</b>	<b>(8)%</b>	<b>\$ 2,305</b>	<b>\$ 2,454</b>	<b>(6)%</b>
<i>Nine Months</i>									
	Volume			Revenue			Revenue Per Unit		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
Chemicals	481	488	(1)%	\$ 1,938	\$ 1,962	(1)%	\$ 4,029	\$ 4,020	— %
Agricultural and Food Products	348	358	(3)	1,228	1,227	—	3,529	3,427	3
Automotive	290	248	17	905	769	18	3,121	3,101	1
Minerals	273	253	8	554	494	12	2,029	1,953	4
Metals and Equipment	217	202	7	704	624	13	3,244	3,089	5
Forest Products	212	219	(3)	761	743	2	3,590	3,393	6
Fertilizers	152	158	(4)	381	346	10	2,507	2,190	14
<b>Total Merchandise</b>	<b>1,973</b>	<b>1,926</b>	<b>2</b>	<b>6,471</b>	<b>6,165</b>	<b>5</b>	<b>3,280</b>	<b>3,201</b>	<b>2</b>
<b>Intermodal</b>	<b>2,046</b>	<b>2,243</b>	<b>(9)</b>	<b>1,508</b>	<b>1,733</b>	<b>(13)</b>	<b>737</b>	<b>773</b>	<b>(5)</b>
<b>Coal</b>	<b>563</b>	<b>510</b>	<b>10</b>	<b>1,864</b>	<b>1,808</b>	<b>3</b>	<b>3,311</b>	<b>3,545</b>	<b>(7)</b>
<b>Trucking</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>678</b>	<b>740</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>456</b>	<b>677</b>	<b>(33)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>4,582</b>	<b>4,679</b>	<b>(2)%</b>	<b>\$ 10,977</b>	<b>\$ 11,123</b>	<b>(1)%</b>	<b>\$ 2,396</b>	<b>\$ 2,377</b>	<b>1 %</b>

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**Third Quarter 2023**

**Revenue**

Total revenue decreased 8% in third quarter 2023 when compared to third quarter 2022 primarily due to lower fuel recovery, decreases in other revenue, pricing declines in export coal due to the impact of lower benchmark rates, lower trucking revenue and lower intermodal volume. These decreases were partially offset by pricing gains in merchandise and higher coal volumes.

**Merchandise Volume**

Chemicals - Decreased primarily due to lower shipments of materials used in making plastics, partially offset by higher shipments of export plastics and waste.

Agricultural and Food Products - Decreased primarily due to lower shipments of feed grain, including the temporary impacts of a strong southeastern crop that is short-haul and not rail-served, as well as lower shipments of ethanol and wheat.

Automotive - Increased due to higher North American vehicle production as well as new business wins.

Minerals - Increased due to higher shipments of cement and aggregates driven by increased road construction and other infrastructure-related activities.

Metals and Equipment - Increased due to higher steel shipments, as well as stronger equipment shipments.

Forest Products - Decreased primarily due to lower shipments of pulpboard, paper and lumber, partially offset by higher shipments of other building products.

Fertilizers - Decreased due to declines in short-haul shipments, which were partially offset by increases in long-haul phosphate shipments.

**Intermodal Volume**

Lower volume was due to decreased international shipments driven by high inventory levels and lower imports. Domestic shipments increased due to growth with key customers as well as the prior year impact of supply-side constraints.

**Coal Volume**

Export coal increased due to higher shipments of metallurgical and thermal coal. Domestic coal decreased due to lower shipments of coal to northern utility plants.

**Trucking Revenue**

Trucking revenue decreased \$33 million versus the prior year due to lower fuel and capacity surcharges.

**Other Revenue**

Other revenue was \$142 million lower, primarily resulting from lower intermodal storage and equipment usage.

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**Expenses**

Expenses of \$2.3 billion decreased \$39 million, or 2%, in third quarter 2023 when compared to the third quarter 2022.

Labor and Fringe expense decreased \$7 million due to the following:

- Prior year amounts included \$42 million of out-of-period labor and benefit costs due to the agreement reached with labor unions.
- All other costs increased \$35 million primarily due to inflation and increased headcount.

Purchased Services and Other expense increased \$25 million due to the following:

- Operating support costs increased \$15 million as the impacts of higher inflation, transportation support costs and maintenance were partially offset by lower intermodal expenses.
- Other costs were \$10 million higher as a \$16 million increase in casualty expense was partially offset by other non-significant items.

Depreciation and Amortization expense increased \$21 million primarily as the result of a 2022 equipment depreciation study as well as a larger asset base.

Fuel costs decreased \$89 million primarily resulting from a 24% decrease in locomotive fuel prices, partially offset by higher fuel consumption and \$7 million of adjustments for prior periods.

Equipment and Other Rents expense decreased \$10 million driven by lower net car hire costs, primarily resulting from improved days per load across all markets, partially offset by costs from higher automotive volumes.

Gains on Property Dispositions decreased to \$6 million from \$27 million in the prior year.

**Interest Expense**

Interest expense increased \$10 million primarily due to higher interest rates and higher average debt balances.

**Other Income - Net**

Other income - net decreased \$3 million primarily from a decrease in net pension benefit credits, partially offset by other non-significant items.

**Income Tax Expense**

Income tax expense decreased \$32 million mostly due to lower earnings before income taxes. The prior year period included \$37 million in tax benefits primarily due to a favorable state legislative change.

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***Nine Months Results of Operations***

Revenue decreased \$146 million primarily due to decreases in other revenue, lower fuel recovery, pricing declines in export coal due to the impact of lower benchmark rates and lower intermodal volumes. These declines were partially offset by pricing and volume gains in merchandise and higher coal volumes.

Total expense increased \$177 million primarily due to lower gains on property dispositions, increased inflation and higher operating support costs, partially offset by lower fuel prices.

Interest expense increased \$62 million primarily as a result of higher average debt balances and higher effective interest rates.

Other income - net increased \$17 million largely due to higher interest income and other non-significant items, partially offset by a decrease in net pension benefit credits.

Income tax expense decreased \$49 million primarily due to lower earnings before income taxes, partially offset by prior year favorable state legislative changes.

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**Non-GAAP Measures - Unaudited**

CSX reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). CSX also uses certain non-GAAP measures that fall within the meaning of Securities and Exchange Commission Regulation G and Regulation S-K Item 10(e), which may provide users of the financial information with additional meaningful comparison to prior reported results. Non-GAAP measures do not have standardized definitions and are not defined by GAAP. Therefore, CSX's non-GAAP measures are unlikely to be comparable to similar measures presented by other companies. The presentation of these non-GAAP measures should not be considered in isolation from, as a substitute for, or as superior to the financial information presented in accordance with GAAP. Reconciliations of non-GAAP measures to corresponding GAAP measures are below.

**Free Cash Flow**

Management believes that free cash flow is supplemental information useful to investors as it is important in evaluating the Company's financial performance. More specifically, free cash flow measures cash generated by the business after reinvestment. This measure represents cash available for both equity and bond investors to be used for dividends, share repurchases or principal reduction on outstanding debt. Free cash flow is calculated by using net cash from operations and adjusting for property additions and proceeds and advances from property dispositions. Free cash flow should be considered in addition to, rather than a substitute for, cash provided by operating activities. The decrease in free cash flow before dividends from the prior year of \$375 million is primarily due to less cash from operating activities and higher property additions. Cash from operating activities in the nine months of 2023 includes the payment of \$238 million for retroactive wages and bonuses with associated taxes related to finalized labor agreements as well as the offsetting impact of postponed federal estimated tax payments, which were extended until February 15, 2024 under an Internal Revenue Service tax relief announcement for those impacted by Hurricane Idalia.

The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow, before dividends (non-GAAP measure).

(Dollars in millions)

**Net cash provided by operating activities**

Property Additions

Proceeds and Advances from Property Dispositions

Free Cash Flow (before payment of dividends)

	Nine Months	
	2023	2022
<b>\$</b>	<b>4,049</b>	<b>\$ 4,255</b>
	(1,590)	(1,437)
	35	51
<b>\$</b>	<b>2,494</b>	<b>\$ 2,869</b>

**Operating Statistics (Estimated)**

The Company is committed to continuous improvement in safety and service performance through training, innovation and investment. Training and safety programs are designed to prevent incidents that can adversely impact employees, customers and communities. Technological innovations that can detect and avoid many types of human factor incidents are designed to serve as an additional layer of protection for the Company's employees. Continued capital investment in the Company's assets, including track, bridges, signals, equipment and detection technology also supports safety performance.

In third quarter 2023, velocity and dwell improved by 11% and 19%, respectively, versus prior year. Carload trip plan performance improved to 82% compared to 57% in the prior year while intermodal trip plan performance improved to 94% compared to 90% in the prior year.

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The personal injury frequency index of 0.98 increased 1% compared to prior year. The FRA train accident rate of 3.75 in third quarter 2023 increased by 19% compared to prior year. Safety is a guiding principle at CSX and the Company remains focused on our strong safety culture, including instilling the importance of safety in new hires. CSX is committed to reducing risk and enhancing the overall safety of its employees, customers and communities in which the Company operates.

	Third Quarters			Nine Months		
	2023	2022	Improvement / (Deterioration)	2023	2022	Improvement / (Deterioration)
<b>Operations Performance <sup>(a)</sup></b>						
Train Velocity (Miles per hour)	17.6	15.8	11 %	17.9	15.7	14 %
Dwell (Hours)	9.6	11.8	19 %	9.3	11.6	20 %
Cars Online	125,318	141,911	12 %	126,195	140,461	10 %
On-Time Originations	74 %	58 %	28 %	79 %	62 %	27 %
On-Time Arrivals	67 %	46 %	46 %	72 %	51 %	41 %
Carload Trip Plan Performance	82 %	57 %	44 %	84 %	60 %	40 %
Intermodal Trip Plan Performance	94 %	90 %	4 %	95 %	89 %	7 %
Fuel Efficiency	1.06	0.99	(7)%	1.03	0.99	(4)%
Revenue Ton-Miles (Billions)						
Merchandise	31.3	31.7	(1)%	95.9	95.0	1 %
Coal	9.4	8.6	9 %	27.8	24.6	13 %
Intermodal	7.1	7.6	(7)%	21.0	22.9	(8)%
Total Revenue Ton-Miles	47.8	47.9	— %	144.7	142.5	2 %
Total Gross Ton-Miles (Billions)	94.5	95.3	(1)%	284.6	281.7	1 %
<b>Safety <sup>(b)</sup></b>						
FRA Personal Injury Frequency Index	0.98	0.97	(1)%	0.97	0.96	(1)%
FRA Train Accident Rate	3.75	3.14	(19)%	3.67	3.28	(12)%

(a) Beginning second quarter 2023, all operations performance metrics include results from the network acquired from Pan Am. The impact of including Pan Am data was insignificant.

(b) Safety metrics do not include results from the network acquired from Pan Am. These metrics will be updated to include the Pan Am network results as integration completes.

Certain operating statistics are estimated and can continue to be updated as actuals settle. The methodology for calculating train velocity, dwell, cars online and trip plan performance differs from that used by the Surface Transportation Board. The Company will continue to report these metrics to the Surface Transportation Board using the prescribed methodology.



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**Key Performance Measures Definitions**

**Train Velocity** - Average train speed between origin and destination in miles per hour (does not include locals, yard jobs, work trains or passenger trains). Train velocity measures actual train miles and times of a train movement on CSX's network.

**Dwell** - Average amount of time in hours between car arrival to and departure from the yard.

**Cars Online** - Average number of active freight rail cars on lines operated by CSX, excluding rail cars that are being repaired, in storage, those that have been sold, or private cars dwelling at a customer location more than one day.

**On-Time Originations** - Percent of scheduled road trains that depart the origin yard on-time or ahead of schedule.

**On-Time Arrivals** - Percent of scheduled road trains that arrive at the destination yard on-time to within two hours of scheduled arrival.

**Carload Trip Plan Performance** - Percent of measured cars (excludes unit trains and other non-scheduled service as well as empty automotive shipments) destined for a customer that complete their scheduled plan at or ahead of the original estimated time of arrival or interchange (as applicable).

**Intermodal Trip Plan Performance** - Percent of measured containers (excludes port shipments along with empty containers and other non-scheduled service) destined for a customer that complete their scheduled plan at or ahead of the original estimated time of arrival, notification or interchange (as applicable).

**Fuel Efficiency** - Gallons of locomotive fuel per 1,000 gross ton-miles.

**Revenue Ton-Miles (RTM's)** - The movement of one revenue-producing ton of freight over a distance of one mile.

**Gross Ton-Miles (GTM's)** - The movement of one ton of train weight over one mile. GTM's are calculated by multiplying total train weight by distance the train moved. Total train weight is comprised of the weight of the freight cars and their contents.

**FRA Personal Injury Frequency Index** - Number of FRA-reportable injuries per 200,000 man-hours.

**FRA Train Accident Rate** - Number of FRA-reportable train accidents per million train-miles.

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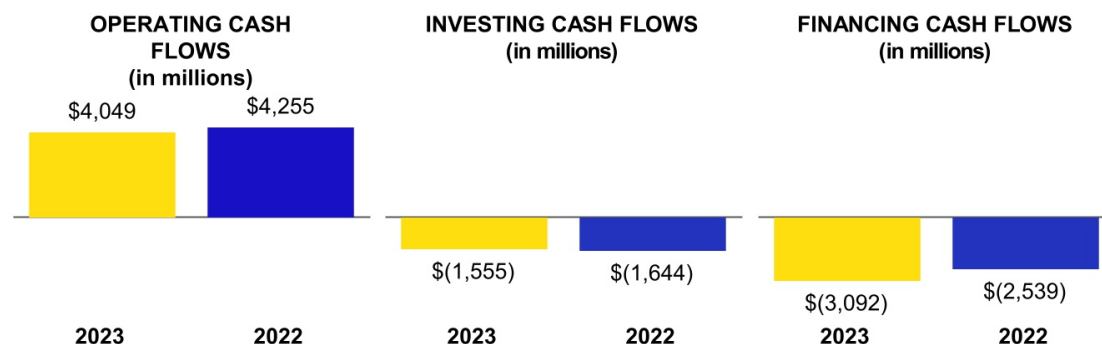
**LIQUIDITY AND CAPITAL RESOURCES**

The following are material changes in the significant cash flows, sources of cash and liquidity, capital investments, consolidated balance sheets and working capital, which provide an update to the discussion included in CSX's most recent annual report on Form 10-K.

**Material Changes in Significant Cash Flows**

*Significant Cash Flows*

The following chart highlights the operating, investing and financing components of the net decrease of \$598 million and increase of \$72 million in cash and cash equivalents for the nine months ended September 30, 2023 and September 30, 2022, respectively.



- The Company generated \$206 million less cash from operating activities primarily driven by unfavorable working capital activities, including the payments of \$238 million for retroactive wages and bonuses as well as associated taxes related to finalized labor agreements. This decrease was partially offset by the impact of postponed federal estimated tax payments.
- CSX used \$89 million less cash for investing activities primarily as a result of decreased acquisition spending and higher net sales of short-term investments, partially offset by higher property additions.
- The Company's net cash used in financing activities increased by \$553 million primarily due to lower proceeds from the issuance of long-term debt, partially offset by lower share repurchases.

**Sources of Cash and Liquidity and Uses of Cash**

As of the end of third quarter 2023, CSX had \$1.4 billion of cash and cash equivalents. CSX uses current cash balances for general corporate purposes, which may include capital expenditures, working capital requirements, reduction or refinancing of outstanding indebtedness, redemptions and repurchases of CSX common stock, dividends to shareholders, acquisitions and other business opportunities, and contributions to the Company's qualified pension plan. See Note 7, *Debt and Credit Agreements*.

The Company has multiple sources of liquidity, including cash generated from operations and financing sources. The Company filed a shelf registration statement with the SEC on February 16, 2022, which may be used to issue debt or equity securities at CSX's discretion, subject to market conditions and CSX Board authorization. While CSX seeks to give itself flexibility with respect to cash requirements, there can be no assurance that market conditions would permit CSX to sell such securities on acceptable terms at any given time, or at all. During the nine months ended September 30, 2023, CSX issued a total of \$600 million of long-term debt.

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CSX has a \$1.2 billion unsecured, revolving credit facility backed by a diverse syndicate of banks that expires in February 2028. At September 30, 2023, the Company had no outstanding balances under this facility. The Company also has a commercial paper program, backed by the revolving credit facility, under which the Company may issue unsecured commercial paper notes up to a maximum aggregate principal amount of \$1.0 billion outstanding at any one time. At September 30, 2023, the Company had no outstanding debt under the commercial paper program.

Planned capital investments for 2023 are expected to be approximately \$2.3 billion. Of the 2023 investment, approximately 75% is expected to be used to sustain the core infrastructure and operating equipment. The remaining amounts will be used to promote profitable growth, including projects supporting service enhancements and productivity. CSX intends to fund capital investments primarily through cash generated from operations.

***Material Changes in the Consolidated Balance Sheets and Working Capital******Consolidated Balance Sheets***

Total assets decreased \$62 million from year end primarily due to the \$598 million decrease in cash as noted above. This decrease was partially offset by a \$414 million increase in net property consistent with planned capital expenditures.

Total liabilities increased \$609 million from year end primarily due to the issuance of \$600 million in long-term debt, a \$250 million increase in income and other taxes payable largely related to postponed federal estimated tax payments and a \$131 million increase in deferred taxes. These increases were partially offset by a \$266 million decrease in labor and fringe benefits payable and debt repayments of \$150 million. The decrease in labor and fringe benefits payable was driven by payouts of accrued retroactive wages and bonuses as well as incentive compensation. Total shareholders' equity decreased \$671 million from year end primarily driven by share repurchases of \$2.9 billion and dividends paid of \$666 million, partially offset by net earnings of \$2.8 billion.

Working capital is considered a measure of a company's ability to meet its short-term needs. CSX had a working capital surplus of \$425 million as of September 30, 2023, and \$1.4 billion as of December 31, 2022. This decrease of \$953 million since year end is primarily due to cash paid for share repurchases of \$2.9 billion and property additions of \$1.6 billion, as well as a \$550 million increase in current maturities of long-term debt. These decreases were partially offset by cash earned from operations and \$600 million in cash received from debt issued. The Company's working capital balance varies due to factors such as the timing of scheduled debt payments and changes in cash and cash equivalent balances as discussed above. The Company continues to maintain adequate liquidity to satisfy current liabilities and maturing obligations when they come due. CSX has sufficient financial capacity, including its revolving credit facility, commercial paper program and shelf registration statement to manage its day-to-day cash requirements and any anticipated obligations. The Company from time to time accesses the credit markets for additional liquidity.

CSX is committed to returning cash to shareholders and maintaining an investment-grade credit profile. Capital structure, capital investments and cash distributions, including dividends and share repurchases, are reviewed at least annually by the Board of Directors. Management's assessment of market conditions and other factors guides the timing and volume of repurchases. Future share repurchases are expected to be funded by cash on hand, cash generated from operations and debt issuances.

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***Completed Transactions***

*Acquisition of Pan Am Systems, Inc.*

On June 1, 2022, CSX acquired Pan Am for a purchase price of \$600 million. The results of Pan Am's operations and its cash flows were consolidated prospectively.

*Sale of Property Rights to the Commonwealth of Virginia*

On March 26, 2021, the Company entered into a comprehensive agreement to sell certain property rights in three CSX-owned line segments to the Commonwealth of Virginia ("Commonwealth") over three phases. Over the course of this transaction, which was completed in 2022, total proceeds of \$525 million were collected and total gains of \$493 million were recognized. A gain of \$20 million was recognized in first quarter 2022 related to the closing of the second phase. During second quarter 2022, the final \$125 million of proceeds was approved by the Commonwealth, which resulted in a \$122 million gain related to property rights previously conveyed. These proceeds were collected during fourth quarter 2022 upon closing of the third phase. There were no proceeds or gains related to this agreement during third quarter 2022.

***Guaranteed Notes Issued By CSXT***

In 2007, CSXT, a wholly-owned subsidiary of CSX Corporation, issued in a registered public offering \$381 million of equipment notes, which were fully and unconditionally guaranteed by CSX Corporation. These notes matured on January 15, 2023.

**LABOR AGREEMENTS**

Approximately 17,600 of the Company's approximately 23,000 employees are members of a rail labor union. As of December 2, 2022, all 12 rail unions at CSX that participated in national bargaining were covered by national agreements with the Class I railroads and CSX-specific agreements that will remain in effect through December 31, 2024.

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**CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates in reporting the amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and certain revenues and expenses during the reporting period. Actual results may differ from those estimates. These estimates and assumptions are discussed with the Audit Committee of the Board of Directors on a regular basis. Consistent with the prior year, significant estimates using management judgment are made for the areas below. For further discussion of CSX's critical accounting estimates, see the Company's most recent annual report on Form 10-K.

- personal injury and environmental reserves;
- pension plan accounting;
- depreciation policies for assets under the group-life method; and
- goodwill and other intangible assets.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this report and in other materials filed with the Securities and Exchange Commission, as well as information included in oral statements or other written statements made by the Company, are forward-looking statements. The Company intends for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements within the meaning of the Private Securities Litigation Reform Act may contain, among others, statements regarding:

- projections and estimates of earnings, revenues, margins, volumes, rates, cost-savings, expenses, taxes or other financial items;
- expectations as to results of operations and operational initiatives;
- expectations as to the effect of claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements on the Company's financial condition, results of operations or liquidity;
- management's plans, strategies and objectives for future operations, capital expenditures, workforce levels, dividends, share repurchases, safety and service performance, proposed new services and other matters that are not historical facts, and management's expectations as to future performance and operations and the time by which objectives will be achieved; and
- future economic, industry or market conditions or performance and their effect on the Company's financial condition, results of operations or liquidity.

Forward-looking statements are typically identified by words or phrases such as "will," "should," "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. The Company cautions against placing undue reliance on forward-looking statements, which reflect its good faith beliefs with respect to future events and are based on information currently available to it as of the date the forward-looking statement is made. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the timing when, or by which, such performance or results will be achieved.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by any forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. If the Company does update any forward-looking statement, no inference should be drawn that the Company will make additional updates with respect to that statement or any other forward-looking statements. The following important factors, in addition to those discussed in Part I, Item 1A Risk Factors of CSX's most recent annual report on Form 10-K and elsewhere in this report, may cause actual results to differ materially from those contemplated by any forward-looking statements:

- legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation, international trade and initiatives to further regulate the rail industry;
- the outcome of litigation, claims and other contingent liabilities, including, but not limited to, those related to fuel surcharge, environmental matters, taxes, shipper and rate claims subject to adjudication, personal injuries and occupational illnesses;
- changes in domestic or international economic, political or business conditions, including those affecting the transportation industry (such as the impact of industry competition, conditions, performance and consolidation) and the level of demand for products carried by CSXT;
- natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic crisis affecting the health of the Company's employees, its shippers or the consumers of goods, or other unforeseen disruptions of the Company's operations, systems, property, equipment or supply chain;
- competition from other modes of freight transportation, such as trucking and competition and consolidation or financial distress within the transportation industry generally;
- the cost of compliance with laws and regulations that differ from expectations as well as costs, penalties and operational and liquidity impacts associated with noncompliance with applicable laws or regulations;
- the impact of increased passenger activities in capacity-constrained areas, including potential effects of high speed rail initiatives, or regulatory changes affecting when CSXT can transport freight or service routes;
- unanticipated conditions in the financial markets that may affect timely access to capital markets and the cost of capital, as well as management's decisions regarding share repurchases;
- changes in fuel prices, surcharges for fuel and the availability of fuel;
- the impact of natural gas prices on coal-fired electricity generation;
- the impact of global supply and price of seaborne coal on CSXT's export coal market;
- availability of insurance coverage at commercially reasonable rates or insufficient insurance coverage to cover claims or damages;
- the inherent business risks associated with safety and security, including the transportation of hazardous materials or a cybersecurity attack which would threaten the availability and vulnerability of information technology;
- adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;
- loss of key personnel or the inability to hire and retain qualified employees;
- labor and benefit costs and labor difficulties, including stoppages affecting either the Company's operations or customers' ability to deliver goods to the Company for shipment;

**CSX CORPORATION**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

- the Company's success in implementing its strategic, financial and operational initiatives, including acquisitions;
- the impact of conditions in the real estate market on the Company's ability to sell assets;
- changes in operating conditions and costs, including the impacts of inflation, or commodity concentrations;
- the impacts of a public health crisis and any policies or initiatives instituted in response; and
- the inherent uncertainty associated with projecting economic and business conditions.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified elsewhere in this report and in CSX's other SEC reports, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the Company's website at [www.csx.com](http://www.csx.com). The information on the CSX website is not part of this quarterly report on Form 10-Q.

**CSX CORPORATION**  
**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in market risk from the information provided under Part II, Item 7A (Quantitative and Qualitative Disclosures about Market Risk) of CSX's most recent annual report on Form 10-K, except as provided below.

Changes in interest rates may impact the cost of future long-term debt issued by the Company, and as a result, represent interest rate risk to the Company. In an effort to manage this risk, CSX may use certain financial instruments such as interest rate forward contracts. The following information together with information included in *Note 7, Debt and Credit Agreements*, describes changes to those contracts since CSX's most recent annual report on Form 10-K and the related market risk to CSX.

In second quarter 2023, CSX executed a partial settlement equal to \$113 million notional value of the cash flow hedges, which resulted in CSX receiving a cash payment of \$44 million. In third quarter 2023, CSX partially settled an additional \$114 million notional value and received a cash payment of \$51 million. The gain associated with the settled portion of these cash flow hedges will continue to be classified in AOCI until the associated debt instrument is issued in the future. As of September 30, 2023, these cash flow hedges had an aggregate notional value of \$114 million and an asset value of \$54 million.

Changes in interest rates could impact the fair value of the Company's forward starting interest rate swaps. As of September 30, 2023, the potential change in fair value resulting from a hypothetical 10% change in interest rates would not be material.

**ITEM 4. CONTROLS AND PROCEDURES**

As of September 30, 2023, under the supervision and with the participation of CSX's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, as of September 30, 2023, the Company's disclosure controls and procedures were effective at the reasonable assurance level in timely alerting them to material information required to be included in CSX's periodic SEC reports. There were no changes in the Company's internal controls over financial reporting during the third quarter of 2023 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.



**CSX CORPORATION**  
**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to SEC amendments to this Item, the Company will be using a threshold of \$1 million for such proceedings. For further details, refer to Note 5, *Commitments and Contingencies*, of this quarterly report on Form 10-Q. Also refer to Part I, Item 3, Legal Proceedings in CSX's most recent annual report on Form 10-K.

**Item 1A. Risk Factors**

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed under Part I, Item 1A (Risk Factors) of CSX's most recent annual report on Form 10-K. See also Part I, Item 2 (Forward-Looking Statements) of this quarterly report on Form 10-Q.

**Item 2. CSX Purchases of Equity Securities**

The Company continues to repurchase shares under the \$5 billion program announced in July 2022. At September 30, 2023, approximately \$371 million of repurchase authority remained under this program. On October 17, 2023, a new incremental \$5 billion share repurchase program was approved. For more information about share repurchases, see Note 2, *Earnings Per Share*. Share repurchase activity for the third quarter 2023 is shown below. Amounts exclude the impact of excise tax on net share repurchases imposed as part of the Inflation Reduction Act of 2022.

Third Quarter	CSX Purchases of Equity Securities for the Quarter			Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	
Beginning Balance				\$ 1,341,649,845
July 1 - July 31, 2023	5,679,451	\$ 33.16	5,679,451	1,153,317,232
August 1 - August 31, 2023	13,590,489	31.19	13,590,489	729,420,842
September 1 - September 30, 2023	11,748,190	30.47	11,748,190	371,411,668
Ending Balance	31,018,130	\$ 31.28	31,018,130	\$ 371,411,668

**CSX CORPORATION  
PART II**

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

Not Applicable

**Item 5. Other Information**

During the third quarter of 2023, none of the Company's directors or officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

**CSX CORPORATION**  
**PART II**

**Item 6. Exhibits**

Exhibit designation	Nature of exhibit	Previously filed as exhibit to
10.1* **	<a href="#">CSX Corporation Executive Severance Plan, amended and restated as of July 11, 2023</a>	
10.2* **	<a href="#">Form of Change of Control Agreement for Chief Executive Officer, effective as of July 11, 2023</a>	
10.3* **	<a href="#">Form of Change of Control Agreement for Executive Vice President, effective as of July 11, 2023</a>	
10.4* **	<a href="#">Form of Change of Control Agreement for Senior Vice President/Vice President, effective as of July 11, 2023</a>	
10.5* **	<a href="#">Employment Separation Agreement and Release Form, effective as of August 30, 2023, between CSX and Jamie J. Boychuk</a>	

**Officer certifications:**

31*	<a href="#">Rule 13a-14(a) Certifications</a>
32*	<a href="#">Section 1350 Certifications</a>

**Interactive data files:**

101*	The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 filed with the SEC on October 19, 2023, formatted in inline XBRL includes: (i) consolidated income statements for the quarters and nine months ended September 30, 2023, and September 30, 2022, (ii) condensed consolidated comprehensive income statements for the quarters and nine months ended September 30, 2023, and September 30, 2022, (iii) consolidated balance sheets at September 30, 2023, and December 31, 2022, (iv) consolidated cash flow statements for the nine months ended September 30, 2023, and September 30, 2022, (v) consolidated statement of changes in shareholders' equity for the quarters and nine months ended September 30, 2023, and September 30, 2022, and (vi) the notes to consolidated financial statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101)

\* Filed herewith

\*\* Management contract or compensatory plan or arrangement

**CSX CORPORATION  
PART II**

**SIGNATURE**

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

CSX CORPORATION  
(Registrant)

By: /s/ ANGELA C. WILLIAMS  
Angela C. Williams  
Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

Dated: October 19, 2023

**CSX CORPORATION EXECUTIVE SEVERANCE PLAN**  
**(Amended and Restated as of July 11, 2023)**

**1. Purpose**

CSX Corporation ("CSX") has adopted the CSX Corporation Executive Severance Plan, effective as of September 14, 2022 and amended and restated as of July 11, 2023 (the "Plan"), for eligible executive officers and other key employees of CSX and its subsidiaries (collectively, the "Company"). The purpose of the Plan is to provide severance protections to promote the retention and focus of these employees.

**2. Eligibility**

You are eligible to receive Severance Benefits (as defined in Section 3 below) under the Plan if (i) your employment is terminated by the Company without Cause (as defined below) (a "Qualifying Termination"), (ii) at the time of such termination, you are employed in a position set forth on Appendix A attached hereto (an "Eligible Position") and (iii) you have not otherwise been specifically excluded by the Company in writing from participation in the Plan. For the avoidance of doubt, and notwithstanding any other provision of the Plan, you will not be eligible for severance payments and benefits under the Plan if your employment terminates by reason of any of the following: (A) by the Company for Cause, (B) due to your death or Disability (as defined below), (C) due to your voluntary retirement or (D) due to your resignation (with or without good reason). The date on which your employment with the Company terminates will be referred to herein as your "Termination Date".

For purposes of the Plan, "Cause" means the following:

- (a) your indictment for, conviction of, or a plea of guilty or nolo contendere to, (i) a felony or (ii) any other crime involving fraud, embezzlement, misconduct or other any act of moral turpitude;
- (b) your embezzlement, breach of fiduciary duty or fraud with regard to the Company or any of its affiliates or any of their respective assets or businesses;
- (c) your continued failure to perform your duties, in the reasonable judgment of the Company;
- (d) your dishonesty, willful misconduct, or illegal conduct relating to the affairs of the Company or any of its affiliates or any of their respective customers;
- (e) your breach of a material provision of any contractual obligation to the Company or any of its affiliates;
- (f) other conduct by you that may be harmful to the business, interests, or reputation of the Company or any of its affiliates, including any material violation of a policy of the Company or any of its affiliates.

For purposes of the Plan, "Disability" means, "disability" as defined in your offer letter or employment or similar agreement with CSX or a subsidiary, if any, or if not so defined, a disability that would qualify as such under the Company's long-term disability plan.

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### 3. **Severance Payments and Benefits**

Upon your Qualifying Termination, you will be eligible to receive, subject to your execution and non-revocation of a Release (as defined in Section 4) and compliance with post-employment restrictive covenants as set forth in the Plan, the following severance payments and benefits (collectively, the "Severance Benefits"):

(a) *Severance Pay.* You will receive cash severance pay ("Severance Pay") in the following amount, paid in substantially equal installments in accordance with the Company's payroll practices for a period of twelve (12) months following your Termination Date:

- (i) If, as of your Termination Date, you are in an Eligible Position with a career level of an Executive Vice President, Senior Vice President or Vice President of the Company, your Severance Pay will be an amount equal to the sum of: (A) one times your then-current base salary and (B) one times your then-current target bonus under the CSX Management Incentive Compensation Plan or other applicable annual cash incentive plan in which you participate (as applicable, the "Annual Incentive Plan").
- (ii) If, as of your Termination Date, you are in an Eligible Position with a career level of Assistant Vice President or Head of Department of the Company, your Severance Pay will be an amount equal to 1.25 times your then-current base salary.

(b) *Pro Rata Bonus.* You will receive a pro rata bonus under the Annual Incentive Plan for the year in which your Termination Date occurs (the "Pro Rata Bonus"), determined by multiplying (i) a fraction, the numerator of which is the number of days that have elapsed from the first day of the fiscal year in which your Termination Date occurs through your Termination Date and the denominator of which is 365 by (ii) the amount of the bonus that is earned based on the actual achievement of the performance criteria applicable to the Annual Incentive Plan following the end of the year in which your Termination Date occurs. Payment of your Pro Rata Bonus will be made in a lump sum at the time that annual incentive bonuses are normally paid under the Annual Incentive Plan.

(c) *Health Continuation.* You will remain eligible to continue participation in the Company's medical and dental plans on the same basis as you participated as of immediately prior to your Termination Date, for a period ending on the earlier of (i) twelve (12) months following your Termination Date and (ii) the date on which you become eligible for health coverage from a subsequent employer. Access to other benefits (vision, FSA, etc.) in which you participated as of immediately prior to your Termination Date will be offered in accordance with the requirements of COBRA.

(d) *Prior Year Bonus.* You will receive any earned but unpaid bonus under the Annual Incentive Plan in respect of the most-recent bonus performance period ending prior to the Termination Date, payable in a lump sum at the time that annual incentive bonuses are normally paid under the Annual Incentive Plan.

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(e) *Treatment of Equity Awards.* Any outstanding equity- or equity-based awards that you hold under the Company's long-term incentive plans as of your Termination Date will be treated in accordance with the terms of the applicable plan and award agreement under which such award was granted; *provided* that, notwithstanding anything to the contrary in any such applicable award agreement:

- (i) In the event of your Qualifying Termination hereunder, your outstanding equity or equity-based awards will vest on a pro-rata basis, and the pro-rata portion of such award that vests will settle or become exercisable (as applicable) on the original schedule as set forth in such award agreement that would have applied had you remained employed through the next applicable vesting date (and in the case of performance-based awards, subject to the satisfaction of the applicable performance conditions at the end of the performance period); and
- (ii) Any of your stock options that are vested as of your Termination Date (including those that vest on a pro-rated basis) will remain exercisable through the original expiration date of such stock options as set forth in the applicable award agreement (which, for the avoidance of doubt, is no later than ten (10) years from the applicable grant date).

(f) *Outplacement Services.* You will receive outplacement services for one (1) year following your Termination Date, through organizations designated by the Company, provided that you initiate these outplacement services within six (6) months after your Termination Date.

(g) *Financial Planning Assistance.* If, as of your Termination Date, you are in an Eligible Position with a career level of an Executive Vice President, Senior Vice President or Vice President of the Company, you will receive financial and tax planning assistance for one (1) year following your Termination Date, through organizations designated by the Company.

#### **4. Requirements of Release and Waiver and Compliance with Restrictive Covenants**

In order to be eligible to receive the Severance Benefits, you must: (i) sign and deliver to the Company, within the time set by the Company (which will be either 21 or 45 days in accordance with applicable law), an effective Employment Separation Agreement and Release (a "Release") in a form provided by the Company, (ii) you do not revoke the Release following delivery of the Release to the Company, if revocation is permitted (the date on which the applicable revocation period expires without you having revoked the Release and the Release becomes non- revocable, the "Release Effective Date"); and (iii) comply, and continue to comply, with the terms of the Release and of any non-competition, non-solicitation, non-disparagement, confidentiality, or other restrictive covenant obligation owed to the Company or any of its affiliates, for the applicable duration of each such covenant.

Notwithstanding anything to the contrary in the Plan, (x) no payments under the Plan will be made until the Release Effective Date, (y) if the period during which you may execute the Release begins in one calendar year and ends in the next calendar year, then the payments will not commence until the second calendar year and (z) any such payments that are delayed pursuant to the foregoing clauses (x) or (y) will instead be made in the first payroll period to occur after the Release Effective Date and the start of the second calendar year (if applicable). In addition, in the event of your breach of the terms of any restrictive covenant obligation to the Company or any of its affiliates, you will not be entitled to any further payments or benefits under the Plan, and you may (in the discretion of the Company) be obligated to repay any amounts previously paid under the Plan and any other payments or benefits previously provided under the Plan may be subject to recovery pursuant to any clawback or similar policy adopted by the Company.

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## **5. No Duplication of Benefits/No Substitution**

Nothing in the Plan or any other change in control plan or agreement, offer letter or letter agreement from the Company or any of its affiliates, prevailing practice of the Company or any of its affiliates, or oral statement made by or on behalf of the Company or any of its affiliates (each, an "Existing Arrangement") will entitle you to receive duplicate payments or benefits in connection with a voluntary or involuntary termination of employment, including under the CSX Corporation Severance Pay Plan. Notwithstanding any other provision in the Plan to the contrary, if you are entitled to any severance or similar payments or benefits outside of the Plan by operation of applicable law or under an Existing Arrangement, your payments and benefits provided under the Plan will be reduced by the value of the severance or similar payments or benefits that you receive by operation of applicable law or under any applicable Existing Arrangement. The Company's obligation to make payments or provide benefits under the Plan will be expressly conditioned upon you not receiving duplicate payments or benefits. If you owe the Company or any of its affiliates money for any reason, the Company may offset the amount of the debt from your Severance Benefits to the extent permitted by law; *provided, however*, that, any such offset shall be applied in a manner consistent with Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code") to the extent that the Severance Benefits are subject to Section 409A of the Code.

## **6. Accrued Amounts; Employee Benefits**

In the event of a termination of your employment for any reason, as of your Termination Date, you will receive: (i) any base salary earned but not paid through the Termination Date, paid on the next regularly scheduled payroll date, (ii) any unreimbursed business expenses that are otherwise reimbursable, and (iii) all other vested accrued benefits, if any, due to you, as determined in accordance with the plans, policies and practices of the Company and its affiliates and applicable law.

From and after your Termination Date, except as otherwise expressly provided in the Plan, you will not be considered an employee of the Company or any of its affiliates for any purpose, including eligibility under any Company employee benefit plans, including, without limitation: (i) further contributions under the CSXtra 401(k) Plan, (ii) accrual of further benefits under the CSX Pension Plan, (iii) dependent care reimbursement benefits, (iv) the Company's disability plan, (v) the Company's travel accident plan, (vi) sick leave or vacation days or (vii) any form of incentive compensation.

## **7. Amendment and Plan Termination**

CSX, by action of the Compensation and Talent Management Committee of the Board of Directors of CSX, reserves the right to amend or terminate the Plan or the benefits provided hereunder at any time in its sole discretion. Any amendment or termination of the Plan will be in writing. However, if after you have incurred a Qualifying Termination under the Plan, no amendment or termination of the Plan may, without your written consent, reduce or alter to your detriment, the payments and benefits to which you are entitled.

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## **8. Amendment and Plan Termination**

CSX, by action of the Compensation and Talent Management Committee of the Board of Directors of CSX, reserves the right to amend or terminate the Plan or the benefits provided hereunder at any time in its sole discretion. Any amendment or termination of the Plan will be in writing. However, if after you have incurred a Qualifying Termination under the Plan, no amendment or termination of the Plan may, without your written consent, reduce or alter to your detriment, the payments and benefits to which you are entitled.

## **9. Additional Plan Information**

- (a) *Employment Status.* The Plan does not constitute a contract of employment, and nothing in the Plan provides or may be construed to provide that participation in the Plan is a guarantee of continued employment with the Company or any of its affiliates.
  - (b) *Withholding of Taxes.* The Company or your employer will withhold from any amounts payable under the Plan all Federal, state, local or other taxes that are legally required to be withheld from your Severance Benefits.
  - (c) *Validity and Severability.* The invalidity or unenforceability of any provision of the Plan will not affect the validity or enforceability of any other provision of the Plan, which will remain in full force and effect, and any prohibition or unenforceability in any jurisdiction will not invalidate that provision, or render it unenforceable, in any other jurisdiction.
  - (d) *Unfunded Obligation.* All severance payments and benefits under the Plan constitute unfunded obligations of the Company. Severance payments will be made, as due, from the general funds of the Company. The Plan constitutes solely an unsecured promise by the Company to provide Severance Benefits to you to the extent provided in the Plan.
  - (e) *Type of Plan and Governing Law.* The plan is designed to qualify as a severance pay arrangement within the meaning of Section 3(2)(B)(i) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of ERISA and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of the regulations published by the Secretary of Labor. The Plan and all rights under it will be governed and construed in accordance with ERISA and, to the extent not preempted by Federal law, with the laws of the State of Florida.
  - (f) *Successors and Assigns.* The Plan will be binding upon and inure to the benefit of CSX and its successors and assigns and will be binding upon and inure to the benefit of you and your legal representatives, heirs and legatees. Your rights under the Plan will not otherwise be transferable or subject to lien or attachment.
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## **10. Section 409A of the Code**

To the extent any payments or benefits under the Plan are subject to Section 409A of the Code, the Plan will be interpreted and administered to the maximum extent possible to comply with Section 409A of the Code. For purposes of any payments or benefits under the Plan subject to Section 409A of the Code:

- (a) You will not be considered to have terminated employment with the Company and its affiliates unless you would be considered to have incurred a “separation from service” within the meaning of Section 409A of the Code.
- (b) Each separate payment to be made or benefit to be provided under the Plan will be construed as a separate identified payment for purposes of Section 409A of the Code.
- (c) If you are a “specified employee” within the meaning of Section 409A of the Code at the time of your separation from service, to the extent required under Section 409A of the Code to avoid accelerated taxation and tax penalties, any amounts payable during the six (6)- month period immediately following your separation from service will instead be paid on the first business day after the date that is six (6) months following your separation from service (or, if earlier, your date of death).

The Company makes no representation that payments described in the Plan will be exempt from or comply with Section 409A.

## **11. Section 280G**

In the event that the severance and other benefits provided for in the Plan or any bonuses, payments or other compensation or compensation payable to you under any other plan or arrangement (i) constitute “parachute payments” within the meaning of Section 280G of the Code (“280G Payments”), and (ii) but for this Section 10, would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the 280G Payments will be either:

- (a) delivered in full, or
- (b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by you on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in the 280G Payments is necessary so that no portion of such benefits are subject to the Excise Tax, reduction will occur in the following order: (i) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Section 280G of the Code); (ii) a pro rata reduction of (A) cash payments that are subject to Section 409A of the Code as deferred compensation and (B) cash payments not subject to Section 409A of the Code; (iii) a pro rata reduction of (A) employee benefits that are subject to Section 409A of the Code as deferred compensation and (B) employee benefits not subject to Section 409A of the Code; and (iv) a pro rata cancellation of (A) accelerated vesting equity awards that are subject to Section 409A of the Code as deferred compensation and (B) equity awards not subject to Section 409A of the Code. In the event that acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting will be cancelled in the reverse order of the date of grant of your equity awards.

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Unless you and the Company otherwise agree in writing, any determination required under this Section 10 will be made in writing by a Section 280G expert selected by the Company (the "Firm"), whose determination will be conclusive and binding upon you and the Company. For purposes of making the calculations required by this Section 10, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. You and the Company will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 10. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 10.

## **12. Administrative Information About Your Plan**

### ***Employer Identification Number***

CSX's employer identification number is 62-1051971.

### ***Claim for Benefits***

If you believe that you are entitled to payments and benefits under the Plan that are not provided to you, or you disagree with any other action taken by the Plan Administrator with respect to the Plan, then you may submit a claim to the Plan Administrator in writing. A claim must be made in writing and submitted within six (6) months of your Termination Date. In the event you make a claim for benefits beyond six (6) months of your Termination Date, then you are expressly precluded from receiving any severance payments and/or benefits under the Plan.

### ***Claims Review Procedures***

You will be notified in writing by the Plan Administrator if your claim under the Plan is denied.

If a claim for benefits under the Plan is denied in full or in part, you (or your duly authorized representative) may appeal the decision to the Plan Administrator.

To appeal a decision, you (or your duly authorized representative) must submit a written document through the U.S. Postal Service or other courier service appealing the denial of the claim within sixty (60) days after you receive notice of the claim denial described above. You (or your duly authorized representative) may also include information or other documentation in support of your claim.

You (or your duly authorized representative) will be notified of a decision within ninety (90) days (which may be extended to one-hundred and eighty (180) days, if required) of the date your appeal is received. This notice will include the reasons for the denial and the specific provision(s) on which the denial is based, a description of any additional information needed to resubmit the claim, and an explanation of the claims review procedure. If the Plan Administrator requires an extension of time to respond to your appeal, you (or your duly authorized representative) will receive notice of the reason for the extension within the initial ninety (90)-day period and a date by which you can expect a decision.

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If the original denial is upheld on first appeal, you (or your duly authorized representative) may request a review of this decision. You (or your duly authorized representative) may submit a written request for reconsideration to the Plan Administrator (as identified below) within sixty (60) days after receiving the denial.

You (or your duly authorized representative) can review all plan documents in preparing your appeal and you (or your duly authorized representative) may have a qualified person represent you (or your duly authorized representative) during the appeal process. Any documents or records that support your position must be submitted with your appeal letter.

The case will be reviewed, and you (or your duly authorized representative) will receive written notice of the decision within sixty (60) days (which may be extended to one-hundred and twenty (120) days, if required). The written notice will include the specific reasons for the decision and specific reference to the Plan provision(s) on which the decision is based.

Any decision on final appeal will be final, conclusive and binding upon all parties. If the final appeal is denied, however, you will be advised of your right to file a claim in court. It is CSX's intent that in any challenge to a denial of benefits on final appeal under these procedures, the court of law or a professional arbitrator conducting the review will apply to a deferential ("arbitrary and capricious") standard and not a de novo review.

### ***Legal Action***

You may not bring a lawsuit to recover benefits under the Plan until you have exhausted the internal administrative process described above. No legal action may be commenced at all unless commenced no later than one (1) year following the issuance of a final decision on the claim for benefits, or the expiration of the appeal decision period if no decision is issued. This one (1)- year statute of limitations on suits for all benefits will apply in any forum where you may initiate such a suit.

### ***Plan Administrator***

The administration of the Plan is the responsibility of the Plan Administrator. The Plan Administrator has the discretionary authority and responsibility for, among other things, determining eligibility for benefits and construing and interpreting the terms of the Plan. In addition, the Plan Administrator has the authority, at its discretion, to delegate its responsibility to others. The chart in Section 13 contains the name and address of the Plan Administrator. Notwithstanding the foregoing, if and to the extent required by applicable law, the rules of any applicable securities exchange on which the shares of CSX common stock is traded or CSX's by-laws or articles of incorporation, the Plan will be administered by the Chief Administrative Officer.

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### **13. Your Rights and Privileges Under ERISA**

As a participant in the Plan, you are entitled to certain rights and protection under ERISA. ERISA provides that you shall be entitled to:

#### ***Receive Information About Your Plan and Benefits***

Examine, without charge, at the Company's offices and at other specified locations all documents governing the plan filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and updated Summary Plan Description. The administrator may make a reasonable charge for the copies.

#### ***Prudent Actions by Plan Fiduciaries***

In addition to creating certain rights for you, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

#### ***Enforce Your Rights***

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within thirty (30) days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in a Federal court.

If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

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**Assistance with Your Questions**

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration at 1-866- 444-EBSA (3272) or accessing their website at <http://www.dol.gov/ebsa>.

**14. Other Administrative Facts**

Name of Plan.....	CSX Corporation Executive Severance Plan and Summary Plan Description
Type of Plan .....	“Welfare” plan
Plan Records .....	Kept on a calendar-year basis
Plan Year .....	January 1— December 31
Plan Funding .....	Company provides severance benefits from general assets.
Plan Sponsor .....	CSX Corporation
Plan Number .....	521
Plan Administrator and Named Fiduciary.....	Chief Administrative Officer 500 Water Street – J400 Jacksonville, FL 32202
Agent for Service of Legal Process on the Plan.....	CSX Corporation Corporate Secretary 500 Water Street Jacksonville, FL 32202
Trustee.....	Not applicable
Insurance Company.....	Not applicable

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Eligible Positions

Employees in “Eligible Positions” include those employees who are employed at the career levels identified in the table below.

<b>Career Level</b>
<ul style="list-style-type: none"><li>• Executive Vice President</li><li>• Senior Vice President</li><li>• Vice President</li><li>• Assistant Vice President</li><li>• Head of Department</li></ul>

CSX CORPORATION  
FORM OF CHANGE OF CONTROL AGREEMENT

AGREEMENT by and between CSX CORPORATION, a Virginia corporation (the "Company"), and Joseph R. Hinrichs (the "Executive"), dated as of [●].

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. To accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

a. "Effective Date" means the first date during the Term (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs, and the Executive's employment with the Company is terminated by the Company without Cause or the Executive resigns for Good Reason within three months prior to a Change of Control occurring during the Term, then, for all purposes of this Agreement, "Effective Date" shall mean the date immediately prior to the date of such termination of employment or cessation of employment.

b. The "Term" means the period commencing on the date hereof and ending on July 11, 2026; provided that the Term shall extend automatically for consecutive periods of three years unless either party provides notice of non-renewal not less than ninety (90) days prior to the end of the Term as then in effect; provided, further, that, the Term shall end on an earlier date in the event of Executive's termination of employment for any reason prior to the Effective Date.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean the occurrence of any of the following; provided that, in the event of any conflict between the definition of Change of Control provided herein and the definition of "Change in Control" set forth in the CSX 2019 Stock and Incentive Award Plan (as such plan may be amended from time to time, the "Equity Plan"), the definition in the Equity Plan shall control:

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a. Stock Acquisition. The acquisition by any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof) (a "Person") of 20 percent or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock"), or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

b. Board Composition. Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a member of the Board after such date whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the members of the Board then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individuals whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c. Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the assets of the Company or CSX Transportation, Inc. that is not subject, as a matter of law or contract, to approval by the Surface Transportation Board or any successor agency or regulatory body having jurisdiction over such transactions (the "STB") (a "Business Combination"), in each case, unless, following such Business Combination:

(i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or CSX Transportation, Inc. or all or substantially all of the assets of the Company or CSX Transportation, Inc. either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business

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Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(ii) no Person (excluding a corporation resulting from such Business Combination or an employee benefit plan (or related trust) of the Company or the corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and

(iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

d. Regulated Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a Business Combination that is subject, as a matter of law or contract, to approval by the STB (a "Regulated Business Combination") unless such Business Combination complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

e. Liquidation or Dissolution. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or CSX Transportation, Inc.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, for any agreement that provides for accelerated distribution on a Change of Control of amounts that constitute "deferred compensation" (as defined in Section 409A of the Code), if the event that constitutes such Change of Control does not also constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets (in either case, as defined in Section 409A of the Code), such amount shall not be distributed on such Change of Control but instead shall vest as of such Change of Control and shall be distributed on the scheduled payment date specified in the applicable agreement governing such amount, except to the extent that earlier distribution would not result in the recipient of such amount incurring interest or additional tax under Section 409A of the Code.

If any Change of Control is a Regulated Business Combination, but its implementation involves another "Change of Control" that is not a Regulated Business Combination, then for all purposes of this Agreement, such Change of Control shall not be deemed to be a Regulated Business Combination, the provisions governing a Regulated Business Combination shall not apply, and the provisions governing such other Change of Control shall apply.

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3. Employment Period.

a. Generally. Subject to Section 3(b), the Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

b. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, the "Employment Period" shall mean the longer of (i) the period commencing on the Effective Date and ending on the third anniversary of such date or (ii) the period commencing on the Effective Date and ending twelve months following the effective date of a final decision by the Agency on the proposed Regulated Business Combination ("Final Regulatory Action"), provided, however, that (x) if the Final Regulatory Action is a denial of the Regulated Business Combination then for all purposes of this Agreement the "Employment Period" shall end upon the sixtieth (60th) day following such Final Regulatory Action and (y) if the Final Regulatory Action is an approval of the Regulated Business Combination, but the Regulated Business Combination is not consummated by the first anniversary of the Final Regulatory Action, then for all purposes of this Agreement the "Employment Period" shall end upon such first anniversary, of the Final Regulatory Action.

4. Terms of Employment.

a. Position and Duties. (i) During the Employment Period: (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, Executive agrees during normal business hours to diligently discharge the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the

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Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

b. Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. Notwithstanding the preceding sentence, an across-the-board reduction in Annual Base Salary applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be eligible to earn, for each calendar year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash, based on Company performance levels, not less favorable (in terms both of dollar amounts and difficulty of achievement) to the Executive than the Executive's opportunity to earn such annual cash bonuses under the Company's annual incentive plans, or any comparable bonus under any predecessor or successor plan, for the last three full calendar years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such calendar year). Notwithstanding the preceding, an across-the-board reduction of minimum, target and maximum Annual Bonus opportunities applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. Each such Annual Bonus shall be paid no later than March 15 of the calendar year next following the calendar year for which the Annual Bonus is awarded, unless deferred pursuant to the terms of a deferred compensation plan maintained by the Company.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings

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opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in carrying out Executive's duties hereunder, in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect and applicable to the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies. Any required reimbursements shall be paid to Executive no later than the last day of the calendar year following the calendar year in which the underlying expense was incurred by the Executive, and the amount of expenses eligible for reimbursement during any year shall not affect the expenses eligible for reimbursement in any other year.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to administrative assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and

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its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

Notwithstanding Section 4(b)(iii)-(viii), benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account under such provisions. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

#### 5. Termination of Employment.

a. Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of the Executive's inability to engage in any substantial gainful activity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. Executive agrees to cooperate with the Company and the selected physician so that such determination can be made.

b. Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's material duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company, which specifically identifies the manner in which the Board or the Chief Executive

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Officer believes that the Executive has not substantially performed the Executive's duties,

(ii) the Executive's indictment for, or plea of guilty or nolo contendere to, any crime (x) that is a felony or (y) that could reasonably be expected to adversely affect the reputation of the business of the Company or any of its affiliated companies,

(iii) the willful engaging by the Executive in illegal conduct or gross misconduct which is or could reasonably be expected to adversely affect the reputation or the business of the Company or any of its affiliated companies,

(iv) the material violation of any Company policy by Executive, or the commission by Executive of an act involving moral turpitude, in each case, that adversely and substantially affects the reputation or business of the Company or any of its affiliated companies, or

(v) a material breach by the Executive of the Executive's obligations under this Agreement; provided that the Executive has been given written notice of the alleged material breach and, if susceptible to cure, has not reasonably cured such breach within 30 days of the giving of such notice.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

c. Good Reason. The Executive's employment may be terminated by the Executive during the Employment Period for Good Reason. For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and

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inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) of this Agreement.

Notwithstanding the foregoing, Good Reason shall not exist unless (i) the Executive provides a "Notice of Termination" (as defined below) to the Company that includes the grounds for Good Reason within 60 days after the initial existence of such grounds for Good Reason, (ii) the Company has not cured the circumstances giving rise to Good Reason within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Good Reason.

d. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, during that portion of the Employment Period prior to Final Regulatory Action, the Executive may not exercise his or her rights to terminate the Executive's employment under this Agreement for "Good Reason." During such period, the Executive may only terminate his or her employment under this Agreement and receive benefits under Section 6 if the Executive is "Constructively Terminated" by the Company. Moreover, except to the extent expressly set forth in the definition of "Constructive Termination," the Executive shall have no remedy for any breach by the Company of the provisions of Section 4; provided, however, that any failure of the Company to comply in any material respect with the provisions of Section 4 shall create a rebuttable presumption that a Constructive Termination has occurred. For purposes of this Agreement, a "Constructive Termination" shall mean:

(i) substantial diminution of the Executive's duties or responsibilities as contemplated by Section 4(a) of this Agreement, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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- (ii) a reduction in the Executive's Annual Base Salary;
- (iii) a failure by the Company to comply with Section 4(b)(ii) regarding the Annual Bonus;
- (iv) a reduction in the Executive's other incentive opportunities, benefits or perquisites described in Section 4(b) unless similarly situated Company executives suffer a comparable reduction;
- (v) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent; or
- (vi) any purported termination by the Company of the Executive's employment otherwise than for Cause or Disability.

Notwithstanding the foregoing, a Constructive Termination shall not exist unless (i) the Executive provides a Notice of Termination to the Company that includes the grounds for Constructive Termination within 60 days after the initial existence of such grounds for Constructive Termination, (ii) the Company has not cured the circumstances giving rise to Constructive Termination within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Constructive Termination.

During that portion of the Employment Period after Final Regulatory Action, the Executive may terminate his or her employment under this Agreement for "Good Reason."

e. Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Cause or Constructive Termination shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

f. Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, the date of receipt of the Notice of Termination or

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any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. For purposes of any benefit to be provided or any amount payable under this Agreement that is subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), termination of employment shall not be deemed to occur unless such termination constitutes a "separation from service" within the meaning of Section 409A of the Code and the rules and regulations promulgated thereunder.

6. Obligations of the Company upon Termination.

a. Without Cause, Good Reason or Constructive Termination. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or the Executive shall terminate employment for Good Reason or Constructive Termination, then the Company shall provide the following payments and benefits:

(i) The Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of (A), plus (B), plus (C) as follows:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid and (2) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2) shall be hereinafter referred to as the "Accrued Obligations"); and

B. an amount equal to the product of (1) 3 and (2) the sum of (x) the Executive's Annual Base Salary in effect on the date of Executive's termination of employment (or, if greater, the Executive's Annual Base Salary in effect immediately before any salary reduction therein triggering the event leading to Executive's termination) and (y) the Target Bonus; and

C. an amount equal to 102% of the estimated aggregate cost of the benefits to be provided to Executive under Section 6(a)(ii) for the three year period during which such benefits may be provided to Executive, as determined by the Company in good faith (which determination shall be final and binding); and

D. the product of (x) the Annual Bonus the Executive would have received for the year of termination (based upon the Executive's target opportunity and the annual incentive plan's achievement percentage) had the Executive remained employed for the entire performance period to which such Annual Bonus relates and (y) a fraction, the numerator of which is the number of days in the current

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calendar year through the Date of Termination, and the denominator of which is 365.

The amounts set forth in (A), (B) and (C) shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. The amount set forth in (D) shall be paid following completion of the relevant performance period at the same time Annual Bonuses are normally paid pursuant to the terms of the applicable plan.

In the event that Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined by the Company or its delegate), any payments hereunder that constitute nonqualified deferred compensation pursuant to Section 409A of the Code shall not be paid or provided until the earlier of (A) the Executive's death, or (B) the expiration of the 6-month period following Executive's termination of employment (the "Delay Period"). Any payments that are delayed by virtue of this subparagraph shall (I) be paid in one payment at the conclusion of the Delay Period and (II) include interest computed at five percent (5%) per annum for the duration of the Delay Period.

(ii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue medical, group life, and disability benefits to the Executive and/or the Executive's family equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies and their families; provided, however, that any such benefits that are fully insured will only be provided to the extent the underlying insurance policy provides or can be amended to provide coverage for such benefits, and provided further, that if the Executive becomes reemployed with another employer and is eligible to receive medical, group life, or disability benefits under another employer-provided plan, then the medical, group life, or disability, benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. With respect to any benefits provided to Executive under this Section 6(a)(ii), the Executive shall pay one hundred percent of the cost of such coverage (one hundred two percent with respect to medical benefits) on an after-tax basis. In the event medical coverage is provided under the Company's existing plan, any COBRA continuation coverage obligation under Section 4980B of the Code will run concurrently with the benefits provided hereunder.

(iii) The Company shall during the period commencing on the Date of Termination and ending on the last day of the second calendar year following the calendar year in which Executive's termination of employment occurred, at its sole expense as incurred, provide the Executive with outplacement services, the scope and provider of which shall be selected by the Executive in his or her sole discretion, but at a cost not in excess of \$40,000.

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(iv) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, including earned but unpaid stock and similar compensation and any annual or long-term incentive compensation earned with respect to a performance period completed prior to the Executive's termination date but not yet fully paid as of such termination date (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

Payment of any severance benefits hereunder is subject to the Executive's compliance with the Confidentiality, Non-Solicitation and Non-Competition Agreement entered into with the Company (the "Non-Compete Agreement"), and to the extent that the Executive violates the Non-Compete Agreement or otherwise fails to comply with the terms of the Company's Release Agreement, the Executive will forfeit the Executive's right to any severance payments hereunder and the Company may require the Executive to repay any severance payments previously paid to the Executive under this Agreement.

b. Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of other executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other Company executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other executives of the Company and its affiliated companies and their beneficiaries. Notwithstanding the preceding, benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

c. Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the

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Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other Company executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other executives of the Company and its affiliated companies and their families. Notwithstanding the preceding benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

d. Cause; Other than for Good Reason or Constructive Termination. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Executive's Annual Base Salary through the Date of Termination, and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason or Constructive Termination, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify, nor, subject to Section 13(g), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest regardless of the outcome thereof by

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the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment, at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, that the Executive shall repay to the Company all such amounts paid by the Company, and shall not be entitled to any further payments hereunder, in connection with a contest originated by the Executive if the trier of fact in such contest determines that the Executive's claim was not brought in good faith or was frivolous.

9. Limitations on Payments by the Company.

a. Except as provided in Section 8, the Company shall determine whether to reduce any payment or distribution to be made by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or under another plan or arrangement) (a "Payment") in accordance with paragraph (i) of this Section 9(a), or to make such Payments in full in accordance with paragraph (ii) of this Section 9(a).

(i) If any Payment or Payments would otherwise constitute an "excess parachute payment," as defined in Section 280G of the Code, the Payment or Payments shall be reduced (but not below zero) to the largest amount that will result in no portion of the Payments being subject to the excise tax imposed under Section 4999 of the Code (the "Reduced Amount").

(ii) Notwithstanding Section 9(a)(i), Executive shall receive full Payment if it is determined that the net after-tax benefit the Executive would receive, after taking into account both income taxes and any excise tax imposed under Section 4999 of the Code ("Excise Tax"), is greater than the net after-tax amount the Executive would receive based on the application of Section 9(a)(i). In this event, Executive shall be responsible for the payment of any Excise Tax.

To the extent Payments are reduced pursuant to Section 9(a)(i), Payments shall be reduced by the Company in its reasonable discretion in the following order: (A) reduction of any cash payment, excluding any cash payment with respect to the acceleration of equity awards, that is otherwise payable to the Executive that is exempt from Section 409A of the Code, (B) reduction of any other payments or benefits otherwise payable to the Executive on a pro-rata basis or such other manner that complies with Section 409A of the Code and (C) reduction of any payment with respect to the acceleration of equity awards that is otherwise payable to the Executive that is exempt from Section 409A of the Code.

b. Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether Executive will receive a Reduced Amount or full Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm, law firm, or other advisor as may be designated by the Company (the "Advisor") which shall provide detailed supporting calculations both to the Company and the Executive at least 7 business days prior to the date any Payment is scheduled to be made or commence. In the event that the Advisor

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is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another recognized firm to make the determinations required hereunder (which firm shall then be referred to as the Advisor). All fees and expenses of the Advisor shall be borne solely by the Company. Any determination by the Advisor shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax at the time of the initial determination by the Advisor hereunder, it is possible that Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. The Advisor shall determine the amount of any Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

c. If the Executive receives a Payment, the Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Executive of an Excise Tax. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order to effectively contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any unintended tax liability (including interest and penalties with respect thereto) resulting from such representation and the payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before

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any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any unintended tax liability (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Tax would be payable hereunder with respect to a Reduced Amount and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

d. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid.

10. Confidential Information.

a. The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential or proprietary information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, unless otherwise required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In addition, to the extent that the Executive is a party to any other agreement relating to confidential information, inventions or similar matters with the Company, the Executive shall continue to comply with the provisions of such agreements. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

b. Notwithstanding anything to the contrary, nothing in Section 10(a) or any other provision of this Agreement shall prohibit or impede the Executive from communicating, cooperating or filing a complaint with any U.S. federal, state or local

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governmental or law enforcement branch, agency or entity (a "Governmental Entity"), without notifying the Company, with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with and protected under the provisions of an applicable whistleblower protection law (collectively, the "Protected Activity"). The Company may not retaliate against the Executive for any Protected Activity, and nothing in this Agreement requires the Executive to waive any monetary award or other payment which the Executive might be entitled to receive from a Governmental Entity in connection with any Protected Activity.

11. Arbitration. The Company and the Executive agree that all disputes, controversies, and claims arising between them concerning the subject matter of this Agreement, other than Sections 9 and 10, shall be settled by arbitration in accordance with the rules and procedures of the American Arbitration Association then in effect. The location of the arbitration will be Jacksonville, Florida or such other place as the parties may mutually agree. In rendering any award or ruling, the arbitrator or arbitrators shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Florida. The parties to any such dispute, controversy, or claim shall attempt to agree upon the selection of a single arbitrator. If after a reasonable period of time the parties are unable to agree upon such a single arbitrator, then three arbitrators will be appointed with each party selecting an arbitrator from the American Arbitration Association's available panel of arbitrators, and the parties agreeing upon the selection of a third arbitrator. If the parties cannot agree upon the selection of a third arbitrator, then the two arbitrators selected by the parties shall agree upon a third arbitrator from the panel of American Arbitration Association arbitrators. If the two arbitrators are unable to so agree on a third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Any arbitration pursuant to this section shall be final and binding on the parties, and judgment upon any award rendered in such arbitration may be entered in any court, state or federal, having jurisdiction. All fees and expenses of the arbitration shall be born in accordance with Section 8. The arbitrator or arbitrators shall have no authority to award provisional relief, injunctive remedies, or punitive damages. The parties expressly acknowledge that they are waiving their right to seek remedies in court, including without limitations the right if any to a jury trial.

12. Successors.

a. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement

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in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Miscellaneous.

a. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Company may from time to time amend this Agreement during the Term with prior notice to the Executive at any time prior to such time as the Company executes a definitive agreement, which if consummated would result in a Change of Control or a Regulated Business Combination; provided that if any such amendment would materially reduce or alter to the detriment of the Executive the payments or benefits available under this Agreement to the Executive, such amendment shall require the prior written consent of the Executive.

b. This Agreement is intended to be fully compliant with the requirements of Section 409A of the Code and the final regulations promulgated thereunder, taking into account any and all transition rules and relief promulgated by the Internal Revenue Service or the U.S. Department of Treasury regarding compliance therewith, and, to the maximum extent permitted by law, shall be administered, operated and construed consistent with this intent. Any amounts payable solely on account of an involuntary separation from service within the meaning of Section 409A shall be excludible from the requirements of Section 409A, either as involuntary separation pay or as short-term deferral amounts (e.g., amounts payable under the schedule prior to March 15 of the calendar year following the calendar year of involuntary separation) to the maximum possible extent. Further, any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

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c. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Joseph Hinrichs  
[Redacted]

If to the Company:

CSX Corporation  
500 Water Street  
Jacksonville, FL 32202

Attention: Executive Vice President & Chief Administrative Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

d. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

e. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

f. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason or Constructive Termination pursuant to Section 5 of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

g. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

14. Other Agreements Unaffected. Except as otherwise expressly provided herein, this Agreement shall have no effect on any other agreement between the Executive and the Company or any of its affiliates, and any such agreement shall remain in full force and effect in accordance with its terms.

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IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Name (Person Number: xxxxxx)

By: \_\_\_\_\_

CSX CORPORATION

By: \_\_\_\_\_

Diana B. Sorfleet  
Executive Vice President & Chief Administrative Officer

CSX CORPORATION  
FORM OF CHANGE OF CONTROL AGREEMENT

AGREEMENT by and between CSX CORPORATION, a Virginia corporation (the "Company"), and Name (the "Executive"), dated as of [●].

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. To accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

a. "Effective Date" means the first date during the Term (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs, and the Executive's employment with the Company is terminated by the Company without Cause or the Executive resigns for Good Reason within three months prior to a Change of Control occurring during the Term, then, for all purposes of this Agreement, "Effective Date" shall mean the date immediately prior to the date of such termination of employment or cessation of employment.

b. The "Term" means the period commencing on the date hereof and ending on July 11, 2026; provided that the Term shall extend automatically for consecutive periods of three years unless either party provides notice of non-renewal not less than ninety (90) days prior to the end of the Term as then in effect; provided, further, that, the Term shall end on an earlier date in the event of Executive's termination of employment for any reason prior to the Effective Date.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean the occurrence of any of the following; provided that, in the event of any conflict between the definition of Change of Control provided herein and the definition of "Change in Control" set forth in the CSX 2019 Stock and Incentive Award Plan (as such plan may be amended from time to time, the "Equity Plan"), the definition in the Equity Plan shall control:

a. Stock Acquisition. The acquisition by any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, and

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used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof (a "Person") of 20 percent or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock"), or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

b. Board Composition. Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a member of the Board after such date whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the members of the Board then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individuals whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c. Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the assets of the Company or CSX Transportation, Inc. that is not subject, as a matter of law or contract, to approval by the Surface Transportation Board or any successor agency or regulatory body having jurisdiction over such transactions (the "STB") (a "Business Combination"), in each case, unless, following such Business Combination:

(i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or CSX Transportation, Inc. or all or substantially all of the assets of the Company or CSX Transportation, Inc. either directly or through one or more subsidiaries) in substantially the same proportions as their ownership

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immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(ii) no Person (excluding a corporation resulting from such Business Combination or an employee benefit plan (or related trust) of the Company or the corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and

(iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

d. Regulated Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a Business Combination that is subject, as a matter of law or contract, to approval by the STB (a "Regulated Business Combination") unless such Business Combination complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

e. Liquidation or Dissolution. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or CSX Transportation, Inc.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, for any agreement that provides for accelerated distribution on a Change of Control of amounts that constitute "deferred compensation" (as defined in Section 409A of the Code), if the event that constitutes such Change of Control does not also constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets (in either case, as defined in Section 409A of the Code), such amount shall not be distributed on such Change of Control but instead shall vest as of such Change of Control and shall be distributed on the scheduled payment date specified in the applicable agreement governing such amount, except to the extent that earlier distribution would not result in the recipient of such amount incurring interest or additional tax under Section 409A of the Code.

If any Change of Control is a Regulated Business Combination, but its implementation involves another "Change of Control" that is not a Regulated Business Combination, then for all purposes of this Agreement, such Change of Control shall not be deemed to be a Regulated Business Combination, the provisions governing a Regulated Business Combination shall not apply, and the provisions governing such other Change of Control shall apply.

### 3. Employment Period.

a. Generally. Subject to Section 3(b), the Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the

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period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

b. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, the "Employment Period" shall mean the longer of (i) the period commencing on the Effective Date and ending on the third anniversary of such date or (ii) the period commencing on the Effective Date and ending twelve months following the effective date of a final decision by the Agency on the proposed Regulated Business Combination ("Final Regulatory Action"), provided, however, that (x) if the Final Regulatory Action is a denial of the Regulated Business Combination then for all purposes of this Agreement the "Employment Period" shall end upon the sixtieth (60th) day following such Final Regulatory Action and (y) if the Final Regulatory Action is an approval of the Regulated Business Combination, but the Regulated Business Combination is not consummated by the first anniversary of the Final Regulatory Action, then for all purposes of this Agreement the "Employment Period" shall end upon such first anniversary, of the Final Regulatory Action.

#### 4. Terms of Employment.

a. Position and Duties. (i) During the Employment Period: (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, Executive agrees during normal business hours to diligently discharge the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

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b. Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. Notwithstanding the preceding sentence, an across-the-board reduction in Annual Base Salary applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be eligible to earn, for each calendar year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash, based on Company performance levels, not less favorable (in terms both of dollar amounts and difficulty of achievement) to the Executive than the Executive's opportunity to earn such annual cash bonuses under the Company's annual incentive plans, or any comparable bonus under any predecessor or successor plan, for the last three full calendar years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such calendar year). Notwithstanding the preceding, an across-the-board reduction of minimum, target and maximum Annual Bonus opportunities applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. Each such Annual Bonus shall be paid no later than March 15 of the calendar year next following the calendar year for which the Annual Bonus is awarded, unless deferred pursuant to the terms of a deferred compensation plan maintained by the Company.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the

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120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in carrying out Executive's duties hereunder, in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect and applicable to the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies. Any required reimbursements shall be paid to Executive no later than the last day of the calendar year following the calendar year in which the underlying expense was incurred by the Executive, and the amount of expenses eligible for reimbursement during any year shall not affect the expenses eligible for reimbursement in any other year.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to administrative assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided

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generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

Notwithstanding Section 4(b)(iii)-(viii), benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account under such provisions. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

## 5. Termination of Employment

a. Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of the Executive's inability to engage in any substantial gainful activity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. Executive agrees to cooperate with the Company and the selected physician so that such determination can be made.

b. Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's material duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company, which specifically identifies the manner in which the Board or the Chief

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Executive Officer believes that the Executive has not substantially performed the Executive's duties,

(ii) the Executive's indictment for, or plea of guilty or nolo contendere to, any crime (x) that is a felony or (y) that could reasonably be expected to adversely affect the reputation of the business of the Company or any of its affiliated companies,

(iii) the willful engaging by the Executive in illegal conduct or gross misconduct which is or could reasonably be expected to adversely affect the reputation or the business of the Company or any of its affiliated companies,

(iv) the material violation of any Company policy by Executive, or the commission by Executive of an act involving moral turpitude, in each case, that adversely and substantially affects the reputation or business of the Company or any of its affiliated companies, or

(v) a material breach by the Executive of the Executive's obligations under this Agreement; provided that the Executive has been given written notice of the alleged material breach and, if susceptible to cure, has not reasonably cured such breach within 30 days of the giving of such notice.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

c. Good Reason. The Executive's employment may be terminated by the Executive during the Employment Period for Good Reason. For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated,

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insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) of this Agreement.

Notwithstanding the foregoing, Good Reason shall not exist unless (i) the Executive provides a "Notice of Termination" (as defined below) to the Company that includes the grounds for Good Reason within 60 days after the initial existence of such grounds for Good Reason, (ii) the Company has not cured the circumstances giving rise to Good Reason within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Good Reason.

d. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, during that portion of the Employment Period prior to Final Regulatory Action, the Executive may not exercise his or her rights to terminate the Executive's employment under this Agreement for "Good Reason." During such period, the Executive may only terminate his or her employment under this Agreement and receive benefits under Section 6 if the Executive is "Constructively Terminated" by the Company. Moreover, except to the extent expressly set forth in the definition of "Constructive Termination," the Executive shall have no remedy for any breach by the Company of the provisions of Section 4; provided, however, that any failure of the Company to comply in any material respect with the provisions of Section 4 shall create a rebuttable presumption that a Constructive Termination has occurred.

For purposes of this Agreement, a "Constructive Termination" shall mean:

(i) substantial diminution of the Executive's duties or responsibilities as contemplated by Section 4(a) of this Agreement, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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- (ii) a reduction in the Executive's Annual Base Salary;
- (iii) a failure by the Company to comply with Section 4(b)(ii) regarding the Annual Bonus;
- (iv) a reduction in the Executive's other incentive opportunities, benefits or perquisites described in Section 4(b) unless similarly situated Company executives suffer a comparable reduction;
- (v) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent; or
- (vi) any purported termination by the Company of the Executive's employment otherwise than for Cause or Disability.

Notwithstanding the foregoing, a Constructive Termination shall not exist unless (i) the Executive provides a Notice of Termination to the Company that includes the grounds for Constructive Termination within 60 days after the initial existence of such grounds for Constructive Termination, (ii) the Company has not cured the circumstances giving rise to Constructive Termination within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Constructive Termination.

During that portion of the Employment Period after Final Regulatory Action, the Executive may terminate his or her employment under this Agreement for "Good Reason."

e. Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Cause or Constructive Termination shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

f. Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, the date of receipt of the Notice of Termination or

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any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. For purposes of any benefit to be provided or any amount payable under this Agreement that is subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), termination of employment shall not be deemed to occur unless such termination constitutes a "separation from service" within the meaning of Section 409A of the Code and the rules and regulations promulgated thereunder.

6. Obligations of the Company upon Termination.

a. Without Cause, Good Reason or Constructive Termination. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or the Executive shall terminate employment for Good Reason or Constructive Termination, then the Company shall provide the following payments and benefits:

(i) The Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of (A), plus (B), plus (C) as follows:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid and (2) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2) shall be hereinafter referred to as the "Accrued Obligations"); and

B. an amount equal to the product of (1) 2.99 and (2) the sum of (x) the Executive's Annual Base Salary in effect on the date of Executive's termination of employment (or, if greater, the Executive's Annual Base Salary in effect immediately before any salary reduction therein triggering the event leading to Executive's termination) and (y) the Target Bonus; and

C. an amount equal to 100% of the estimated aggregate cost of the benefits to be provided to Executive under Section 6(a)(ii) for the three year period during which such benefits may be provided to Executive, as determined by the Company in good faith (which determination shall be final and binding); and

D. the product of (x) the Annual Bonus the Executive would have received for the year of termination (based upon the Executive's target opportunity and the annual incentive plan's achievement percentage) had the Executive remained employed for the entire performance period to which such Annual Bonus relates and (y) a fraction, the numerator of which is the number of days in the current

calendar year through the Date of Termination, and the denominator of which is 365.

The amounts set forth in (A), (B) and (C) shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. The amount set forth in (D) shall be paid following completion of the relevant performance period at the same time Annual Bonuses are normally paid pursuant to the terms of the applicable plan.

In the event that Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined by the Company or its delegate), any payments hereunder that constitute nonqualified deferred compensation pursuant to Section 409A of the Code shall not be paid or provided until the earlier of (A) the Executive's death, or (B) the expiration of the 6-month period following Executive's termination of employment (the "Delay Period"). Any payments that are delayed by virtue of this subparagraph shall (I) be paid in one payment at the conclusion of the Delay Period and (II) include interest computed at five percent (5%) per annum for the duration of the Delay Period.

(ii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue medical, group life, and disability benefits to the Executive and/or the Executive's family equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies and their families; provided, however, that any such benefits that are fully insured will only be provided to the extent the underlying insurance policy provides or can be amended to provide coverage for such benefits, and provided further, that if the Executive becomes reemployed with another employer and is eligible to receive medical, group life, or disability benefits under another employer-provided plan, then the medical, group life, or disability, benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. With respect to any benefits provided to Executive under this Section 6(a)(ii), the Executive shall pay one hundred percent of the cost of such coverage (one hundred two percent with respect to medical benefits) on an after-tax basis. In the event medical coverage is provided under the Company's existing plan, any COBRA continuation coverage obligation under Section 4980B of the Code will run concurrently with the benefits provided hereunder.

(iii) The Company shall during the period commencing on the Date of Termination and ending on the last day of the second calendar year following the calendar year in which Executive's termination of employment occurred, at its sole expense as incurred, provide the Executive with outplacement services, the scope and provider of which shall be selected by the Executive in his or her sole discretion, but at a cost not in excess of \$40,000.

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(iv) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, including earned but unpaid stock and similar compensation and any annual or long-term incentive compensation earned with respect to a performance period completed prior to the Executive's termination date but not yet fully paid as of such termination date (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

Payment of any severance benefits hereunder is subject to the Executive's compliance with the Confidentiality, Non-Solicitation and Non-Competition Agreement entered into with the Company (the "Non-Compete Agreement"), and to the extent that the Executive violates the Non-Compete Agreement or otherwise fails to comply with the terms of the Company's Release Agreement, the Executive will forfeit the Executive's right to any severance payments hereunder and the Company may require the Executive to repay any severance payments previously paid to the Executive under this Agreement.

b. Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of other executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other Company executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other executives of the Company and its affiliated companies and their beneficiaries. Notwithstanding the preceding, benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

c. Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the

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Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other Company executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other executives of the Company and its affiliated companies and their families. Notwithstanding the preceding benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

d. Cause; Other than for Good Reason or Constructive Termination. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Executive's Annual Base Salary through the Date of Termination, and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason or Constructive Termination, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify, nor, subject to Section 13(g), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest regardless of the outcome thereof by the Company, the Executive or others of the validity or enforceability

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of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment, at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, that the Executive shall repay to the Company all such amounts paid by the Company, and shall not be entitled to any further payments hereunder, in connection with a contest originated by the Executive if the trier of fact in such contest determines that the Executive's claim was not brought in good faith or was frivolous.

9. Limitations on Payments by the Company.

a. Except as provided in Section 8, the Company shall determine whether to reduce any payment or distribution to be made by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or under another plan or arrangement) (a "Payment") in accordance with paragraph (i) of this Section 9(a), or to make such Payments in full in accordance with paragraph (ii) of this Section 9(a).

(i) If any Payment or Payments would otherwise constitute an "excess parachute payment," as defined in Section 280G of the Code, the Payment or Payments shall be reduced (but not below zero) to the largest amount that will result in no portion of the Payments being subject to the excise tax imposed under Section 4999 of the Code (the "Reduced Amount").

(ii) Notwithstanding Section 9(a)(i), Executive shall receive full Payment if it is determined that the net after-tax benefit the Executive would receive, after taking into account both income taxes and any excise tax imposed under Section 4999 of the Code ("Excise Tax"), is greater than the net after-tax amount the Executive would receive based on the application of Section 9(a)(i). In this event, Executive shall be responsible for the payment of any Excise Tax.

To the extent Payments are reduced pursuant to Section 9(a)(i), Payments shall be reduced by the Company in its reasonable discretion in the following order: (A) reduction of any cash payment, excluding any cash payment with respect to the acceleration of equity awards, that is otherwise payable to the Executive that is exempt from Section 409A of the Code, (B) reduction of any other payments or benefits otherwise payable to the Executive on a pro-rata basis or such other manner that complies with Section 409A of the Code and (C) reduction of any payment with respect to the acceleration of equity awards that is otherwise payable to the Executive that is exempt from Section 409A of the Code.

b. Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether Executive will receive a Reduced Amount or full Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm, law firm, or other advisor as may be designated by the Company (the "Advisor") which shall provide detailed supporting calculations both to the Company and the Executive at least 7 business days prior to the date any Payment is scheduled to be made or commence.

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In the event that the Advisor is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another recognized firm to make the determinations required hereunder (which firm shall then be referred to as the Advisor). All fees and expenses of the Advisor shall be borne solely by the Company. Any determination by the Advisor shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax at the time of the initial determination by the Advisor hereunder, it is possible that Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. The Advisor shall determine the amount of any Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

c. If the Executive receives a Payment, the Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Executive of an Excise Tax. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order to effectively contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any unintended tax liability (including interest and penalties with respect thereto) resulting from such representation and the payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in

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any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any unintended tax liability (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Tax would be payable hereunder with respect to a Reduced Amount and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

d. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid.

10. Confidential Information.

a. The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential or proprietary information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, unless otherwise required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In addition, to the extent that the Executive is a party to any other agreement relating to confidential information, inventions or similar matters with the Company, the Executive shall continue to comply with the provisions of such agreements. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

b. Notwithstanding anything to the contrary, nothing in Section 10(a) or any other provision of this Agreement shall prohibit or impede the Executive from

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communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (a "Governmental Entity"), without notifying the Company, with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with and protected under the provisions of an applicable whistleblower protection law (collectively, the "Protected Activity"). The Company may not retaliate against the Executive for any Protected Activity, and nothing in this Agreement requires the Executive to waive any monetary award or other payment which the Executive might be entitled to receive from a Governmental Entity in connection with any Protected Activity.

11. Arbitration. The Company and the Executive agree that all disputes, controversies, and claims arising between them concerning the subject matter of this Agreement, other than Sections 9 and 10, shall be settled by arbitration in accordance with the rules and procedures of the American Arbitration Association then in effect. The location of the arbitration will be Jacksonville, Florida or such other place as the parties may mutually agree. In rendering any award or ruling, the arbitrator or arbitrators shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Florida. The parties to any such dispute, controversy, or claim shall attempt to agree upon the selection of a single arbitrator. If after a reasonable period of time the parties are unable to agree upon such a single arbitrator, then three arbitrators will be appointed with each party selecting an arbitrator from the American Arbitration Association's available panel of arbitrators, and the parties agreeing upon the selection of a third arbitrator. If the parties cannot agree upon the selection of a third arbitrator, then the two arbitrators selected by the parties shall agree upon a third arbitrator from the panel of American Arbitration Association arbitrators. If the two arbitrators are unable to so agree on a third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Any arbitration pursuant to this section shall be final and binding on the parties, and judgment upon any award rendered in such arbitration may be entered in any court, state or federal, having jurisdiction. All fees and expenses of the arbitration shall be born in accordance with Section 8. The arbitrator or arbitrators shall have no authority to award provisional relief, injunctive remedies, or punitive damages. The parties expressly acknowledge that they are waiving their right to seek remedies in court, including without limitations the right if any to a jury trial.

12. Successors.

a. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business

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and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Miscellaneous.

a. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Company may from time to time amend this Agreement during the Term with prior notice to the Executive at any time prior to such time as the Company executes a definitive agreement, which if consummated would result in a Change of Control or a Regulated Business Combination; provided that if any such amendment would materially reduce or alter to the detriment of the Executive the payments or benefits available under this Agreement to the Executive, such amendment shall require the prior written consent of the Executive.

b. This Agreement is intended to be fully compliant with the requirements of Section 409A of the Code and the final regulations promulgated thereunder, taking into account any and all transition rules and relief promulgated by the Internal Revenue Service or the U.S. Department of Treasury regarding compliance therewith, and, to the maximum extent permitted by law, shall be administered, operated and construed consistent with this intent. Any amounts payable solely on account of an involuntary separation from service within the meaning of Section 409A shall be excludible from the requirements of Section 409A, either as involuntary separation pay or as short-term deferral amounts (*e.g.*, amounts payable under the schedule prior to March 15 of the calendar year following the calendar year of involuntary separation) to the maximum possible extent. Further, any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

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c. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Name  
Address  
City, State Zip

If to the Company:

CSX Corporation  
500 Water Street  
Jacksonville, FL 32202

Attention: Executive Vice President & Chief Administrative Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

d. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

e. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

f. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason or Constructive Termination pursuant to Section 5 of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

g. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

14. Other Agreements Unaffected. Except as otherwise expressly provided herein, this Agreement shall have no effect on any other agreement between the Executive and the Company or any of its affiliates, and any such agreement shall remain in full force and effect in accordance with its terms.

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IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Name (Person Number: xxxxxx)

By: \_\_\_\_\_

CSX CORPORATION

By: \_\_\_\_\_

Diana B. Sorfleet

Executive Vice President & Chief Administrative Officer

CSX CORPORATION  
FORM OF CHANGE OF CONTROL AGREEMENT

AGREEMENT by and between CSX CORPORATION, a Virginia corporation (the "Company"), and Name (the "Executive"), dated as of [●].

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. To accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

a. "Effective Date" means the first date during the Term (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs, and the Executive's employment with the Company is terminated by the Company without Cause or the Executive resigns for Good Reason within three months prior to a Change of Control occurring during the Term, then, for all purposes of this Agreement, "Effective Date" shall mean the date immediately prior to the date of such termination of employment or cessation of employment.

b. The "Term" means the period commencing on the date hereof and ending on July 11, 2026; provided that the Term shall extend automatically for consecutive periods of three years unless either party provides notice of non-renewal not less than ninety (90) days prior to the end of the Term as then in effect; provided, further, that, the Term shall end on an earlier date in the event of Executive's termination of employment for any reason prior to the Effective Date.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean the occurrence of any of the following; provided that, in the event of any conflict between the definition of Change of Control provided herein and the definition of "Change in Control" set forth in the CSX 2019 Stock and Incentive Award Plan (as such plan may be amended from time to time, the "Equity Plan"), the definition in the Equity Plan shall control:

a. Stock Acquisition. The acquisition by any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, and

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used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof (a “Person”) of 20 percent or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”), or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

b. Board Composition. Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a member of the Board after such date whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the members of the Board then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individuals whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c. Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the assets of the Company or CSX Transportation, Inc. that is not subject, as a matter of law or contract, to approval by the Surface Transportation Board or any successor agency or regulatory body having jurisdiction over such transactions (the “STB”) (a “Business Combination”), in each case, unless, following such Business Combination:

(i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or CSX Transportation, Inc. or all or substantially all of the assets of the Company or CSX Transportation, Inc. either directly or through one or more subsidiaries) in substantially the same proportions as their ownership

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immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(ii) no Person (excluding a corporation resulting from such Business Combination or an employee benefit plan (or related trust) of the Company or the corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and

(iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

d. Regulated Business Combination. An actual change in ownership of Outstanding Company Common Stock, Outstanding Company Voting Securities, and/or assets of the Company or CSX Transportation, Inc. by reason of a Business Combination that is subject, as a matter of law or contract, to approval by the STB (a "Regulated Business Combination") unless such Business Combination complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

e. Liquidation or Dissolution. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or CSX Transportation, Inc.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, for any agreement that provides for accelerated distribution on a Change of Control of amounts that constitute "deferred compensation" (as defined in Section 409A of the Code), if the event that constitutes such Change of Control does not also constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets (in either case, as defined in Section 409A of the Code), such amount shall not be distributed on such Change of Control but instead shall vest as of such Change of Control and shall be distributed on the scheduled payment date specified in the applicable agreement governing such amount, except to the extent that earlier distribution would not result in the recipient of such amount incurring interest or additional tax under Section 409A of the Code.

If any Change of Control is a Regulated Business Combination, but its implementation involves another "Change of Control" that is not a Regulated Business Combination, then for all purposes of this Agreement, such Change of Control shall not be deemed to be a Regulated Business Combination, the provisions governing a Regulated Business Combination shall not apply, and the provisions governing such other Change of Control shall apply.

### 3. Employment Period.

a. Generally. Subject to Section 3(b), the Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the

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employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

b. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, the "Employment Period" shall mean the longer of (i) the period commencing on the Effective Date and ending on the third anniversary of such date or (ii) the period commencing on the Effective Date and ending twelve months following the effective date of a final decision by the Agency on the proposed Regulated Business Combination ("Final Regulatory Action"), provided, however, that (x) if the Final Regulatory Action is a denial of the Regulated Business Combination then for all purposes of this Agreement the "Employment Period" shall end upon the sixtieth (60th) day following such Final Regulatory Action and (y) if the Final Regulatory Action is an approval of the Regulated Business Combination, but the Regulated Business Combination is not consummated by the first anniversary of the Final Regulatory Action, then for all purposes of this Agreement the "Employment Period" shall end upon such first anniversary, of the Final Regulatory Action.

#### 4. Terms of Employment.

a. Position and Duties. (i) During the Employment Period: (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, Executive agrees during normal business hours to diligently discharge the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

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b. Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. Notwithstanding the preceding sentence, an across-the-board reduction in Annual Base Salary applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be eligible to earn, for each calendar year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash, based on Company performance levels, not less favorable (in terms both of dollar amounts and difficulty of achievement) to the Executive than the Executive's opportunity to earn such annual cash bonuses under the Company's annual incentive plans, or any comparable bonus under any predecessor or successor plan, for the last three full calendar years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such calendar year). Notwithstanding the preceding, an across-the-board reduction of minimum, target and maximum Annual Bonus opportunities applicable to all similarly situated Company executives implemented out of extreme business necessity and unrelated to a contemplated or anticipated Change of Control shall not be a violation of this section. Each such Annual Bonus shall be paid no later than March 15 of the calendar year next following the calendar year for which the Annual Bonus is awarded, unless deferred pursuant to the terms of a deferred compensation plan maintained by the Company.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the

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120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in carrying out Executive's duties hereunder, in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect and applicable to the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies. Any required reimbursements shall be paid to Executive no later than the last day of the calendar year following the calendar year in which the underlying expense was incurred by the Executive, and the amount of expenses eligible for reimbursement during any year shall not affect the expenses eligible for reimbursement in any other year.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to administrative assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

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(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies.

Notwithstanding Section 4(b)(iii)-(viii), benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account under such provisions. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

5. Termination of Employment.

a. Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 13(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of the Executive's inability to engage in any substantial gainful activity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. Executive agrees to cooperate with the Company and the selected physician so that such determination can be made.

b. Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's material duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company, which specifically identifies the manner in which the Board or the Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties,

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(ii) the Executive's indictment for, or plea of guilty or nolo contendere to, any crime (x) that is a felony or (y) that could reasonably be expected to adversely affect the reputation of the business of the Company or any of its affiliated companies,

(iii) the willful engaging by the Executive in illegal conduct or gross misconduct which is or could reasonably be expected to adversely affect the reputation or the business of the Company or any of its affiliated companies,

(iv) the material violation of any Company policy by Executive, or the commission by Executive of an act involving moral turpitude, in each case, that adversely and substantially affects the reputation or business of the Company or any of its affiliated companies, or

(v) a material breach by the Executive of the Executive's obligations under this Agreement; provided that the Executive has been given written notice of the alleged material breach and, if susceptible to cure, has not reasonably cured such breach within 30 days of the giving of such notice.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

c. Good Reason. The Executive's employment may be terminated by the Executive during the Employment Period for Good Reason. For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated,

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insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 12(c) of this Agreement.

Notwithstanding the foregoing, Good Reason shall not exist unless (i) the Executive provides a "Notice of Termination" (as defined below) to the Company that includes the grounds for Good Reason within 60 days after the initial existence of such grounds for Good Reason, (ii) the Company has not cured the circumstances giving rise to Good Reason within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Good Reason.

d. Regulated Business Combination. Notwithstanding the foregoing, in the case of a Change of Control that is a Regulated Business Combination, then for all purposes of this Agreement, during that portion of the Employment Period prior to Final Regulatory Action, the Executive may not exercise his or her rights to terminate the Executive's employment under this Agreement for "Good Reason." During such period, the Executive may only terminate his or her employment under this Agreement and receive benefits under Section 6 if the Executive is "Constructively Terminated" by the Company. Moreover, except to the extent expressly set forth in the definition of "Constructive Termination," the Executive shall have no remedy for any breach by the Company of the provisions of Section 4; provided, however, that any failure of the Company to comply in any material respect with the provisions of Section 4 shall create a rebuttable presumption that a Constructive Termination has occurred.

For purposes of this Agreement, a "Constructive Termination" shall mean:

(i) substantial diminution of the Executive's duties or responsibilities as contemplated by Section 4(a) of this Agreement, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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- (ii) a reduction in the Executive's Annual Base Salary;
- (iii) a failure by the Company to comply with Section 4(b)(ii) regarding the Annual Bonus;
- (iv) a reduction in the Executive's other incentive opportunities, benefits or perquisites described in Section 4(b) unless similarly situated Company executives suffer a comparable reduction;
- (v) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a materially greater extent than required immediately prior to the Effective Date, in either case without the Executive's prior consent; or
- (vi) any purported termination by the Company of the Executive's employment otherwise than for Cause or Disability.

Notwithstanding the foregoing, a Constructive Termination shall not exist unless (i) the Executive provides a Notice of Termination to the Company that includes the grounds for Constructive Termination within 60 days after the initial existence of such grounds for Constructive Termination, (ii) the Company has not cured the circumstances giving rise to Constructive Termination within 60 days after receipt of such notice and (iii) the Executive resigns from employment within 120 days after the initial existence of the circumstances giving rise to Constructive Termination.

During that portion of the Employment Period after Final Regulatory Action, the Executive may terminate his or her employment under this Agreement for "Good Reason."

e. Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Cause or Constructive Termination shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

f. Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason or Constructive Termination, the date of receipt of the Notice of Termination or

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any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. For purposes of any benefit to be provided or any amount payable under this Agreement that is subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), termination of employment shall not be deemed to occur unless such termination constitutes a "separation from service" within the meaning of Section 409A of the Code and the rules and regulations promulgated thereunder.

6. Obligations of the Company upon Termination.

a. Without Cause, Good Reason or Constructive Termination. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or the Executive shall terminate employment for Good Reason or Constructive Termination, then the Company shall provide the following payments and benefits:

(i) The Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of (A), plus (B), plus (C) as follows:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid and (2) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2) shall be hereinafter referred to as the "Accrued Obligations"); and

B. an amount equal to the product of (1) two and (2) the sum of (x) the Executive's Annual Base Salary in effect on the date of Executive's termination of employment (or, if greater, the Executive's Annual Base Salary in effect immediately before any salary reduction therein triggering the event leading to Executive's termination) and (y) the Target Bonus; and

C. an amount equal to 100% of the estimated aggregate cost of the benefits to be provided to Executive under Section 6(a)(ii) for the three year period during which such benefits may be provided to Executive, as determined by the Company in good faith (which determination shall be final and binding); and

D. the product of (x) the Annual Bonus the Executive would have received for the year of termination (based upon the Executive's target opportunity and the annual incentive plan's achievement percentage) had the Executive remained employed for the entire performance period to which such Annual Bonus relates and (y) a fraction, the numerator of which is the number of days in the current

calendar year through the Date of Termination, and the denominator of which is 365.

The amounts set forth in (A), (B) and (C) shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. The amount set forth in (D) shall be paid following completion of the relevant performance period at the same time Annual Bonuses are normally paid pursuant to the terms of the applicable plan.

In the event that Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined by the Company or its delegate), any payments hereunder that constitute nonqualified deferred compensation pursuant to Section 409A of the Code shall not be paid or provided until the earlier of (A) the Executive's death, or (B) the expiration of the 6-month period following Executive's termination of employment (the "Delay Period"). Any payments that are delayed by virtue of this subparagraph shall (I) be paid in one payment at the conclusion of the Delay Period and (II) include interest computed at five percent (5%) per annum for the duration of the Delay Period.

(ii) For two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue medical, group life, and disability benefits to the Executive and/or the Executive's family equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other executives of the Company and its affiliated companies and their families; provided, however, that any such benefits that are fully insured will only be provided to the extent the underlying insurance policy provides or can be amended to provide coverage for such benefits, and provided further, that if the Executive becomes reemployed with another employer and is eligible to receive medical, group life, or disability benefits under another employer-provided plan, then the medical, group life, or disability, benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. With respect to any benefits provided to Executive under this Section 6(a)(ii), the Executive shall pay one hundred percent of the cost of such coverage (one hundred two percent with respect to medical benefits) on an after-tax basis. In the event medical coverage is provided under the Company's existing plan, any COBRA continuation coverage obligation under Section 4980B of the Code will run concurrently with the benefits provided hereunder.

(iii) The Company shall during the period commencing on the Date of Termination and ending on the last day of the second calendar year following the calendar year in which Executive's termination of employment occurred, at its sole expense as incurred, provide the Executive with outplacement services, the scope and provider of which shall be selected by the Executive in his or her sole discretion, but at a cost not in excess of \$20,000.

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(iv) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, including earned but unpaid stock and similar compensation and any annual or long-term incentive compensation earned with respect to a performance period completed prior to the Executive's termination date but not yet fully paid as of such termination date (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

Payment of any severance benefits hereunder is subject to the Executive's compliance with the Confidentiality, Non-Solicitation and Non-Competition Agreement entered into with the Company (the "Non-Compete Agreement"), and to the extent that the Executive violates the Non-Compete Agreement or otherwise fails to comply with the terms of the Company's Release Agreement, the Executive will forfeit the Executive's right to any severance payments hereunder and the Company may require the Executive to repay any severance payments previously paid to the Executive under this Agreement.

b. Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of other executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other Company executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other executives of the Company and its affiliated companies and their beneficiaries. Notwithstanding the preceding, benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

c. Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as

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utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other Company executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other executives of the Company and its affiliated companies and their families. Notwithstanding the preceding benefits payable under a plan, practice, policy, or program that has been amended to reduce benefits or terminated within the 120-day period immediately preceding the Effective Date for reasons unrelated to affecting benefits due hereunder shall not be taken into account. In the case of a plan, practice, policy or program amended to reduce benefits, only the higher pre-amendment benefit shall be disregarded.

d. Cause; Other than for Good Reason or Constructive Termination. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Executive's Annual Base Salary through the Date of Termination, and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason or Constructive Termination, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify, nor, subject to Section 13(g), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest regardless of the outcome thereof by the Company, the Executive or others of the validity or enforceability

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of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment, at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, that the Executive shall repay to the Company all such amounts paid by the Company, and shall not be entitled to any further payments hereunder, in connection with a contest originated by the Executive if the trier of fact in such contest determines that the Executive's claim was not brought in good faith or was frivolous.

9. Limitations on Payments by the Company.

a. Except as provided in Section 8, the Company shall determine whether to reduce any payment or distribution to be made by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or under another plan or arrangement) (a "Payment") in accordance with paragraph (i) of this Section 9(a), or to make such Payments in full in accordance with paragraph (ii) of this Section 9(a).

(i) If any Payment or Payments would otherwise constitute an "excess parachute payment," as defined in Section 280G of the Code, the Payment or Payments shall be reduced (but not below zero) to the largest amount that will result in no portion of the Payments being subject to the excise tax imposed under Section 4999 of the Code (the "Reduced Amount").

(ii) Notwithstanding Section 9(a)(i), Executive shall receive full Payment if it is determined that the net after-tax benefit the Executive would receive, after taking into account both income taxes and any excise tax imposed under Section 4999 of the Code ("Excise Tax"), is greater than the net after-tax amount the Executive would receive based on the application of Section 9(a)(i). In this event, Executive shall be responsible for the payment of any Excise Tax.

To the extent Payments are reduced pursuant to Section 9(a)(i), Payments shall be reduced by the Company in its reasonable discretion in the following order: (A) reduction of any cash payment, excluding any cash payment with respect to the acceleration of equity awards, that is otherwise payable to the Executive that is exempt from Section 409A of the Code, (B) reduction of any other payments or benefits otherwise payable to the Executive on a pro-rata basis or such other manner that complies with Section 409A of the Code and (C) reduction of any payment with respect to the acceleration of equity awards that is otherwise payable to the Executive that is exempt from Section 409A of the Code.

b. Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether Executive will receive a Reduced Amount or full Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm, law firm, or other advisor as may be designated by the Company (the "Advisor") which shall provide detailed supporting calculations both to the Company and the Executive at least 7 business days prior to the date any Payment is scheduled to be made or commence.

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In the event that the Advisor is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint another recognized firm to make the determinations required hereunder (which firm shall then be referred to as the Advisor). All fees and expenses of the Advisor shall be borne solely by the Company. Any determination by the Advisor shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax at the time of the initial determination by the Advisor hereunder, it is possible that Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. The Advisor shall determine the amount of any Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

c. If the Executive receives a Payment, the Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Executive of an Excise Tax. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order to effectively contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any unintended tax liability (including interest and penalties with respect thereto) resulting from such representation and the payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in

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any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any unintended tax liability (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Tax would be payable hereunder with respect to a Reduced Amount and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

d. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid.

10. Confidential Information.

a. The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential or proprietary information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, unless otherwise required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In addition, to the extent that the Executive is a party to any other agreement relating to confidential information, inventions or similar matters with the Company, the Executive shall continue to comply with the provisions of such agreements. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

b. Notwithstanding anything to the contrary, nothing in Section 10(a) or any other provision of this Agreement shall prohibit or impede the Executive from

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communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (a "Governmental Entity"), without notifying the Company, with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with and protected under the provisions of an applicable whistleblower protection law (collectively, the "Protected Activity"). The Company may not retaliate against the Executive for any Protected Activity, and nothing in this Agreement requires the Executive to waive any monetary award or other payment which the Executive might be entitled to receive from a Governmental Entity in connection with any Protected Activity.

11. Arbitration. The Company and the Executive agree that all disputes, controversies, and claims arising between them concerning the subject matter of this Agreement, other than Sections 9 and 10, shall be settled by arbitration in accordance with the rules and procedures of the American Arbitration Association then in effect. The location of the arbitration will be Jacksonville, Florida or such other place as the parties may mutually agree. In rendering any award or ruling, the arbitrator or arbitrators shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Florida. The parties to any such dispute, controversy, or claim shall attempt to agree upon the selection of a single arbitrator. If after a reasonable period of time the parties are unable to agree upon such a single arbitrator, then three arbitrators will be appointed with each party selecting an arbitrator from the American Arbitration Association's available panel of arbitrators, and the parties agreeing upon the selection of a third arbitrator. If the parties cannot agree upon the selection of a third arbitrator, then the two arbitrators selected by the parties shall agree upon a third arbitrator from the panel of American Arbitration Association arbitrators. If the two arbitrators are unable to so agree on a third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Any arbitration pursuant to this section shall be final and binding on the parties, and judgment upon any award rendered in such arbitration may be entered in any court, state or federal, having jurisdiction. All fees and expenses of the arbitration shall be born in accordance with Section 8. The arbitrator or arbitrators shall have no authority to award provisional relief, injunctive remedies, or punitive damages. The parties expressly acknowledge that they are waiving their right to seek remedies in court, including without limitations the right if any to a jury trial.

12. Successors.

a. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this

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Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Miscellaneous.

a. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Company may from time to time amend this Agreement during the Term with prior notice to the Executive at any time prior to such time as the Company executes a definitive agreement, which if consummated would result in a Change of Control or a Regulated Business Combination; provided that if any such amendment would materially reduce or alter to the detriment of the Executive the payments or benefits available under this Agreement to the Executive, such amendment shall require the prior written consent of the Executive.

b. This Agreement is intended to be fully compliant with the requirements of Section 409A of the Code and the final regulations promulgated thereunder, taking into account any and all transition rules and relief promulgated by the Internal Revenue Service or the U.S. Department of Treasury regarding compliance therewith, and, to the maximum extent permitted by law, shall be administered, operated and construed consistent with this intent. Any amounts payable solely on account of an involuntary separation from service within the meaning of Section 409A shall be excludible from the requirements of Section 409A, either as involuntary separation pay or as short-term deferral amounts (e.g., amounts payable under the schedule prior to March 15 of the calendar year following the calendar year of involuntary separation) to the maximum possible extent. Further, any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

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c. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Name  
Address  
City, State Zip

If to the Company:

CSX Corporation  
500 Water Street  
Jacksonville, FL 32202

Attention: Executive Vice President & Chief Administrative Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

d. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

e. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

f. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason or Constructive Termination pursuant to Section 5 of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

g. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

14. Other Agreements Unaffected. Except as otherwise expressly provided herein, this Agreement shall have no effect on any other agreement between the Executive and the Company or any of its affiliates, and any such agreement shall remain in full force and effect in accordance with its terms.

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IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Name (Person Number: xxxxxx)

By: \_\_\_\_\_

CSX CORPORATION

By: \_\_\_\_\_

Diana B. Sorfleet  
Executive Vice President & Chief Administrative Officer

**EMPLOYMENT SEPARATION AGREEMENT AND RELEASE FORM**

In consideration of the agreement of CSX Corporation, its subsidiaries and affiliates, including CSX Transportation, Inc. (collectively the "Company" or "CSX"), to pay me the monetary amounts and other benefits described in Paragraph 6 below in accordance with the provisions of the CSX Corporation Executive Severance Plan, as amended and restated as of July 11, 2023 (the "Plan"):

1. Subject to my right to revoke this Employment Separation Agreement and Release Form ("Agreement") as provided in this Agreement, I understand and agree that my employment relationship with the Company will cease and terminate on August 4, 2023. Effective as of August 4, 2023, I hereby relinquish forever any seniority rights I may have under any labor agreement with the Company or its subsidiaries and affiliates, including Consolidated Rail Corporation, and I agree that upon the termination of my employment relationship with the Company, my compensation and other employment terms, conditions and benefits will be as set forth in Paragraph 6, below. I also hereby resign effective as of my termination date from all elected, appointed or other positions held within the Company.

2. (a) In consideration of the Company's obligations under this Agreement and for other valuable consideration, subject to the limitations set out in subpart (b) of this Paragraph 2, I unconditionally and irrevocably release the Company, and all of its past and present officers, directors, employees, agents, representatives, assigns, attorneys, insurers, subsidiaries, affiliates, predecessors, benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates and agents, and any other persons acting by, through, under or in concert with any of the persons or entities listed in this Paragraph (hereinafter the "Released Parties") from any and all known or unknown claims, charges, promises, actions, or similar rights that I presently may have ("Claims"), including but not limited to, those relating in any way to my employment, or to my separation from employment with the Company as described in Paragraph 1 above, except for the payment(s) and benefits described in Paragraph 6. This includes a release of any rights or claims, if any, that I may have under Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866, as amended by the Civil Rights Act of 1991, which requires equality in contractual relations without regard to race or national origin; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; the Americans with Disabilities Act of 1990, as amended, which prohibits discrimination against qualified individuals with disabilities; the Rehabilitation Act of 1973, which prohibits discrimination against the handicapped; the Employee Retirement Income Security Act; the Fair Labor Standards Act; Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA); the Family and Medical Leave Act; Executive Order 11246; the Genetic Information Nondiscrimination Act; the Federal Employers' Liability Act; the Sarbanes-Oxley Act; the Dodd-Frank Wall Street Reform and Consumer Protection Act; or any other federal, state or local laws or regulations prohibiting employment discrimination. This also includes a release of any rights or claims I may have under the Worker Adjustment and Retraining Notification Act, its equivalent under state law, or any similar law that requires, among other things, that advance notice be given of certain workforce reductions. This also includes a release of any rights or claims I may have for wrongful discharge; breach of contract, whether express or implied; termination of employment in violation of any public policy; any other tort or contract claim; any claim for labor protection, whether under conditions imposed by the Surface Transportation Board, its predecessor, or any labor agreement; any claim under any workers' compensation law or any other claim for personal injury; and any other claim for relief of any nature.

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(b) This Agreement does not prohibit the following rights or claims: (1) claims that first arise after I sign the Agreement or which arise out of or in connection with the interpretation or enforcement of the Agreement itself; (2) my right to file a charge or complaint with the EEOC, U.S. Department of Labor or similar federal or state agency, or my ability to participate in any investigation or proceeding conducted by such agency, except I agree and understand that I will not seek or accept any personal relief including, but not limited to, an award of monetary damages or reinstatement to employment, in connection with any claims that are purportedly released by this Agreement; (3) claims for indemnification and/or claims for coverage under the Company's directors & officers liability insurance policy, in accordance with the terms of the policy; and (4) any rights or claims, whether specified above or not, that cannot be waived as a matter of law pursuant to federal, state or local statute. If it is determined that any claim covered by this Agreement cannot be waived as a matter of law, I expressly agree that the Agreement will nevertheless remain valid and fully enforceable as to the remaining released claims. Nothing in this Agreement or otherwise is intended to prohibit or interfere with my right to participate as a complainant or witness in a governmental agency investigation (including any activities protected under the whistleblower provisions of any applicable laws or regulations), during which communications can be made without authorization by or notification to the company. The Company may not retaliate against me for any of these activities, and nothing in this Agreement requires me to waive any monetary award or other payment that I might become entitled to from the SEC or any other any other federal state or local governmental agency or commission or self-regulatory organization. Further, nothing in this Agreement precludes me from filing a charge of discrimination with the EEOC or a like charge or complaint with a state or local fair employment practice agency. I am waiving, however, my right to any monetary recovery or relief should the EEOC, U.S. Department of Labor or similar federal or state agency pursue any claims on my behalf that are purportedly released by this Agreement. For the avoidance of doubt, nothing herein prevents me from receiving any whistleblower award. Pursuant to the Defend Trade Secrets Act of 2016, the parties hereto acknowledge and agree that I will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition and without limiting the preceding sentence, if I file a lawsuit for retaliation by the Company for reporting a suspected violation of law, I may disclose the trade secret to my attorney and may use the trade secret information in the court proceeding, if I (X) file any document containing the trade secret under seal and (Y) do not disclose the trade secret, except pursuant to court order.

(c) By signing this Agreement, I understand that as part of the Agreement above, I voluntarily and knowingly waive any and all of my rights or claims under the federal Age Discrimination in Employment Act of 1967 (ADEA), as amended, that may have existed prior to the date I sign the Agreement. However, I am not waiving any future rights or claims under the ADEA or Title VII of the Civil Rights Act for actions arising after the date I sign this Agreement.

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3. I understand that the Company, in its sole discretion, retains the right at any time for any reason to amend, terminate or charge for welfare benefit plans, including without limitation medical benefits, and that any such benefits to which I am now entitled or to which I may become entitled in the future are subject to such right.

4. I understand that I am releasing Claims that I may not know about, and that is my knowing and voluntary intent. I expressly waive all rights I might have under any law that is intended to prevent unknown claims from being released. I understand the significance of doing so.

5. (a) Pursuit of Released Claims. I agree to withdraw all lawsuits, if any, against any Released Party, and I represent that I will not file any lawsuit against any Released Party based on the claims released under this Agreement. I promise not to seek any damages, remedies or other relief for myself personally with respect to any claim purportedly released by this Agreement. However, I understand that nothing contained in this Paragraph 5 precludes me from challenging the validity of this Agreement under the ADEA, and this Paragraph 5 shall not apply to ADEA claims to the extent, if any, prohibited by applicable law.

(b) Consequences of Violating Promises. I agree to pay the reasonable attorneys' fees, costs, and expenses and any damages the Released Parties may incur as a result of my filing a lawsuit against any Released Party based on the claims released under this Agreement.

6. (a) Severance Payment. I understand that I will receive severance pay that is above and beyond any remuneration for the performance of services, benefit plan payments or any other amounts to which I am otherwise entitled and which is in lieu of any payments under any other severance pay plan of the Company. Severance pay will be in an amount calculated pursuant to the Plan equal to the sum of (i) one (1) times my current base salary and (ii) one (1) times my current target bonus under the CSX Management Incentive Compensation Plan in effect for 2023 (the "2023 MICP"), in each case as set forth on the "Individual Statement of Executive Severance Payments" attached and incorporated as "Exhibit 1" to this Agreement. I have reviewed Exhibit 1 carefully, and I attest that it accurately states my current salary and current target bonus under the 2023 MICP. I understand that I will receive this severance pay in the form of monthly installment payments for a period of 12 months on or about the first of each month beginning the first day of the month following the date this Agreement becomes effective under Paragraph 17.

I understand that the Company will withhold appropriate amounts for federal, state and local income and employment taxes and all other legally required withholdings. I further understand that throughout the period of time during which I receive severance pay in monthly payments, I will remain eligible to continue to participate in medical and dental benefits to the extent and for the duration provided under the Plan. Except as otherwise expressly provided in the Plan, I understand that I will not be eligible: 1) to receive any further contributions under the CSX Corporation 401(k) Plan, ("CSXtra"); 2) to accrue any additional benefits under the CSX Pension Plan; 3) to receive dependent care reimbursement benefits; 4) to participate in the Disability Plan; 5) to participate in the Travel Accident Plan or Basic Life Insurance Plan; 6) to accrue sick leave or vacation days; or 7) to receive any form of incentive compensation.

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(b) Outplacement. I understand that I shall be eligible for outplacement services for one (1) year following my termination date through an organization designated by the Company, provided that I initiate these outplacement services within six (6) months after my termination date.

(c) Bonus. I understand that I will be eligible for a prorated bonus under the 2023 MICP, based on the number of days in 2023 through my termination date and the amount of the bonus that is earned and paid based on the actual achievement of the performance criteria applicable to the 2023 MICP following the end of the 2023 performance year, paid in a lump sum at the time bonuses are normally paid under the 2023 MICP.

(d) Long Term Incentives. For the 2021 - 2023, 2022 - 2024 and 2023 - 2025 Long Term Incentive Plans (LTIPs), any outstanding awards that I hold as of my termination date will be treated in accordance with the terms of such plans and the applicable award agreements under which such awards were granted; *provided* that, notwithstanding the terms of the applicable award agreements to the contrary, each outstanding award will vest on a pro-rata basis, and the pro-rata portion of each such award that vests will settle or become exercisable (as applicable) on the original schedule as set forth in such award agreement that would have applied had I remained employed through the next applicable vesting date (and in the case of performance-based awards subject to the satisfaction of the applicable performance conditions at the end of the performance period). Further, notwithstanding anything to the contrary in the applicable award agreements an ofmy Stock Options that are vested as of my termination date (including those that vest on a pro rated basis pursuant to this Section 6(d)) will remain exercisable through the original expiration date of such Stock Options as set forth in the applicable award agreement (which, for the avoidance of doubt, is no later than ten (10) years from the applicable grant date).

(e) Financial Planning Assistance. I understand that I will receive financial and tax planning assistance for one (1) year following my termination date through organizations designated by the Company.

7. The parties mutually agree to conduct themselves with a spirit of harmony and mutual cooperation. Notwithstanding my separation, I agree that to the extent required by the Company at any time in the future, I will reasonably cooperate and provide information and assistance to the Company in any dispute, proceeding, arbitration, investigation or litigation involving the Company of which I have knowledge or involvement as a result of my employment with the Company, including providing whatever information I have available to the Company, their attorneys, agents or contractors, as well as meeting with the Company's officials, attorneys, agents or contractors, if reasonably requested to do so. I acknowledge that the demands of such proceedings are not necessarily within the control of the Company and expressly agree and understand that at the Company's request and notwithstanding any other provision of this Agreement, I will make myself available for meetings on reasonable terms as such meetings may be necessary to effectuate the business of the Company and/or to provide for the defense or representation of the Company in any dispute, proceeding, arbitration, investigation or litigation involving the Company. During any such activity, I will be reimbursed for reasonable and customary expenses in accordance with the Company's Travel and Expense Reimbursement policies and procedures. I will advise the Company immediately in writing of any contacts from third parties to me in connection with such proceedings.

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8. Further, subject to Section 2(b), I agree to refrain from expressing (or causing others to express) to any third party any derogatory or negative opinions concerning the Company or their respective officers, directors, operations, services or employees. The Company agrees that its executive officers and directors will refrain from expressing (or causing others to express) to any third party any derogatory or negative opinions concerning me. Notwithstanding the above, the parties understand that nothing herein shall be construed to prevent or restrict either party from responding truthfully to questions or requests as part of an inquiry conducted by a court, government or law enforcement agency or in response to a subpoena or as otherwise required by law, or as otherwise expressly provided for in this Agreement.

9. For the avoidance of doubt, I understand that nothing in this Agreement, including Paragraph 2(b), Paragraph 7 (Cooperation), Paragraph 8 (Non-Disparagement) or Paragraph 11 (Confidential Information), shall prevent me from making truthful statements in connection with any sworn testimony or agency investigation or shall restrict me from initiating communications directly with, responding to an inquiry from, or providing testimony before any self-regulatory organization or any federal or state regulatory authority, including the United States Securities and Exchange Commission ("SEC"). Nor shall anything in this Agreement interfere with my right to receive a monetary award from the SEC pursuant to the SEC's whistleblower bounty program, or directly from any other federal or state agency pursuant to a similar whistleblower program.

10. I agree that I waive any right to reemployment with the Company. I understand and agree that if I reapply for employment with the Company, my application may be subject to rejection and that this Agreement is valid legal grounds for rejecting my application. Notwithstanding the above, I acknowledge and agree that in the event that I apply for, am offered a position and accept and the Company does not exercise its right to reject my application under this Paragraph 10, or if I am reinstated with the Company, I may be obligated to repay to the Company a portion of the severance pay that I receive in accordance with this Agreement and under the Plan, and I accept that obligation as a condition of this Agreement. In any case, if I accept a position or if I am reinstated during the period that I am receiving severance pay under this Agreement, I understand and agree that I will not be eligible to receive continued severance pay, effective upon the date of my acceptance of a position or upon my reinstatement.

11. Confidential Information. I understand that during my employment, I have learned trade secrets and other information confidential to the Company and that the Company would be substantially injured if the confidentiality of such information were not maintained. For the purposes of this Paragraph, "Confidential Information" means and includes every item of and all the contents of any discussions, documents, information, technology, procedures, customer lists, business plans, employee compensation data, pricing information, strategies, software, financial data, ideas and assumptions and all other material relating to or in connection with my employment with the Company and their property, business methods and practices, suppliers and customers, other than that which is generally known to the public. To the extent that the Confidential Information comprises any written material or other material in a reproducible form by any means whatsoever, whether manual, mechanical or electronic, I will not copy, extract or reproduce the same by any means whatsoever, nor provide nor otherwise make such material available to any third party, nor use such Confidential Information for my own purposes.

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Further, I understand and agree that the Confidentiality, Non-Solicitation, and Non-Competition Agreement that I entered into with the Company is reasonable and is incorporated into this Agreement as one of my continuing obligations under this Agreement. I understand that a copy is attached to this Agreement. I further acknowledge that during the course of my employment I may have become aware of communications or documents protected by the attorney client privilege or the work product doctrine, and that I am not entitled to waive such privilege or to disclose such information or communications to others, except as required by law and subject to conditions set forth herein.

Subject to subpart (b) of Paragraph 2, I agree not to disclose to third persons such protected documents or Confidential Information without the prior consent of the Company, whether for compensation or otherwise. I further agree not to use such documents or Confidential Information for any purpose detrimental to the Company. I will at all times use my best possible reasonable efforts to ensure that any person to whom the Confidential Information is disclosed pursuant to this Agreement keeps the same secret and confidential and observes an obligation of confidentiality in relation to the matters specified in this Paragraph.

Notwithstanding the above, nothing in this Agreement shall prevent or restrict me from responding truthfully to inquiries as part of an official investigation conducted by a court or a government, administrative or law enforcement agency or in response to a subpoena or as provided for in Paragraph 2(b) above or as otherwise required by law. Additionally, I understand that nothing in this Agreement is intended to prohibit or interfere with my right to participate as a complainant or witness in a governmental agency investigation (including any activities protected under the whistleblower provisions or any applicable law or regulations), during which communications can be made without authorization by or notification to the Company.

12. I have returned, or I agree to return all property belonging to the Company, including without limitation all keys, credit cards, manuals, computers, equipment and software, records, data, plans, customer lists, computer programs and related documentation or other documents or materials of any nature that are in my possession or control that I obtained from the Company or compiled or produced for the Company during my employment and any and all copies thereof, which shall include all confidential and/or proprietary information as described in Paragraph 11 of this Agreement.

13. It is understood and agreed that this Agreement and the furnishing of the consideration for this Agreement shall not be deemed or construed at any time for any purpose as an admission of liability or violation of any applicable law by the Released Parties. Liability for any and all claims is expressly denied by the Released Parties.

14. I agree that all of the provisions of this Agreement are binding upon my heirs, executors, administrators and assigns. I understand that by signing this Agreement I am not giving up any rights I currently have under the CSX Pension Plan or CSXtra.

15. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given

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16. The Company advised me to take this Agreement home, read it, and carefully consider all of its terms before signing it. I acknowledge that I was given a period of twenty-one (21) days to review and consider this Agreement, and that I was encouraged to consult an attorney before signing it. I understand that I may use as much or all of this 21-day period as I wish prior to signing and have done so. I further acknowledge that at the beginning of this 21-day period, I received a copy of the Plan.

17. I understand that I may revoke this Agreement within seven (7) days (the "Revocation Period") after I sign it by written notice to:

CSX  
Attn: Nordica Solomon Total Rewards-J400 500  
Water Street  
Jacksonville, Florida 32202

To constitute an effective revocation, the Company must in fact receive the written revocation by the close of business on the last day of the Revocation Period. Upon the expiration of the Revocation Period without receipt of such a statement, this Agreement will become effective and irrevocable. I understand that if I revoke this Agreement, I will not receive the payments or benefits described in Paragraph 6 of this Agreement. If I do not revoke this Agreement, it will go into effect on the day after the last day of the Revocation Period, which will be the "Effective Date" of this Agreement.

18. I represent that in signing this Agreement, I do not rely on nor have relied on any representation or statement not specifically set forth in this Agreement by any of the Released Parties with regard to the subject matter, basis or effect of this Agreement or otherwise. This Agreement may not be changed orally, and any written change or amendment must be signed and accepted by the Company.

19. This Agreement will be governed, construed, and interpreted under the laws of the State of Florida and, where applicable, Federal law.

20. To the extent any payments or benefits under this Agreement are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), this Agreement will be interpreted and administered to the maximum extent possible to comply with Section 409A of the Code. For purposes of any payments or benefits under this Agreement subject to Section 409A of the Code:

(a) I will not be considered to have terminated employment with the Company and its affiliates unless I would be considered to have incurred a "separation from service" within the meaning of Section 409A of the Code. Each separate payment to be made or benefit to be provided under this Agreement will be construed as a separate identified payment for purposes of Section 409A of the Code.

(b) If I am a "specified employee" within the meaning of Section 409A of the Code at the time of my separation from service, to the extent required under Section 409A of the Code to avoid accelerated taxation and tax penalties, any amounts payable during the six (6) month period immediately following my separation from service will instead be paid on the first business day after the date that is six (6) months following my separation from service (or, if earlier, my date of death).

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(c) The Company makes no representation that payments described in this Agreement will be exempt from or comply with Section 409A.

I HAVE CAREFULLY READ THIS AGREEMENT. I FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS AGREEMENT AND ACKNOWLEDGE THAT IT CONTAINS AN UNCONDITIONAL GENERAL, AND VOLUNTARY RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS THAT I MIGHT HAVE RELATING TO, OR ARISING OUT OF, MY EMPLOYMENT WITH THE COMPANY. I ENTER INTO THIS AGREEMENT VOLUNTARILY, WITHOUT COERCION. AND BASED ON MY OWN JUDGMENT AND NOT IN RELIANCE UPON ANY REPRESENTATIONS, SUGGESTIONS OR PROMISES BY THE COMPANY, OTHER THAN THOSE CONTAINED HEREIN OR IN THE PLAN. I AM SIGNING THIS AGREEMENT VOLUNTARILY AND WITH THE FULL INTENT OF RELEASING THE COMPANY FROM ALL CLAIMS RELATING TO, OR ARISING OUT OF, MY EMPLOYMENT AND THE TERMINATION OF MY EMPLOYMENT.

Jamie J Boychuk [Redacted]  
Employee Name & ID (printed)

/s/ JAMIE J BOYCHUK  
Employee Signature

August 23, 2023  
Date

**CSX**

By: /s/ DIANA B SORFLEET

Name: (Printed): Diana B. Sorfleet

Title: EVP, Chief Administrative Officer

Date: August 24, 2023

CERTIFICATION OF CEO AND CFO PURSUANT TO EXCHANGE ACT RULE  
13a - 14(a) OR RULE 15d-14(a)

I, Joseph R. Hinrichs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 19, 2023

/s/ JOSEPH R. HINRICHS  
Joseph R. Hinrichs  
President and Chief Executive Officer

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I, Sean R. Pelkey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 19, 2023

/s/ SEAN R. PELKEY

Sean R. Pelkey  
Executive Vice President and Chief Financial Officer



CERTIFICATION OF CEO AND CFO REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE U.S. CODE

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Hinrichs, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: October 19, 2023

/s/ JOSEPH R. HINRICHS  
Joseph R. Hinrichs  
President and Chief Executive Officer

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean R. Pelkey, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: October 19, 2023

/s/ SEAN R. PELKEY  
Sean R. Pelkey  
Executive Vice President and Chief Financial Officer