

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

FORM 10-Q

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

For the quarterly period ended September 23, 2016

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)

Virginia

62-1051971

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

500 Water Street, 15th Floor, Jacksonville, FL

32202

(904) 359-3200

(Address of principal executive offices)

(Zip Code) (Telephone number, including area code)

No Change

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

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

Yes (X) No ()

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 and post such files).

Yes (X) No ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer (X)

Accelerated Filer ()

Non-accelerated Filer ()

Smaller Reporting Company ()

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 936,661,112 shares of common stock outstanding on September 23, 2016 (the latest practicable date that is closest to the filing date).

CSX CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 23, 2016
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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	
	2016	2015	2016	2015
Revenue	\$ 2,710	\$ 2,939	\$ 8,032	\$ 9,030
Expense				
Labor and Fringe	762	787	2,307	2,491
Materials, Supplies and Other	507	580	1,576	1,766
Fuel	174	223	496	756
Depreciation	321	302	953	896
Equipment and Other Rents	105	114	315	328
Total Expense	1,869	2,006	5,647	6,237
Operating Income	841	933	2,385	2,793
Interest Expense	(139)	(136)	(423)	(404)
Other Income - Net	13	2	28	8
Earnings Before Income Taxes	715	799	1,990	2,397
Income Tax Expense	(260)	(292)	(734)	(895)
Net Earnings	\$ 455	\$ 507	\$ 1,256	\$ 1,502
Per Common Share (Note 2)				
Net Earnings Per Share, Basic	\$ 0.48	\$ 0.52	\$ 1.32	\$ 1.52
Net Earnings Per Share, Assuming Dilution	\$ 0.48	\$ 0.52	\$ 1.32	\$ 1.52
Average Shares Outstanding <i>(In millions)</i>	942	981	952	986
Average Shares Outstanding, Assuming Dilution <i>(In millions)</i>	943	982	953	987
Cash Dividends Paid Per Common Share	\$ 0.18	\$ 0.18	\$ 0.54	\$ 0.52

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (Unaudited)
(Dollars in millions, except per share amounts)

	Third Quarters		Nine Months	
	2016	2015	2016	2015
Total Comprehensive Earnings (Note 10)	\$ 465	\$ 518	\$ 1,282	\$ 1,523

See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	<i>(Unaudited)</i>	
	September 23, 2016	December 25, 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 603	\$ 628
Short-term Investments	152	810
Accounts Receivable - Net (Note 1)	925	982
Materials and Supplies	397	350
Other Current Assets	86	70
Total Current Assets	2,163	2,840
Properties	42,720	41,574
Accumulated Depreciation	(11,938)	(11,400)
Properties - Net	30,782	30,174
Investment in Conrail	830	803
Affiliates and Other Companies	603	591
Other Long-term Assets	303	337
Total Assets	\$ 34,681	\$ 34,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 859	\$ 764
Labor and Fringe Benefits Payable	450	490
Casualty, Environmental and Other Reserves (Note 4)	124	131
Current Maturities of Long-term Debt (Note 7)	631	20
Income and Other Taxes Payable	90	108
Other Current Liabilities	109	439
Total Current Liabilities	2,263	1,952
Casualty, Environmental and Other Reserves (Note 4)	250	269
Long-term Debt (Note 7)	9,888	10,515
Deferred Income Taxes - Net	9,505	9,179
Other Long-term Liabilities	1,105	1,162
Total Liabilities	23,011	23,077
Shareholders' Equity:		
Common Stock, \$1 Par Value	937	966
Other Capital	125	113
Retained Earnings	11,233	11,238
Accumulated Other Comprehensive Loss (Note 10)	(639)	(665)
Noncontrolling Interest	14	16
Total Shareholders' Equity	11,670	11,668
Total Liabilities and Shareholders' Equity	\$ 34,681	\$ 34,745

Certain prior year data has been reclassified to conform to the current presentation.
See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

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

	Nine Months	
	2016	2015
OPERATING ACTIVITIES		
Net Earnings	\$ 1,256	\$ 1,502
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation	953	896
Deferred Income Taxes	312	82
Gain on Property Dispositions	(4)	(20)
Other Operating Activities	(47)	47
Changes in Operating Assets and Liabilities:		
Accounts Receivable	68	126
Other Current Assets	(58)	(61)
Accounts Payable	94	3
Income and Other Taxes Payable	(25)	110
Other Current Liabilities	(61)	(173)
Net Cash Provided by Operating Activities	2,488	2,512
INVESTING ACTIVITIES		
Property Additions	(1,590)	(1,909)
Purchase of Short-term Investments	(410)	(1,170)
Proceeds from Sales of Short-term Investments	1,070	1,040
Proceeds from Property Dispositions	11	46
Other Investing Activities	26	42
Net Cash Used in Investing Activities	(893)	(1,951)
FINANCING ACTIVITIES		
Long-term Debt Issued (Note 7)	—	600
Long-term Debt Repaid (Note 7)	(19)	(228)
Dividends Paid	(513)	(512)
Shares Repurchased	(778)	(546)
Other Financing Activities	(310)	(3)
Net Cash Used in Financing Activities	(1,620)	(689)
Net Decrease in Cash and Cash Equivalents	(25)	(128)
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Period	628	669
Cash and Cash Equivalents at End of Period	\$ 603	\$ 541

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 (“CSX”), together with its subsidiaries (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 and the transport of intermodal containers and trailers.

CSX's principal operating subsidiary, CSX Transportation, Inc. (“CSXT”), provides an important link to the transportation supply chain through its approximately 21,000 route mile rail network, which serves major population centers in 23 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.

Other entities

In addition to CSXT, the Company's subsidiaries include 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. 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 and trucking dispatch operations. 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 include shipments of plastics and ethanol. CSX Technology and other subsidiaries provide support services for the Company.

CSX's other holdings include CSX Real Property, Inc., a subsidiary responsible for the Company's operating and non-operating real estate sales, leasing, acquisition and management and development activities. These activities are classified in either operating income or other income - net depending upon the nature of the activity. Results of these activities fluctuate with the timing of real estate transactions.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all normal, recurring adjustments necessary to fairly present the following:

- Consolidated income statements for the nine months ended September 23, 2016 and September 25, 2015 ;
- Consolidated comprehensive income statements for the nine months ended September 23, 2016 and September 25, 2015 ;
- Consolidated balance sheets at September 23, 2016 and December 25, 2015 ; and
- Consolidated cash flow statements for the nine months ended September 23, 2016 and September 25, 2015 .

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.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Fiscal Year

CSX follows a 52 /53 week fiscal reporting calendar with the last day of each reporting period ending on a Friday:

- The third fiscal quarters of 2016 and 2015 consisted of 13 weeks ending on September 23, 2016 and September 25, 2015 , respectively.
- Fiscal year 2016 will consist of 53 weeks ending on December 30, 2016 .
- Fiscal year 2015 consisted of 52 weeks ending on December 25, 2015 .

Except as otherwise specified, references to “ third quarter(s)” or “ nine months” indicate CSX's fiscal periods ending September 23, 2016 and September 25, 2015 , and references to "year-end" indicate the fiscal year ended December 25, 2015 .

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts on uncollectible amounts related to freight receivables, government reimbursement receivables, claims for damages and other various receivables. The allowance is based upon the creditworthiness of customers, historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account. Allowance for doubtful accounts of \$29 million and \$ 37 million is included in the consolidated balance sheets as of the end of third quarter 2016 and December 25, 2015 , respectively.

New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), *Improvements to Employee Share-based Payment Accounting* , which requires excess tax benefits and deficiencies to be recorded as income tax expense or benefit in the income statement rather than being recorded in additional paid-in capital. The Company adopted the provisions of this rule during the second quarter of 2016 which did not have a material effect on the Company's financial condition, results of operations or liquidity.

In November 2015, the FASB issued ASU, *Balance Sheet Classification of Deferred Taxes* , which requires that all deferred income taxes be classified as noncurrent in the balance sheet, rather than being separated into current and noncurrent amounts. The Company adopted the provisions of this rule during second quarter 2016 and applied them retrospectively. Current deferred income tax assets of \$126 million as of December 25, 2015 have been reclassified and reported as a reduction of deferred income tax liabilities on the balance sheet. Adoption did not have a material effect on the Company's financial condition, results of operations or liquidity.

In February 2016, the FASB issued ASU, *Leases* , which will require lessees to recognize most leases on their balance sheets as a right-of-use asset with a corresponding lease liability, and lessors to recognize a net lease investment. Additional qualitative and quantitative disclosures will also be required. This standard is effective for fiscal years beginning after December 15, 2018. While the Company is still assessing the impact of this standard, CSX does not believe this standard will have a material effect on the Company's financial condition, results of operations or liquidity.

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	
	2016	2015	2016	2015
Numerator (<i>Dollars in millions</i>) :				
Net Earnings	\$ 455	\$ 507	\$ 1,256	\$ 1,502
Dividend Equivalents on Restricted Stock	—	—	(1)	(1)
Net Earnings, Attributable to Common Shareholders	\$ 455	507	\$ 1,255	1,501
Denominator (<i>Units in millions</i>) :				
Average Common Shares Outstanding	942	981	952	986
Other Potentially Dilutive Common Shares	1	1	1	1
Average Common Shares Outstanding, Assuming Dilution	943	982	953	987
Net Earnings Per Share, Basic	\$ 0.48	\$ 0.52	\$ 1.32	\$ 1.52
Net Earnings Per Share, Assuming Dilution	\$ 0.48	\$ 0.52	\$ 1.32	\$ 1.52

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 equivalents outstanding 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, which include long-term incentive awards, and employee stock options.

The *Earnings Per Share Topic* in the FASB's Accounting Standards Codification ("ASC") requires CSX to include additional shares in the computation of earnings per share, assuming dilution. The additional shares included in diluted earnings per share represent the number of shares that would be issued if all of the above potentially dilutive instruments were converted into CSX common stock.

When calculating diluted earnings per share, this rule requires CSX to include the potential shares that would be outstanding if all outstanding stock options were exercised. This number is different from outstanding stock options, which is included in Note 3, Share-Based Compensation, because it is offset by shares CSX could repurchase using the proceeds from these hypothetical exercises to obtain the common stock equivalent. Approximately 2.4 million and 3.8 million of total average outstanding stock options for the third quarter and nine months ended 2016, respectively, were excluded from the diluted earnings per share calculation because their effect was antidilutive. There were no stock options outstanding for third quarter 2015.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share, *continued*

Share Repurchases

In April 2015, the Company announced a new \$2 billion share repurchase program, which is expected to be completed by April 2017. During the third quarters of 2016 and 2015, the Company repurchased approximately \$263 million, or ten million shares, and \$262 million, or nine million shares, respectively. During the nine months of 2016 and 2015, the Company repurchased \$778 million, or 30 million shares, and \$546 million, or 17 million shares, respectively. Shares are retired immediately upon repurchase. 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. In accordance with the *Equity Topic* in the ASC, the excess of repurchase price over par value is recorded in retained earnings. Generally, retained earnings is only impacted by net earnings and dividends.

NOTE 3. Share-Based Compensation

Under CSX's share-based compensation plans, awards consist of performance units, restricted stock awards, restricted stock units and stock options for management and stock grants for directors. Awards granted under the various programs are determined and approved by the Compensation Committee of the Board of Directors or, in certain circumstances, by the Chief Executive Officer for awards to management employees other than senior executives. The Board of Directors approves awards granted to the Company's non-management directors upon recommendation of the Governance Committee.

In February 2016, the Company granted performance units, restricted stock units and stock options as part of the Company's long-term share-based compensation plans.

Long-term Incentive Plan

Approximately 839 thousand performance units were granted to certain employees under a new long-term incentive plan ("2016-2018 LTIP"). The 2016-2018 LTIP was adopted under the CSX Stock and Incentive Award Plan. Payouts of performance units for the cycle ending with fiscal year 2018 will be based on the achievement of goals related to both operating ratio and return on assets in each case excluding non-recurring items as disclosed in the Company's financial statements. The cumulative operating ratio and average return on assets over the plan period will each comprise 50% of the payout and will be measured independently of the other.

Grants were made in performance units, with each unit representing the right to receive one share of CSX common stock, and payouts will be made in CSX common stock. The payout range for participants will be between 0% and 200% of the target awards depending on Company performance against predetermined goals. Payouts for certain executive officers are subject to downward adjustment by up to 30% based upon total shareholder return relative to specified comparable groups.

Restricted Stock Units

The Company granted approximately 419 thousand restricted stock units. The restricted stock units vest three years after the date of grant. Participants receive cash dividend equivalents on the unvested shares during the restriction period. These awards are time-based and are not based upon attainment of performance goals.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. Share-Based Compensation, continued**Stock Options**

The Company granted approximately 2.4 million stock options. The fair value of stock options on the date of grant was \$4.68 per share which was estimated using the Black-Scholes valuation model. Stock options have been granted with ten -year terms and vest three years after the date of grant. The exercise price for stock options granted equals the closing market price of the underlying stock on the date of grant. These awards are time-based and are not based upon attainment of performance goals.

The terms of performance units, restricted stock units and stock options all require participants to be employed through the final day of the respective performance or vesting period as applicable, except in the case of death, disability or retirement. For information related to the Company's other outstanding long-term incentive compensation, see CSX's most recent annual report on Form 10-K.

Total pre-tax expense associated with all share-based compensation and the related income tax benefit are as follows:

(Dollars in millions)	Third Quarters		Nine Months	
	2016	2015	2016	2015
Share-Based Compensation Expense	\$ 9	\$ 2	\$ 24	\$ 20
Income Tax Benefit	3	1	9	8

NOTE 4. Casualty, Environmental and Other Reserves

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

(Dollars in millions)	September 23, 2016			December 25, 2015		
	Current	Long-term	Total	Current	Long-term	Total
Casualty:						
Personal Injury	\$ 57	\$ 135	\$ 192	\$ 57	\$ 147	\$ 204
Asbestos	4	42	46	9	44	53
Occupational	4	5	9	3	9	12
Total Casualty	65	182	247	69	200	269
Environmental	41	38	79	42	40	82
Other	18	30	48	20	29	49
Total	\$ 124	\$ 250	\$ 374	\$ 131	\$ 269	\$ 400

These liabilities are accrued when estimable and probable 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 effect on the Company's financial condition, results of operations or liquidity. Should a number of these items occur in the same period, however, they could have a material effect on the Company's financial condition, results of operations or liquidity in that particular period.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Casualty

Casualty reserves of \$247 million and \$269 million as of September 23, 2016 and December 25, 2015, respectively, represent accruals for personal injury, asbestos and occupational injury claims. The Company's self-insured retention amount for these claims is \$ 50 million per occurrence. Currently, no individual claim is expected to exceed the self-insured retention amount. In accordance with the *Contingencies Topic* in the ASC, to the extent the value of an individual claim exceeds the self-insured retention amount, the Company would present the liability on a gross basis with a corresponding receivable for insurance recoveries. These reserves fluctuate based upon the timing of payments as well as changes in estimate. Actual results may vary from estimates due to the number, type and severity of the injury, costs of medical treatments and uncertainties in litigation. Most of the Company's casualty claims relate to CSXT unless otherwise noted below. Defense and processing costs, which historically have been insignificant and are anticipated to be insignificant in the future, are not included in the recorded liabilities.

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"). In addition to FELA liabilities, employees of other current or former CSX subsidiaries are covered by various state workers' compensation laws, the Federal Longshore and Harbor Workers' Compensation Program or the Maritime Jones Act.

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 for the quarter resulted in an immaterial adjustment to the personal injury reserve. The methodology used by the actuary includes a development factor to reflect growth or reduction in the value of these personal injury claims. It is based largely on CSXT's historical claims and settlement experience.

Asbestos & Occupational

The Company is party to a number of asbestos claims by employees alleging exposure to asbestos in the workplace. Management reviews asserted asbestos claims quarterly. Unasserted or incurred but not reported ("IBNR") asbestos claims are analyzed by a third-party specialist and reviewed by management annually.

CSXT's historical claim filings, settlement amounts, and dismissal rates are analyzed to determine future anticipated claim filing rates and average settlement values for asbestos claims reserves. The potentially exposed population is estimated by using CSXT's employment records and industry data. From this analysis, the specialist estimates the IBNR claims liabilities.

Occupational claims arise from allegations of exposure to certain materials in the workplace, such as solvents, soaps, chemicals (collectively referred to as "irritants") and diesel fuels (like exhaust fumes) or allegations of chronic physical injuries resulting from work conditions, such as repetitive stress injuries, carpal tunnel syndrome and hearing loss.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Environmental

Environmental reserves were \$79 million and \$82 million as of September 23, 2016 and December 25, 2015, respectively. 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 225 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.

In accordance with the *Asset Retirement and Environmental Obligations Topic* in the ASC, the Company reviews its role with respect to each site identified at least quarterly, giving consideration to a number of factors such as:

- type of clean-up required;
- nature of the Company's alleged connection to the location (e.g., generator of waste sent to the site or owner or operator of the site);
- extent of the Company's alleged connection (e.g., volume of waste sent to the location and other relevant factors); and
- number, connection and financial viability of other named and unnamed potentially responsible parties at the location.

Based on the review process, the Company has recorded amounts to cover contingent anticipated future environmental remediation costs with respect to each site to the extent such costs are estimable and probable. The recorded liabilities for estimated future environmental costs are undiscounted. The liability includes future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs, but excludes any anticipated insurance recoveries. Payments related to these liabilities are expected to be made over the next several years. Environmental remediation costs are included in materials, supplies and other on the consolidated income statement.

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.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Other

Other reserves of \$48 million and \$49 million as of September 23, 2016 and December 25, 2015 , include liabilities for various claims, such as property, automobile and general liability. Also included in other reserves are longshoremen disability claims related to a previously owned international shipping business (these claims are in runoff) as well as claims for current port employees.

NOTE 5. Commitments and Contingencies

Insurance

The Company maintains numerous insurance programs with substantial limits for property damage (which includes business interruption) and third-party liability. A certain amount of risk is retained by the Company on each of the property and liability programs. The Company has a \$ 25 million retention per occurrence for the non-catastrophic property program (such as a derailment) and a \$ 50 million retention per occurrence for the liability and catastrophic property programs (such as hurricanes and floods). 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 outcome of these matters cannot be reasonably determined, 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 legal proceedings for which a loss is reasonably possible in excess of reserves established. The Company has estimated this range to be \$6 million to \$115 million in aggregate at September 23, 2016 . 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.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Commitments and Contingencies, *continued*

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. In November 2007, the class action lawsuits were consolidated in federal court in the District of Columbia, where they are now pending. The suit seeks treble damages allegedly sustained by purported class members as well as attorneys' fees and other relief. Plaintiffs are expected to allege damages at least equal to the fuel surcharges at issue.

In June 2012, the District Court certified the case as a class action. The decision was not a ruling on the merits of plaintiffs' claims, but rather a decision to allow the plaintiffs to seek to prove the case as a class. The defendant railroads petitioned the U.S. Court of Appeals for the D.C. Circuit for permission to appeal the District Court's class certification decision. In August 2013, the D.C. Circuit issued a decision vacating the class certification decision and remanded the case to the District Court to reconsider its class certification decision. The District Court remand proceedings are underway and the class certification hearing was held in September 2016. The District Court has delayed proceedings on the merits of the case pending the outcome of the class certification remand proceedings. The court has given no indication of timing on its ruling regarding class certification.

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 this matter or an unexpected adverse decision on the merits 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) 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 cleanup and removal costs and other damages associated with the presence 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.

In March 2016, EPA issued its Record of Decision detailing the agency's mandated remedial process for the lower 8 miles of the Study Area, which was based on a Focused Feasibility Study. EPA has estimated that it will take the potentially responsible parties approximately ten years to complete the work. At a later date, EPA will select a remedy for the remainder of the Study Area and is expected to again seek the participation of private parties to implement the selected remedy using EPA's CERCLA authority to compel such participation, if necessary.

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 any indemnification or remediation costs potentially allocable to CSXT 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. For employees hired prior to January 1, 2003, the plans provide eligible employees with retirement benefits based predominantly on years of service and compensation rates near retirement. For employees hired in 2003 or thereafter, benefits are determined based on a cash balance formula, which provides benefits by utilizing interest and pay credits based upon age, service and compensation.

In addition to these plans, the Company sponsors a post-retirement medical plan and a life insurance plan that provide certain benefits to full-time, salaried, management employees, hired prior to January 1, 2003, upon their retirement if certain eligibility requirements are met. Eligible retirees who are age 65 years or older (Medicare-eligible) are covered by a health reimbursement arrangement, which is an employer-funded account that can be used for reimbursement of eligible medical expenses. Eligible retirees younger than 65 years (non-Medicare eligible) are covered by a self-insured program partially funded by participating retirees. The life insurance plan is non-contributory.

The Company engages independent actuaries to 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. The following table describes the components of expense / (income) related to net benefit expense recorded in labor and fringe on the income statement.

<i>(Dollars in millions)</i>	Pension Benefits			
	Third Quarters		Nine Months	
	2016	2015	2016	2015
Service Cost	\$ 12	\$ 12	\$ 36	\$ 34
Interest Cost	29	29	89	87
Expected Return on Plan Assets	(39)	(41)	(118)	(122)
Amortization of Net Loss	12	17	36	52
Net Periodic Benefit Cost	14	17	43	51
Special Termination Benefits – Workforce Reduction Program ^(a)	—	—	—	7
Total Expense	<u>\$ 14</u>	<u>\$ 17</u>	<u>\$ 43</u>	<u>\$ 58</u>

<i>(Dollars in millions)</i>	Other Post-retirement Benefits			
	Third Quarters		Nine Months	
	2016	2015	2016	2015
Service Cost	\$ —	\$ 2	\$ 1	\$ 3
Interest Cost	3	3	9	10
Amortization of Net Loss	1	1	2	3
Amortization of Prior Service Costs	—	(1)	—	(1)
Total Expense	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 12</u>	<u>\$ 15</u>

(a) Special termination benefits were charges in 2015 that resulted from a management workforce reduction program initiated in 2014.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. Employee Benefit Plans, continued

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. Although no contributions to the Company's qualified pension plans were required, CSX made a \$30 million voluntary contribution during September 2016 . The Company may make an additional voluntary contribution in 2016 .

NOTE 7. Debt and Credit Agreements

Total activity related to long-term debt as of the end of third quarter 2016 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>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Long-term debt as of December 2015 ^(a)	\$ 20	\$ 10,515	\$ 10,535
2016 activity:			
Long-term debt repaid	(19)	—	(19)
Reclassifications	631	(631)	—
Discount, premium and other activity	(1)	(2)	(3)
Debt issue cost activity	—	6	6
Long-term debt as of September 2016	<u>\$ 631</u>	<u>\$ 9,888</u>	<u>\$ 10,519</u>

(a) Long-term debt as of December 2015 includes debt issue costs of \$168 million that were reclassified from long-term assets to long-term debt on the consolidated balance sheet as a result of ASU, Interest - Imputation of Interest, which became effective for CSX during first quarter 2016.

Credit Facility

CSX has a \$1 billion unsecured, revolving credit facility backed by a diverse syndicate of banks. This facility expires in May 2020 , and as of the date of this filing, the Company has no outstanding balances under this facility. The facility allows borrowings at floating (LIBOR-based) interest rates, plus a spread, depending upon CSX's senior unsecured debt ratings. LIBOR is the London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds. As of third quarter 2016 , CSX was in compliance with all covenant requirements under this facility.

Receivables Securitization Facility

Subsequent to the third quarter, on September 28, 2016, the Company renewed and modified its existing receivables securitization facility. The facility was to expire in June 2017 and is now extended with a similar three -year term scheduled to expire in September 2019 . It was also modified to provide liquidity of up to \$200 million , changed from \$250 million , along with modifications to other terms. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity. As of the date of this filing, the Company has no outstanding balances under this facility.

NOTE 8. Income Taxes

There have been no material changes to the balance of unrecognized tax benefits reported at December 25, 2015 .

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 9. Fair Value Measurements

The *Financial Instruments Topic* in the ASC requires disclosures about fair value of financial instruments in annual reports as well as in quarterly reports. For CSX, this statement applies to certain investments and long-term debt. Disclosure of the fair value of pension plan assets is only required annually. Also, this rule clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

Various inputs are considered when determining the value of the Company's investments, pension plan assets and long-term debt. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. These inputs are summarized in the three broad levels listed below.

- Level 1 - observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.); and
- Level 3 - significant unobservable inputs (including the Company's own assumptions about the assumptions market participants would use in determining the fair value of investments).

The valuation methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments

The Company's investment assets, valued with assistance from a third-party trustee, consist of certificates of deposits, commercial paper, corporate bonds, government securities and auction rate securities and are carried at fair value on the consolidated balance sheet per the *Fair Value Measurements and Disclosures Topic* in the ASC. There are several valuation methodologies used for those assets as described below.

- *Certificates of Deposit and Commercial Paper (Level 2)* : Valued at amortized cost, which approximates fair value;
- *Corporate Bonds and Government Securities (Level 2)* : Valued using broker quotes that utilize observable market inputs; and
- *Auction Rate Securities (Level 3)* : Valued using pricing models for which the assumptions utilize management's estimates of market participant assumptions, because there is currently no active market for trading.

The Company's investment assets are carried at fair value on the consolidated balance sheets as summarized in the table below. Additionally, the amortized cost basis of these investments was \$223 million and \$920 million as of September 23, 2016 and December 25, 2015 , respectively.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 9. Fair Value Measurements, continued

<i>(Dollars in Millions)</i>	September 23, 2016				December 25, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Certificates of Deposit and Commercial Paper	\$ —	\$ 150	\$ —	\$ 150	\$ —	\$ 810	\$ —	\$ 810
Corporate Bonds	—	62	—	62	—	73	—	73
Government Securities	—	14	—	14	—	32	—	32
Auction Rate Securities	—	—	—	—	—	—	4	4
Total investments at fair value	\$ —	\$ 226	\$ —	\$ 226	\$ —	\$ 915	\$ 4	\$ 919

These investments have the following maturities:

<i>(Dollars in millions)</i>	September 23, 2016		December 25, 2015	
Less than 1 year	\$	152	\$	810
1 - 2 years		7		9
2 - 5 years		2		27
Greater than 5 years		65		73
Total	\$	226	\$	919

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 majority of the Company's long-term debt is valued with assistance from an independent third party adviser that utilizes closing transactions, market quotes or market values of comparable debt. For those instruments not valued by the independent adviser, 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 independent adviser. All of the inputs used to determine the fair value of the Company's long-term debt are Level 2 inputs.

The fair value of outstanding debt fluctuates with changes in a number of factors. Such factors include, but are not limited to, interest rates, market conditions, credit ratings, values of similar financial instruments, size of the transaction, cash flow projections and comparable trades. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued. 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 fair value and carrying value of the Company's long-term debt is as follows:

<i>(Dollars in millions)</i>	September 23, 2016		December 25, 2015	
Long-term Debt (Including Current Maturities):				
Fair Value	\$	12,235	\$	11,340
Carrying Value		10,519		10,535

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Other Comprehensive Income (Loss)

CSX reports comprehensive earnings or loss in accordance with the *Comprehensive Income Topic* in the ASC in the Consolidated Comprehensive Income Statement. 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. Total comprehensive earnings represent the activity for a period net of tax and were \$465 million and \$518 million for third quarters, and \$1,282 million and \$1,523 million for nine months 2016 and 2015, respectively.

While total comprehensive earnings is the activity in a period and is largely driven by net earnings in that period, accumulated other comprehensive income or loss ("AOCI") represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For CSX, AOCI is primarily the cumulative balance related to pension and other post-retirement benefit adjustments and CSX's share of AOCI of equity method investees.

Changes in the AOCI balance by component are shown in the table below. Amounts reclassified in pension and other post-employment benefits to net earnings relate to the amortization of actuarial losses and are included in labor and fringe on the consolidated income statements. See Note 6. Employee Benefit Plans 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 materials, supplies and other on the consolidated income statements.

	Pension and Other Post-Employment Benefits	Other	Accumulated Other Comprehensive Income (Loss)
<i>(Dollars in millions)</i>			
Balance December 25, 2015, Net of Tax	\$ (601)	\$ (64)	\$ (665)
Other Comprehensive Income (Loss)			
Amounts Reclassified to Net Earnings	38	4	42
Tax Expense	(14)	(2)	(16)
Total Other Comprehensive Income (Loss)	24	2	26
Balance September 23, 2016, Net of Tax	\$ (577)	\$ (62)	\$ (639)

NOTE 11. Summarized Consolidating Financial Data

In 2007, CSXT, a wholly-owned subsidiary of CSX Corporation, sold secured equipment notes maturing in 2023 in a registered public offering. CSX has fully and unconditionally guaranteed the notes. In connection with the notes, the Company is providing the following condensed consolidating financial information in accordance with SEC disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation and the allocation of certain expenses of CSX incurred for the benefit of its subsidiaries. Condensed consolidating financial information for the obligor, CSXT, and parent guarantor, CSX, is shown in the tables below.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued

Consolidating Income Statements
(Dollars in millions)

Third Quarter 2016	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	\$ —	\$ 2,691	\$ 19	\$ 2,710
Expense	(63)	1,960	(28)	1,869
Operating Income	63	731	47	841
Equity in Earnings of Subsidiaries	505	1	(506)	—
Interest (Expense) / Benefit	(141)	(7)	9	(139)
Other Income / (Expense) - Net	—	9	4	13
Earnings Before Income Taxes	427	734	(446)	715
Income Tax Benefit / (Expense)	28	(268)	(20)	(260)
Net Earnings	\$ 455	\$ 466	\$ (466)	\$ 455
Total Comprehensive Earnings	\$ 465	\$ 467	\$ (467)	\$ 465
Third Quarter 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	\$ —	\$ 2,920	\$ 19	\$ 2,939
Expense	(154)	2,182	(22)	2,006
Operating Income	154	738	41	933
Equity in Earnings of Subsidiaries	496	—	(496)	—
Interest (Expense) / Benefit	(134)	(8)	6	(136)
Other Income / (Expense) - Net	(1)	5	(2)	2
Earnings Before Income Taxes	515	735	(451)	799
Income Tax (Expense) / Benefit	(8)	(273)	(11)	(292)
Net Earnings	\$ 507	\$ 462	\$ (462)	\$ 507
Total Comprehensive Earnings	\$ 518	\$ 462	\$ (462)	\$ 518

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued**Consolidating Income Statements***(Dollars in millions)*

Nine Months 2016	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	\$ —	\$ 7,974	\$ 58	\$ 8,032
Expense	(202)	5,985	(136)	5,647
Operating Income	202	1,989	194	2,385
Equity in Earnings of Subsidiaries	1,399	1	(1,400)	—
Interest (Expense) / Benefit	(425)	(27)	29	(423)
Other Income / (Expense) - Net	1	24	3	28
Earnings Before Income Taxes	1,177	1,987	(1,174)	1,990
Income Tax (Expense) / Benefit	79	(735)	(78)	(734)
Net Earnings	\$ 1,256	\$ 1,252	\$ (1,252)	\$ 1,256
Total Comprehensive Earnings	\$ 1,282	\$ 1,253	\$ (1,253)	\$ 1,282
Nine Months 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	\$ —	\$ 8,972	\$ 58	\$ 9,030
Expense	(448)	6,765	(80)	6,237
Operating Income	448	2,207	138	2,793
Equity in Earnings of Subsidiaries	1,482	—	(1,482)	—
Interest (Expense) / Benefit	(399)	(24)	19	(404)
Other Income / (Expense) - Net	(4)	18	(6)	8
Earnings Before Income Taxes	1,527	2,201	(1,331)	2,397
Income Tax (Expense) / Benefit	(25)	(824)	(46)	(895)
Net Earnings	\$ 1,502	\$ 1,377	\$ (1,377)	\$ 1,502
Total Comprehensive Earnings	\$ 1,523	\$ 1,374	\$ (1,374)	\$ 1,523

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued

Consolidating Balance Sheet
(Dollars in millions)

September 23, 2016	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 448	\$ 130	\$ 25	\$ 603
Short-term Investments	150	—	2	152
Accounts Receivable - Net	(3)	197	731	925
Receivable from Affiliates	1,158	2,504	(3,662)	—
Materials and Supplies	—	397	—	397
Other Current Assets	11	56	19	86
Total Current Assets	1,764	3,284	(2,885)	2,163
Properties	1	40,052	2,667	42,720
Accumulated Depreciation	(1)	(10,508)	(1,429)	(11,938)
Properties - Net	—	29,544	1,238	30,782
Investments in Conrail	—	—	830	830
Affiliates and Other Companies	(39)	628	14	603
Investments in Consolidated Subsidiaries	23,678	—	(23,678)	—
Other Long-term Assets	3	403	(103)	303
Total Assets	\$ 25,406	\$ 33,859	\$ (24,584)	\$ 34,681
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	\$ 150	\$ 679	\$ 30	\$ 859
Labor and Fringe Benefits Payable	36	371	43	450
Payable to Affiliates	3,601	445	(4,046)	—
Casualty, Environmental and Other Reserves	—	109	15	124
Current Maturities of Long-term Debt	613	19	(1)	631
Income and Other Taxes Payable	(334)	394	30	90
Other Current Liabilities	—	107	2	109
Total Current Liabilities	4,066	2,124	(3,927)	2,263
Casualty, Environmental and Other Reserves	—	202	48	250
Long-term Debt	9,127	761	—	9,888
Deferred Income Taxes - Net	(206)	9,470	241	9,505
Other Long-term Liabilities	763	468	(126)	1,105
Total Liabilities	\$ 13,750	\$ 13,025	\$ (3,764)	\$ 23,011
Shareholders' Equity				
Common Stock, \$1 Par Value	\$ 937	\$ 181	\$ (181)	\$ 937
Other Capital	125	5,094	(5,094)	125
Retained Earnings	11,233	15,575	(15,575)	11,233
Accumulated Other Comprehensive Loss	(639)	(30)	30	(639)
Noncontrolling Interest	—	14	—	14
Total Shareholders' Equity	\$ 11,656	\$ 20,834	\$ (20,820)	\$ 11,670
Total Liabilities and Shareholders' Equity	\$ 25,406	\$ 33,859	\$ (24,584)	\$ 34,681

Certain prior year data has been reclassified to conform to the current presentation.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued

Consolidating Balance Sheet
(Dollars in millions)

December 25, 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 444	\$ 175	\$ 9	\$ 628
Short-term Investments	810	—	—	810
Accounts Receivable - Net	1	198	783	982
Receivable from Affiliates	1,092	2,038	(3,130)	—
Materials and Supplies	—	350	—	350
Other Current Assets	(59)	120	9	70
Total Current Assets	2,288	2,881	(2,329)	2,840
Properties	1	38,964	2,609	41,574
Accumulated Depreciation	(1)	(10,016)	(1,383)	(11,400)
Properties - Net	—	28,948	1,226	30,174
Investments in Conrail	—	—	803	803
Affiliates and Other Companies	(39)	658	(28)	591
Investment in Consolidated Subsidiaries	22,755	—	(22,755)	—
Other Long-term Assets	8	399	(70)	337
Total Assets	\$ 25,012	\$ 32,886	\$ (23,153)	\$ 34,745
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	\$ 108	\$ 626	\$ 30	\$ 764
Labor and Fringe Benefits Payable	36	407	47	490
Payable to Affiliates	2,954	437	(3,391)	—
Casualty, Environmental and Other Reserves	—	115	16	131
Current Maturities of Long-term Debt	1	19	—	20
Income and Other Taxes Payable	(87)	183	12	108
Other Current Liabilities	—	437	2	439
Total Current Liabilities	3,012	2,224	(3,284)	1,952
Casualty, Environmental and Other Reserves	—	219	50	269
Long-term Debt	9,732	783	—	10,515
Deferred Income Taxes - Net	(188)	9,141	226	9,179
Other Long-term Liabilities	804	484	(126)	1,162
Total Liabilities	\$ 13,360	\$ 12,851	\$ (3,134)	\$ 23,077
Shareholders' Equity				
Common Stock, \$1 Par Value	\$ 966	\$ 181	\$ (181)	\$ 966
Other Capital	113	5,091	(5,091)	113
Retained Earnings	11,238	14,774	(14,774)	11,238
Accumulated Other Comprehensive Loss	(665)	(31)	31	(665)
Noncontrolling Minority Interest	—	20	(4)	16
Total Shareholders' Equity	\$ 11,652	\$ 20,035	\$ (20,019)	\$ 11,668
Total Liabilities and Shareholders' Equity	\$ 25,012	\$ 32,886	\$ (23,153)	\$ 34,745

Certain prior year data has been reclassified to conform to the current presentation.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued

Nine Months 2016	Consolidating Cash Flow Statements			
	<i>(Dollars in millions)</i>			
	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 644	\$ 2,089	\$ (245)	\$ 2,488
Investing Activities				
Property Additions	—	(1,469)	(121)	(1,590)
Purchases of Short-term Investments	(410)	—	—	(410)
Proceeds from Sales of Short-term Investments	1,070	—	—	1,070
Proceeds from Property Dispositions	—	11	—	11
Other Investing Activities	(3)	96	(67)	26
<i>Net Cash Provided by (Used in) Investing Activities</i>	657	(1,362)	(188)	(893)
Financing Activities				
Long-term Debt Issued	—	—	—	—
Long-term Debt Repaid	—	(18)	(1)	(19)
Dividends Paid	(513)	(450)	450	(513)
Stock Options Exercised	—	—	—	—
Shares Repurchased	(778)	—	—	(778)
Other Financing Activities	(6)	(304)	—	(310)
<i>Net Cash Provided by (Used in) Financing Activities</i>	(1,297)	(772)	449	(1,620)
Net Increase (Decrease) in Cash and Cash Equivalents	4	(45)	16	(25)
Cash and Cash Equivalents at Beginning of Period	444	175	9	628
Cash and Cash Equivalents at End of Period	\$ 448	\$ 130	\$ 25	\$ 603

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued

Nine Months 2015	Consolidating Cash Flow Statements <i>(Dollars in millions)</i>			
	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 637	\$ 2,313	\$ (438)	\$ 2,512
Investing Activities				
Property Additions	—	(1,794)	(115)	(1,909)
Purchases of Short-term Investments	(1,170)	—	—	(1,170)
Proceeds from Sales of Short-term Investments	995	—	45	1,040
Proceeds from Property Dispositions	—	46	—	46
Other Investing Activities	(11)	93	(40)	42
<i>Net Cash Provided by (Used in) Investing Activities</i>	(186)	(1,655)	(110)	(1,951)
Financing Activities				
Long-term Debt Issued	600	—	—	600
Long-term Debt Repaid	(200)	(28)	—	(228)
Dividends Paid	(512)	(563)	563	(512)
Stock Options Exercised	—	—	—	—
Shares Repurchased	(546)	—	—	(546)
Other Financing Activities	8	1	(12)	(3)
<i>Net Cash Provided by (Used in) Financing Activities</i>	(650)	(590)	551	(689)
Net Increase (Decrease) in Cash and Cash Equivalents	(199)	68	3	(128)
Cash and Cash Equivalents at Beginning of Period	510	100	59	669
Cash and Cash Equivalents at End of Period	\$ 311	\$ 168	\$ 62	\$ 541

CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THIRD QUARTER 2016 HIGHLIGHTS

- Revenue declined \$229 million to \$2.7 billion or 8 percent from a year ago.
- Expenses of \$1.9 billion improved \$137 million or 7 percent year over year.
- Operating income of \$841 million decreased \$92 million or 10 percent year over year.
- Operating ratio of 69.0% increased 70 basis points versus last year's quarter.
- Earnings per share of \$0.48 decreased \$0.04 or 8 percent year over year.

	Third Quarters				Nine Months			
	2016	2015	<i>Fav / (Unfav)</i>	<i>% Change</i>	2016	2015	<i>Fav / (Unfav)</i>	<i>% Change</i>
Volume <i>(in thousands)</i>	1,574	1,712	<i>(138)</i>	<i>(8)%</i>	4,720	5,106	<i>(386)</i>	<i>(8)%</i>
<i>(in millions)</i>								
Revenue	\$ 2,710	\$ 2,939	\$ <i>(229)</i>	<i>(8)%</i>	\$ 8,032	\$ 9,030	\$ <i>(998)</i>	<i>(11)%</i>
Expense	1,869	2,006	<i>137</i>	<i>7%</i>	5,647	6,237	<i>590</i>	<i>9%</i>
Operating Income	\$ 841	\$ 933	\$ <i>(92)</i>	<i>(10)%</i>	\$ 2,385	\$ 2,793	\$ <i>(408)</i>	<i>(15)%</i>
Operating Ratio	69.0%	68.3%	<i>(70) bps</i>		70.3%	69.1%	<i>(120) bps</i>	
Earnings Per Diluted Share	\$ 0.48	\$ 0.52	\$ <i>(0.04)</i>	<i>(8)%</i>	\$ 1.32	\$ 1.52	\$ <i>(0.20)</i>	<i>(13)%</i>

For additional information, refer to Results of Operations discussed on pages 27 through 30.

CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
RESULTS OF OPERATIONS
Volume and Revenue (Unaudited)
Volume (Thousands of units); Revenue (Dollars in Millions); Revenue Per Unit (Dollars)

	Third Quarters								
	Volume			Revenue			Revenue Per Unit		
	2016	2015	% Change	2016	2015	% Change	2016	2015	% Change
<i>Agricultural</i>									
Agricultural and Food Products ^(a)	109	121	(10)%	\$ 295	\$ 321	(8)%	\$ 2,706	\$ 2,653	2 %
Fertilizers ^(a)	72	71	1	104	111	(6)	1,444	1,563	(8)
<i>Industrial</i>									
Chemicals ^(a)	173	187	(7)	542	582	(7)	3,133	3,112	1
Automotive	115	109	6	304	287	6	2,643	2,633	—
Metals and Equipment ^(a)	63	72	(13)	180	190	(5)	2,857	2,639	8
<i>Housing and Construction</i>									
Minerals ^(a)	86	87	(1)	125	125	—	1,453	1,437	1
Forest Products	68	73	(7)	191	203	(6)	2,809	2,781	1
Total Merchandise	686	720	(5)	1,741	1,819	(4)	2,538	2,526	—
Coal	207	261	(21)	467	583	(20)	2,256	2,234	1
Intermodal	681	731	(7)	425	451	(6)	624	617	1
Other	—	—	—	77	86	(10)	—	—	—
Total	1,574	1,712	(8)%	\$ 2,710	\$ 2,939	(8)%	\$ 1,722	\$ 1,717	— %
<i>Nine Months</i>									
	Volume			Revenue			Revenue Per Unit		
	2016	2015	% Change	2016	2015	% Change	2016	2015	% Change
<i>Agricultural</i>									
Agricultural and Food Products ^(a)	346	378	(8)%	\$ 925	\$ 1,010	(8)%	\$ 2,673	\$ 2,672	— %
Fertilizers ^(a)	220	227	(3)	345	369	(7)	1,568	1,626	(4)
<i>Industrial</i>									
Chemicals ^(a)	520	550	(5)	1,622	1,736	(7)	3,119	3,156	(1)
Automotive	349	330	6	907	867	5	2,599	2,627	(1)
Metals and Equipment ^(a)	196	219	(11)	531	555	(4)	2,709	2,534	7
<i>Housing and Construction</i>									
Minerals ^(a)	230	228	1	345	346	—	1,500	1,518	(1)
Forest Products	204	220	(7)	572	603	(5)	2,804	2,741	2
Total Merchandise	2,065	2,152	(4)	5,247	5,486	(4)	2,541	2,549	—
Coal	602	845	(29)	1,282	1,851	(31)	2,130	2,191	(3)
Intermodal	2,053	2,109	(3)	1,249	1,316	(5)	608	624	(3)
Other	—	—	—	254	377	(33)	—	—	—
Total	4,720	5,106	(8)%	\$ 8,032	\$ 9,030	(11)%	\$ 1,702	\$ 1,769	(4)%

(a) At the beginning of the quarter, in order to better align markets with the Company's business strategy, changes were made in the categorization of certain lines of business. Prior periods have been reclassified to conform to the current presentation and are posted on the Company's website at csx.com under the investors section.

- Agricultural and Food Products includes the combination of the previous Agricultural Products and Food and Consumer markets.
- Fertilizers was previously named Phosphates and Fertilizers.
- Metals and Equipment includes the Equipment portion of the previous Waste and Equipment market.
- Chemicals includes the Waste portion of the previous Waste and Equipment market. Chemicals also includes fly ash for remediation purposes (a form of waste) which was previously included within the Minerals market.



CSX CORPORATION

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

Third Quarter 2016

Revenue

Revenue was down \$229 million to \$2.7 billion from the prior year's third quarter as price gains were more than offset by volume declines, lower fuel surcharge revenue and negative business mix.

Merchandise

Agricultural Sector

Agricultural and Food Products - Volume decline, primarily in grain products, reflected additional local truck sourcing to feed mills in lieu of longer-haul rail moves, spurred by a large southeastern crop. In addition, the strong U.S. dollar continued to support import grain as a supplement to domestic, rail-sourced grain.

Fertilizers - Volume increased modestly, as robust demand in Brazil drove strength in export phosphates. This growth was partially offset as oversupply hampered nitrogen shipments leading to declines in domestic fertilizer.

Industrial Sector

Chemicals - Lower volume reflected ongoing difficulties in energy markets, specifically crude oil, in which economics are increasingly challenged for crude-by-rail to the East Coast. The continued ramp up of shipments of fly ash, a by-product of burning coal that requires environmental remediation and is now included in the realigned chemicals market, partially offset overall volume decline.

Automotive - Volume increased as North American light vehicle production continued at a high level and CSX experienced growth across several key customers. Movement of trucks and SUV's continued to outpace passenger cars, which was consistent with consumer buying patterns.

Metals and Equipment - Volume declined as CSX continued to cycle mill closures and lower production levels at remaining mills brought on by persistent, above-average import steel levels resulting from the strong U.S. dollar.

Housing and Construction Sector

Forest Products - Volume declined in paper products due to continued industry consolidation, electronic substitution and near-term losses to truck as a result of excess capacity and low prices. Further, a strong U.S. dollar challenged exports and increased imports that do not generally move by rail.

Minerals - Volume was down modestly, primarily as a result of reduced steel production, which hampered demand for lime, an input to steel making. However, aggregates movement continued at high levels, reflecting road and non-residential construction momentum, particularly in the south.

CSX CORPORATION

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

Coal

Domestic Utility Coal - Volume declines, though still significant, began to moderate as hot summer weather drove additional demand despite high coal inventories and low natural gas prices.

Domestic Coke, Iron Ore and Other - Volumes remained weak in the face of an oversupplied coke market driven by continued softness in domestic integrated steel production and the idling of a customer facility.

Export Coal - Volume was down due to oversupply in the world market and a strong U.S. dollar that continued to hinder U.S. producer competitiveness. However, both metallurgical and thermal benchmarks improved during the quarter such that the rate of volume decline became considerably less when compared to previous quarters.

Intermodal

Domestic - Volume decreased three percent driven by the competitive loss of some short-haul interchange traffic. Despite ample over-the-road truck capacity, the balance of the domestic portfolio remained near historic highs, reflecting success with CSX's highway-to-rail conversion program and improved network service offerings and service levels.

International - Volume was down 12 percent, reflecting the continued cycling of a prior account loss and the weaker global freight environment.

Expenses

Expenses decreased \$137 million to \$1.9 billion year over year, primarily driven by efficiency savings and lower volume-related costs. Variances versus the prior year's third quarter are described below.

Labor and Fringe expense decreased \$25 million due to the following:

- Incentive compensation was \$37 million higher reflecting the expected award payouts on existing plans.
- Inflation resulted in \$28 million of additional cost driven primarily by increased health and welfare costs.
- Efficiency savings of \$53 million were driven by lower operating support costs as a result of structural changes and reduced crew training.
- Volume-related costs were \$35 million lower.
- Other costs decreased \$2 million.

Materials, Supplies and Other expense decreased \$73 million due to the following:

- Inflation resulted in \$9 million of additional cost.
- Efficiency savings of \$38 million were primarily related to lower operating support costs, driven by structural changes, and lower non-operating support costs, driven by broad cost containment.
- Train accidents, casualty and freight loss were \$22 million lower, primarily due to prior year train accidents costs that were higher than the current period.
- Volume-related costs were \$7 million lower.
- Various other costs decreased \$15 million.

Fuel expense decreased \$49 million due to the following:

- An 11 percent price decline was the primary driver for \$20 million in fuel expense savings.
- Efficiency savings of \$15 million were primarily related to locomotive fuel reduction technology and process improvement.
- Volume-related costs were \$14 million lower.

Depreciation expense increased \$19 million due to a larger asset base.

CSX CORPORATION

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

Equipment and Other Rents expense decreased \$9 million due to the following:

- Inflation resulted in \$3 million of additional cost due to higher rates on automotive freight cars.
- Volume-related costs were \$3 million higher due to increases in automotive volume.
- Efficiency savings of \$6 million were due to improved car cycle times.
- Other costs decreased \$9 million primarily due to lower intermodal and other equipment rents.

Interest expense increased \$3 million primarily due to higher average debt balances partially offset by lower average interest rates.

Other income - net increased \$11 million primarily due to a prior year environmental cleanup cost related to non-operating activities that did not repeat in the current year, as well as miscellaneous income items.

Income tax expense decreased \$32 million primarily due to lower earnings.

Nine Months Results of Operations

Revenue decreased \$998 million reflecting significant volume declines, lower fuel recoveries and a \$99 million year-over-year decline in other revenue related to payments received in 2015 from customers that did not meet volume commitments. These impacts more than offset any pricing gains.

Expenses were lower by \$590 million driven by efficiency savings of \$341 million and lower volume-related costs of \$202 million as a result of structural changes and broad cost containment in the face of the dynamic market environment. In addition, the reduction in the price of fuel resulted in an expense decline of \$154 million year-to-date.

Operating income decreased \$408 million primarily due to volume declines, partially offset by efficiency savings.

Interest expense increased \$19 million primarily due to higher average debt balances partially offset by lower average interest rates associated with newer debt.

Other income - net increased \$20 million due to several non-operating items, none of which were individually significant.

Income tax expense decreased \$161 million primarily due to lower earnings.

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

Operating Statistics (Estimated)

	Third Quarters			Nine Months		
	2016	2015	<i>Improvement/ (Deterioration)</i>	2016	2015	<i>Improvement/ (Deterioration)</i>
Safety and Service Measurements						
FRA Personal Injury Frequency Index	1.23	1.06	<i>(16)%</i>	1.02	0.88	<i>(16)%</i>
FRA Train Accident Rate	2.22	2.88	23 %	2.38	2.52	6 %
On-Time Originations	84%	76%	11 %	84%	64%	31 %
On-Time Arrivals	64%	54%	19 %	66%	48%	38 %
Train Velocity	20.8	20.5	1 %	21.0	20.3	3 %
Dwell	25.6	25.2	<i>(2)%</i>	25.6	25.9	1 %
Cars-On-Line	207,964	204,082	<i>(2)%</i>	207,092	206,075	— %

Certain operating statistics are estimated and can continue to be updated as actuals settle.

Key Performance Measures Definitions

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.

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 two hours late (30 minutes for intermodal trains).

Train Velocity - Average train speed between terminals in miles per hour (does not include locals, yard jobs, work trains or passenger trains).

Dwell - Average amount of time in hours between car arrival at and departure from the yard. It does not include cars moving through the yard on the same train.

Cars-On-Line - An average count of all cars on the network (does not include locomotives, cabooses, trailers, containers or maintenance equipment).

The Company measures and reports safety and service performance. The Company strives for continuous improvement in these measures through training, innovation and investment. CSX's safety and train accident prevention programs rely on the latest tools, programs and employee participation that are designed to continuously strengthen the safety culture. Increased investment in training and technology also is designed to allow CSX employees to have an additional layer of protection that can detect and avoid many types of human factor incidents. The Company's safety programs are designed to prevent incidents that can adversely impact employees, customers and communities.

Continued capital investment in the Company's assets, including track, bridges, signals, equipment and detection technology also supports safety performance. CSX has established formal relationships with industry groups, leading universities and suppliers to develop, implement and deploy the latest technology that can detect infrastructure problems before they happen. To illustrate, through a waiver granted by the Federal Railroad Administration ("FRA"), CSX is using advanced continuous rail testing methods that are being adopted by other railroads as the system's value is proven.

The Company constantly collaborates with the FRA and industry organizations as well as federal, state and local governments on safety innovations and initiatives. For example, CSX and other freight railroads have actively worked with the U.S. Department of Transportation and other key stakeholders to evaluate and implement far-reaching safety enhancements for transportation of certain flammable materials, including essential energy products, on the nation's freight railroad network.

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

CSX's FRA reportable personal injury frequency index of 1.23 for the quarter was 16 percent unfavorable as a reduction in the number of injuries was more than offset by a significant decline in man-hours due to fewer employees. The FRA train accident frequency rate of 2.22 for the quarter improved 23 percent from the prior year. The Company remains committed to ongoing improvement, with a focus on avoiding catastrophic events.

CSX's operating performance in the third quarter was improved versus last year and stable sequentially. On-time originations were 84 percent, an 11 percent improvement year-over-year, and on-time arrivals increased 19 percent, to 64 percent. Average train velocity of 20.8 miles per hour and terminal dwell of 25.6 hours remained stable when compared to the prior year. The Company expects to sustain or improve this level of performance while continuing to drive productivity and resource efficiency.

LIQUIDITY AND CAPITAL RESOURCES

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

Material Changes in Consolidated Balance Sheets and Significant Cash Flows*Consolidated Balance Sheets*

Total assets decreased \$64 million from prior year due to net cash outflows, including short-term investment activity, of \$683 million partially offset by the increase in net properties of \$608 million. Total liabilities and shareholders' equity combined decreased \$64 million from year end due to \$307 million repayment of seller-financed assets and lower pension and other post-retirement benefit liabilities of \$36 million, offset by an increase in deferred income taxes of \$326 million.

Significant Cash Flows

The following chart highlights net cash activity of \$25 million as compared to \$128 million for operating, investing and financing activities for nine months ended 2016 and 2015.



- Cash provided by operating activities decreased \$24 million driven by voluntary contributions to the Company's qualified pension plans and working capital activities, partially offset by lower incentive compensation payments.
- Cash used in investing activities declined \$1,058 million primarily driven by lower purchases of short-term investments and lower property additions.
- Cash used in financing activities increased \$931 million due to lower net debt issued, the repayment of seller-financed assets and higher share repurchases.

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

Projected capital investments for 2016 are expected to be \$2.7 billion, including approximately \$300 million for Positive Train Control ("PTC"). This \$2.7 billion excludes investments related to partially or wholly reimbursable public-private partnerships where reimbursements may not be fully received in the year the reimbursement obligation arises. Of the 2016 investment, approximately 40 percent will be used to sustain the core infrastructure. The remaining amounts will be allocated to locomotives, freight cars and high return projects supporting long-term profitable growth, productivity initiatives and service improvements. CSX intends to fund capital investments through cash generated from operations.

The Company has incurred significant capital costs in connection with the implementation of PTC and has substantial work ahead. CSX estimates that the total multi-year cost of PTC implementation will be approximately \$2.2 billion. This estimate includes costs for installing the new system along tracks, upgrading locomotives, adding communication equipment and developing new technologies. Total PTC spending through September 2016 was \$1.7 billion.

Liquidity and Working Capital

As of the end of third quarter 2016, CSX had \$755 million of cash, cash equivalents and short-term investments. CSX has a \$1 billion unsecured revolving credit facility backed by a diverse syndicate of banks. This facility expires in May 2020 and as of the date of this filing, the Company has no outstanding balances under this facility. CSX uses current cash balances for general corporate purposes, which may include reduction or refinancing of outstanding indebtedness, capital expenditures, working capital requirements, contributions to the Company's qualified pension plan, redemptions and repurchases of CSX common stock and dividends to shareholders. See Note 7, Debt and Credit Agreements.

Subsequent to the third quarter, on September 28, 2016, the Company renewed and modified its existing receivables securitization facility. The facility was to expire in June 2017 and is now extended with a similar three-year term scheduled to expire in September 2019. It was also modified to provide liquidity of up to \$200 million, changed from \$250 million, along with modifications to other terms. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity. As of the date of this filing, the Company has no outstanding balances under this facility.

Working capital can also be considered a measure of a company's ability to meet its short-term needs. CSX had a working capital deficit of \$100 million and surplus of \$888 million as of September 23, 2016 and December 25, 2015, respectively. This large change since year-end in working capital of \$988 million relates to cash used for property additions of \$1,590 million, share repurchases of \$778 million and dividends of \$513 million more than offsetting cash generated from operations of \$2,488 million. Also, debt due in the next 12 months increased \$611 million.

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. Furthermore, CSX has sufficient financial capacity, including its revolving credit facility, trade receivable facility 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 CORPORATION**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****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.

- casualty, environmental and legal reserves;
- pension and post-retirement medical plan accounting;
- depreciation policies for assets under the group-life method; and
- income taxes.

FORWARD-LOOKING STATEMENTS

Certain statements in this report and in other materials filed with the SEC, 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, 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.

CSX CORPORATION

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 II, 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 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 or equipment;
- 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 (including those associated with PTC implementation), 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;
- 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;

CSX CORPORATION

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

- adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;
- 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;
- the Company's success in implementing its strategic, financial and operational initiatives;
- changes in operating conditions and costs or commodity concentrations; 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 and the Company's website at www.csx.com. The information on the CSX website is not part of this quarterly report on Form 10-Q.

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.

ITEM 4. CONTROLS AND PROCEDURES

As of September 23, 2016, 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 23, 2016, 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 2016 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For further details, please 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.

Environmental Proceedings That Could Result in Fines Above \$100,000

In connection with a CSXT train derailment in Mount Carbon, West Virginia in February 2015, the Company has entered into discussions with the U.S. Department of Justice and the U.S. Environmental Protection Agency concerning a regulatory penalty related to a release of product into the environment. Although final resolution of this matter is subject to further discussions and potential litigation, the Company does not believe that the outcome will have a material effect on its financial position, results of operations or liquidity.

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 II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) 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.

CSX CORPORATION
PART II

Item 2. CSX Purchases of Equity Securities

CSX purchases its own shares for two primary reasons: (1) to further its goals under its share repurchase program and (2) to fund the Company's contribution required to be paid in CSX common stock under a 401(k) plan that covers certain union employees.

In April 2015, the Company announced a new \$2 billion share repurchase program, which is expected to be completed by April 2017. During the third quarter of 2016, the Company repurchased approximately \$263 million, or ten million shares. Shares are retired immediately upon repurchase. 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. In accordance with the *Equity Topic* in the ASC, the excess of repurchase price over par value is recorded in retained earnings. Generally, retained earnings are only impacted by net earnings and dividends.

Share repurchase activity for the third quarter 2016 was as follows:

	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 ^(b)	
Third Quarter ^(a)				
Beginning Balance				\$ 810,810,259
July	3,078,740	\$ 26.65	2,972,000	731,808,366
August	2,940,485	28.28	2,940,100	648,648,448
September	3,492,370	28.58	3,492,100	548,855,151
Ending Balance	9,511,595	\$ 27.86	9,404,200	\$ 548,855,151

(a) Third quarter 2016 consisted of the following fiscal periods: July (June 25, 2016 - July 22, 2016), August (July 23, 2016 - August 19, 2016), September (August 20, 2016 - September 23, 2016).

(b) The difference of 107,395 shares between the "Total Number of Shares Purchased" and the "Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs" for the quarter represents shares purchased to fund the Company's contribution to a 401(k) plan that covers certain union employees.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

**CSX CORPORATION
PART II**

Item 6. Exhibits

Exhibit designation	Nature of exhibit	Previously filed as exhibit to
10.1	CSX Executives' Deferred Compensation Plan Effective January 1, 2017*	
Officer certifications:		
31*	Rule13a-14(a) Certifications	
32*	Section 1350 Certifications	
Interactive data files:		
101*	The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended September 23, 2016 filed with the SEC on October 12, 2016, formatted in XBRL includes: (i) consolidated income statements for the fiscal periods ended September 23, 2016 and September 25, 2015, (ii) consolidated comprehensive income statements for the fiscal periods ended September 23, 2016 and September 25, 2015, (iii) consolidated balance sheets at September 23, 2016 and December 25, 2015, (iv) consolidated cash flow statements for the fiscal periods ended September 23, 2016 and September 25, 2015, and (v) the notes to consolidated financial statements.	

* Filed herewith

**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/ Carolyn T. Sizemore
Carolyn T. Sizemore
Vice President and Controller
(Principal Accounting Officer)

Dated: October 12, 2016

CSX Executives' Deferred Compensation Plan

**Originally effective January 1, 2005
As Amended and Restated Effective January 1, 2017**

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INTRODUCTION

The CSX Executives' Deferred Compensation Plan is originally effective January 1, 2005. The Plan provides certain executives with an opportunity to defer the receipt of a portion of their salary, award(s) under various incentive compensation plans and programs of CSX Corporation and its Affiliated Companies and/or other qualifying compensation that may be offered from time to time.

The Plan is unfunded and is maintained by CSX Corporation and its Affiliated Companies primarily for the purpose of providing deferred compensation to a select group of management or highly-compensated employees. The Plan is intended to be fully compliant with Section 409A of the Internal Revenue Code of 1986, as amended, 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 the Treasury regarding compliance therewith.

The Plan is amended and restated effective January 1, 2017 to provide for the following: (i) to incorporate the previously executed Amendments #1-3 into the Plan document; (ii) to amend the definition of Eligible Executive to provide the Corporation additional flexibility in determining eligibility standards from year to year; (iii) to add Disability as an electable distribution event as permitted under Code Section 409A; (iv) to incorporate a Benefit Appeals Officer to oversee the claims appeal process under the Plan; (v) to add the ability to permit additional sources of compensation to be deferrable under the Plan; (vi) to add the ability to grant discretionary company contributions at the sole discretion of the Corporation and attach a vesting schedule with respect thereto; and (vii) make additional clarifications of existing provisions.

ARTICLE I
DEFINITIONS

The following words or terms used herein have the indicated meanings:

1.01. **Account**

“Account” means the bookkeeping account or accounts maintained for each Member to record his or her cash compensation deferrals (through Cash Accounts), stock compensation deferrals (through Stock Accounts) or discretionary company contributions. Except as otherwise determined by the Administrator, a Member may maintain no more than six (6) separate Cash Accounts and six (6) separate Stock Accounts (for a maximum of twelve (12) aggregate Accounts) each with separate Distribution Timing Elections pursuant to Article VIII and/or Form of Payment Elections pursuant to Article IX. Reference to an Account means any such separate Account(s) or collectively all Accounts, as the context requires.

1.02. **Administrator**

“Administrator” means the Vice President of Compensation & Benefits Department, equivalent position, or designee.

1.03. **Affiliated Company**

“Affiliated Company” means the Corporation and any company or corporation directly or indirectly controlled by the Corporation under Code Section 414(b) or (c).

1.04. **Alternative Compensation**

“Alternative Compensation” means cash or stock compensation awarded to an Eligible Executive that is neither an Award nor salary compensation and that is approved by the Administrator as compensation that may be deferred under the Plan, subject to Section 12.06(e). For example, Alternative Compensation may include (but is not limited to) commissions, retention awards, signing bonus or special bonuses that do not otherwise qualify as Awards that are approved by the Administrator as deferrable under the Plan. Approval by the Administrator to defer Alternative Compensation may be granted on an individual basis and may be granted from year to year, subject to Section 12.06(e).

1.05. **Alternative Compensation Deferral Agreement**

“Alternative Compensation Deferral Agreement” means a Deferral Agreement filed in accordance with the deferral arrangement for Alternative Compensation described in Article IV.

1.06. **Average Price**

“Average Price” means the average of the high and low price for Company Stock as reported on the Nasdaq Stock Market (“NASDAQ”) on the date of the applicable deferral or dividend payment. The application of Average Price to value Company Stock ceased as of December 31, 2007.

1.07. **Award**

“Award” means an amount other than salary awarded to an employee of an Affiliated Company under the various incentive compensation plans and programs of CSX that may be offered from time to time, and which has been designated by the Administrator as eligible for deferral under the Plan, including but not limited to ICP Awards, LTIP performance units, income realized on equity and special incentive awards, other than gains attributable to the exercise of stock options and stock appreciation rights, subject to Section 12.06(e). For the avoidance of doubt, Awards shall include Stock Awards for purposes of this Plan.

1.08. **Award Deferral Agreement**

“Award Deferral Agreement” means a Deferral Agreement filed in accordance with the Award deferral program described in Article IV.

1.09. **Benefit Appeals Officer**

“Benefit Appeals Officer” means the Senior Vice President and Chief Administrative Officer, or equivalent position.

1.10. **Board of Directors or Board**

“Board of Directors” or “Board” means the Board of Directors of the Corporation.

1.11. **Cash Account**

“Cash Account” means an Account with respect to Salary Deferrals, Matching Credits, Discretionary Credits and Awards or Alternative Compensation made in cash that a Member has elected to defer, as adjusted pursuant to Article VII. Except as otherwise determined by the Administrator, a Member may maintain no more than six (6) separate Cash Accounts each with separate Distribution Timing Elections pursuant to Article VIII and/or Form of Payment Elections pursuant to Article IX. Reference to a Cash Account means any such separate Cash Account(s) or collectively all Cash Accounts, as the context requires.

1.12. **Change of Control**

“Change of Control” means any of the following:

(a) **Stock Acquisition**. (A) One or more acquisitions by any individual, entity or group (within the meanings of Treas. Reg. §§ 1.409A-3(i)(5)(v)(B) and (vi)(D)) (a “Person”) of 30% or more of the then outstanding voting securities of the Corporation (the “Outstanding Voting Securities”), during any 12-month period ending on the date of the most recent acquisition by such Person; or (B) an acquisition that results in ownership by a Person of either (x) shares representing more than 50% of the total fair market value of the Corporation’s then outstanding stock (the “Outstanding Stock”) or (y) shares representing more than 50% of the then Outstanding Voting Securities; provided, however, that for purposes of this subsection (a), the following acquisitions of shares of the Corporation shall not be taken into account in the determination of whether a Change of Control has occurred: (1) any acquisition directly from the Corporation; (2) any cash acquisition by the Corporation; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any entity

controlled by the Corporation; or (4) any acquisition of additional voting power or stock by a Person which prior to the acquisition had already acquired more shares than necessary to satisfy the applicable 30% or 50% threshold. Notwithstanding the foregoing, an acquisition of its stock by the Corporation in exchange for property which increases the percentage of stock owned by a Person shall be treated as an acquisition for purposes of this subsection (a); or

(b) Board Composition. Individuals who, as of January 1, 2005, constitute the Board (the “Incumbent Board”) cease, within a 12-month period, for any reason (other than death) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose appointment, election, or nomination for election by the Corporation’s shareholders, was endorsed by at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(c) Business Combination. Consummation of a reorganization, merger or consolidation of the Corporation (a “Business Combination”), in each case, that results in either a change in ownership contemplated in subsection (a) of this Section 1.11 or a change in the Incumbent Board contemplated by subsection (b) of Section 1.11; or

(d) Sale or Disposition of Assets. One or more Persons acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Persons) assets from the Corporation that have a total gross fair market value equal to more than 40 percent of the total gross fair market value of all of the assets of the Corporation (without regard to liabilities of the Corporation or associated with such assets) immediately before such acquisition or acquisitions; provided that such sale or disposition is not to:

(i) a shareholder of the Corporation (immediately before the asset transfer) in exchange for or with respect to the Corporation’s Outstanding Stock;

(ii) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation;

(iii) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Corporation; or

(iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in subsection (d)(iii) above.

Except as otherwise specifically provided in subsection (d)(i) above, a Person’s status is determined immediately after the transfer.

1.13. Closing Price

“Closing Price” means the closing price for Company Stock as reported on the Nasdaq Stock Market (“NASDAQ”) on the date of the applicable deferral or dividend payment.

1.14. **Code**

“Code” means the Internal Revenue Code of 1986, as amended.

1.15. **Company Stock**

“Company Stock” means the common stock of the Corporation.

1.16. **Compensation**

“Compensation” means the “Base Compensation” of an Eligible Executive, as defined in CSXtra, determined prior to: (a) any Salary Deferrals under Article V; and (b) any limit on compensation imposed by Section 401(a)(17) of the Code.

1.17. **Compensation Committee**

“Compensation Committee” means the Compensation Committee of the Board of Directors.

1.18. **Corporation**

“Corporation” or “CSX” means CSX Corporation, a Virginia corporation, and any successor thereto by merger, purchase or otherwise.

1.19. **CSXtra**

“CSXtra” means the Tax Savings Thrift Plan for Employees of CSX Corporation and Affiliated Companies, as amended from time to time, or any successor plan thereto.

1.20. **Deferral Agreement**

“Deferral Agreement” means an agreement between an Eligible Executive and a Participating Company of which the Eligible Executive is an employee under which the Eligible Executive elects to defer an Award or Alternative Compensation or make Salary Deferrals under the Plan, as the case may be. Deferral Agreements shall be in printed or electronic form as prescribed by the Administrator and shall include any amendments, attachments or appendices.

1.21. **Disability or Disabled**

“Disability” or “Disabled” means that a Member is, by reason of any medically-determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (i) unable to engage in any substantial gainful activity, or (ii) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Member’s employer. The Administrator shall determine whether a Member is Disabled in accordance with Code Section 409A provided, however, that a Member shall be deemed to be Disabled if determined to be totally disabled by the Social Security Administration or the Railroad Retirement Board, or if the Member is determined to be disabled under the applicable Affiliated Company’s long term disability plan.

1.22. **Discretionary Credits**

“Discretionary Credits” means amounts credited to the Account of a Member, at the Corporation’s sole discretion, pursuant to Section 4.04 and subject to Section 12.06(e). Discretionary Credits are credited at the sole discretion of the Corporation and the fact that a Discretionary Credit is credited in one year shall not obligate the Corporation to make such a Discretionary Credit in subsequent years.

1.23. **Distribution Timing Election**

“Distribution Timing Election” means the election by the Member of the event triggering the commencement of a distribution under Section 8.02.

1.24. **Dividend Equivalent**

“Dividend Equivalent” means an amount credited to a Member’s Stock Account in lieu of a dividend payment with respect to a share of Company Stock.

1.25. **Effective Date**

“Effective Date” means January 1, 2005, unless otherwise stated or required by law.

1.26. **Eligible Executive**

“Eligible Executive” means a common-law employee of a Participating Company paid through U.S. payroll who is a member of a “select group of management or highly compensated employees” of a Participating Company within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 as amended (“ERISA”) as designated from time to time by the Administrator or its delegate as eligible for participation in the Plan in its discretion, subject to Section 12.06(e). For example, the Administrator shall have discretion to (a) require different eligibility standards based on sources of deferrals (e.g., Award/Alternative Compensation deferral program described in Article IV vs. Salary Deferral program described in Article V), (b) amend any eligibility standards at any time or (c) apply different eligibility standards based on Participating Company, corporate division or any other grouping as permitted by law.

1.27. **Fiscal Year**

“Fiscal Year” means the Corporation’s taxable year ending on the last Friday in December.

1.28. **Form of Payment Election**

“Form of Payment Election” means the election by the Member of the form of distribution such Member will receive from his or her Account pursuant to Section 9.02.

1.29. **ICP Award**

“ICP Award” means an award granted under the Participating Companies’ Incentive Compensation Program, including but not limited to the Management Incentive Compensation Plan (“MICP”) and the Senior Executive Incentive Compensation Plan (“SEIP”).

1.30. **Independent Advisor**

“Independent Advisor” means an independent accountant, actuary, benefits consulting firm or other entity engaged by CSX to provide Member accounting or other services with respect to the Plan.

1.31. **Matching Credits**

“Matching Credits” means amounts credited to the Account of a Member pursuant to Section 5.05.

1.32. **Member**

“Member” means, except as otherwise provided in Article II, each Eligible Executive who has executed an initial Deferral Agreement as described in Section 2.01.

1.33. **Participating Company**

“Participating Company” means the Corporation and any company or corporation directly or indirectly controlled by the Corporation under Code Section 414(b) or (c), which the Administrator designates as eligible to participate in the Plan in accordance with Section 12.06(d).

1.34. **Plan**

“Plan” means the CSX Executives’ Deferred Compensation Plan, as amended from time to time.

1.35. **Salary Deferrals**

“Salary Deferrals” means the amounts credited to a Member’s Account under Section 5.03.

1.36. **Salary Deferral Agreement**

“Salary Deferral Agreement” means a Deferral Agreement filed in accordance with the salary deferral program described in Article V.

1.37. **Stock Account**

“Stock Account” means the bookkeeping account maintained for each Member to record his or her deferral of Stock Awards or Alternative Compensation paid in Company Stock pursuant to Article VI. Except as otherwise determined by the Administrator, a Member may maintain no more than six (6) separate Stock Accounts each with separate Distribution Timing Elections pursuant to Article VIII and/or Form of Payment Elections pursuant to Article IX. Reference to a Stock Account means any such separate Stock Account(s) or collectively all Stock Accounts, as the context requires.

1.38. **Stock Award**

“Stock Award” means an Award that is or will be payable in Company Stock issued pursuant to the CSX Stock and Incentive Award Plan (or its successor) or another of the Corporation’s stock incentive plans, including but not limited to Performance Shares and restricted stock but excluding gains attributable to the exercise of stock options and stock appreciation rights.

1.39. **Trust**

“Trust” means a grantor trust or trusts established by CSX which substantially conforms to the terms of the Internal Revenue Service model trust as described in Revenue Procedure 92-64, 1992-2 C.B. 422. CSX is not obligated to maintain or make any contributions to the Trust.

1.40. **Valuation Date**

“Valuation Date” means each business day of any calendar year on which the NASDAQ Stock Market is open.

ARTICLE II
MEMBERSHIP

2.01. **In General.**

(a) An Eligible Executive shall become a Member as of the date the Member files his or her initial Deferral Agreement with the Administrator, or receives his/her first Discretionary Credit. Such Deferral Agreement shall be effective for purposes of deferring an Award or Alternative Compensation or making Salary Deferrals only as provided in Articles IV and V.

(b) As a condition of membership, the Administrator may require such other information as the Administrator deems appropriate.

2.02. **Separation from Service; Re-employment.**

(a) Membership shall not cease upon a Member's separation from service. In the event that a Member separates from service with an Affiliated Company, such Member's Salary Deferrals and Matching Credits with respect to any future earnings shall stop. Salary Deferrals and Matching Credits shall continue with respect to salary earned but not paid prior to such separation. No Discretionary Credits shall be awarded to a Member following such Member's separation from service.

(b) In the event that a Member separates from service with an Affiliated Company such Member shall continue to be a Member of the Plan but shall not be eligible to elect to defer any portion of any Award or Alternative Compensation, provided, however, that deferral elections already effective with respect to Awards or Alternative Compensation shall remain in effect for amounts earned prior to such separation.

(c) Upon re-employment as an Eligible Executive a Member may, subject to Articles IV-VI and any waiting periods imposed under Code Section 409A, elect to make deferral elections under the Plan as to salary earned and payable in subsequent calendar years and as to Awards or Alternative Compensation as to which the last date to make a deferral election has not passed.

2.03. **Change in Status.**

(a) In the event that a Member ceases to be an Eligible Executive with respect to Salary Deferrals but continues to be employed by an Affiliated Company, such Member's Salary Deferrals and Matching Credits shall be void commencing as of the first calendar year after the date of such status change until such time as such Member shall once again become an Eligible Executive. All other provisions of his or her Salary Deferral Agreement shall remain in force and such Member shall continue to be a Member of the Plan. At such time as such Member again becomes and continues to be an Eligible Executive, such Member shall be eligible to make Salary and Alternative Compensation Deferrals and to receive Matching Credits with respect to future calendar years. No Discretionary Credits shall be awarded to a Member following the date he/she ceases to be an Eligible Executive.

(b) In the event that a Member ceases to be an Eligible Executive with respect to the deferral of Awards or Alternative Compensation hereunder but continues to be employed by an Affiliated Company, such Member shall continue to be a Member of the Plan but shall not be eligible to defer any portion of an Award or Alternative Compensation commencing as of the first calendar year or performance period (as applicable) after the date of such status change until such time as such Member shall once again become an Eligible Executive. At such time such Member may elect to defer any future Award or Alternative Compensation such Member may be granted to the extent the election date has not passed and such Member is otherwise eligible under Section 4.01.

ARTICLE III
DEFERRAL AGREEMENTS

3.01. **Deferral Agreement.**

A Deferral Agreement shall be in a form, including electronic form approved by the Administrator, which shall be the sole judge of the proper completion thereof. Such Agreement shall provide for the deferral of an Award or Alternative Compensation (or any income realized pursuant thereto) or for Salary Deferrals and may include such other provisions as the Administrator deems appropriate.

3.02. **Modification of Deferral Agreement.**

A Member may elect to change, modify or revoke a Deferral Agreement only by filing a new Deferral Agreement in accordance with Articles IV or V.

ARTICLE IV
AWARD/ALTERNATIVE COMPENSATION DEFERRAL PROGRAM

4.01. Filing Requirements.

(a) With respect to an Award made for a calendar year, Fiscal Year or multiple such years and determined and paid in the following or a later calendar year or Alternative Compensation earned in a calendar year, Fiscal Year or multiple such years, an Eligible Executive may elect, subject to Section 4.02(a) to defer all or a portion of such Award or Alternative Compensation, if any. Such election shall be made by filing an Award Deferral Agreement or Alternative Compensation Deferral Agreement with the Administrator on or before the close of business on the last non-holiday business day of the calendar year or Fiscal Year preceding the first calendar year or Fiscal Year, as applicable, to which the Award or Alternative Compensation relates or such earlier date as may be specified by the Administrator (or, such later date as may be authorized by the Administrator, in the case of performance-based compensation as defined under Code Section 409A based on a performance period of at least 12 months, provided that the Eligible Executive performs services continuously from the later of the beginning of the applicable performance period or the date upon which the performance criteria with respect to such Award or Alternative Compensation are established through a date no earlier than the date upon which the Eligible Executive makes a deferral election with respect to such Award or Alternative Compensation). Deferral elections with respect to such performance-based compensation must, in all events, be made no later than the date that is six months before the end of the performance period. Further, in no event may an election to defer performance-based compensation be made after any portion of such compensation has become substantially certain of being paid and readily ascertainable. Deferral elections relating to Awards or Alternative Compensation shall be in whole percentages.

(b) Notwithstanding Section 4.01(a), an individual who first becomes an Eligible Executive (but not a re-employed Eligible Executive) may, at the sole discretion of the Administrator or its designated appointee, be given the opportunity to elect, subject to Section 4.02(a), to defer all or a portion of any portion of an Award or Alternative Compensation earned after such election. Such election shall be made by filing an Award Deferral Agreement or Alternative Compensation Deferral Agreement within 30 days of the date the individual initially becomes an Eligible Executive.

(c) An Eligible Executive's election to defer all or a portion of an Award or Alternative Compensation shall become effective on the last day that such deferral may be elected under Section 4.01(a) or (b) and once effective shall not be revoked or modified. This election shall remain in effect for subsequent calendar years or Fiscal Years (as applicable) until such time as the Member files a new Award Deferral Agreement or Alternative Compensation Deferral Agreement for a subsequent calendar year or Fiscal Year with the Administrator.

4.02. Amount of Deferral.

(a) The Administrator in its discretion, may establish such maximum limit on the amount of an Award or Alternative Compensation an Eligible Executive may defer for a calendar year or Fiscal Year as the Administrator deems appropriate, subject to Section 12.06(e). Such maximum limit shall appear on the Eligible Executive's Award Deferral Agreement or Alternative Compensation Deferral Agreement or related communication for the applicable year.

(b) Notwithstanding Sections 4.01 and 4.02(a), for Awards or Alternative Compensation that are earned based upon a specified performance period (for example, an annual bonus), where a Member's Deferral Election is made in the first year of eligibility but after the beginning of the performance period, the Deferral Election must apply only to the portion of the Award or Alternative Compensation attributable to services performed after such election. For this purpose, a Deferral Election will be deemed to apply to Awards or Alternative Compensation paid for services performed after the election if the Deferral Election applies to an amount equal to the total amount of the Award or Alternative Compensation for the performance period multiplied by the ratio of the number of days remaining in the performance period after the Deferral Election over the total number of days in the performance period.

4.03. **Credits to Accounts.**

The amount of an Award or Alternative Compensation which an Eligible Executive has elected to defer shall be credited to the Eligible Executive's Account on a date coincident with or as soon as reasonably practicable following the date the Award or Alternative Compensation would have been paid to the Eligible Executive.

4.04. **Discretionary Credits.**

The Corporation may, from time to time in its discretion, credit Discretionary Credits to any Member and furthermore to any of the Member's Account(s) in any amount determined by the Corporation, subject to Section 12.06(e). Discretionary Credits shall vest in accordance with the vesting schedule(s) established by the Administrator at the time that the Discretionary Credit is made, subject to Section 12.06(e). The Corporation may, at any time, in its discretion, increase a Member's vested interest in a Discretionary Credit, subject to Section 12.06(e). The portion of a Member's Discretionary Credit balance that remains unvested upon his or her separation from service after the application of the terms of this Section 4.04 and applicable vesting schedule shall be forfeited.

ARTICLE V
SALARY DEFERRAL PROGRAM

5.01. Filing Requirements.

(a) An individual who is an Eligible Executive may file a Salary Deferral Agreement with the Administrator, within such period and in such manner as the Administrator may prescribe so long as such election is made prior to the end of the calendar year preceding the calendar year for which it is to be effective.

(b) An individual who first becomes an Eligible Executive on or after the first day of a calendar year may file a Salary Deferral Agreement with the Administrator within thirty (30) days of the date such individual becomes an Eligible Executive, in such manner as the Administrator may prescribe.

5.02. Salary Deferral Agreement.

(a) A Member's Salary Deferral Agreement shall authorize a specified amount as a reduction in his or her base pay with respect to such Member's Salary Deferrals under the Plan. Salary reductions shall be in whole percentages not to exceed seventy five (75%) percent. The Agreement shall be effective for the first payroll period beginning (i) in the calendar year for which it is effective; or (ii) in the case of a first-time Eligible Executive, effective as of the first day of the month following the date a Salary Deferral Agreement is filed with the Administrator in accordance with Section 5.01(b). [Amended March 22, 2013, effective January 1, 2013]

(b) An Eligible Executive's election under a Salary Deferral Agreement shall be effective on the last day such deferral election may be made under Section 5.01(a) or (b). A Salary Deferral Agreement once effective shall not be revoked or modified with respect to prior deferrals and shall remain in effect for subsequent calendar years until such time as the Member files a new Salary Deferral Agreement for a subsequent calendar year with the Administrator.

5.03. Amount of Salary Deferrals.

On each pay date, or as soon as reasonably practicable thereafter, following the effective date of an Eligible Executive's Salary Deferral Agreement, the Eligible Executive's Account shall be credited with the Salary Deferral elected by the Eligible Executive.

5.04. Withdrawals for Unforeseeable Emergencies.

In the event a Member makes a withdrawal for an unforeseeable emergency under Section 8.04 of the Plan, his or her Salary Deferrals under the Plan will cease with respect to unearned salary. The Member may apply to the Administrator to resume his or her Salary Deferrals with respect to payroll periods beginning on or after the January 1 following the date of cessation, at a time and in a manner determined by the Administrator; provided, that the Administrator shall approve such resumption only if the Administrator determines that the reason for the unforeseeable emergency no longer exists.

5.05. **Matching Credits.**

On each pay date, or as soon as reasonably practicable thereafter, Matching Credits shall be credited to the applicable Account(s) of each eligible Member. Such credits shall be equal to 100% of the first 1%, and 50% of the next 5% of the difference between (i) the Member's Compensation for the applicable payroll period, and (ii) an amount equal to the compensation cap for the applicable calendar year under Section 401(a)(17) of the Code divided by the number of payroll periods applicable to the Member in such calendar year, deferred under the Plan for such pay period. Matching Credits shall be 100% vested at grant, unless the Administrator establishes and communicates vesting schedule(s) to the Member at the time that the Matching Credit is made, subject to Section 12.06(e). The Corporation may, at any time, in its discretion, increase a Member's vested interest in a Matching Credit, subject to Section 12.06(e). The portion of a Member's Matching Credit balance that remains unvested upon his or her separation from service after the application of the terms of this Section 5.05 and applicable vesting schedule shall be forfeited.

ARTICLE VI
STOCK DEFERRAL PROGRAM

6.01. **Stock Awards.**

(c) An Eligible Executive who is eligible to receive a Stock Award or Alternative Compensation paid in Company Stock, the terms of which permit its deferral, may file with the Administrator an Award Deferral Agreement with respect to a Stock Award or Alternative Compensation paid in Company Stock, in accordance with Sections 4.01(a), (b), and (c) and subject to 4.02(b).

6.02. **Stock Account.**

(a) A Member's Stock Account will be created when the Member files his or her initial Award Deferral Agreement with respect to a Stock Award or Alternative Compensation paid in Company Stock. A Stock Account will be valued based on the performance of Company Stock. Stock Accounts may not be exchanged or diversified into other investment funds.

(b) A Member shall be eligible to file Distribution Timing Elections pursuant to Article VIII and Form of Payment Elections pursuant to Article IX with respect to the Member's Stock Account. If a Member has not filed a Distribution Timing Election, distribution of the Member's Stock Account will be made pursuant to Section 8.01. If a Member has not filed a Form of Payment Election, distribution of the Member's Stock Account will be made pursuant to Section 9.01. Distributions from a Member's Stock Account shall be made only in whole shares of Company Stock. Fractional shares will be distributed in cash.

6.03. **Dividend Equivalents.**

Dividends Equivalents shall be credited in full and fractional notional shares to a Member's Stock Account(s) as of the dividend payment date based on the number of notional shares in the Stock Account on the record date and calculated based on (i) the actual purchase price of Company Stock acquired to the extent shares are actually purchased by the Trustee for the Trust or a successor trust, or (ii) the Average Price (through December 31, 2007), and the Closing Price (for all dates thereafter).

ARTICLE VII
MAINTENANCE OF ACCOUNTS

7.01. Creation of Account.

(a) A Member's initial Cash or Stock Account (as applicable) will be created at the time the Member files his or her first Deferral Agreement or receives his/her first Discretionary Credit.

(b) A Member shall be eligible to file Distribution Timing Elections pursuant to Article VIII and Form of Payment Elections pursuant to Article IX with respect to his or her Cash or Stock Account. If a Member has not filed a Distribution Timing Election with respect to the distribution of the Member's Cash or Stock Account, such distribution will be made pursuant to Section 8.01. If a Member has not filed a Form of Payment Election with respect to the distribution of the Member's Cash or Stock Account, such distribution will be made pursuant to Section 9.01.

7.02. Adjustment of Account.

(a) As of each pay date, or as soon as reasonably practicable thereafter, each Cash Account shall be credited or debited with the amount of earnings or losses with which such Cash Account would have been credited or debited, assuming it had been invested in one or more investment funds, or earned the rate of return of one or more investment performance benchmarks, designated by the Administrator and elected by the Member, for purposes of measuring the investment performance of the Member's Cash Account. Stock Accounts will be measured by notional shares of Company Stock and adjusted based on the value of the underlying Company Stock and credited with notional shares of Company Stock based on dividends declared as provided in Section 6.03 and adjusted for Changes in Capital Structure in accordance with Section 18(a) (or successor provision) of the CSX Stock and Incentive Award Plan (or its successor plan).

(b) The Administrator shall provide one or more investment funds or indices to be used as benchmarks to measure the investment performance of Cash Accounts. The designation of any such investment funds or indices shall not require the Affiliated Companies to invest or earmark their general assets in any specific manner. The Administrator may change the designation of investment funds or indices from time to time, in its discretion, and any such change shall not be deemed to be an amendment reducing a Member's accrued benefit under Section 11.01. Stock Accounts may only be invested in shares of Company Stock and may not be exchanged or diversified into other investment funds or indices as provided in Cash Accounts or otherwise.

7.03. Investment Performance Elections.

In the event the Administrator designates more than one investment fund or index of investment performance under Section 7.02, each Member shall file an initial investment performance election with the Administrator with respect to the investment of the Member's Cash Account. The election shall designate the investment fund or funds or index or indices of investment performance, which shall be used to measure the investment performance of the Member's Cash Account. The election shall be made within such time period and on such form as the Administrator may prescribe and shall be in whole percentages of the Member's Cash Account balance or deferral. The election shall be effective as soon as practicable following the date the election is made. In the event a Member does not file an investment performance election, the Member's Cash Account shall be credited with earnings and losses as if the Cash Account had earned the same rate of return as the fund or index designated by the Administrator as the default fund with respect to CSXtra.

7.04. **Changing Investment Performance Elections.**

(a) A Member may change an investment election with respect to a Cash Account made pursuant to Section 7.03 by filing an appropriate electronic election in a manner prescribed by the Administrator. The election shall be effective as soon as practicable following the date the election is made.

(b) A Member may reallocate the current balance of the Member's Cash Account, thereby changing the investment fund or funds or index or indices of investment performance used to measure the future investment performance of his or her existing Cash Account balance, by filing an appropriate election in a manner prescribed by the Administrator. Such notice shall be effective as soon as practicable following the date it is made. A Member may not reallocate the balance of his or her Stock Account.

(c) Notwithstanding the foregoing, to the extent that a Member is permitted to change his/her investment option relating to Company Stock, such Member shall be subject to trading or any other restrictions imposed (including but not limited to blackout periods in connection with Corporation earnings and/or material events) on such Member with respect to Company Stock or a phantom Company Stock Account.

7.05. **Vesting of Account.**

Except as set forth in Section 4.04 and Section 5.05, each Member shall at all times be fully vested in the Member's Cash or Stock Account, provided, however, that any underlying vesting schedule of a deferred Stock Award or Alternative Compensation shall continue to vest under the same vesting schedule.

ARTICLE VIII
DISTRIBUTION OF BENEFITS

8.01. Commencement of Distribution.

The distribution of the Member's Cash or Stock Account shall commence on the date that is one year following the Member's separation from service with the Affiliated Companies, unless otherwise designated by the Member on a Distribution Election pursuant to Section 8.02.

8.02. Distribution Timing Election.

(a) A Member shall file with the Administrator a Distribution Timing Election at the time of his or her Deferral election for the distribution amongst the options set forth in (i) through (v) below:

- (i) A specified year. The Member's age on June 30th of the specified year shall not exceed age 70½. The Administrator may limit the number of "specified year" elections the Member may have.
- (ii) Separation from service with the Affiliated Companies.
- (iii) Separation from service with the Affiliated Companies plus one-year.
- (iv) Later of (i) or (ii).
- (v) Earlier of (i) or (ii).

In addition to the foregoing choices, a Member may also file with the Administrator a Distribution Timing Election at the time of his or her Deferral an election to receive a distribution of his or her Cash or Stock Account in a lump sum as soon as administratively practicable after the end of the month in which such Administrator's determination that the Member is Disabled.

For this purpose, a separation from service for a Member who is an employee will occur when the Member and the Affiliated Companies reasonably anticipate that (i) no further services will be performed by the Member after a certain date, or (ii) the level of bona fide services which the Member is expected to perform for the Affiliated Companies, as an employee or otherwise, is expected to permanently decrease to twenty (20) percent or less of the average level of services performed by the Member during the immediately preceding thirty-six (36) month period (or the Member's entire period of service if less than thirty-six (36) months). With respect to a Member who is or becomes an independent contractor, where a separation from service as an employee has not occurred before or as of the time of the Member's assumption of the independent contractor role, separation from service will occur upon the expiration of all contracts with the Affiliated Companies, provided the contractual relationship has in good faith been completely terminated. Whether there has been a separation from service will be determined by the Administrator taking into account all of the facts and circumstances at the time of the separation from service in accordance with the guidelines described in IRC Regulation Section 1.409-1(h).

(b) A Member shall file a Distribution Timing Election with respect to deferrals pursuant to a Deferral Agreement at the same time that such Deferral Agreement is filed as provided in Sections 4.01, 5.01, and 6.01. A Member may change a Distribution Timing Election at any time on or prior to the date by which any new or revised Deferral Agreement would have to be filed under Section 8.02, but such revised Distribution Timing Election shall be effective only with respect to amounts earned or with respect to Awards or Alternative Compensation relating to calendar years or Fiscal Years, as applicable, commencing subsequent to such revised Distribution Timing Election.

(c) Notwithstanding anything in Section 8.01 or 8.02 to the contrary, upon death of a Member, the balance of the Member's Cash or Stock Account shall be distributed to his or her beneficiary in a lump sum within sixty (60) days following the first notification of death to the Corporation (but in no event later than December 31 of the year following the year of death).

(d) Any Distribution Timing Election made in proper form by a Member shall be effective and distribution shall commence pursuant to such Distribution Timing Election. Any Distribution Timing Election not made in proper form shall be void.

8.03. **Account Adjustment.**

The obligations of the Corporation or any other Affiliated Company and the benefits due any Member, surviving spouse or beneficiary hereunder shall be reduced by any amount received in regard thereto under any trust or other vehicle maintained by such entities.

8.04. **Distributions in the Event of Unforeseeable Emergency.**

(a) While employed by the Participating Companies, a Member may, in the event of an unforeseeable emergency, as defined pursuant to Treas. Reg. § 1.409A-3(i)(3), request a withdrawal from his or her Cash or Stock Account without filing a Distribution Timing Election under Section 8.02. The request shall be made in a time and manner determined by the Administrator, shall not be for a greater amount than the amount required to meet the unforeseeable emergency (including all applicable taxes thereon), and shall be subject to approval by the Administrator. The Administrator shall consider any requests for payment under this Section 8.04 on a uniform and nondiscriminatory basis and in accordance with the standards of interpretation described in section 409A of the Code and the regulations thereunder. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, no withdrawal may be made to the extent that such emergency is or may be relieved: (i) through reimbursement or compensation by available insurance or otherwise or (ii) by liquidation of the Member's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Any distribution on account of an unforeseeable emergency shall be first made on a pro rata basis from the Member's Cash Accounts and then on a pro rata basis from the Member's Stock Accounts. In the event a Member makes a withdrawal for an unforeseeable emergency under this Section 8.04(a), such Member's deferrals shall cease for the balance of the calendar year or Fiscal Year, as applicable, following the Administrator's approval as described in this Section 8.04(a).

(b) For purposes of this Section 8.04, severe financial hardship may include any of the following circumstances:

(i) illness or accident of the Member, the Member's spouse or his or her dependents (as defined in Code section 152, without regard to Code sections 152(b)(1), (b) (2), and (d)(1)(B);

(ii) the loss of the Member's home or its contents due to casualty not covered by insurance; or

(iii) any other extraordinary and unforeseeable circumstances arising beyond the control of the Member and approved by the Administrator,

which would constitute an unforeseeable emergency with the contemplation of Treas. Reg. section 1.409A-3(i)(3).

8.05. **Designation of Beneficiary.**

A Member may, at a time and in a manner determined by the Administrator, designate a beneficiary and one or more contingent beneficiaries (which may include the Member's estate) to receive any benefits which may be payable under this Plan upon his or her death. If the Member does not designate a beneficiary or contingent beneficiary, or if the beneficiary and the contingent beneficiaries do not survive the Member, such benefits shall be paid to the Member's estate. A Member may revoke or change any designation made under this Section 8.05 in a time and manner determined by the Administrator.

8.06. **Special Distribution Rules.**

(a) Notwithstanding any provision of the Plan to the contrary and to the extent permitted under Code Section 409A, the Administrator shall make a lump sum distribution to a Member to the extent necessary to comply with a certificate of divestiture, as defined in Code § 1043(b)(2). Further, the Administrator may allow a Member who has incurred an unforeseeable emergency under Section 8.04 or obtained a hardship distribution pursuant to Treas. Reg. § 1.401(k)-l(d)(3) under CSXtra to discontinue deferrals currently in effect under the Plan.

(b) Notwithstanding any provision of the Plan to the contrary, the Administrator may, in its sole discretion which shall be evidenced in writing no later than the date of payment, elect to pay the value of the Member's Cash and Stock Account upon initiation of installment payments in a single lump sum if the combined balance of such Accounts is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Member's interest in the Plan and any other plan(s) required to be aggregated with the Plan under Code Section 409A.

8.07. **Status of Account Pending Distribution.**

(a) Pending distribution, a Member's Cash Account shall continue to be credited with earnings and losses as provided in Section 7.02. The Member shall be entitled to change his or her investment elections under Section 7.03 or apply for withdrawals for unforeseeable emergencies under Section 8.04.

(b) Pending distribution, a Member's Stock Account shall continue to be credited for earnings and losses based on Company Stock price and dividends and adjusted for Changes in Capital Structure as provided in Sections 6.03 and 7.02(a) respectively.

8.08. **Re-deferral Elections.**

(a) A Member may make additional elections to defer (but not accelerate) the commencement date of payments elected under the Plan ("Re-deferral Election") in accordance with the subsequent deferral election rules under Code § 409A, provided that (A) a Re-deferral Election may not be effective for at least 12 months after the date on which it is filed; (B) the additional deferral with respect to which such Re-deferral Election is made may not be less than five years from the date such distribution would otherwise have been made, except in the case of elections relating to distributions on account of death or Disability; and (C) if such Re-deferral Election is to a specific year, such Re-deferral Election may not be made less than 12 months prior to the date of the first scheduled payment under the Distribution Election then in effect. Such Re-deferral Election shall be made on printed or electronic forms prescribed by the Administrator. Installment distributions shall be considered one distribution for purposes of Code § 409A.

8.09. **Change of Control Distributions.**

"Affected Members" will receive distributions of any undistributed benefits of his/her entire Cash and Stock Account balance in a lump sum within thirty days (30) days of a Change of Control.

For purposes of this Section 8.09, an Affected Member is any service provider or former service provider as to which there is a Change of Control relating to: (i) the corporation for which such Member is providing services at the time of a Change of Control; (ii) a corporation which is liable for such payments to the extent of the services provided to such corporation or corporations by the Member or there is a bona fide business purpose for such corporation or corporations to be liable for such payments other than avoidance of Federal income tax; or (iii) a corporation which is a majority shareholder of a corporation identified in (i) or (ii) above or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

ARTICLE IX
FORM OF PAYMENT

9.01. **Form of Distribution.**

Unless a Form of Payment Election is made pursuant to Section 9.02 below,

(a) a Member's Cash Account shall be distributed to him or her, or in the event of his or her death to his or her beneficiary, in a cash single lump sum payment at the time provided in Section 8.01.

(b) a Member's Stock Account shall be distributed to him or her, or in the event of his or her death to his or her beneficiary, in a single lump sum distribution of shares at the time provided in Section 8.01.

9.02. **Form of Payment Election.**

(a) A Member may make a Form of Payment Election to receive distribution of the Member's Cash Account or Stock Account in semi-annual installments over a period not to exceed twenty (20) years or as a single lump sum payment. Installments shall be determined as of each December 31 and June 30 and shall be paid as soon as administratively practicable thereafter. The amount of each installment shall equal the balance in each Account as of the Valuation Date of determination, divided by the number of remaining installments (including the installment being determined). If a Member dies before payment of the entire balance of his or her Account, the remaining balance shall be paid in a single sum to his or her beneficiary as soon as administratively practicable within sixty (60) days following the first notification of death to the Corporation (but in no event later than December 31 of the year following the year of death). If a Member has elected to receive his/her Account in a lump sum upon Disability, upon determination of Member's Disability by the Administrator before payment of the entire balance of his or her Account, the remaining balance of such Account shall be paid in a single sum to the Member as soon as administratively practicable after the end of the month following such determination. Lump sum payments shall be determined and paid as soon as administratively practicable following the end of the month in which the Member incurs the distributable event elected in a Distribution Timing Election under Section 8.02, based on the Valuation Date immediately preceding such distribution.

(b) A Form of Payment Election provided in this Section 9.02, with respect to a Deferral Agreement, shall be made in writing at the same time as the Distribution Election filed with respect to such Deferral Agreement, and may be changed at the same time and in the same manner as a Distribution Election may be changed, as provided in Section 8.02, regardless of whether the Distribution Election is changed.

(c) Notwithstanding any provision of the Plan to the contrary, in the case of a "specified employee," as defined in Treas. Reg. § 1.409A-1(i), benefits otherwise payable during the first six months following a separation from service shall be made (i) as soon as practicable (but in no event more than 90 days) after the end of the six-month anniversary of the specified employee's separation from service (or, if earlier, the date of his or her death or Disability) or (ii) six months after each payment otherwise payable during such six-month period is due, in accordance with the election of the Administrator pursuant to Treas. Reg. § 1.409A-3(i)(3). All such deferred distributions and any earnings thereon will be paid in a lump sum as soon as practicable (but in no event more than 90 days) after the end of such six-month period.

9.03. **Installments and Withdrawals Pro-Rata.**

In the event of any payment other than a single lump-sum, such as installment payment, or a withdrawal for an unforeseeable emergency, such payment or withdrawal shall be made on a pro-rata basis with respect to each separate Account's underlying investment(s).

ARTICLE X
CLAIMS PROCEDURES

10.01. Filing Claims.

Any Member or beneficiary entitled to benefits under the Plan may file a claim for benefits with the Administrator in accordance with Sections 10.02, 10.03 and 10.04. Notwithstanding the foregoing, any claims relating to Disability-related benefits shall be subject to Sections 10.05, 10.06 and 10.07 and supersede the provisions in Sections 10.02, 10.03 and 10.04.

10.02. Notification to Claimant (General).

If a claim is wholly or partially denied, the Administrator will furnish written or electronic (in accordance with DOL Regs. § 2520.104b-1(c)) notification of the decision to the claimant within ninety (90) days of receipt of the claim in a manner calculated to be understood by the claimant. Such notification shall contain the following information:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to pertinent Plan provisions upon which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) a description of the Plan's claims review procedures describing the steps to be taken and the applicable time limits to submit claims for review, including a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.

If special circumstances require an extension of time for the Administrator to process the claim, the 90-day period may be extended for an additional 90 days. Prior to the termination of the initial 90-day period, the claimant shall be furnished with a written or electronic notice setting forth the reason for the extension. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrator expects to render the benefit determination.

10.03. Review Procedure (General).

A claimant or his authorized representative may, with respect to any denied claim:

- (a) request a full and fair review upon a written application filed within sixty (60) days after receipt by the claimant of written or electronic notification of the denial of his claim;
- (b) submit written comments, documents, records, and other information relating to the claim for benefits; and
- (c) upon request, and free of charge, be provided reasonable access to and copies of documents and records and other information relevant to the claim for benefits.

The Benefit Appeals Officer shall provide claimant a review taking into account all comments, documents, records, and information submitted by the claimant relating to the claim without regard to whether the information was submitted or considered in the initial benefit determination. If the claimant (or his duly authorized representative) fails to appeal such action to the Benefit Appeals Officer in writing within the prescribed period of time, the Administrator's adverse determination shall be final, binding, and conclusive.

Any request or submission must be in writing and directed to the Benefit Appeals Officer. The Benefit Appeals Officer will have the sole responsibility for the review of any denied claim and will take all steps appropriate in the light of the findings.

10.04. **Decision on Review (General).**

The Benefit Appeals Officer will render a decision upon review no later than sixty (60) days after receipt of the request for a claim review. If special circumstances (such as the need to hold a hearing on any matter pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. Written notice specifying the circumstances requiring an extension will be furnished to the claimant prior to the commencement of the extension. The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. If the decision on review is not furnished to the claimant within the time limits prescribed above, the claim will be deemed denied on review.

10.05. **Notification to Claimant (Disability Benefits).**

If a claim relating to a Disability benefit is wholly or partially denied, the Administrator will furnish written or electronic (in accordance with DOL Regs. § 2520.104b-1(c)) notification of the decision to the claimant within forty-five (45) days of receipt of the claim in a manner calculated to be understood by the claimant. A notification of denial of Disability benefits shall contain the following information:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to pertinent Plan provisions upon which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) a description of the Plan's claims review procedures describing the steps to be taken and the applicable time limits to submit claims for review, including a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.

If the Administrator determines that it needs additional time to review the Disability claim, the Administrator will provide the claimant with a notice of the extension before the end of the initial 45-day period. If the Administrator determines that a decision cannot be made within the first extension period due to matters beyond the control of the Administrator, the time period for making a determination may be further extended for an additional 30 days. If such an additional extension is necessary, the Administrator shall notify the claimant prior to the expiration of the initial 30-day extension. Any notice

of extension shall indicate the circumstances necessitating the extension of time, the date by which the Administrator expects to furnish a notice of decision, the specific standards on which such entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and any additional information needed to resolve those issues. A claimant will be provided a minimum of 45 days to submit any necessary additional information to the Administrator. In the event that a 30-day extension is necessary due to a claimant's failure to submit information necessary to decide a claim, the period for furnishing a notice of decision shall be tolled from the date on which the notice of the extension is sent to the claimant until the earlier of the date the claimant responds to the request for additional information or the response deadline.

10.06. Review Procedure (Disability Benefits).

A claimant or his authorized representative may, with respect to any denied claim:

- (a) request a full and fair review upon a written application filed within one hundred eighty (180) days after receipt by the claimant of written or electronic notification of the denial of his claim;
- (b) submit written comments, documents, records, and other information relating to the claim for benefits; and
- (c) upon request, and free of charge, be provided reasonable access to and copies of documents and records and other information relevant to the claim for benefits.

The Benefit Appeals Officer shall provide claimant a review taking into account all comments, documents, records, and information submitted by the claimant relating to the claim without regard to whether the information was submitted or considered in the initial benefit determination. If the claimant (or his duly authorized representative) fails to appeal such action to the Benefit Appeals Officer in writing within the prescribed period of time, the Administrator's adverse determination shall be final, binding, and conclusive.

Any request or submission must be in writing and directed to the Benefit Appeals Officer. The Benefit Appeals Officer will have the sole responsibility for the review of any denied claim and will take all steps appropriate in the light of its findings.

10.07. Decision on Review (Disability Benefits).

The review shall be conducted by the Benefit Appeals Officer. In reviewing the appeal, the Benefit Appeals Officer shall: (i) not afford deference to the initial denial of the claim, (ii) consult a medical professional who has appropriate training and experience in the field of medicine relating to the claimant's disability and who was neither consulted as part of the initial denial nor is the subordinate of such individual, and (iii) identify the medical or vocational experts whose advice was obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decision. The Benefit Appeals Officer shall make its decision regarding the merits of the denied claim within 45 days following receipt of the appeal (or within 90 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Benefit Appeals Officer expects to render the determination on review. Following its review of any additional information submitted by the claimant, the Benefit Appeals Officer shall render a decision

on its review of the denied claim. The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based.

ARTICLE XI
AMENDMENT OR TERMINATION

11.01. Right to Amend or Terminate.

(a) This Plan may be altered, amended, suspended, or terminated at any time by the Board or the Compensation Committee, provided, however, that no alteration, amendment, suspension, or termination shall be made to this Plan which would result in a reduction in benefits accrued through the date of such action. Further, the Board or the Compensation Committee may delegate its authority to take such actions by charter or otherwise.

(b) The Compensation Committee or its designee may terminate an Affiliated Company's participation as a Participating Company in this Plan for any reason at any time.

(c) An Affiliated Company's board of directors may terminate that Affiliated Company's participation as a Participating Company for any reason at any time.

(d) In the event the Plan and related Deferral Agreements are terminated and to the extent allowed under Code Section 409A, each Member or Beneficiary shall receive a single sum payment, or, in the case of a Stock Account, a distribution in shares of Company Stock equal to the balance in his or her Stock Account. The single sum payment shall be made as soon as practicable following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Member or beneficiary under this Plan.

11.02. Uniformity of Action.

Notwithstanding anything in the Plan to the contrary, any action to amend or terminate the Plan must be taken in a uniform and nondiscriminatory manner with respect to similarly situated Members or beneficiaries.

ARTICLE VII
GENERAL PROVISIONS

12.01. **No Funding.**

Nothing contained in this Plan or in a Deferral Agreement shall cause this Plan to be a funded retirement plan. CSX may, in its sole discretion and to the extent such funding would not trigger a tax on affected Members under Code § 409A(b)(3), fund one or more trusts to assist it in discharging its obligations hereunder. Neither the Member, his or her beneficiary, contingent beneficiaries, heirs or personal representatives shall have any right, title or interest in or to any funds of any Trust or the Affiliated Companies on account of this Plan or on account of having completed a Deferral Agreement. The assets held in any Trust shall be subject to the claims of creditors of the applicable Affiliated Companies, and the Trust's assets shall be used to discharge said claims in the event of the applicable Affiliated Companies' insolvency. Each Member shall have the status of a general unsecured creditor of the Affiliated Companies and this Plan constitutes a mere promise by the applicable Affiliated Companies to make benefit payments in the future.

12.02. **Obligation.**

To the extent reflected by resolutions of the applicable boards of directors, obligations for benefits payable by the applicable Affiliated Companies under this Plan shall be joint and several.

12.03. **No Contract of Employment.**

The existence of this Plan or a Deferral Agreement does not constitute a contract for continued employment between an Eligible Executive or a Member and an Affiliated Company. The Affiliated Companies reserve the right to modify an Eligible Executive's or Member's remuneration and to terminate an Eligible Executive or a Member for any reason and at any time, notwithstanding the existence of this Plan or a Deferral Agreement.

12.04. **Taxes.**

All applicable FICA, RRTA or other employment taxes due on deferrals under this Plan shall be withheld from non-deferred salary, Awards, Alternative Compensation or other earnings. All payments under this Plan shall be net of an amount sufficient to satisfy any federal, state or local income tax withholding requirements or employment taxes.

12.05. **Nonalienation.**

Except to the extent otherwise required by law, the right to receive any benefit under this Plan may not be transferred, assigned, pledged or encumbered by a Member, beneficiary or contingent beneficiary in any manner and any attempt to do so shall be void. No such benefit shall be subject to garnishment, attachment or other legal or equitable process without the prior written consent of the Affiliated Companies.

12.06. **Administration.**

(a) The Administrator of the Plan shall be responsible for the general administration of the Plan, claims review, and for carrying out its provisions. Administration of the Plan shall be carried out consistent with the terms and conditions of the Plan.

(b) The Administrator shall have sole and absolute discretion to interpret the Plan, determine eligibility for and benefits due hereunder. Decisions of the Administrator regarding benefits under the Plan shall at all times be binding and conclusive on Members, their beneficiaries, heirs and assigns.

(c) Prior to paying any benefit under this Plan, the Administrator may require the Member, beneficiary or contingent beneficiary to provide such information or material as the Administrator, in the Administrator's sole discretion, shall deem necessary for the Administrator to make any determination it may be required to make under this Plan. The Administrator may withhold payment of any benefit under this Plan until the Administrator receives all such information and material and is reasonably satisfied of its correctness and genuineness. The Administrator shall provide adequate notice in writing to any Member, beneficiary or contingent beneficiary whose claim for benefits under this Plan has been denied, setting forth the specific reasons for such denial. A reasonable opportunity shall be afforded to any such Member, beneficiary or contingent beneficiary for a full and fair review by the Administrator of the Administrator's decision denying the claim. The Administrator's decision on any such review shall be final and binding on the Member, beneficiary or contingent beneficiary and all other interested persons. All acts and decisions of the Administrator shall be final and binding upon all Members, beneficiaries, contingent beneficiaries and employees of the Affiliated Companies.

(d) The Administrator in its sole discretion and upon such terms as it may prescribe, may permit any company or corporation directly or indirectly controlled by the Corporation to participate in the Plan.

(e) Notwithstanding anything to the contrary, the following decisions and actions by the Corporation or the Administrator under the Plan shall be made and carried out only with prior notice to the Compensation Committee:

(i) designation of any compensation as a new Award type eligible for deferral under Section 10.7 or as Alternative Compensation under Section 1.04 or the establishment or change of the maximum amount of such Award types or Alternative Compensation that may be deferred under the Plan, in each case for a Section 16 person, as determined by the Corporation; and

(ii) determination of Discretionary Credits and the vesting and changes in vesting of such Discretionary Credits under Section 4.04 or Matching Credits under Section 5.05, in each case for a Section 16 person, as determined by the Corporation.

(f) The Administrator shall notify the Compensation Committee by way of an appropriate periodic update in the event of any action taken without the approval of the Compensation Committee to materially change or expand the terms or eligibility under this Plan.

12.07. Impact of Future Legislation or Regulation.

(a) This Section 12.07 shall become operative upon the enactment of any change in applicable statutory law or the promulgation by the Internal Revenue Service of a final regulation or other pronouncement having the force of law, which statutory law, as changed, or final regulation or pronouncement, as promulgated, would cause any Member to include in his or her federal gross income amounts accrued by the Member under the Plan on a date (an “Early Taxation Event”) prior to the date on which such amounts are made available to him or her hereunder.

(b) Notwithstanding any other Section of this Plan to the contrary (but subject to subsection (c) below, as of an Early Taxation Event, the feature or features of this Plan, or the election by a Member that would cause the Early Taxation Event shall be null and void, to the extent, and only to the extent, required to prevent the Member from being required to include in his or her federal gross income amounts accrued by the Member under the Plan prior to the date on which such amounts are made available to him hereunder. If only a portion of a Member’s Cash or Stock Account is impacted by the change in the law, then only such portion shall be subject to this Section, with the remainder of the Cash or Stock Account not so affected being subject to such rights and features as if the law were not changed. If the law only impacts Members who have a certain status with respect to a Participating Company, then only such Members shall be subject to this Section.

(c) Notwithstanding Section 12.07(b) above, if an Early Termination Event occurs, the amount that is required to be included in income, as a result of a compliance failure under Code § 409A and the regulations promulgated thereunder, shall be distributed to the affected Member as soon as practicable following such Early Taxation Event.

(d) Notwithstanding Sections 12.04 and 12.07(b) above, if an Early Taxation Event occurs, to the extent an amount is includable in income as a result of a compliance failure under Code § 409A or otherwise before such amount is distributable under the Plan, an amount equal to the total employment taxes on the Early Taxation Event and any applicable federal, state, local or foreign income tax withholding attributable to the payment of such amounts required to be withheld or paid and the income taxes required to be withheld thereon, shall be distributed to the affected Member or paid to the appropriate taxing authority as soon as practicable following such Early Taxation Event in accordance with Code § 409A

12.08. Construction.

(a) The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees and all rights hereunder shall be governed by and construed in accordance with the laws of the State of Florida to the extent not preempted by federal law.

(b) The masculine pronoun means the feminine wherever appropriate.

(c) The captions inserted herein are inserted as a matter of convenience and shall not affect the construction of the Plan.

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

I, Michael J. Ward, 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 12, 2016

/s/ MICHAEL J. WARD
Michael J. Ward
Chairman and Chief Executive Officer

I, Frank A. Lonegro, 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 12, 2016

/s/ FRANK A. LONEGRO

Frank A. Lonegro
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 23, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Ward, 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 12, 2016

/s/ MICHAEL J. WARD
Michael J. Ward
Chairman and Chief Executive Officer

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending September 23, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank A. Lonegro, 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 issuer.

Date: October 12, 2016

/s/ FRANK A. LONEGRO
Frank A. Lonegro
Executive Vice President and Chief Financial Officer