

CSX CORP
Form DEF 14A
March 24, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

OMB APPROVAL

OMB Number: 3235-0059
Expires: January 31, 2008
Estimated average burden
hours per response 14

Filed by the Registrant

Filed by a Party other than the Registrant

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CSX CORPORATION

(Name of Registrant as Specified In Its Charter)

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March 24, 2010

Dear Shareholder:

On behalf of the Board of Directors and the management of CSX Corporation, I invite you to attend the 2010 Annual Meeting of Shareholders (the Annual Meeting). The Annual Meeting will be held at 10:00 a.m. (EDT) on Wednesday, May 5, 2010 at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania.

We have elected to again provide electronic access to our proxy materials under the Securities and Exchange Commission's notice and access rules. We believe that providing Internet access to our proxy materials increases the ability of our shareholders to review important Company information, while reducing the environmental impact of our Annual Meeting. If you want more information regarding electronic access or the CSX Annual Meeting, please see the Questions and Answers section of this Proxy Statement or visit the Annual Shareholders Meeting section of our Investor Relations website.

Your vote is important. We hope you will vote as soon as possible regardless of whether you plan to attend the Annual Meeting. You may vote over the Internet, as well as by telephone or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the Notice you received in the mail or via email.

We look forward to seeing you at the Annual Meeting.

Michael Ward

Chairman of the Board, President

and Chief Executive Officer

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Notice of Annual Meeting of Shareholders

Jacksonville, Florida

March 24, 2010

To Our Shareholders:

The Annual Meeting of Shareholders of CSX Corporation (the Annual Meeting) will be held at 10:00 a.m. (EDT) on Wednesday, May 5, 2010 at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania, for the purpose of considering and acting upon the following matters:

The election of eleven directors;

The ratification of the appointment of Ernst & Young LLP as the Independent Registered Public Accounting Firm for 2010;

The approval of the 2010 CSX Stock and Incentive Award Plan (2010 Stock Plan); and

The consideration of such other matters as may properly come before the Annual Meeting.

The above matters are described in detail in the proxy statement (the Proxy Statement). You are urged, after reading the Proxy Statement, to vote your shares by proxy using one of the following methods: (i) vote by telephone or via the Internet using the instructions on your proxy card; or (ii) if you requested to receive printed proxy materials, complete, sign, date and return your proxy card in the postage-paid envelope provided.

Only shareholders of record at the close of business on March 5, 2010 will be entitled to vote, either by proxy or by ballot. The Notice of Internet Availability of Proxy Materials (the Notice) is being mailed to those shareholders on or about March 24, 2010.

By Order of the Board of Directors
Ellen M. Fitzsimmons
Senior Vice President-Law and Public Affairs
and Corporate Secretary

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Proxy Statement for 2010 Annual Meeting of Shareholders

About the Annual Meeting

What is the purpose of the Annual Meeting of Shareholders?

At our Annual Meeting, shareholders will act upon the matters outlined in the Notice of Meeting above, including the election of eleven directors named in this Proxy Statement, ratification of the selection of the Independent Registered Public Accounting Firm (the Independent Auditors) of CSX Corporation (the Company or CSX) and the consideration of the 2010 Stock Plan.

Where will the Meeting be held?

The Annual Meeting will be held at 10:00 a.m. (EDT) on Wednesday, May 5, 2010 at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania. The facility is accessible to persons with disabilities. If you have a disability, we can provide reasonable assistance to help you participate in the Annual Meeting upon request. If you would like to obtain directions to be able to attend the Annual Meeting and vote in person, you can write to us at CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202 or call us at (904) 366-4242.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

In accordance with rules adopted by the Securities and Exchange Commission (the SEC), we may furnish proxy materials, including this Proxy Statement and our 2009 Annual Report, to our shareholders by providing access to such documents on the Internet instead of mailing printed copies. Most shareholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice, which was mailed to most of our shareholders, instructs you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

How do I get electronic access to the proxy materials?

The Notice provides you with instructions how to:

View our proxy materials for the Annual Meeting on the Internet; and

Instruct CSX to send future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of the printing and mailing of these materials on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until terminated.

Who is soliciting my vote?

The Board of Directors of CSX (the Board) is soliciting your vote on matters being submitted for shareholder approval at the Annual Meeting.

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Who is entitled to vote?

Only shareholders of record at the close of business on March 5, 2010 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof. On March 5, 2010, there were issued and outstanding 389,135,130 shares of common stock, the only outstanding class of voting securities of the Company.

A list of shareholders entitled to vote at the Annual Meeting will be available for examination at CSX Corporation, 500 Water Street, Jacksonville, FL 32202 for ten days before the Annual Meeting and at the Annual Meeting.

What will I be voting on?

At the Annual Meeting, shareholders will vote on:

Election of the eleven directors named in this Proxy Statement;

Ratification of the appointment of Ernst & Young LLP as CSX's Independent Registered Public Accounting Firm for 2010;

Approval of the 2010 CSX Stock and Incentive Award Plan; and

Such other matters as may properly come before the Annual Meeting.

How many votes do I have?

You will have one vote for every share of CSX common stock you owned at the close of business on the Record Date.

How many shares must be present to hold the Annual Meeting?

The Company's bylaws provide that a majority of the outstanding shares of stock entitled to vote constitutes a quorum at any meeting of shareholders. If a share is represented for any purpose at the Annual Meeting, it is deemed to be present for the transaction of all business. Abstentions, withheld votes (with respect to the election of directors) and shares held of record by a broker or its nominee that are voted on any matter are included in determining the number of votes present. Broker shares that are not voted on any matter at the Annual Meeting will not be included in determining whether a quorum is present.

Your vote is important we urge you to vote by proxy even if you plan to attend the Annual Meeting.

What are the vote requirements for each proposal?

Election of Directors. The Company's state of incorporation is Virginia. As permitted under Virginia law and the Company's bylaws, in an uncontested election, directors are elected by a majority of votes cast by the shares entitled to vote at a meeting at which a quorum is present. In accordance with the Company's Corporate Governance Guidelines, in an uncontested election, any incumbent Director nominated for re-election as a Director who is not re-elected in accordance with the Company's bylaws shall promptly tender his or her resignation following certification of the shareholder vote. For more information on the procedures in these circumstances, see Principles of Corporate Governance below.

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2010 Stock Plan. The approval of the 2010 Stock Plan requires the affirmative vote of a majority of votes cast on this proposal; provided that the total vote cast on the proposal constitutes a majority of shares entitled to vote on the proposal.

Other Proposals. For all other proposals, including the ratification of the appointment of the Independent Registered Public Accounting Firm, the proposal will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

Except as noted below with respect to the proposal to approve the 2010 Stock Plan, abstentions, withheld votes (with respect to the election of directors) and broker non-votes are not considered votes cast for or against any proposal and will have no effect on the outcome of any vote.

Under applicable New York Stock Exchange (NYSE) requirements, broker non-votes are treated as shares entitled to vote on the 2010 Stock Plan, so they will count for purposes of determining whether the total votes cast on the 2010 Stock Plan constitute a majority of the shares of common stock entitled to vote on the proposal. If the total votes cast on the 2010 Stock Plan constitute a majority of the shares of common stock entitled to vote on the proposal, broker non-votes will not have any effect on the approval of the 2010 Stock Plan. Abstentions will be treated as votes cast on this proposal and have the same effect as a vote against the proposal to approve the 2010 Stock Plan.

How do I vote?

You can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting. The shares represented by a properly executed proxy will be voted as you direct.

To vote by proxy, you must do one of the following:

Vote by Telephone. You can vote your shares by telephone 24 hours a day by calling the toll-free number listed in the Notice on a touch-tone telephone. Easy-to-follow voice prompts enable you to vote your shares and confirm that your instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by telephone.

Vote by Internet. You can also vote via the Internet by following the instructions in the Notice. The website address for Internet voting is indicated in the Notice. Internet voting is also available 24 hours a day. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote via the Internet.

Vote by Mail. If you requested printed proxy materials and choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the Annual Meeting.

If you want to vote in person at the Annual Meeting, and you hold your CSX stock in street name (that is, through a bank or broker), you must obtain a proxy from your bank or broker and bring that proxy to the Annual Meeting.

Can I change my vote?

Yes. A proxy may be revoked by a shareholder any time before it is voted by written notice delivered to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202, by timely receipt of a later-dated signed proxy card, by a later vote via the Internet or by telephone, or by voting by ballot at the Annual Meeting.

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Will my shares be voted if I do not provide instructions to my broker?

If you are the beneficial owner of shares held in street name by a broker, the broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give instructions to the broker, the broker will be entitled to vote the shares with respect to discretionary items but will not be permitted to vote the shares with respect to non-discretionary items (those shares are treated as broker non-votes).

The proposal to ratify the appointment of Ernst & Young LLP as CSX's Independent Registered Public Accounting Firm for 2010 is considered a discretionary item for which a broker will have discretionary voting power if you do not give instructions with respect to this proposal. In a change from prior years, as a result of amendments to the NYSE rules, the proposal to elect directors is a non-routine matter for which a broker will not have discretionary voting power and for which specific instructions from beneficial owners are required. Furthermore, the proposal to approve the 2010 Stock Plan is a non-routine matter for which specific instructions from beneficial owners are required. As a result, a broker will not be allowed to vote on the election of directors or the proposal to approve the 2010 Stock Plan on behalf of its beneficial owner customers if the customers do not return specific voting instructions.

What happens if I return my proxy card but do not give voting instructions?

If you sign and return your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board. The Board recommends a vote **FOR** the election of the eleven director nominees named in this Proxy Statement, **FOR** Item 2, the ratification of the appointment of Ernst & Young LLP as CSX's Independent Registered Public Accounting Firm for 2010, and **FOR** Item 3, approval of the 2010 Stock Plan.

What happens if other matters are voted on at the Annual Meeting?

If any other matters are properly presented at the Annual Meeting for consideration, the persons named as proxies in the enclosed proxy card will have discretion to vote on those matters for you. On the date we filed this Proxy Statement with the SEC, the Board did not know of any other matter to be raised at the Annual Meeting.

How are votes counted?

Votes are counted by the inspector of elections appointed by the Company.

What is the deadline for consideration of shareholder proposals for the 2011 Annual Meeting of Shareholders?

A shareholder who wants to submit a proposal to be included in the proxy statement for the 2011 Annual Meeting of Shareholders (the 2011 Meeting) must send it to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL, 32202, so that it is received on or before November 24, 2010 unless the date of 2011 Meeting is changed by more than 30 days from May 5, 2011, in which case the proposal must be received a reasonable time before the Company begins to print and send its proxy materials for the 2011 Meeting.

A shareholder who wants to submit a proposal that will not be in the proxy statement but will be considered at the 2011 Meeting, pursuant to our bylaws, must send it to the principal executive offices of CSX so that it is received not earlier than the close of business on January 11, 2011, nor later than the close of business on February 10, 2011 unless the date of the 2011 Meeting

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is more than 30 days before or more than 70 days after May 5, 2011, in which case the proposal must be received not earlier than the 120th day prior to the date of the 2011 Meeting and not later than the close of business on the later of the 90th day prior to the date of the 2011 Meeting and the 10th day following the day on which the Company first publicly announces the date of the 2011 Meeting.

Does the Board consider director nominees recommended by shareholders?

Yes, the Governance Committee of the Board will review recommendations as to possible nominees received from shareholders and other qualified sources. Shareholder recommendations should be in writing addressed to the Chair of the Governance Committee, CSX Corporation, 500 Water Street, Jacksonville, FL 32202, and should include a statement about the qualifications and experience of the proposed nominee, as discussed further below in Item 1: Election of Directors, Committees of the Board, Governance Committee.

What happens if the Annual Meeting is postponed or adjourned?

Unless the polls have closed, your proxy will still be in effect and may be voted at the reconvened meeting. You will still be able to change or revoke your proxy with respect to any item until the polls have closed for voting on such item.

Do I need a ticket to attend the Annual Meeting?

Yes, you will be issued an admission ticket at the Shareholder Registration Desk at the Annual Meeting. If you hold shares in your name, please be prepared to provide proper identification, such as a driver's license. If you hold your shares through a bank or broker, you will need proof of ownership, such as a recent account statement or letter from your bank or broker, along with proper identification.

How can I find CSX's proxy materials and annual report on the Internet?

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 5, 2010. This Proxy Statement and the 2009 Annual Report are available on the Company's Internet website (www.csx.com).

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Item 1: Election of Directors

Eleven directors are to be elected to hold office until the next Annual Meeting of Shareholders is held and their successors are elected. Unless otherwise specified, the proxy holders will cast votes, **FOR** the election of the nominees named below. Each of the nominees named below is a current director standing for re-election and each was elected at the Company's 2009 Annual Meeting of Shareholders.

As of the date of this Proxy Statement, the Board has no reason to believe that any of the nominees named will be unable or unwilling to serve. There are no family relationships among any of these nominees or among any of these nominees and any executive officer, nor is there any arrangement or understanding between any nominee and any other person pursuant to which the nominee was selected.

Although the Company does not have a formal diversity policy, the Board, as a group, is expected to represent a broad diversity of backgrounds and experience in business matters and to be able to assess and evaluate the role and policies of the Company in the face of changing conditions in the economy, regulatory environment and customer expectations. Nominees for Board membership are expected to be prominent individuals who demonstrate leadership ability and possess outstanding integrity, values and judgment. Directors and nominees must be willing to devote the substantial time required to carry out the duties and responsibilities of directors. In addition, each Board member is expected to represent the broad interests of the Company and its shareholders as a group, and not any particular constituency.

The Company believes that each of the director nominees adds to the overall diversity of the CSX Board of Directors. The director nominees bring a wide range of experience and expertise in management, railroad operations, financial markets, and public policy. In addition, several of the director nominees are able to provide valuable perspective into the political and regulatory environments, as well as certain key markets such as coal and construction.

Information regarding each Board nominee follows. Each nominee has consented to being named in this Proxy Statement and to serve if elected.

THE BOARD RECOMMENDS A VOTE FOR THE FOLLOWING NOMINEES.

Donna M. Alvarado, 61, has served as a CSX director since September 2006. Ms. Alvarado is the founder and current President of Aguila International, a business-consulting firm.

Previously, Ms. Alvarado served as President and CEO of a global educational publishing company and has served on corporate boards in the manufacturing, banking, transportation, and services industries. During the past five years, she has also led state and national workforce policy boards. Ms. Alvarado currently serves on the Board of Directors of Corrections Corporation of America and as immediate past Chairwoman of the Ohio Board of Regents.

Early in her career, following executive and legislative staff appointments at the U.S. Department of Defense and in the U.S. Congress, Ms. Alvarado was named by President Ronald Reagan to lead the federal agency ACTION, the nation's premier agency for civic engagement and volunteerism.

As a result of her experience in the public and private sector, Ms. Alvarado brings to the CSX Board significant workforce planning expertise, as evidenced by her previous high-level government appointments and which is complemented by her role with the Ohio Board of Regents.

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Alexandre Behring, 43, joined the CSX Board of Directors in July 2008. He is the Managing Director of 3G Capital Partners Ltd., a private investment firm, which he joined in 2005.

Previously, Mr. Behring spent 10 years at GP Investments, Latin America's largest private-equity firm, including eight years as a partner and member of the firm's Investment Committee. In addition to his extensive financial experience, Mr. Behring brings substantial railroad operating experience to the CSX Board. He served for seven years, from 1998 through 2004, as CEO of America Latina Logistica (ALL), Latin America's largest independent railroad and logistics company. He continues to serve as a director of ALL and is a member of the Board's Management Committee. Mr. Behring also serves as an alternate director for Lojas Americanas S.A., a retail chain operator based in Brazil.

Senator John B. Breaux, 66, has served as a director of CSX since shortly after his retirement from the U.S. Senate in 2005. Senator Breaux held numerous leadership positions during his 14 years in the U.S. House of Representatives and 18-year tenure in the U.S. Senate, where he served on the House Public Works and Transportation Committee, the Senate Finance Committee, and the Senate Commerce Committee. Senator Breaux also founded the Centrist Coalition of Senate Democrats and Republicans and served as chairman of the Democratic Leadership Council. He brings extensive public policy and regulatory experience to the CSX Board at a time when Congress is considering additional legislation that could have a material effect on railroad operations.

From 2005 through 2007, Senator Breaux served as Senior Counsel at Patton Boggs LLP. Currently, Senator Breaux is a partner in the Breaux-Lott Leadership Group, a private consulting firm in Washington, DC. He also serves as a director of LHC Group, Inc.

Steven T. Halverson, 55, has served as a director of CSX since September 2006. Mr. Halverson is the Chief Executive Officer of The Haskell Company, one of the largest design and construction firms in the United States. Prior to joining The Haskell Company in 1999, Mr. Halverson served as a Senior Vice President of M.A. Mortenson, a national construction firm.

Mr. Halverson also serves as a director for PSS World Medical, Inc., ACIG Insurance Co., the Florida Council of 100 (chair-elect), the Florida Chamber of Commerce (chair) and the National Center for Construction Education and Research. Mr. Halverson is also a St. John's University regent.

Through his roles with key organizations in the state of Florida, Mr. Halverson provides broad leadership capabilities to the CSX Board. He also provides insight and perspective on the economy in general and the construction industry in particular.

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Edward J. Kelly, III, 56, has served as a director of CSX since July 2002. Mr. Kelly is currently Vice Chairman of Citigroup, Inc. He has previously served as Chief Financial Officer and Head of Global Banking at Citigroup, Inc., as well as Chief Executive Officer of Citi Alternative Investments, an integrated alternative investments platform within Citigroup, Inc.

Mr. Kelly previously served as a Managing Director at The Carlyle Group and Vice Chairman of The PNC Financial Services Group, Inc. following PNC's acquisition of Mercantile Bankshares Corporation in March 2007. At Mercantile, Mr. Kelly held the offices of Chairman, Chief Executive Officer and President from March 2003 until March 2007, and was Chief Executive Officer and President from March 2001 to March 2003. Before joining Mercantile, Mr. Kelly served as Managing Director and co-head of Investment Banking Client Management at J.P. Morgan Chase and Managing Director and Head of Global Financial Institutions at J.P. Morgan. Previously, Mr. Kelly was a partner at the law firm of Davis Polk & Wardwell, where he specialized in matters related to financial institutions. Early in his career, Mr. Kelly served as a law clerk to Supreme Court Justice William J. Brennan, Jr. and U.S. Court of Appeals Judge Clement F. Haynsworth, Jr.

Mr. Kelly also serves on the Board of Directors of The Hartford Financial Services Group, and within the past five years has served on the boards of directors for The Hershey Company, Paris RE Holdings, AXIS Capital Holdings, Constellation Energy Group and CIT Group, Inc. As an executive in the banking industry, Mr. Kelly brings extensive financial and regulatory experience to the CSX Board of Directors. He is able to bring important perspective on the global financial markets.

Gilbert Lamphere, 57, joined the CSX Board of Directors in July 2008. He is the Managing Director of Lamphere Capital Management, a private investment firm which he founded in 1998.

Mr. Lamphere brings broad railroad experience to the CSX Board as he has previously served as a director of Canadian National Railway, Chairman of Illinois Central Railroad before its sale to Canadian National in 1998, and a director of Florida East Coast Industries. Mr. Lamphere is also a general partner of Health Care 250, a healthcare investment fund. He has served as a director of nine other public companies, including Carlyle Industries, Inc., Cleveland-Cliffs Inc., R. P. Scherer Corporation, Global Natural Resources Corporation and Recognition International, Inc. Earlier in his career, Mr. Lamphere was Vice President of Mergers & Acquisitions at Morgan Stanley.

John D. McPherson, 63, joined the CSX Board of Directors in July 2008. He served as President and COO of Florida East Coast Railway, a wholly-owned subsidiary of Florida East Coast Industries, Inc., from 1999 until his retirement in 2007. From 1993-1998, Mr. McPherson served as Senior Vice President - Operations, and from 1998-1999, he served as President and CEO of the Illinois Central Railroad. Prior to joining the Illinois Central Railroad, Mr. McPherson served in various capacities at Santa Fe Railroad for 25 years. As a result of his extensive career in the rail industry, Mr. McPherson serves as an expert in railroad operations.

From 1997-2007, Mr. McPherson served as a member of the Board of Directors of TTX Company, a railcar provider and freight car management services joint venture of North American railroads.

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Timothy T. O Toole, 54, joined the CSX Board of Directors in September 2008. Mr. O Toole served as the Managing Director of the London Underground from 2003 through April 2009, where he was responsible for operating and rebuilding the Tube, the world's oldest metropolitan railway. Mr. O Toole brings to the CSX Board over 25 years of railroad industry experience. He also provides invaluable operational experience in crisis management evidenced by his impressive leadership following a terror attack on the London Underground in 2005.

Previously, he served as President and Chief Executive Officer of Conrail from 1998 to 2001. During his more than 20 years at Conrail, he served in various senior management roles, including Senior Vice President of Law and Government Affairs, Senior Vice President of Finance and Chief Financial Officer, Vice President and Treasurer, and Vice President and General Counsel. Mr. O Toole also serves as a member of the board of FirstGroup plc, a publicly-traded company on the London Stock Exchange that primarily provides rail and bus passenger service.

David M. Ratcliffe, 61, has served as a director of CSX since January 2003. He has been Chairman, President and Chief Executive Officer of Southern Company, one of America's largest producers of electricity, since 2004. From 1999 until 2004, Mr. Ratcliffe was President and CEO of Georgia Power, Southern Company's largest subsidiary. Prior to becoming President and CEO of Georgia Power in 1999, Mr. Ratcliffe served as Executive Vice President, Treasurer and Chief Financial Officer.

Mr. Ratcliffe also serves as a member of the boards of various organizations, including GRA Venture Fund, LLC, Edison Electric Institute, Nuclear Energy Institute, Georgia Chamber of Commerce, Metro Atlanta Chamber of Commerce, Georgia Research Alliance, Georgia Partnership for Excellence in Education, National Center for Civil and Human Rights and the Woodruff Arts Center.

As Chairman, President and Chief Executive Officer of Southern Company, Mr. Ratcliffe participates in a heavily regulated industry with operations in substantial portions of our service territory. Through this experience, he provides expertise in an ever-changing regulatory environment, which includes important public policy implications such as climate change legislation.

Donald J. Shepard, 63, has served as a director of CSX since January 2003. In 2008, Mr. Shepard retired as Chairman of the Executive Board and Chief Executive Officer of AEGON N.V., one of the world's largest life insurance and pension companies.

He currently serves as a member of the boards of directors of The PNC Financial Services Group, Inc. (PNC) and The Travelers Companies, Inc. Mr. Shepard was also a director of Mercantile Bankshares Corporation until 2007, when the company was acquired by PNC. He is also Immediate Past Chairman of the U.S. Chamber of Commerce, a director of the Financial Services Roundtable and Chairman of AEGON U.S. Holding Corporation, a subsidiary of AEGON N.V. In addition, he is a trustee of Johns Hopkins Medicine and Johns Hopkins University.

Through his executive positions with AEGON, Mr. Shepard brings financial and risk management expertise to the CSX Board. Through his leadership role with the U.S. Chamber of Commerce, Mr. Shepard also brings significant insight into developing business trends and opportunities.

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Michael J. Ward, 59, is a thirty-two year veteran of the Company and has served as Chairman, President and Chief Executive Officer since January 2003. Mr. Ward's career with the Company has included key executive positions in nearly all aspects of the Company's business, including sales and marketing, operations, and finance. Mr. Ward serves on the boards of directors of Ashland Inc., the Association of American Railroads and the American Coalition for Clean Coal Electricity.

RECOMMENDATION OF THE BOARD

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE ELEVEN NOMINEES AS DIRECTORS.

What if a nominee is unable to serve as director?

If any of the nominees named above is not available to serve as a director at the time of the Annual Meeting (an event which the Board does not now anticipate), the proxies will be voted for the election as director of such other person or persons as the Board may designate, unless the Board, in its discretion, reduces the number of directors.

Director Independence

The Board annually evaluates the independence of each of its directors and, acting through its Governance Committee, the performance of each of its directors. The Board has determined that nine of the eleven nominees for election as directors are independent under the listing standards of the NYSE. In making this determination, the Board considered the NYSE listing standards, as well as transactions or relationships, if any, between each director, director nominee or his or her immediate family and the Company or its subsidiaries. The purpose of this review was to determine whether any such relationships or transactions were material and thus inconsistent with a determination that the director or nominee is independent.

During its deliberations, the Board specifically considered the Company's relationship with Southern Company, a producer and provider of electric power. Mr. Ratcliffe, a director and a nominee, currently is the Chairman of the Board, President and Chief Executive Officer of Southern Company. CSX Transportation, a wholly-owned subsidiary of CSX, delivers coal to generating plants operated by subsidiaries of Southern Company. Revenue received from Southern Company in 2009 exceeded the thresholds set forth in the NYSE listing standards regarding director independence.

As a result of these reviews, the Board affirmatively determined that each of the director nominees, other than Messrs. Ratcliffe and Ward, is independent under the NYSE listing standards.

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Principles of Corporate Governance

The Board is committed to corporate governance principles and practices that facilitate the fulfillment of its fiduciary duties to shareholders and to the Company. The Board has adopted Corporate Governance Guidelines that reflect the high standards that employees, investors, customers, suppliers and others can and should expect. Key corporate governance principles observed by the Board and the Company include:

Nomination of a slate of directors for election to the Company's Board, a substantial majority of which is independent, as that term is defined in applicable laws and NYSE listing standards;

Establishment of qualification guidelines for director candidates and review of each director's performance and continuing qualification for Board membership;

The requirement that the Governance, Compensation and Audit Committees be comprised solely of independent directors;

Authority for the Governance, Compensation and Audit Committees to retain outside, independent advisors and consultants when appropriate;

Adoption of a Code of Ethics, which meets applicable rules and regulations and covers all directors, officers and employees of CSX, including the Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Controller;

Adoption of a Policy Regarding Shareholder Rights Plans, establishing parameters around the adoption of any future shareholder rights plan, including the expiration of any such plan within one year of adoption if the plan does not receive shareholder approval or ratification; and

Adoption of a Policy Regarding Shareholder Approval of Severance Agreements, requiring shareholder approval of certain future severance agreements with senior executives that provide for benefits in an amount exceeding a threshold set forth in the Policy.

CSX's Corporate Governance Guidelines, Code of Ethics, the charters of each standing committee, and policies adopted by the Board are available on the Company's Internet website at <http://investors.csx.com> under the heading Corporate Governance . Shareholders may also request a free copy of any of these documents by writing to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202. Any waivers of or changes to the Code of Ethics that apply to our directors or executive officers will be disclosed on CSX's Internet website (www.csx.com). There were no waivers to the Code of Ethics in 2009.

Shareholders who wish to communicate with the Board generally, or with a particular director, may forward appropriate correspondence to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202. Pursuant to procedures established by the non-management directors of the Board, the Office of the Corporate Secretary will forward appropriate correspondence to the Board or a particular director. Appropriate correspondence generally includes any legitimate, non-harassing inquiries or statements. Interested parties who wish to communicate with the Presiding Director or non-management directors may forward correspondence to CSX Corporation, the Presiding Director, CSX Board of Directors, 500 Water Street, C160, Jacksonville, FL 32202.

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Board of Directors Role of Risk Oversight

The Board of Directors has oversight responsibility with respect to the Company's risk management processes. This includes understanding the Company's philosophy and strategy towards risk management and mitigation. Management reports periodically to the Board of Directors and to specific committees on current risks and the Company's approach to avoiding and mitigating risk exposure. The Board reviews in detail the Company's most significant risks and whether management is responding consistently within the Company's overall risk management and mitigation strategy.

The Audit Committee is primarily responsible for overseeing the process by which risks are managed. This includes determining that management has established effective risk management practices to identify, assess, and manage the organization's most significant risk exposures. Management routinely reports to the Audit Committee on risk management processes and the risk identification and evaluation results. The Company has also established an internal Risk Oversight Committee that reviews the Company's risk profile and provides a methodology and framework for risk management and mitigation processes.

Transactions with Related Persons and Other Matters

CSX operates under a Code of Ethics that requires all employees, officers, and directors, without exception, to avoid engaging in activities or relationships that conflict, or would be perceived to conflict, with the Company's interests or adversely affect its reputation. It is understood, however, that certain relationships or transactions may arise that would be deemed acceptable and appropriate upon full disclosure of the transaction, following review to ensure there is a legitimate business reason for the transaction and that the terms of the transaction are no less favorable to CSX than could be obtained from an unrelated person. The Audit Committee is responsible for review and oversight of all transactions with related persons. CSX has not adopted written procedures for reviewing related person transactions, but generally follows the procedures described below.

A Related Person Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which CSX (including any of its subsidiaries) was, is or will be a participant, the amount involved exceeds \$120,000 in any fiscal year, and in which any Related Person had, has, or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

CSX considers a Related Person to be: (i) any person who is, or at any time since the beginning of the last fiscal year was, a director or executive officer or a nominee to become a director; (ii) any person who is known to be the beneficial owner of more than 5% of any class of CSX's voting securities; (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

In an Order issued on June 11, 2008, the Federal District Court for the Southern District of New York in *CSX Corporation v. The Children's Investment Fund Management (UK) LLP et al.*, (i) held that the reporting group, including 3G Capital Partners Ltd., 3G Capital Partners, L.P., 3G Fund, L.P. and Mr. Behring, failed timely to file a Schedule 13D in connection with its formation under Section 13(d) of the Securities Exchange Act of 1934, as amended; and (ii) enjoined the reporting group from future violations of Section 13(d). The Court's decision is on appeal.

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On an annual basis in response to the annual Directors and Officers Questionnaire, each director and executive officer submits to the Corporate Secretary a description of any current or proposed Related Person Transactions. Any person nominated to stand for election as a director or appointed as a director or an executive officer submits the information described above in response to a Questionnaire prepared by the Corporate Secretary. Directors and executive officers are expected to notify the Corporate Secretary of any updates to the list of Related Person Transactions during the year. If Related Person Transactions are identified, those transactions are reviewed by the Audit Committee.

The Audit Committee will evaluate Related Person Transactions based on:

information provided by the Board during the required annual affirmation of independence;

applicable responses to the Directors and Officers Questionnaires submitted by the Company's officers and directors and provided to the Audit Committee; and

any other applicable information provided by any director or officer of the Company.

In connection with the review of any Related Person Transaction, the Audit Committee will consider whether the transaction will be a conflict of interest or give the appearance of a conflict of interest. In the case of any Related Person Transaction involving an outside director or nominee for director, the Audit Committee will also consider whether the transaction will compromise the director's status as an independent director as prescribed in the NYSE listing standards.

Board Leadership and Committee Structure

CSX combines the roles of Chairman and Chief Executive Officer, which is balanced through the appointment of an independent Presiding Director. The Board believes that combining the positions of Chairman and Chief Executive Officer provides clarity of leadership and is in the best interests of the Company and shareholders at this time. The Board believes that the use of a Presiding Director with carefully delineated duties provides appropriate independent oversight of management. Independent oversight has been further assured by having only one member of management on the Board. The non-management directors regularly meet alone in executive session at Board meetings.

The Presiding Director is an independent director selected annually by the Governance Committee. The duties of the presiding director include: (i) presiding at all meetings of the board at which the Chairman is not present; (ii) serving as liaison between the Chairman and the independent directors; (iii) approving information, meeting agendas and meeting schedules sent to the Board; (iv) calling meetings of independent directors when appropriate; (v) pre-clearing all transactions in CSX securities by a Director, the President and Chief Executive Officer, and the Senior Vice President-Law & Public Affairs and Corporate Secretary; and (vi) being available for direct communication with major shareholders as appropriate.

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The CSX Board has six standing committees: the Audit Committee, the Compensation Committee, the Executive Committee, the Finance Committee, the Governance Committee, and the Operations and Public Affairs Committee. Each of these committees has a written charter approved by the Board, a copy of which can be found on the Company's Internet website at <http://investors.csx.com> under the heading Corporate Governance .

As of the Record Date, the composition of the committees of the Board is as follows.

<u>Director</u>	<u>Audit</u>	<u>Compensation</u>	<u>Executive</u>	<u>Finance</u>	<u>Governance</u>	<u>Operations and Public Affairs</u>
Donna M. Alvarado	X	X				
Alexandre Behring		X				X
John B. Breaux			X		X	Chair
Steven T. Halverson	X	Chair	X			
Edward J. Kelly, III			X	X	Chair	
Gilbert H. Lamphere		X				X
John D. McPherson				X		X
Timothy T. O Toole	X				X	
David M. Ratcliffe			X	Chair		X
Donald J. Shepard	Chair	X	X			
Michael J. Ward			Chair			

Meetings of the Board and Executive Sessions

During 2009, there were seven meetings of the Board. Each director nominee attended 75% or more of the meetings of the Board and the meetings of the committees on which he or she served.

The non-management directors meet alone in executive session at each Board meeting. These executive sessions are chaired by the Presiding Director. Mr. Kelly currently serves as the Presiding Director. In accordance with the CSX Corporate Governance Guidelines, the independent directors (when different than non-management directors) meet in executive session at least once a year.

While the Company does not have a formal policy regarding director attendance at Annual Meetings of Shareholders, the Company strongly encourages directors to attend absent an emergency.

Executive Committee

The Executive Committee meets only as needed and has authority to act for the Board on most matters during the intervals between Board meetings. The Executive Committee has six members, consisting of the Chairman of the Board and the chairs of each of the other five standing committees. The Committee did not meet in 2009. Pursuant to the Committee Charter, a notice of a meeting of the Executive Committee is required to be provided to all Board members.

Audit Committee

The primary functions of the Audit Committee include oversight of: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the Independent Auditors' qualifications and independence; (iv) the Company's risk management processes; and (v) the performance of the Independent Auditors and the Company's internal audit function.

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The Audit Committee selects the Independent Auditors and submits its choice to the shareholders for ratification. The Audit Committee also approves compensation of the Company's Independent Auditors, reviews the scope and methodology of the Independent Auditors' proposed audits, reviews the Company's financial statements, and monitors the Company's internal control over financial reporting by, among other things, discussing certain aspects thereof with the Independent Auditors and management. The Audit Committee is responsible for the approval of all services performed by the Independent Auditors. The Chairman of the Audit Committee has the authority to approve all engagements that will cost less than \$250,000 and, in such cases, will report any approvals to the full Audit Committee at the next scheduled meeting. All engagements expected to cost \$250,000 or more require pre-approval of the full Audit Committee. In addition, it is Company policy that tax and other non-audit services should not equal or exceed base audit fees plus fees for audit-related services. Finally, the Committee maintains procedures for the receipt and treatment of complaints regarding the Company's accounting, internal accounting controls or auditing matters.

The Audit Committee has four members, each of whom the Board has determined to be independent pursuant to the independence standards promulgated by the NYSE and the SEC. The Committee held six meetings in 2009.

The Board has determined that the Company has at least one audit committee financial expert, as that term is defined by SEC rules and regulations, serving on the Audit Committee. Mr. Shepard is the Committee's financial expert and is independent pursuant to the standards promulgated by the NYSE and the SEC. Please refer to the Report of the Audit Committee below for additional information regarding the Audit Committee.

Compensation Committee

The primary functions of the Compensation Committee are to: (i) establish the Company's philosophy with respect to executive compensation and benefits; (ii) periodically review the Company's compensation practices and policies, benefit plans, and perquisites applicable to all employees and executives to ensure consistency with the Company's compensation philosophy; (iii) assure that the Company's benefit plans, practices, programs and policies maintained for employees and directors comply with all applicable laws; (iv) in consultation with the Board, review and approve corporate goals and objectives relevant to compensation and benefits for the CEO, and evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors, as directed by the Board, set the level of compensation of the CEO based on such evaluation; (v) review and recommend approval of management compensation and Company compensation plans, including benefits for key employees as determined by the Committee from time to time; (vi) establish performance objectives for certain executives, and certify the attainment of those objectives in connection with the payment of performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code (Section 162(m)); and (vii) review the Compensation Discussion and Analysis (CD&A) section of this Proxy Statement and, as appropriate, recommend to the Board for approval the inclusion of the CD&A section in the Company's Annual Report on Form 10-K and Proxy Statement. In addition, the Committee monitors the administration of certain executive and management compensation and benefit programs.

The Compensation Committee has five members, all of whom are outside directors within the meaning of regulations promulgated pursuant to Section 162(m) and are independent pursuant to the independence standards promulgated by the NYSE. The Committee held six meetings in 2009. Please refer to the CD&A section of this Proxy Statement for additional information regarding the functions and operations of the Compensation Committee.

For additional information regarding the functions of the Compensation Committee, please see *Role of the Compensation Committee* in the CD&A section of this Proxy Statement.

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Finance Committee

The Finance Committee provides general oversight and review of financial matters affecting the Company, including the monitoring of corporate debt, cash flow, and the assets and liabilities maintained by the Company and its affiliates in conjunction with employee benefit plans, including monitoring the funding and investment policies and performances of the assets. This three-member Committee held four meetings in 2009.

Governance Committee

The Governance Committee of the Board identifies individuals qualified to become board members and recommends candidates for election to the Board. In addition, the Committee develops criteria regarding director qualification and reviews and recommends changes in Board composition, committee structure, and director compensation. The Committee develops, recommends and monitors corporate governance principles and conducts regular evaluations of director performance and of the effectiveness of the Board as a working group. The Committee has three members and is composed solely of independent directors pursuant to the independence standards promulgated by the NYSE. The Committee held five meetings in 2009.

The Governance Committee generally identifies nominees for directors through its director succession planning process. The Committee will also consider persons recommended by shareholders of the Company in selecting director nominees. Potential nominees suggested by shareholders will be evaluated by the Committee on the same basis as individuals identified directly by the Committee or from other sources. For more information on director nominees, see Item 1. Election of Directors.

Shareholders who wish to nominate a director nominee should do so in accordance with the nomination provisions of the Company's bylaws. In general, a shareholder nomination for the 2011 Annual Meeting should be delivered to the Company at least 90 days but no more than 120 days prior to the first anniversary of this year's Annual Meeting date unless the date of the 2011 Annual Meeting is more than 30 days before or more than 70 days after such anniversary, in which case the proposal must be received not earlier than the 120th day prior to the anniversary date of the 2010 Annual Meeting and not later than the close of business on the later of the 90th day prior to the anniversary date of the 2010 Annual Meeting and the 10th day following the day on which the Company first publicly announces the date of the 2011 Annual Meeting. Nominations should be accompanied by a description of the proposed nominee's qualifications and experience and his or her consent to serve if elected. A shareholder's notice regarding any such nomination should also indicate the nominating shareholder's name and address and the class and number of shares that he or she owns along with all other information required under Article I, Section 11(a)(ii) of the Company's bylaws.

Operations and Public Affairs Committee

The Operations and Public Affairs Committee reviews significant legal, legislative and regulatory initiatives and rulemaking by federal, state, local and foreign government authorities, as well as other public issues of significance that affect the Corporation and its shareholders. The Committee also reviews key issues, assumptions, risks and opportunities that relate to the development and implementation of the Company's operations, safety and advanced engineering initiatives. Additionally, the Committee provides oversight of the Corporation's compliance with legal requirements and internal policies relating to equal employment, diversity in the workplace, employee safety and environmental protection. This five-member Committee held five meetings during 2009.

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Director Compensation

The Board periodically, but at least once every three years, reviews and sets the compensation for non-management directors based on the recommendation of the Governance Committee. Director compensation includes both cash and stock-based components. In recommending the amount and form of director compensation, the Committee considers, among other factors, the level of compensation necessary to attract and retain qualified, independent directors. The most recent review of the compensation for non-management directors occurred in 2009, and resulted in several changes in the overall compensation structure. The primary change to the Directors' compensation was a shift from an annual stock grant denominated in shares to an annual stock grant equal to an amount of CSX stock valued at \$150,000 per year based on the average closing price of CSX stock for all trading days during the three full calendar months preceding the month in which the grant is made. The changes also provide that the annual retainer for directors will be fully payable in cash or in CSX stock at the election of the director. Previously, the retainer was paid half in cash and half in stock. The CSX Directors' Matching Gift Program (Matching Gift Program) was amended to provide for a one-for-one match on charitable contributions of up to \$50,000, instead of a two-for-one match on charitable contributions of up to \$25,000. In 2009, the Company also: (i) eliminated The Greenbrier discount for Directors as a result of the sale of the resort; and (ii) amended its aircraft usage policy to eliminate personal use of Company-owned aircraft for non-employee directors.

During 2009, each non-employee director received an annual retainer of \$75,000, at least 50% of which was payable in CSX stock pursuant to the CSX Corporation Stock Plan for Directors (the Director Plan). The Chair of each Board committee other than the Audit Committee received an additional \$10,000. The Chair of the Audit Committee received an additional \$15,000, and each member of the Audit Committee also received an additional \$5,000. The stock component was paid to directors on May 6, 2009, and pursuant to the terms of the Stock Plan, was determined using the closing price per share on May 5, 2009 of \$31.28, the day before the 2009 Annual Meeting of Shareholders. Each non-employee director also received an annual grant of 5,000 shares at the Board's meeting in February 2009.

During 2009, each director was eligible to defer all or a portion of his or her director's fees, including cash compensation and stock, under the CSX Directors' Deferred Compensation Plan (the Directors' Plan). Deferrals are subject to Section 409A of the Internal Revenue Code (Section 409A). Deferrals of director fees and other awards earned prior to 2005 are not subject to Section 409A. Those deferrals will continue to be administered in accordance with the terms of the Directors' Plan in effect as of December 31, 2004. Cash deferrals may be credited to an unfunded account and invested in various investment choices or deferred as shares of CSX common stock. The investment choices parallel the investment options offered to employees under CSX's 401(k) plan. Stock deferrals are automatically held as outstanding shares in a rabbi trust, with dividend equivalents credited in the form of shares.

Directors also are eligible to receive other compensation and benefits as discussed below. With the exception of his participation in the Matching Gift Program, Mr. Ward does not receive compensation for his services as a director.

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The following table summarizes the compensation earned by each of the non-employee directors in 2009. No stock option awards were made to the directors in 2009.

Directors Compensation Table

Name	Fees Earned or Paid in Cash ¹ (\$)	Stock Awards ² (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension	All Other Compensation ³ (\$)	Total ⁴ (\$)
					Value and Nonqualified Deferred Compensation Earnings (\$)		
Donna M. Alvarado	\$42,500	\$188,622	-	-	-	\$1,993	\$233,115
Alexandre Behring	\$37,500	\$188,622	-	-	-	\$51,193	\$277,315
John B. Breaux	\$49,583	\$188,622	-	-	-	\$25,900	\$264,105
Steven T. Halverson	\$50,417	\$188,622	-	-	-	\$48,193	\$287,232
Christopher Hohn ⁵	\$12,500	\$163,574	-	-	-	\$1,193	\$177,267
Edward J. Kelly, III	\$47,500	\$188,622	-	-	-	\$72,871	\$308,993
Gilbert Lamphere	\$37,500	\$188,622	-	-	-	\$51,193	\$277,315
John D. McPherson	\$37,500	\$188,622	-	-	-	\$51,193	\$277,315
Timothy O Toole	\$42,500	\$188,622	-	-	-	\$1,193	\$232,315
David M. Ratcliffe	\$47,500	\$188,622	-	-	-	\$59,381	\$295,503
Donald J. Shepard	\$57,500	\$188,622	-	-	-	\$59,381	\$305,503

¹ **Fees Earned or Paid in Cash** - Includes cash retainer (\$37,500) and any Chairman or Audit Committee fees earned in 2009. Messrs. Behring, Breaux, McPherson, Ratcliffe and Shepard elected to defer 100% of their cash retainers and fees in the form of stock into the CSX Directors Deferred Compensation Plan. The number of shares deferred was (1,044), (1,398), (1,044), (1,323) and (1,601), respectively.

² **Stock Awards** - Amounts disclosed in this column are based on the grant date fair value of the annual stock grant to directors, as well as the equity portion of the directors' annual retainer.

³ **All Other Compensation** - Includes excess liability insurance, amounts for personal aircraft usage, Company matches under the Matching Gift Program, incremental costs associated with the administration of the CSX Directors' Charitable Gift Plan and discounts at The Greenbrier, which were discontinued following its sale in May 2009. Under the Matching Gift Program, the Company makes direct contributions to approved charities selected by a director who contributes his or her own funds as well. The only perquisites to exceed \$10,000 for any director were: (i) personal use of Company-owned aircraft by Mr. Kelly in the amount of \$13,490 calculated using the direct hourly operating cost of \$1,900 per flight hour for 2009; and (ii) Company matches under the Matching Gift Program in the following amounts: \$50,000 for each of Messrs. Behring, Kelly, Lamphere, McPherson, Ratcliffe and Shepard, \$47,000 for Mr. Halverson, \$16,666 for Sen. Breaux, and \$800 for Ms. Alvarado.

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4 **Total** - The differences in the amounts in this column are largely attributable to fees for committee Chairs, for service on the Audit Committee and the Company match on charitable contributions under the Matching Gift Program.

5 Mr. Hohn did not stand for re-election to the Board in 2009.

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines to better align the interests of non-employee directors with the interests of shareholders. These guidelines require that all non-employee directors own shares of CSX common stock. Within five years of election to the Board, a non-employee director is expected to acquire and hold an amount of CSX common stock equal in value to five times the amount of such non-employee director's annual retainer. Moreover, non-employee directors may only dispose of shares held in excess of 1.2 times the applicable ownership threshold. If the annual retainer increases, the non-employee directors will have five years from the time of the increase to acquire any additional shares needed to satisfy the guidelines. Further information on the Stock Ownership Guidelines is available on CSX's website at <http://investors.csx.com> under the heading Corporate Governance .

Charitable Gift Plan

Directors elected before 2004 are eligible to participate in the CSX Directors Charitable Gift Plan (Charitable Plan), which is partially funded by life insurance policies. Under the Charitable Plan, if a director serves for five consecutive years, CSX will make contributions totaling \$1 million on his or her behalf to charitable institutions designated by the director. Contributions to designated charities are made in installments, with \$100,000 payable upon the director's retirement and the balance payable in installments of \$100,000 per year, starting at the time of the director's death. Only four current directors are eligible to participate in the Charitable Plan.

Matching Gift Plan and Other Benefits

Directors may participate in the Matching Gift Program, which is considered an important part of CSX's philanthropy and community involvement. CSX will match director contributions to organizations that qualify for support under Company guidelines, up to a maximum annual CSX contribution of \$50,000 per director. During 2009, 26 philanthropic organizations in areas served by the Company received \$440,300 under the Matching Gift Program. The matching amounts are included in the *Directors Compensation Table*.

Other Benefits

CSX makes available to directors personal excess liability insurance at no expense to the directors. In addition, directors were entitled to certain discounts (not to exceed an aggregate of \$10,000 per director) when visiting The Greenbrier. These discounts were discontinued following the sale of The Greenbrier in May, 2009. During 2009, the value of the excess liability insurance and the discounts described above varied by director but did not exceed \$9,300 for any current director. Directors were also entitled to limited personal use of Company aircraft until December 2009 when this benefit was eliminated.

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Report of the Compensation Committee

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and on the discussion described below, the Compensation Committee recommended to the full Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Steven T. Halverson, Chairman

Donna M. Alvarado

Alexandre Behring

Gilbert A. Lamphere

Donald J. Shepard

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

CSX, and the rail industry in general, faced significant challenges in 2009 related to the economic downturn and uncertain business environment. With consumer confidence wavering, demand for products declined, which caused lower industrial production, increased inventory stockpiles, and reduced demand for coal, construction materials and automobiles. This resulted in substantial declines in our volume and revenue on a year-over-year basis. Additionally, we experienced a significant decrease in our fuel surcharge revenue during 2009. Despite these obstacles, our executive leadership team continued to take steps to position the business so that we maintain our financial strength and drive future performance. Our management team's efforts to improve Company performance and add shareholder value, while mitigating excessive risk, are guided by our core values and reinforced by our executive compensation program.

The economic weakness in 2009 required the Company to structure a short-term incentive plan that would promote the achievement of operational goals necessary to drive performance in an environment where the rail industry experienced significant declines in volume. Based on our business outlook for 2009, our operating income goal for the 2009 annual incentive compensation plan was set below 2008, which was a record year for the Company. In recognition of the reduced goal, the target payout was set at 75% instead of 100%, as in previous years. This action was designed to drive management performance and provide a realistic incentive opportunity despite the prevailing economic conditions. Our resulting performance was driven by our ability to improve productivity and deliver superior service, which enabled the Company to achieve planned price increases during 2009.

This CD&A describes and analyzes the Company's executive compensation program for our CEO, Michael J. Ward, and our other named executive officers (NEOs).

What is CSX's executive compensation philosophy?

We believe that a strong, dedicated and engaged executive leadership team is pivotal to achieving superior Company performance. Accordingly, we have designed our executive compensation program to motivate and reward our executive leadership team and align their compensation with the short-term and long-term performance of the Company.

Our compensation program is premised on the following two key principles:

Balanced, performance-based compensation is essential to enhancing shareholder value; and

The total executive compensation opportunity, including benefits, should be competitive with reasonable market comparisons. This fundamental understanding ensures that our executives are properly compensated and focused on specific performance factors that measure our progress against the goals of our strategic plan.

What are the specific objectives of the Company's executive compensation program?

The executive compensation program is structured to achieve the following objectives:

Attraction and retention. Attract and retain talented, motivated, high-performing executives with specific skill sets and relevant experience;

Drive business and financial performance. Inspire leaders to achieve or exceed annual business goals;

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Focus on long-term success. Hold leaders accountable for long-term success and risk mitigation strategies so the Company continues to deliver superior returns for shareholders over time; and

Ownership. Align the long-term interests of executives with those of CSX's shareholders so that a significant portion of overall compensation is performance-based and therefore subject to the same conditions as shareholders.

How does the Company achieve these objectives?

The Company's executive compensation program is designed to balance: (i) short-term and long-term incentives; and (ii) financial and strategic goals leading to measurable performance improvements. The program is structured to motivate senior management by providing appropriate financial rewards for results that create long-term shareholder value without taking unnecessary or excessive risks.

The Committee believes its compensation philosophy has contributed to the Company's ability to attract and retain a highly qualified, performance-driven management team, which has played a key role in producing stronger, safer and more efficient business operations. The Committee also believes there is a direct relationship between the Company's performance-based incentive compensation philosophy and the substantial performance improvements achieved since its inception in 2004.

What is the role of the Compensation Committee?

The development of compensation and benefit plans for senior executives is the responsibility of the Compensation Committee of the Board (the Committee). The Committee is comprised solely of independent directors, and its membership currently consists of Steven T. Halverson, Committee Chair, Donna M. Alvarado, Alexandre Behring, Gilbert H. Lamphere and Donald J. Shepard. The members of the Committee are recommended by the Governance Committee and appointed by the Board annually.

The Committee strives to design short-term and long-term incentive plans that reward performance based on achievement of different, but complementary, financial and strategic objectives. The Committee believes this balanced approach motivates management to drive positive outcomes in both the current and future environments and mitigates the risk that any one incentive could lead executive officers to take actions that are not in CSX's long-term interests. In assessing performance of the NEOs in connection with incentive compensation payouts, the Committee conducts a detailed review of strategic goals, which consider enterprise, legal, compliance and fraud risk assessments.

In establishing individual executive compensation opportunities and awarding actual payments, the Committee considers analyses and recommendations from its independent compensation consultant, competitive practices, the CEO's recommendations (for senior executives other than himself), and internal practices. However, the Committee ultimately applies its judgment in establishing these compensation opportunities and determining appropriate payouts for executives. The Committee does not rely solely on guidelines or formulas, or short-term changes in business performance. Key factors affecting these determinations include:

performance compared to the specific goals and objectives determined for CSX and for the individual executive at the beginning of the year;

contribution to CSX's financial results;

contribution to CSX's performance in the area of safety;

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effectiveness in leading CSX's initiatives to increase customer service, productivity, and employee development;

contribution to CSX's commitment to corporate responsibility, including the executive's success in creating a culture of unyielding integrity and compliance with applicable law and CSX's ethics policies; and

the nature, scope and level of the executive's responsibilities based on market comparisons.

What is the Role of the Independent Compensation Consultant?

The Committee retains an independent compensation consultant to provide objective analyses and to assist in the development and evaluation of the Company's compensation programs. This consultant, Semler Brossy Consulting Group, LLC (the Consultant or SBCG), reports directly to the Chairperson of the Committee and performs no other work for the Company. The Consultant generally attends all meetings of the Committee where evaluations of the effectiveness of overall executive compensation programs are conducted or where compensation for executive officers is analyzed or approved. The Consultant is paid on an hourly fee basis, with such hourly rate approved by the Committee annually. The performance and independence of the Consultant are reviewed on an annual basis by the Committee, at which time they make a determination as to the renewal of the Consultant's annual contract. SBCG has been the independent compensation consultant for the Committee since 2003.

In 2009, the Consultant's duties and responsibilities included:

reviewing various compensation programs and explaining their accounting, cash flow, tax, equity, dilution, pay for performance, and other consequences including the total cost of different combinations of compensation and benefit programs, their prevalence and application;

performing due diligence in the development of a comparison of peer group companies;

analyzing financial information, stock price, other performance data, CSX's business needs and shareholder impact in the context of reviewing recommended compensation level changes;

reviewing performance targets for the Company's short-term and long-term incentive plans;

providing regular updates to the Committee with respect to current trends and developments in legislative and regulatory activity, compensation program design and governance;

undertaking an assessment of risk as it relates to the design of the Company's incentive compensation plans; and

providing the Committee with an independence letter each December in a form approved by the Committee Chairperson.

The performance of the Consultant's duties in 2009 required an understanding of relevant CSX internal factors including Company practices, critical business issues, human resource considerations, strategic initiatives, financial plans and actual results, performance drivers and cultural factors. In performing these duties, the Consultant met, as required, with CSX's CEO, Senior Vice President - Human Resources and Labor Relations, and her staff.

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How does the Company assess risk in the design of compensation plans?

The Committee believes appropriately structured compensation plans should take into consideration enterprise risks and avoid encouraging behavior that leads to inappropriate increases in the Company's overall risk profile. Accordingly, the Committee engaged the Consultant to undertake an assessment of risk in the design of the Company's incentive compensation plans.

The Consultant reviewed the Company's enterprise risks and compensation plan design to consider whether the plans incorporate the appropriate levels of risk and mitigate against unnecessary or excessive risk taking. In its assessment, the Consultant noted specific plan features that were designed to mitigate risk. These features included the fact that both the short-term and long-term incentive plans included multiple performance measures and were not reliant on any single measure. The Consultant also indicated that the Company's long-term incentive compensation grants were not overly leveraged due to the fact that the Company has not issued options since 2003. Other plan design features noted by the Consultant that mitigate risk included: (i) the fact that the short-term and long-term incentive compensation plans include a cap on maximum payouts, and (ii) a clawback provision covering all outstanding and prospective long-term incentive plan cycles. These clawback provisions require repayment of amounts in excess of the otherwise proper award under certain circumstances, including a situation where the Company is required to restate its financial statements, due to accounting irregularities.

How does CSX benchmark its competitive pay practices?

In accordance with the principle of having compensation practices that are competitive with reasonable market standards, competitive data from peer railroad companies as well as general industry companies is collected and analyzed. Data is received via broad surveys of general U.S. companies conducted by third parties and through analysis of proxy disclosures of other major U.S. railroads (BNSF, Norfolk Southern, and Union Pacific).

The Company benchmarks base salary, short-term and long-term incentives (Total Direct Compensation) for the NEOs with that of similar positions at peer railroad and general industry companies. Both targeted and actual payout data is evaluated. This process includes reviewing market data and best practices, determining appropriate milestones to assess CSX's performance and discussing appropriate levels of compensation. For purposes of reviewing targeted Total Direct Compensation amounts for NEOs, the primary focus is on data at both the 50th and 75th percentiles. The Committee bases final pay decisions on this data in addition to the scope of the individual's responsibilities and performance.

In 2009, CSX reviewed its executive compensation benchmarking procedures including the process for selecting a group of companies against which the Committee can compare and analyze compensation practices. The comparison group is used to help structure compensation levels and determine compensation mix. Although CSX has historically used a much broader group of general industry companies for benchmarking purposes, a transition was made in 2009 to a customized comparison group comprised of nineteen primarily US-based companies (the Comparator Group). In selecting the comparison companies, the Committee reviewed various measures including: revenue, assets, net income, market capitalization, number of employees, industry type and business complexity.

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The use of a more narrowly targeted, customized group of comparison companies over the larger general industry group allows for a more refined analysis of various compensation components. This Comparator Group will be utilized for compensation decisions beginning in 2010. The Comparator Group is comprised of the following companies:

Air Products and Chemicals, Inc.	ITT Corporation
Ball Corporation	Norfolk Southern Corporation
Burlington Northern Santa Fe	PPG Industries, Inc.
Cameron International Corp.	Praxair, Inc.
Cooper Industries, Ltd.	Raytheon Company
Danaher Co.	Southern Company
Dover Corporation	Union Pacific Railroad Co.
Entergy Corporation	Waste Management, Inc.
Illinois Tool Works	Weyerhaeuser Company
Ingersoll-Rand	

What is the Role of the CEO in Compensation Decisions?

Mr. Ward reviews compensation benchmark data for members of his senior executive team (Executive Team). Using this data, he considers information on executive performance and scope of responsibility and makes individual compensation recommendations to the Committee for each Executive Team member, which includes the five most senior officers other than himself. These recommendations include possible salary adjustments, generally made every other year, and adjustments to the annual incentive compensation payout for Executive Team members based on his or her individual performance during the previous year.

Mr. Ward also provides input on targets for performance-based compensation plans but does not formally establish such targets. He does not review data or make recommendations with respect to his own compensation nor is he present when the Committee discusses his individual compensation.

What are the elements of the Company's executive compensation program?

CSX uses a variety of compensation elements including: (i) direct pay base salary, short-term and long-term incentives; and (ii) indirect pay employee benefits, including retirement benefits, nonqualified deferred compensation plans and perquisites.

The Committee makes its decisions concerning the specific compensation elements and total compensation paid or awarded to CSX's NEOs within the framework described below and after consultation with the Consultant. The objective is to provide total pay opportunities that are competitive with those provided by peer companies in the railroad industry and general industry, with actual payment dependent upon performance. In its efforts to achieve this objective, the Committee considers the appropriate balance between incentives for short-term and long-term performance, as well as the compensation paid to peer-company executives. The Committee bases its specific decisions and judgments on whether each award or payment provides an appropriate incentive and reward for individual performance that is consistent with our compensation objectives. The Committee also periodically reviews the competitiveness of indirect pay.

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What is the targeted compensation mix for the CEO and other Named Executive Officers?

The Company's compensation philosophy is based on the premise that a substantial portion of total compensation should be at-risk and consist of performance-based incentives that link to CSX's financial and non-financial results. In 2009, NEO base salary, as a percentage of targeted direct pay (base pay plus short and long term incentive pay), comprised approximately 15% to 25% with the remaining 75% to 85% being at-risk. The at-risk component of executive compensation means that if the executive did not fulfill certain conditions or the Company did not meet or exceed the pre-established threshold financial performance levels, the executive would not receive a payout under the applicable incentive plan.

The chart below illustrates the amount of targeted total direct compensation, including compensation that is at risk, for our Chief Executive Officer. Actual percentages may vary in a given year depending on the payouts under the incentive compensation programs.

BASE SALARY:

How is base salary determined?

The Committee determines a salary for each NEO based on its assessment of the individual's experience, abilities, performance and contribution to CSX. For purposes of recruiting and retention, base salaries are determined following a review of salaries paid for similar positions by the comparison companies. Base salary may represent a larger or smaller percentage of total direct compensation if actual performance under the incentive plans discussed below exceeds or falls short of performance targets. In 2009, base salary represented approximately 18% of the CEOs targeted Total Direct Compensation.

In accordance with the Company's practice to review base salary every other year, base salary adjustments were not made in May 2009. Base salary adjustments will be considered in May 2010.

Table of Contents**SHORT-TERM INCENTIVE COMPENSATION:*****How is short-term incentive compensation determined?***

Short-term incentive compensation is designed to reward executives and other members of management for improving financial performance within a twelve month period. The Senior Executive Incentive Plan (SEIP) is the Company's vehicle for providing annual incentives to the NEOs while preserving the Company's tax deductions under Section 162(m). Under this shareholder-approved plan, the maximum amount payable is equal to the lesser of: (i) 0.3% of operating income for the CEO and 0.2% of operating income for each other NEO; or (ii) \$3,000,000. The Committee may adjust this amount downward in its sole discretion.

In 2009, as in prior years, the Committee exercised its downward discretion by utilizing the same methodology and performance achievement used under the Company's Management Incentive Compensation Plan (MICP) for the NEOs. The MICP is the Company's annual incentive plan for eligible employees other than the NEOs. The MICP is 100% performance-based and requires attainment of both financial and strategic objectives. No payout is made under the MICP unless a preset operating income level is achieved, regardless of achievement of strategic goals.

Applying the methodology utilized under the MICP, each NEO has an incentive opportunity expressed as a percent of base salary earned during the year (Target Incentive Opportunity). Under the MICP, the Target Incentive Opportunity for the NEOs in 2009 was 120% for Mr. Ward, 90% for Messrs. Munoz, Gooden and Ingram, and 80% for Ms. Fitzsimmons. The actual payout is adjusted to reflect Company and individual performance.

The Committee reviews the Company's performance for the given year against the preapproved performance goals for that year. The performance goals are divided between: (i) the financial measurement operating income which is based upon the Company's business plan and can result in a payment between 0% and 120% of the NEO's Target Incentive Opportunity; and (ii) the strategic measurements that can result in a payment between 0% and 40% of the NEO's Target Incentive Opportunity. Therefore, the actual payout can range between 0% and 160% of the NEO's Target Incentive Opportunity.

The MICP operating income target for 2009 was set at \$2.35 billion based on the Company's business plan, which factored in macroeconomic conditions and volume declines that had not been experienced in decades. In light of the double-digit volume declines anticipated at the time of approval of the MICP, the 2009 operating income goal of \$2.35 billion represented an aggressive target. Based on the financial expectations for the year, the payout for target performance under the 2009 MICP was lowered to 75% from 100%. As the table below indicates, the target payout of 75% was comprised of 35% financial and 40% strategic goals.

2009 MICP Achievement (Payout) Percentages

Operating Income	Financial Component	Strategic Component	Total Payout Range
Threshold - \$2.0B	10%	0% -40%	10% - 50%
Target - 2009 Business Plan - \$2.35B	35%	0% - 40%	35% - 75%
Maximum - \$2.768B	120%	0% - 40%	120% - 160%

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The 2009 MICP included seventeen strategic goals in the following categories: (i) operations and safety, (ii) finance; (iii) revenue and contribution; and (iv) strategy, governance and people. These categories have been selected to ensure that senior executives do not focus exclusively on short-term operating results.

2009 MICP STRATEGIC PERFORMANCE GOALS

	<i>2009 MICP Goal</i>	
<i>Operations and Safety</i>	<i>or Goal Range</i>	<i>2009 Actual</i>
<i>Asset Utilization</i>		
Gross Ton Miles per Active Train and Engine Employee	8,600 - 9,200	8,598
Gross Ton Miles per Active Horsepower Hour	3.8 - 4.2	4.01
Car Days per Load	13 - 15	12.04
<i>Customer Commitment</i>		
On-time originations	80% - 85%	81%
Committed Time of Arrival (CTA)	0% - 8% improvement	5%
Intermodal Availability	75% - 85%	89%
Industrial Switching Excellence (ISE)	88% - 91%	90%
<i>Safety</i>		
Reduce Personal Injuries	10% reduction	16% reduction
Reduce Train Accidents	10% reduction	21% reduction
<i>Finance</i>		
Free Cash Flow Before Dividends	\$345 million	\$509 million
<i>Sales and Marketing</i>		
Contribution Improvement	no change	negative
Achieve Same Store Sales Price Increase	<i>Confidential</i>	6.2%
<i>Strategy, Governance and People</i>		
Implement plan for Rail Safety Improvement Act including Positive Train Control.		<i>Compensation Committee Discretion</i>
Develop support and attain public funding for key infrastructure initiatives such as the National Gateway, central Florida commuter rail and Massachusetts initiative.		
Implement compliance systems for new Transportation Safety Administration hazardous		

materials regulations and new federal safety legislation.

Seek balanced energy policies, climate change legislation and rail regulation.

Fully integrate talent review with succession planning and leadership development.

What was the payout under the 2009 MICP?

The Company achieved a 2009 operating income of \$2.285 billion, which resulted in a 30% payout for the financial component of the 2009 MICP. Based on the assessment of the strategic measures, the Committee approved a full 40% payout of the strategic component of the 2009 MICP. This resulted in a total overall payout of 70% of participants Target Incentive Opportunities. In accordance with the Company's performance management program, actual MICP award payouts were based on individual performance and ranged from 18%-91% of the participants Target Incentive Opportunities with an average overall payout of approximately 70%.

Table of Contents**How does the 2009 payout compare to prior year payouts?**

The chart below illustrates the Company's historical operating income (as defined below) and the percentage payout under the MICP since 2003, when Mr. Ward assumed the role of CEO.

Year	MICP Payout History: 2003 - 2009 (Dollars in millions)						
	2003	2004	2005	2006	2007	2008	2009
Operating Income (Target)	\$1,200	\$1,075	\$1,310	\$1,650	\$2,300	\$2,475	\$2,350
Operating Income (Actual)*	\$651	\$993	\$1,549	\$2,126	\$2,251	\$2,768	\$2,285
Overall Payout (as a percentage of target incentive opportunity)	0%	75%	150%	160%	90%	150%	70%

*Operating Income for 2003 through 2007 was based on the Company's Surface Transportation operating segment as reported in the Form 10-K. Beginning in 2008, all items within other operating income and certain items within other income were reclassified into the Surface Transportation segment. As a result of this change, CSX consolidated operating income and Surface Transportation operating income are now the same; therefore, the Company no longer reports separate Surface Transportation results. Operating income was not materially impacted by these reclassifications.

What was the 2009 short-term incentive compensation payout for the NEOs?

The Committee annually assesses the individual performance of each NEO consistent with the Company's pay for performance compensation philosophy. Based on these assessments, the Committee approved individual payouts of 91% of the Target Incentive Opportunity for each NEO. These amounts are reported in the Non-equity Incentive Plan Compensation column of the Summary Compensation Table. As in prior years, the payout for the NEOs was substantially less than the maximum available to each individual under the SEIP.

LONG-TERM INCENTIVE COMPENSATION:

Long-term incentive compensation is intended to enhance the relationship between executive compensation and the creation of shareholder value. This is accomplished by providing incentives based on performance measures that have historically driven long-term shareholder value, are within management's direct control and encourage long-term commitment and perspective. Long-term incentives have been granted pursuant to the shareholder-approved CSX Omnibus Incentive Plan (Omnibus Plan), which allows for multiple and varying types of awards and provides flexibility in compensation design. Award types can include stock options, restricted stock, restricted stock units, performance shares, performance units and stock appreciation rights. A new equity incentive plan that would replace the Omnibus Plan is being submitted for shareholder approval at this year's Annual Meeting. For more information on the new equity plan, please see *Item 3. Approval of the 2010 Stock and Incentive Award Plan*.

How is the Long-term Incentive Plan (LTIP) structured?

New LTIP cycles begin in May of each year when the Committee grants performance units to participants. These grants are made following annual Board review of the Company's business plan for the applicable upcoming three-year period, upon which the performance targets are set. Each LTIP cycle is designed to emphasize performance as measured by operating ratio while also aligning executives' interests with those of shareholders by linking the payout's value to share price. The three-year performance cycles run concurrently, so the Company can have up to three active cycles during a given year.

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Each year, a market competitive annual long-term incentive award value (in dollars) is identified for each position level and converted into the appropriate number of units based on the value of CSX common stock. For the 2008-2010 and 2009-2011 cycles, the stock price at the time of the grant was used, while the 2009-2011 cycle utilized the average closing stock price for all trading days during the three full calendar months preceding the month in which the grant was made.

Actual payouts for each LTIP cycle, if any, do not occur until January of the year following the last year in the three-year cycle. These payouts can vary significantly from the target grants in terms of both the number of shares paid out and the market value of CSX common stock at the time of payout. The value of a payout is derived by multiplying the number of performance grants earned by the share price of the CSX common stock at the time of payout. Based on actual performance, as discussed below, the payouts for the NEOs at the end of the performance cycle can range from 0% to 240% of the target grants depending on the particular LTIP cycle.

Awards are subject to forfeiture if employment terminates before the end of the performance cycle for any reason other than death, disability, or retirement. If employment terminates due to death, disability, or retirement, participants, or their estate, receive a prorated portion of any payout based on the time period they were an active participant in each LTIP cycle.

What is the performance measure used in determining LTIP payouts?

Since 2005, the Company has used operating ratio as the performance measure for the long-term incentive plan. It is defined as annual operating expense divided by annual operating revenue adjusted by excluding nonrecurring items that are disclosed in the Company's financial statements.

The Committee considered various financial measures for use as the key performance measure, including operating ratio, free cash flow and return on invested capital. The Committee selected operating ratio due to its high correlation to Company stock price, alignment with shareholder interests and the ability of covered employees to understand the impact of their actions in relation to Company performance. It also motivates employees to support service improvements and maximize asset utilization. Operating ratio is measured in the final year against the goals set by the Committee at the

beginning of the cycle.

Since fuel cost has a material impact on expenses and operating ratio, provision is made at the beginning of each cycle for adjustment of the operating ratio targets by a predetermined amount if the per barrel cost of oil changes significantly.

¹ In first quarter of 2008, the Company reclassified items within "Other Operating Income" and certain items within "Other Income" into the Rail segment as disclosed in the Company's Form 10-Q filed with the SEC on April 16, 2008. For purposes of the 2007-2009 LTIP, surface transportation operating ratio will continue to be calculated in the same manner as it has been calculated for prior periods.

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How does the Company set financial performance goals for the LTIP cycles?

We use the operating ratio projections as set forth in the Company’s three-year business plans to establish the threshold, target and maximum payouts under the applicable LTIP cycles. To achieve a payout at target or above, the operating ratio in the final year of each cycle requires attaining or outperforming the Company’s business plan goals.

Alignment of 2007 - 2009 LTIP Targets with the Long-Term Business Plan

What were the financial goals for the 2007-2009 LTIP cycle?

The preceding chart illustrates the alignment of the Company’s 3-year business plan with the targets set for the 2007-2009 LTIP cycle. For instance: (i) to achieve a threshold payout, an operating ratio improvement of 2.5 percentage points over the 2006 operating ratio was needed; (ii) to achieve a target payout, an operating ratio improvement of 4.5 percentage points was needed; and (iii) to achieve a maximum payout, an operating ratio improvement of 8.5 percentage points was needed.

Were there any additional financial goals established for the 2007-2009 cycle that impacted the payout for the NEOs?

Cumulative operating income for 2007-2009 was selected as an additional financial measure, as detailed below, for members of the Executive Team, which includes the NEOs. Accordingly, the NEO’s percentage payout, as calculated above, was subject to an upward or downward adjustment by up to 20% pursuant to the table below.

	2007 - 2009 Cumulative Operating Income Schedule		
Cumulative Operating Income	\$6,975M	\$7,775M	\$8,575M
Payout Adjustment	-20.0%	0.0%	20.0%

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Were there strategic goals for the 2007-2009 LTIP cycle?

In addition to the adjustment for cumulative operating income, the payout for the NEOs was also subject to a discretionary downward adjustment by the Committee of up to 30% based on performance against certain strategic objectives under the 2007-2009 LTIP cycle. In considering whether to exercise its downward discretion, the Committee took into account strategic goals and other factors, including: (i) the potential total value of the individual and aggregate payouts relative to payouts to other participants in the plan; (ii) the Company's share price at the time of Committee approval of any payouts; (iii) the specific contributions of the NEOs with consideration for their levels of corporate responsibility; (iv) leadership and strategic planning goals; (v) safety; and (vi) service measures.

The 2007-2009 cycle included the following strategic goals:

2007 2009 Long-term Incentive Plan Strategic Goals:

By 2009, achieve first place in the number of train accidents per million train miles and second place or better in personal injuries per 200,000 man hours compared to the other three major U.S. class I railroads;

Reduce Federal Railroad Administration violations and fines by 50% from 2007;

Update succession management plan for all NEO positions;

Achieve free cash flow after dividends of \$800M;

Achieve confidential price related goals;

Achieve a customer service rating of 725 or higher;

Attain customer-focused service measures:

i Committed Time of Arrival improvement over 2006 levels = 4.3% in 2007; 13.0% in 2008; 18.3% in 2009

i Intermodal Priority Lane Availability = 83% in 2009;

Implement field-centricity inclusion initiative whereby management objectives are broadly communicated across the organization;

Further develop corporate culture of coaching & inclusion; and

Continue to execute asset redeployment initiatives across the rail network.

What was the potential payout opportunity under the 2007-2009 LTIP cycle?

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The following table reflects the threshold, target and maximum payouts for the corresponding operating ratio goals for the 2007-2009 LTIP cycle. If the threshold operating ratio goal had not been achieved, no payout would have resulted.

	Threshold	Target	Maximum
2009 Operating Ratio	77.0%	75.0%	71.0%
Percentage Payout	20%	100%	200%

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What was the actual payout for the 2007-2009 cycle?

The 2007-2009 cycle, approved and implemented in May 2007, was paid out in January 2010 to approximately 750 participants, including the NEOs. This payout was based on the Company's 2009 operating ratio of 74.7%, which generated a payout of 108%. The Executive Team was subject to an additional performance measure for the 2007-2009 LTIP cycle based on cumulative operating income. This additional goal was not achieved causing a 13% downward adjustment to the original payout, resulting in a 94% payout for the NEOs. This payout was further subject to a discretionary downward adjustment of up to 30% based on performance against certain strategic objectives. The Committee, however, did not exercise this downward discretion. All other participants received a payout of 108% based on the 2009 operating ratio.

The stock price on the day the award was approved was \$50.51. Actual payout information for the NEOs is provided in the *Options Exercised and Stock Vested Table*.

How is the 2008-2010 LTIP cycle different from the previous 2007-2009 cycle?

In May 2008, the Committee approved and implemented the 2008-2010 cycle and continued to use operating ratio as the primary measurement. Unlike the previous cycle, the 2008-2010 cycle does not include any additional financial measure for the Executive Team because cumulative operating income was included in the strategic goals. The maximum payout under this cycle is 200% of target. The Committee, however, retains discretion to reduce awards by as much as 30% for the Executive Team based upon its assessment of strategic goals. All other aspects of the cycle are the same.

What types of long-term incentive compensation did the NEOs receive in 2009?

In 2009, to better manage risk and provide a more balanced portfolio of long-term compensation, we adjusted the long-term incentive compensation mix from 100% performance units to a mix of performance units and restricted stock units (RSUs). This was achieved by determining a market competitive long-term incentive grant value and allocating 75% of such value to performance units and 25% to time-based RSUs.

This new approach partially offsets market volatility and other external factors by sustaining a level of value while simultaneously preserving an incentive to meet performance goals. This is designed to add stability and balance to our long-term incentive portfolio, while maintaining a strong link to shareholder value.

The 2009-2011 LTIP cycle operates similar to previous cycles, with performance units being granted at the beginning of the cycle and operating ratio serving as the performance measure. Awards continue to be made in the form of CSX common stock at the end of a three-year period based on attainment of performance goals. The Committee retains discretion to reduce awards by as much as 30% for the Executive Team based upon the Committee's assessment of strategic goals. The main difference for 2009 is that the LTIP performance units represent 75% of the total long-term incentive opportunity rather than 100%.

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The remaining value is provided through RSUs, which represent a promise to issue shares of common stock if participant remains employed by the Company for a defined period of time. This time period is commonly referred to as a restriction period. RSUs granted in 2009 vest three years after the date of grant and participants receive cash dividend equivalents on the unvested shares during the restriction period. Unlike performance units, RSUs are not subject to any performance measures.

The determination of the number of units granted upon inception of the 2009-2011 LTIP cycle used a three-month average of CSX's stock price rather than the stock price on the date of grant. Using the three-month average reduces the impact of daily fluctuations in stock price and establishes a consistent methodology for determining grant sizes from year to year.

How many Performance Units and RSUs were the NEOs granted in 2009?

As discussed above, a market competitive annual long-term incentive award value (in dollars) was identified for each NEO. The value was converted into a number of performance units and RSUs based on \$27.31, the average closing price of CSX stock for February, March, and April 2009. The table below indicates the number of performance units granted under the 2009-2011 LTIP cycle and the RSU grant each NEO received on May 5, 2009.

NEO	2009 Long-Term Incentive Value	2009-2011 Performance Units (75% of Value)	2009 Restricted Stock Units (25% of Value)	Total Performance Units and RSUs
Michael J. Ward	\$ 4,000,000	109,850	36,616	146,466
Oscar Munoz	\$ 1,500,000	41,194	13,731	54,925
Tony L. Ingram	\$ 1,500,000	41,194	13,731	54,925
Clarence W. Gooden	\$ 1,500,000	41,194	13,731	54,925
Ellen M. Fitzsimmons	\$ 1,000,000	27,463	9,154	36,617

How does this new approach impact potential payouts?

In previous years, achieving a target level of performance would have resulted in a total long-term incentive payout of 100%. In 2009, CSX increased the level of difficulty necessary to achieve the operating ratio goal at the target performance level and also increased the potential payout at target to 125% for the 2009-2011 cycle. These aggressive operating ratio goals were established despite the difficulty of achieving continuous improvement in the current economic environment.

To receive a target payout, CSX must achieve the pre-established target operating ratio in 2011. This would produce a 133% payout of the performance units, or when combined with the RSUs, a 125% payout of the total units granted. The achievement of a 2011 operating ratio that meets or exceeds the maximum payout levels would result in a 233% payout of the performance units, or when combined with the RSUs, a 200% payout of the total units granted.

Since the number of Restricted Stock Units does not change, is the potential payout of the long-term incentives limited compared to previous cycles?

No. Although the number of RSUs will not change, the potential payout of the LTIP performance units has been adjusted to allow for the same maximum payout as previous cycles. Participants still have the opportunity to receive up to 200% of the combined performance units and RSUs they were originally granted.

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Are LTIP cycles designed to mitigate against excessive risk-taking?

Yes. The three-year performance cycle and the Committee's discretion to reduce awards based on additional strategic goals that contribute to the long-term vitality of CSX help discourage management from taking short-term risks solely to meet financial objectives. Additional risk mitigation factors include the inclusion of a cap on payouts, and the existence of a clawback feature, described below, that requires repayment of the award in certain circumstances.

Does the Company have clawback provisions or non-compete agreements?

Clawbacks. Yes. The Company utilizes both clawback provisions and non-compete agreements in connection with its LTIPs. The Company's LTIPs contain provisions for Vice Presidents and above (Senior Management) that require the repayment to the Company of any award received if, within the two-year period following the receipt of the award, the employee violates certain conditions including: (i) separation from the Company and working for a competitor in a similar capacity as the participant has functioned during the past five years at the Company; or (ii) engaging in other types of conduct that puts the Company at a competitive disadvantage. In the event the Company is required to restate its financial statements, due to accounting irregularities, the clawback also requires amounts in excess of the otherwise proper award be repaid to the Company.

Non-Compete Agreements. Since 2007, members of Senior Management have been required to enter into formal non-compete agreements with the Company as a condition for participation in LTIP cycles beginning in 2007. The non-compete agreement allows the Company to preclude an employee from working for a competitor. The noncompete conditions are similar to those contained in the clawback provision but extend for a period of 18 months following separation from employment.

What other forms of long-term incentive compensation are available to NEOs?

Under the Omnibus Plan, CSX has the ability to award various forms of equity-based compensation including stock options, stock appreciation rights and common stock grants in addition to RSUs and performance units. On occasion, the Company will award grants of restricted stock to retain or attract executives or reward exemplary performance. The Company has not granted stock options since 2003 and has never utilized stock appreciation rights. A new equity incentive plan is being submitted for shareholder approval at this year's Annual Meeting that, if approved, will replace the Omnibus Plan, which expires pursuant to its terms in April 2010.

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Have the short- and long-term incentive plans been effective in driving Company performance?

Yes. In the past six years, operating performance has improved consistently and management continues its drive to further improve operating income, earnings per share (EPS) and operating ratio. In 2009, the global economic recession had a significant impact on the Company's volume and provided difficult comparisons year-over-year. Despite such a challenging environment, the Company was still able to generate operating income and an operating ratio of \$2.285 billion and 74.7%, respectively.

The tables below reflect the improvements since 2003 in operating income, operating ratio and EPS. The Committee believes that sustained improvements in these operating measurements have played, and will continue to play, a critical role in the creation of long-term shareholder value.

Operating income for 2003 through 2007 was based on the Company's Surface Transportation operating segment as reported in the Form 10-K. Beginning in 2008, all items within other operating income and certain items within other income were reclassified into the Surface Transportation segment.

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BENEFITS:

What types of Retirement and Health and Welfare Benefits are Provided to the NEOs?

Retirement Compensation:

CSX's retirement programs consist of two components: a defined benefit pension plan and a 401(k) plan. The retirement programs described below are provided to the NEOs under the following plans:

- CSX Pension Plan (the "Pension Plan");
- Special Retirement Plan for CSX Corporation and Affiliated Corporations (the "Special Retirement Plan");
- The Tax Savings Thrift Plan for Employees of CSX Corporation and Affiliated Companies ("CSXtra Plan"); and
- The Executive Deferred Compensation Plan.

CSX Pension Plan

The Pension Plan is qualified under the Internal Revenue Code ("Code") and covers most of CSX's non-union employees upon the completion of one year of service and the attainment of age 21. In general, pension benefits accrue in two different ways: (i) for employees hired before January 1, 2003, benefits accrue based on a "final average pay" ("FAP") formula; and (ii) for employees hired on or after January 1, 2003, benefits accrue based on a "cash balance" formula.

CSX Special Retirement Plan

The Special Retirement Plan is a nonqualified plan and primarily provides benefits that are otherwise limited under the CSX Pension Plan due to the qualified plan Code provisions. Further information on the Pension Plan and Special Retirement Plan can be found in the footnotes to the *Pension Benefits Table*.

CSXtra 401(k) Plan

All CSX non-union employees may contribute to the Company-wide CSXtra Plan, which is a traditional qualified 401(k) plan. Participants may contribute on a pre-tax and post-tax basis and receive Company matching contributions equal to 50% of the employee's contribution up to 6% of base salary. Participants may invest contributions among available funds, which include the stable value fund, balanced fund, large cap value fund, S&P 500 Index fund, large cap growth fund, international equity fund, small cap value fund, retirement target date funds, and a CSX stock fund.

Executive Deferred Compensation Plan

CSX maintains an elective nonqualified executive deferred compensation plan (the "EDCP"), in compliance with Code Section 409A, for the benefit of its eligible executives and certain other employees.

The purpose of the EDCP is to provide executives with the opportunity to:

- defer compensation in excess of qualified plan limits;
- defer compensation to allow them to receive the full Company matching contribution of 3% of base salary not otherwise available to them under the 401(k) plan; and
- defer compensation (and earnings) until retirement or another specified date or event.

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The types of compensation eligible for deferral include base salary, short-term incentive compensation (annual incentive), and LTIP awards.

Health and Welfare Benefits:

CSX provides health and welfare benefits to the NEOs on the same terms available to eligible management employees. The Company also provides basic life insurance and accidental death and dismemberment (AD&D) insurance coverage to all management employees, each of which is equal to two times their respective annual salaries. Both life and AD&D benefits were capped at \$1,000,000 effective January 1, 2006, but employees who already had coverage in excess of \$1,000,000 retained the prior cap of \$3,000,000. The Company also provides to the NEOs, on the same basis as other employees, salary continuance in the event of short-term disability, long-term disability (LTD) insurance, travel accident insurance and vacation based on length of service.

CSX sponsors a post-retirement health and welfare plan for employees hired before January 1, 2003. The Company stopped providing post-retirement health and welfare benefits for employees, including executive officers, hired on or after January 1, 2003, as a cost-saving measure and because providing these benefits was no longer necessary to remain competitive in the labor market.

Does the Company provide perquisites to its NEOs?

The perquisites provided to NEOs in 2009 included: (i) financial planning services up to \$12,000; (ii) excess liability insurance; and (iii) an annual physical examination. In 2009, these perquisites were valued at approximately \$15,000 for each NEO.

Since Mr. Ward became CEO in 2003, he has been required to travel by Company aircraft at all times for security purposes and to ensure efficient use of his time. In 2009, the value of Mr. Ward's Board-mandated personal aircraft usage was \$60,900. All other Executive Team members are entitled to occasional private air travel. More information on aircraft and other perquisites, including specific details about perquisites afforded to each NEO in 2009, is available in the footnotes to the *Summary Compensation Table*.

SEVERANCE AND CHANGE-IN-CONTROL AGREEMENTS:

Is there any special severance plan provided to NEOs?

With the exceptions discussed in the *Post-Termination and Change-in-Control Payments* section in the *Compensation Tables* narrative below, the Company does not generally provide for any special termination of employment payments or benefits that favor the NEOs in scope, terms or operation. Payments are generally available to all salaried employees whose positions are eliminated, pursuant to the terms of CSX's Severance Plan, which pays benefits based upon years of service. The benefits range from one month of base pay (if one to three years of service has been attained) to one year of base pay (if at least 34 years of service has been attained).

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Does the Company provide Change-in-Control agreements to its NEOs?

Yes. CSX has entered into change-in-control agreements with each of the NEOs (Change-in-Control Agreements). In order to help assure continuity of management in the event of a change in control, CSX also has a goal of ensuring management objectivity in the face of a potential transaction and believes these agreements accomplish that goal. Since payment is conditioned upon a change-in-control as well as separation from employment, executives are financially protected and thereby properly positioned to negotiate in the best interests of shareholders.

A detailed description of the Change-in-Control Agreements is set forth under the section entitled Post-Termination and Change-in-Control Payments.

Are there limits on severance amounts paid to NEOs pursuant to Change-in-Control Agreements?

Yes. In December 2007, the Board adopted a new policy for severance benefits payable to senior executives (defined as Named Executive Officers within the meaning of the Securities Exchange Act of 1934), which applies only to agreements entered into after December 12, 2007. The policy was designed to cover new agreements only none of the existing, automatic, self-renewing agreements are covered by this policy. The policy limits the payment of severance benefits, without shareholder approval, to 2.99 times base salary plus bonus, as defined in the policy. Severance benefits under the new policy do not qualify for excise tax gross-up payments. The policy is available on the Company's Internet website at <http://investors.csx.com> under the heading Corporate Governance .

All NEOs are covered under agreements entered into prior to December 12, 2007, which have a maximum severance benefit of 3.0 times base salary plus bonus and provide for excise tax gross-up payments.

Does the Company have stock ownership guidelines for the NEOs?

Yes. CSX believes that, in order to align the interests of executive officers to those of its shareholders, it is important that executive officers hold a meaningful ownership position in CSX common stock relative to their base salary. To achieve this linkage, CSX has established the following formal stock ownership guidelines. These guidelines are generally at or above the stock ownership requirements of most general industry companies with publicly-stated stock ownership guidelines. Senior executive officers must retain 100% of net shares issued until the guidelines are achieved and have five years in which to do so. Upon achievement, such officers may dispose of shares held in excess of 1.2 times the applicable ownership threshold. The requirements are as follows:

Position	Minimum Value
Chief Executive Officer	6 times base salary
Executive Vice Presidents	4 times base salary
Senior Vice Presidents	3 times base salary
Vice Presidents and Equivalent	1 time base salary

As of March 5, 2010, all NEOs held amounts of CSX common stock in excess of these ownership guideline requirements.

As part of its stock ownership guidelines, the Company has adopted a one-year holding period requirement applicable to all restricted stock for Executive Team members. Accordingly, NEOs must wait one year after the completion of the holding period before entering into any transaction involving such stock.

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What are the accounting, tax and dilution considerations of CSX's compensation programs?

As discussed above, a significant portion of each NEO's direct compensation is based solely on performance. Section 162(m) imposes a \$1 million limit on the amount that CSX may deduct for compensation paid to the NEOs. However, performance-based compensation paid under a plan that has been approved by shareholders is excluded from the \$1 million limit if, among other requirements, the compensation is payable only upon attainment of pre-established objective performance goals and the Committee that establishes such goals consists only of outside directors.

The Committee and the Board have considered the Section 162(m) requirements. While the tax effect of any compensation arrangement is a key factor to be considered, the effect is evaluated by the Committee in light of CSX's overall compensation philosophy and objectives. CSX's compensation program for NEOs has both objective and discretionary elements. Generally, the Committee wishes to maximize CSX's federal income tax deductions for compensation expense and, therefore, has structured the short-term and long-term incentive elements of executive compensation to meet the requirements for deductibility under Section 162(m). Nonetheless, the Committee believes that there are circumstances in which the provision of compensation that is not fully deductible may be more consistent with CSX's compensation philosophy and objectives and may be in the best interests of CSX and its shareholders. The Committee's ability to retain flexibility in this regard may, in certain circumstances, outweigh the advantages of qualifying all compensation as deductible under Section 162(m).

The Committee also considers the accounting, tax, and shareholder dilutive costs of specific executive compensation programs, and seeks to balance the earnings, tax, and dilutive impact of executive compensation plans with the need to attract, retain and motivate highly-qualified executives.

Table of Contents**COMPENSATION TABLES****Summary Compensation Table**

The *Summary Compensation Table* shows the amount and type of compensation received, as well as granted, in 2009 for the CEO, the CFO, and the next three most highly-paid executive officers.

Name	Year	Salary (\$)	Bonus (\$)	Stock Awards ¹ (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation ² (\$)	Change in Pension	All Other Compensation ⁴ (\$)	Total (\$)
							Value and Nonqualified Deferred Compensation Earnings ³ (\$)		
Michael J. Ward Chairman, President and CEO	2009	\$1,100,000	-	\$4,581,456	-	\$1,200,000	\$3,101,352	\$137,598	\$10,120,406
	2008	\$1,058,333	-	\$4,000,012	-	\$2,032,000	\$4,333,389	\$211,530	\$11,635,264
	2007	\$1,000,000	-	\$4,000,010	-	\$1,080,000	\$2,680,048	\$202,117	\$8,962,175
Oscar Munoz Executive Vice President and CFO	2009	\$650,000	-	\$1,718,054	-	\$535,000	\$59,483	\$22,429	\$2,984,966
	2008	\$629,167	-	\$1,500,029	-	\$906,000	\$69,330	\$41,251	\$3,145,777
	2007	\$600,000	-	\$1,499,998	-	\$486,000	\$58,112	\$54,317	\$2,698,427
Tony L. Ingram⁵ Executive Vice President and COO CSX Transportation, Inc.	2009	\$600,000	-	\$1,718,054	-	\$500,000	\$1,316,678	\$27,541	\$4,162,273
	2008	\$568,750	-	\$1,500,029	-	\$767,813	\$183,562	\$70,992	\$3,091,146
	2007	\$525,000	-	\$1,499,998	-	\$448,000	\$117,910	\$39,129	\$2,630,037
Clarence W. Gooden Executive Vice President and CCO	2009	\$550,000	-	\$1,718,054	-	\$450,000	\$1,377,752	\$30,499	\$4,126,305
	2008	\$529,167	-	\$1,500,029	-	\$738,188	\$1,528,693	\$48,675	\$4,344,752
	2007	\$500,000	-	\$1,499,998	-	\$382,500	\$826,842	\$58,141	\$3,267,481

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Ellen M.	2009	\$500,000	-	\$1,145,380	-	\$365,000	\$706,338	\$25,234	\$2,741,952
Fitzsimmons Senior Vice President Law & Public Affairs and Corporate Secretary	2008	\$479,167	-	\$1,000,019	-	\$613,333	\$202,619	\$37,747	\$2,332,885
	2007	\$450,000	-	\$1,000,013	-	\$324,000	\$230,086	\$48,806	\$2,052,905

1 **Stock Awards** Amounts disclosed in this column are related to performance grants in 2007, 2008 and 2009, as well as restricted stock units granted in 2009. Since the awards are paid in shares, all values are based on the grant date fair value of shares that could be earned. For performance awards, the number of shares that could be earned is based on the probable outcome of performance as of the date of grant. The grant date fair market values for each LTIP cycle are as follows: 2007-2009 - \$43.32, 2008-2010 - \$65.08 and 2009-2011 - \$31.28. For more information, see Note 4, Stock Plans and Share-Based Compensation in the Notes to Consolidated Financial Statements in the Company's 2009 Form 10-K, which was filed on February 19, 2010. If the highest level of performance under each LTIP cycle is achieved, the maximum value for each NEO by year would be: 2007: Mr. Ward - \$9,600,024, Messrs. Munoz, Gooden and Ingram - \$3,599,995, and Ms. Fitzsimmons - \$2,400,031; 2008: Mr. Ward - \$8,000,024, Messrs. Munoz, Gooden and Ingram - \$3,000,058, and Ms. Fitzsimmons - \$2,000,038; and 2009: Mr. Ward - \$9,162,912, Messrs. Munoz, Gooden and Ingram - \$3,436,108, and Ms. Fitzsimmons - \$2,290,760. The determination of the number of units granted upon inception of the 2009-2011 LTIP cycle used a three-month average of CSX's stock price rather than the stock price on the date of grant. Using the three-month average reduces the impact of daily fluctuations in stock price and establishes a consistent methodology for determining grant sizes from year to year.

2 **Non-Equity Incentive Plan Compensation** The 2009 annual incentive compensation was paid in February 2010 at 91% of the target incentive opportunity for each of the NEOs.

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3 ***Change in Pension Value and Nonqualified Deferred Compensation Earnings*** The values in this column reflect only changes in pension value as there were no above-market nonqualified deferred compensation earnings to report. The present value of accumulated benefits for 2009 reflects a discount rate of 5.25% compared to the 6.5% discount rate applicable for 2008. This discount rate change was the result of actuarial adjustments based on changes in corporate bond rates. There were no other changes in plan provisions or assumptions that affected the value. CSX measured its pension values as of December 31, 2009.

4 ***All Other Compensation*** The values in this column include amounts for personal aircraft usage, financial planning services, physical examination, excess liability insurance and the Company's match under the 401(k) plan. For Mr. Ward, this column includes, along with the items discussed above, Company-mandated aircraft usage by Mr. Ward in the amount of \$59,660 as well as a Company match pursuant to the Matching Gift Program in the amount of \$50,000, which is a perquisite available to Mr. Ward pursuant to his service as a director. Mr. Ward's personal aircraft usage amount was calculated using the direct hourly operating cost of \$1,900 per flight hour for 2009. The aggregate incremental cost for the use of Company aircraft for personal travel is calculated by multiplying the hourly variable cost rate (including fuel, oil, airport and hangar fees, crew expenses, maintenance and catering) for the aircraft by the hours the executive used the aircraft. For these purposes, hours occupied by any deadhead aircraft legs are included in the total hours the aircraft was used by the executive.

5 Mr. Ingram retired on December 31, 2009.

Table of Contents**2009 Grants of Plan-Based Awards Table**

The *Grants of Plan-Based Awards Table* is a supporting table to the *Summary Compensation Table*. In 2009, the NEOs received the plan-based awards as shown in the table below.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ¹			Estimated Future Payouts Under Equity Incentive Plan Awards ²			All Other Stock Awards; Number of shares of stock or units ³	Grant Date Fair Value of Stock and Option Awards ⁴
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (# units)	Target (# units)	Maximum (# units)		
	May 5, 2009				29,294	146,466	256,316		\$3,436,108
Michael J. Ward	May 5, 2009							36,616	\$1,145,348
		132,000	990,000	3,000,000					
	May 5, 2009				10,985	54,925	96,119		\$1,288,548
Oscar Munoz	May 5, 2009							13,731	\$429,506
		58,500	438,750	3,000,000					
	May 5, 2009				10,985	54,925	96,119		\$1,288,548
Tony L. Ingram	May 5, 2009							13,731	\$429,506
		54,000	405,000	3,000,000					
Clarence W. Gooden	May 5, 2009				10,985	54,925	96,119		\$1,288,548
	May 5, 2009							13,731	\$429,506
		49,500	371,250	3,000,000					
Ellen M. Fitzsimmons	May 5, 2009				7,324	36,617	64,080		\$859,043
	May 5, 2009							9,154	\$286,337
			300,000	3,000,000					

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40,000

1 **Estimated Possible Payouts Under Non-Equity Incentive Plan Awards** The amounts in these columns reflect what the potential payments could have been for 2009 under the SEIP as typically administered by the Committee using the target incentive opportunity and Company performance under the MICP. The values reflect a threshold payout of 10%, a target payout of 75% and a maximum payout that cannot exceed the lesser of 0.3% of operating income for the CEO and 0.2% of operating income for each other named executive officer, or \$3 million under the shareholder approved SEIP. At the Committee's discretion, payouts can be zero. The actual payment for 2009 is shown in the Summary Compensation Table.

2 **Estimated Future Payouts Under Equity Incentive Plan Programs** The values in these columns reflect the potential payout in shares under the 2009-2011 LTIP cycle based on preestablished financial performance and strategic goals. The Company's operating ratio for 2011, the final year of the LTIP cycle, will determine a payout of shares which can range from 0% to 233% of the LTIP grants. The values reflect approximate payouts of 27% at threshold, 133% at target and 233% at maximum. When combined with the RSUs, payouts would be equal to 45% (threshold), 125% (target), and 200% (maximum) of the total units granted.

3 **All Other Stock Awards; Number of shares of stock or units** The value in this column reflects the number of RSUs granted in 2009.

4 **Grant Date Fair Value of Stock and Option Awards** The value in this column reflects the number of performance grants, which is the target number, multiplied by \$31.28 (the closing price of CSX stock on the date of grant).

Table of Contents**2009 Outstanding Equity Awards at Fiscal Year-End**

The table below presents information pertaining to all outstanding equity awards held by the NEOs as of December 25, 2009 and their potential value based on CSX's closing price on December 24, 2009 of \$50.40. Outstanding equity awards are comprised of vested stock options, outstanding RSUs and outstanding LTIP grants.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ¹ (\$)	Option Expiration Date ²	Number of Shares or Units of Stock That Have Not Vested ³ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁴ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁵ (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁶ (\$)
	Exercisable	Unexercisable						
Michael J. Ward	50,000		19.7975	05/17/11	36,616	\$1,845,446	41,587	\$2,095,985
	133,332		19.0700	02/13/12				
Oscar Munoz	290,000		16.0725	05/07/13	13,731	\$692,042	15,595	\$785,988
Tony L. Ingram	100,000		16.0725	05/07/13	13,731	\$692,042	15,595	\$785,988
Clarence W.					13,731	\$692,042	15,595	\$785,988
Gooden Ellen M.	6,666		19.7975	05/17/11	9,154	\$461,362	10,397	\$524,009
Fitzsimmons	20,000		19.0700	02/13/12				
	66,666		16.0725	05/07/13				

1 **Option Exercise Price** The option exercise price is the average of the high and low stock price on the grant date of the stock option award. The approval date and grant date are the same for each individual stock option grant listed above.

2 **Option Expiration Date** The stock option awards expire on the tenth anniversary of the grant date.

3 **Number of Shares or Units That Have Not Vested** The units reflected in this column represent RSUs granted in May 2009 that will vest in May 2012 assuming continued employment. In the case of death, disability or retirement, pro-rata vesting applies.

4 **Market Value of Shares or Units of Stock That Have Not Vested** The market values are based on the closing stock price as of December 24, 2009 of \$50.40.

5 **Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested** In accordance with the SEC requirements for this table, the number of shares shown in the column above represents the sum of the performance units that would be payable under the 2008-2010 and 2009-2011

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LTIP cycles if the Company's actual performance in 2009 was applied to each plan's performance measures. The Company's 2009 performance would have resulted in no payouts for either the 2008-2010 cycle or the 2009-2011 cycle. The SEC requires that projected payouts be shown at the next higher performance measure. Therefore, the number of performance units shown above is equal to a 20% payout for the 2008-2010 cycle and 27% for the 2009-2011 cycle.

6 Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested The market values are based on the closing stock price as of December 24, 2009 of \$50.40. The value can be more or less than these amounts based on the stock price at the end of the performance period.

Table of Contents**2009 Option Exercises and Stock Vested**

The table below presents the stock options exercised and the number of shares paid from the 2007-2009 LTIP cycle, and the value realized from each.

Name	Option Awards		Stock Awards	
	Shares Acquired on Exercise	Value Realized on Exercise	Shares Acquired on Vesting ²	Value Realized on Vesting
	(#)	(\$) ¹	(#)	(\$) ³
Michael J. Ward	300,000	\$8,536,689	86,806	\$4,384,571
Oscar Munoz	150,000	\$4,866,564	32,552	\$1,644,202
Tony L. Ingram			32,552	\$1,644,202
Clarence W. Gooden	40,000	\$1,237,100	32,552	\$1,644,202
Ellen M. Fitzsimmons	21,000	\$554,629	21,702	\$1,096,168

1 **Value realized** Number of options multiplied by the sales price minus exercise price.

2 **Shares Acquired on Vesting** Shares acquired through stock awards include the number of shares that were issued pursuant to the 2007-2009 LTIP grants as discussed in the Compensation Discussion and Analysis section.

3 **Value Realized** Number of shares issued pursuant to the 2007-2009 LTIP multiplied by \$50.51, the closing price of CSX stock price on January 19, 2010, the date the award was approved by the Committee.

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Pension Benefits Table

As reflected by the Pension Benefits Table, and as described below, CSX maintains defined benefit plans (qualified and nonqualified) under which the NEOs are entitled to benefits: the Pension Plan (both final average pay and cash balance formulas) and the Special Retirement Plan.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit
		(#)	(\$)