

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended **DECEMBER 31, 2015**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from _____ to _____

Commission file number 1-8339



NORFOLK SOUTHERN CORPORATION
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation)	52-1188014 (IRS Employer Identification No.)
Three Commercial Place Norfolk, Virginia (Address of principal executive offices)	23510-2191 Zip Code
Registrant's telephone number, including area code:	(757) 629-2680

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

<u>Title of each Class</u>	<u>Name of each exchange on which registered</u>
Norfolk Southern Corporation Common Stock (Par Value \$1.00)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting common equity held by non-affiliates at June 30, 2015, was \$26,243,199,266 (based on the closing price as quoted on the New York Stock Exchange on that date).

The number of shares outstanding of each of the registrant's classes of common stock, at January 31, 2016: 298,198,651 (excluding 20,320,777 shares held by the registrant's consolidated subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statements to be filed electronically pursuant to Regulation 14A not later than 120 days after the end of the fiscal year, are incorporated herein by reference in Part III.

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PART I

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 1. Business and Item 2. Properties

GENERAL – Our company, Norfolk Southern Corporation, is a Norfolk, Virginia based company that owns a major freight railroad, Norfolk Southern Railway Company. We were incorporated on July 23, 1980, under the laws of the Commonwealth of Virginia. Our common stock (Common Stock) is listed on the New York Stock Exchange (NYSE) under the symbol “NSC.”

Unless indicated otherwise, Norfolk Southern Corporation and its subsidiaries, including Norfolk Southern Railway Company, are referred to collectively as NS, we, us, and our.

We are primarily engaged in the rail transportation of raw materials, intermediate products, and finished goods primarily in the Southeast, East, and Midwest and, via interchange with rail carriers, to and from the rest of the United States. We also transport overseas freight through several Atlantic and Gulf Coast ports. We provide comprehensive logistics services and offer the most extensive intermodal network in the eastern half of the United States.

We make available free of charge through our website, www.nscorp.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). In addition, the following documents are available on our website and in print to any shareholder who requests them:

- Corporate Governance Guidelines
- Charters of the Committees of the Board of Directors
- The Thoroughbred Code of Ethics
- Code of Ethical Conduct for Senior Financial Officers
- Categorical Independence Standards for Directors
- Norfolk Southern Corporation Bylaws

RAILROAD OPERATIONS – At December 31, 2015, our railroads operated approximately 20,000 miles of road in 22 states and the District of Columbia.

Our system reaches many manufacturing plants, electric generating facilities, mines (in western Virginia, eastern Kentucky, southern and northern West Virginia, western Pennsylvania, and southern Illinois and Indiana), distribution centers, transload facilities, and other businesses located in our service area.



Corridors with heaviest freight volume:

- New York City area to Chicago (via Allentown and Pittsburgh)
- Chicago to Macon (via Cincinnati, Chattanooga, and Atlanta)
- Appalachian coal fields of Virginia, West Virginia, and Kentucky to Norfolk, Virginia and Sandusky, Ohio
- Cleveland to Kansas City
- Birmingham to Meridian
- Memphis to Chattanooga

The miles operated, which include major leased lines between Cincinnati, Ohio, and Chattanooga, Tennessee, and an exclusive operating agreement for trackage rights over property owned by North Carolina Railroad Company, were as follows:

	Mileage Operated at December 31, 2015				Total
	Miles of Road	Second and Other Main Track	Passing Track, Crossovers and Turnouts	Way and Yard Switching	
Owned	15,194	2,754	1,976	8,381	28,305
Operated under lease, contract or trackage rights	4,768	1,916	398	834	7,916
Total	19,962	4,670	2,374	9,215	36,221

The following table sets forth certain statistics relating to our railroads' operations for the past 5 years:

	Years ended December 31,				
	2015	2014	2013	2012	2011
Revenue ton miles (billions)	200	205	194	186	192
Revenue per ton mile	\$ 0.0526	\$ 0.0567	\$ 0.0581	\$ 0.0595	\$ 0.0582
Revenue ton miles per employee-hour worked	3,467	3,576	3,376	3,153	3,207
Ratio of railway operating expenses to railway operating revenues	72.6%	69.2%	71.0%	71.7%	71.2%

RAILWAY OPERATING REVENUES – Total railway operating revenues were \$10.5 billion in 2015. Following is an overview of our three major market groups.

COAL – Revenues from coal accounted for about 17% of our total railway operating revenues in 2015. We handled 120 million tons, or 1.1 million carloads, in 2015, most of which originated on our lines from major eastern coal basins, with the balance from major western coal basins received via the Memphis and Chicago gateways. Our coal franchise supports the electric generation market, serving approximately 79 coal generation plants, as well as the export, metallurgical and industrial markets, primarily through direct rail and river, lake, and coastal facilities, including various terminals on the Ohio River, Lambert's Point in Norfolk, Virginia, the Port of Baltimore, and Lake Erie.

See the discussion of coal revenues and tonnage, by type of coal, in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GENERAL MERCHANDISE – Our general merchandise market group is composed of five major commodity groupings:

- Chemicals includes sulfur and related chemicals, petroleum products (including crude oil), chlorine and bleaching compounds, plastics, rubber, industrial chemicals, and chemical wastes.
- Agriculture, consumer products, and government includes soybeans, wheat, corn, fertilizer, livestock and poultry feed, food oils, flour, beverages, canned goods, sweeteners, consumer products, ethanol, transportation equipment, and items for the U.S. military.

- Metals and construction includes steel, aluminum products, machinery, scrap metals, cement, aggregates, sand, and minerals.
- Automotive includes finished vehicles for BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Mercedes-Benz, Mitsubishi, Subaru, Tesla, Toyota, and Volkswagen, and auto parts for BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Mazda, Nissan, Subaru, Toyota, and Volkswagen.
- Paper, clay and forest products includes lumber and wood products, pulp board and paper products, wood fibers, wood pulp, scrap paper, and clay.

In 2015, 124 million tons of general merchandise freight, or approximately 62% of total general merchandise tonnage we handled, originated on our lines. The balance of general merchandise freight was received from connecting carriers at interterritorial gateways. Our principal interchange points for received freight included Chicago, East St. Louis, New Orleans, Memphis, Detroit, Kansas City, Bellevue, Meridian, Buffalo and Toledo. General merchandise carloads handled in 2015 were 2.5 million, the revenues from which accounted for 60% of our total railway operating revenues.

See the discussion of general merchandise revenues by commodity group in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

INTERMODAL – Our intermodal market group consists of shipments moving in trailers, domestic and international containers, and RoadRailer® equipment. These shipments are handled on behalf of intermodal marketing companies, international steamship lines, truckers, and other shippers. Intermodal units handled in 2015 were 3.9 million, the revenues from which accounted for 23% of our total railway operating revenues.

See the discussion of intermodal revenues in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

FREIGHT RATES – Private contracts and exempt price quotes are our predominant pricing mechanisms. Thus, a major portion of our freight business is not economically regulated by the federal government. In general, market forces are the primary determinant of rail service prices.

In 2015, our railroads were found by the U.S. Surface Transportation Board (STB), the regulatory board that has broad jurisdiction over railroad practices, to be “revenue adequate” on an annual basis based on results for the year 2014. The STB has not made its revenue adequacy determination for the year 2015. A railroad is “revenue adequate” on an annual basis under the applicable law when its return on net investment exceeds the rail industry’s composite cost of capital. This determination is made pursuant to a statutory requirement.

PASSENGER OPERATIONS – Amtrak operates regularly scheduled passenger trains on our lines between the following locations:

- Alexandria and Lynchburg, Virginia
- Alexandria, Virginia and New Orleans, Louisiana
- Alexandria and Orange, Virginia
- Petersburg and Norfolk, Virginia
- Raleigh and Charlotte, North Carolina
- Selma and Charlotte, North Carolina
- Chicago, Illinois, and Porter, Indiana
- Chicago, Illinois, and Cleveland, Ohio
- Chicago, Illinois, and Pittsburgh, Pennsylvania
- Pittsburgh and Harrisburg, Pennsylvania

A consortium of two transportation commissions of the Commonwealth of Virginia operate commuter trains on our line between Manassas and Alexandria.

We lease the Chicago to Manhattan, Illinois, line to the Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois (METRA).

We operate freight service over lines with significant ongoing Amtrak and commuter passenger operations, and conduct freight operations over trackage owned or leased by:

- Amtrak
- New Jersey Transit
- Southeastern Pennsylvania Transportation Authority
- Metro-North Commuter Railroad Company
- Maryland Department of Transportation
- Michigan Department of Transportation

Amtrak and various commuter agencies conduct passenger operations over trackage owned by Conrail in the Shared Assets Areas (Note 5 to the Consolidated Financial Statements).

NONCARRIER OPERATIONS – Our noncarrier subsidiaries engage principally in the acquisition, leasing, and management of coal, oil, gas and minerals; the development of commercial real estate; telecommunications; and the leasing or sale of rail property and equipment. In 2015, no such noncarrier subsidiary or industry segment grouping of noncarrier subsidiaries met the requirements for a reportable business segment under relevant authoritative accounting guidance.

RAILWAY PROPERTY

Our railroad system extends across 22 states and the District of Columbia. The railroad infrastructure makes us capital intensive with net property of approximately \$29 billion on a historical cost basis.

Property Additions – Property additions for the past five years were as follows (including capitalized leases):

	2015	2014	2013	2012	2011
	<i>(\$ in millions)</i>				
Road and other property	\$ 1,514	\$ 1,406	\$ 1,421	\$ 1,465	\$ 1,222
Equipment	658	712	550	776	938
Delaware & Hudson acquisition	213	—	—	—	—
Total	\$ 2,385	\$ 2,118	\$ 1,971	\$ 2,241	\$ 2,160

Our capital spending and replacement programs are and have been designed to assure the ability to provide safe, efficient, and reliable rail transportation services. For 2016, we have budgeted \$2.1 billion of property additions. See further discussion of our planned capital spending and replacement programs in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the subheading "Financial Condition, Liquidity, and Capital Resources."

We have invested and will continue to invest in various projects and corridor initiatives to expand our rail network to increase capacity and improve transit times, while returning value to shareholders. Initiatives include the following:

- The Crescent Corridor consists of a program of projects for infrastructure and other facility improvements geared toward creating seamless, high-capacity intermodal routes spanning 11 states from New Jersey to Louisiana and offering truck-competitive service along several major interstate highway corridors, including I-81, I-85, I-20, I-40, I-59, I-78, and I-75.
- The Heartland Corridor is a seamless, high-capacity intermodal route across Virginia and West Virginia to Midwest markets.

- Meridian Speedway LLC, a joint venture with Kansas City Southern, owns and operates a 320-mile rail line between Meridian, Mississippi and Shreveport, Louisiana designed to increase capacity and improve service.
- Pan Am Southern LLC, a joint venture with Pan Am Railways, Inc., designed to increase intermodal and automotive capacity, owns and operates a 155-mile main line track that runs between Mechanicville, New York and Ayer, Massachusetts, along with 281 miles of secondary and branch lines, including trackage rights in New York, Connecticut, Massachusetts, New Hampshire, and Vermont.
- The CREATE project is a public-private partnership to reduce rail and highway congestion and add freight and passenger capacity in the metropolitan Chicago area. We and other railroads have agreed to participate in CREATE.

Equipment – At December 31, 2015, we owned or leased the following units of equipment:

	Owned ⁽¹⁾	Leased ⁽²⁾	Total	Capacity of Equipment (Horsepower)
Locomotives:				
Multiple purpose	4,068	31	4,099	15,292,800
Auxiliary units	155	—	155	—
Switching	99	—	99	148,750
Total locomotives	<u>4,322</u>	<u>31</u>	<u>4,353</u>	<u>15,441,550</u>
(Tons)				
Freight cars:				
Gondola	30,392	3,017	33,409	3,643,031
Hopper	12,516	—	12,516	1,402,161
Box	10,811	1,363	12,174	1,022,107
Covered hopper	10,267	85	10,352	1,144,496
Flat	2,091	1,489	3,580	342,252
Other	4,596	14	4,610	221,362
Total freight cars	<u>70,673</u>	<u>5,968</u>	<u>76,641</u>	<u>7,775,409</u>
Other:				
Chassis	24,493	4,245	28,738	
Containers	21,019	1,939	22,958	
Work equipment	4,666	318	4,984	
Vehicles	3,828	—	3,828	
Miscellaneous	7,295	27	7,322	
Total other	<u>61,301</u>	<u>6,529</u>	<u>67,830</u>	

⁽¹⁾ Includes equipment leased to outside parties and equipment subject to equipment trusts, conditional sale agreements, and capitalized leases.

⁽²⁾ Includes short-term and long-term operating leases.

The following table indicates the number and year built for locomotives and freight cars owned at December 31, 2015:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2006-2010</u>	<u>2001-2005</u>	<u>2000 & Before</u>	<u>Total</u>
Locomotives:									
No. of units	8	83	50	60	90	315	553	3,163	4,322
% of fleet	1%	2%	1%	1%	2%	7%	13%	73%	100%
Freight cars:									
No. of units	2,033	900	—	2,017	3,820	4,695	165	57,043	70,673
% of fleet	3%	1%	—%	3%	5%	6%	1%	81%	100%

The following table shows the average age of our owned locomotive and freight car fleets at December 31, 2015, and information regarding 2015 retirements:

	<u>Locomotives</u>	<u>Freight Cars</u>
Average age – in service	23.9 years	29.6 years
Retirements	13 units	2,661 units
Average age – retired	43.4 years	45.8 years

Track Maintenance – Of the 36,200 total miles of track we operate, we are responsible for maintaining 29,000 miles, with the remainder being operated under trackage rights from other parties responsible for maintenance.

Over 82% of the main line trackage (including first, second, third, and branch main tracks, all excluding rail operated pursuant to trackage rights) has rail ranging from 131 to 155 pounds per yard with the standard installation currently at 136 pounds per yard. Approximately 43% of our lines, excluding rail operated pursuant to trackage rights, carried 20 million or more gross tons per track mile during 2015.

The following table summarizes several measurements regarding our track roadway additions and replacements during the past five years:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Track miles of rail installed	523	507	549	509	484
Miles of track surfaced	5,074	5,248	5,475	5,642	5,441
New crossties installed (millions)	2.4	2.7	2.5	2.6	2.7

Traffic Control – Of the approximately 16,800 route miles we dispatch, about 11,300 miles are signalized, including 8,500 miles of centralized traffic control (CTC) and 2,800 miles of automatic block signals. Of the 8,500 miles of CTC, approximately 7,600 miles are controlled by data radio originating at 355 base station radio sites.

ENVIRONMENTAL MATTERS – Compliance with federal, state, and local laws and regulations relating to the protection of the environment is one our principal goals. To date, such compliance has not had a material effect on our financial position, results of operations, liquidity, or competitive position. See “Legal Proceedings,” Part I, Item 3; “Personal Injury, Environmental, and Legal Liabilities” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Note 16 to the Consolidated Financial Statements.

EMPLOYEES – The following table shows the average number of employees and the average cost per employee for wages and benefits:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average number of employees	30,456	29,482	30,103	30,943	30,329
Average wage cost per employee	\$ 77,000	\$ 76,000	\$ 72,000	\$ 69,000	\$ 71,000
Average benefit cost per employee	\$ 32,000	\$ 35,000	\$ 40,000	\$ 38,000	\$ 39,000

More than 80% of our railroad employees are covered by collective bargaining agreements with various labor unions. See the discussion of “Labor Agreements” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

GOVERNMENT REGULATION – In addition to environmental, safety, securities, and other regulations generally applicable to all business, our railroads are subject to regulation by the STB. The STB has jurisdiction over some rates, routes, fuel surcharges, conditions of service, and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger, or acquisition of control of and by rail common carriers. The Federal Railroad Administration (FRA) regulates certain track and mechanical equipment standards.

The relaxation of economic regulation of railroads, following the Staggers Rail Act of 1980, included exemption from STB regulation of the rates and most service terms for intermodal business (trailer-on-flat-car, container-on-flat-car), rail boxcar shipments, lumber, manufactured steel, automobiles, and certain bulk commodities such as sand, gravel, pulpwood, and wood chips for paper manufacturing. Further, all shipments that we have under contract are effectively removed from commercial regulation for the duration of the contract. About 90% of our revenues comes from either exempt shipments or shipments moving under transportation contracts; the remainder comes from shipments moving under public tariff rates.

Efforts have been made over the past several years to increase federal economic regulation of the rail industry, and such efforts are expected to continue in 2016. The Staggers Rail Act of 1980 substantially balanced the interests of shippers and rail carriers, and encouraged and enabled rail carriers to innovate, invest in their infrastructure, and compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, we will continue to oppose efforts to reimpose increased economic regulation.

Government regulations concerning the safety and security of our railroads are discussed within the “Security of Operations” section contained herein.

COMPETITION – There is continuing strong competition among rail, water, and highway carriers. Price is usually only one factor of importance as shippers and receivers choose a transport mode and specific hauling company. Inventory carrying costs, service reliability, ease of handling, and the desire to avoid loss and damage during transit are also important considerations, especially for higher-valued finished goods, machinery, and consumer products. Even for raw materials, semi-finished goods, and work-in-progress, users are increasingly sensitive to transport arrangements that minimize problems at successive production stages.

Our primary rail competitor is CSX Corporation; both railroads operate throughout much of the same territory. Other railroads also operate in parts of the territory. We also compete with motor carriers, water carriers, and with shippers who have the additional options of handling their own goods in private carriage, sourcing products from different geographic areas, and using substitute products.

Certain marketing strategies to expand reach and shipping options among railroads and between railroads and motor carriers enable railroads to compete more effectively in specific markets.

SECURITY OF OPERATIONS - We continue to take measures to enhance the security of our rail system. Our comprehensive security plan is modeled on and was developed in conjunction with the security plan prepared by the

Association of American Railroads (AAR) post September 11, 2001. The AAR Security Plan defines four Alert Levels and details the actions and countermeasures that are being applied across the railroad industry as a terrorist threat increases or decreases. The Alert Level actions include countermeasures that will be applied in three general areas: (1) operations (including transportation, engineering, and mechanical); (2) information technology and communications; and, (3) railroad police. All of our Operations Division employees are advised by their supervisors or train dispatchers, as appropriate, of any change in Alert Level and any additional responsibilities they may incur due to such change.

Our plan also complies with U.S. Department of Transportation (DOT) security regulations pertaining to training and security plans with respect to the transportation of hazardous materials. As part of the plan, security awareness training is given to all railroad employees who directly affect hazardous material transportation safety, and is integrated into hazardous material training programs. Additionally, location-specific security plans are in place for certain metropolitan areas and each of the six port facilities we serve. With respect to the ports, each facility's security plan has been approved by the applicable Captain of the Port and remains subject to inspection by the U.S. Coast Guard.

Additionally, we continue to engage in close and regular coordination with numerous federal and state agencies, including the U.S. Department of Homeland Security (DHS), the TSA, the Federal Bureau of Investigation (FBI), the FRA, the U.S. Coast Guard, U.S. Customs and Border Protection, and various state Homeland Security offices.

Similarly, we follow guidance from DHS and DOT regarding rail corridors in High Threat Urban Areas (HTUA). Particular attention is aimed at reducing risk in HTUA by: (1) the establishment of secure storage areas for rail cars carrying toxic-by-inhalation (TIH) materials; (2) the expedited movement of trains transporting rail cars carrying TIH materials; (3) substantially reducing the number of unattended loaded tank cars carrying TIH materials; and (4) cooperation with federal, state, local, and tribal governments to identify those locations where security risks are the highest.

In 2015, through participation in the Transportation Community Awareness and Emergency Response (TRANSCAER) Program, we provided rail accident response training to approximately 4,792 emergency responders, such as local police and fire personnel. Our other training efforts throughout 2015 included participation in drills for local, state, and federal agencies. We also have ongoing programs to sponsor local emergency responders at the Security and Emergency Response Training Course conducted at the AAR Transportation Technology Center in Pueblo, Colorado.

Item 1A. Risk Factors

We are subject to significant governmental legislation and regulation over commercial, operating and environmental matters.

Congress can enact laws that could increase economic regulation of the industry. Railroads presently are subject to commercial regulation by the Surface Transportation Board (STB), which has jurisdiction over some rates, routes, fuel surcharges, conditions of service, and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger, or acquisition of control of and by rail common carriers. Additional economic regulation of the rail industry by Congress or the STB, whether under new or existing laws, could have a significant negative impact on our ability to determine prices for rail services and on the efficiency of our operations, either of which could result in a material adverse effect in the future on our financial position, results of operations, or liquidity in a particular year or quarter. This potential material adverse effect could also result in reduced capital spending on our rail network or abandonment of lines.

Railroads are also subject to the enactment of laws by Congress and regulation by the U.S. Department of Transportation and the U.S. Department of Homeland Security (which regulate most aspects of our operations) related to safety and security. The Rail Safety Improvement Act of 2008 (RSIA), the Surface Transportation Extension Act of 2015, and the implementing regulations promulgated by the Federal Railroad Administration (FRA) require us and each other Class I railroad to implement an interoperable positive train control system (PTC) on certain of our respective lines by December 31, 2018.

Full implementation of PTC in compliance with RSIA will result in additional operating costs and capital expenditures, and PTC implementation may result in reduced operational efficiency and service levels, as well as increased compensation and benefits expenses, and increased claims and litigation costs.

Our operations are subject to extensive federal and state environmental laws and regulations concerning, among other things, emissions to the air; discharges to waterways or groundwater supplies; handling, storage, transportation, and disposal of waste and other materials; and the cleanup of hazardous material or petroleum releases. The risk of incurring environmental liability - for acts and omissions, past, present, and future - is inherent in the railroad business. This risk includes property owned by us, whether currently or in the past, that is or has been subject to a variety of uses, including our railroad operations and other industrial activity by past owners or our past and present tenants.

Environmental problems that are latent or undisclosed may exist on these properties, and we could incur environmental liabilities or costs, the amount and materiality of which cannot be estimated reliably at this time, with respect to one or more of these properties. Moreover, lawsuits and claims involving other unidentified environmental sites and matters are likely to arise from time to time, and the resulting liabilities could have a significant effect on our financial position, results of operations, or liquidity in a particular year or quarter.

As a common carrier by rail, we must offer to transport hazardous materials, regardless of risk. Transportation of certain hazardous materials could create catastrophic losses in terms of personal injury and property (including environmental) damage, and compromise critical parts of our rail network. A catastrophic rail accident involving hazardous materials could have a material adverse effect on our financial position, results of operations, or liquidity to the extent not covered by insurance. We have obtained insurance for potential losses for third-party liability and first-party property damages (see Note 16 to the Consolidated Financial Statements); however, insurance is available from a limited number of insurers and may not continue to be available or, if available, may not be obtainable on terms acceptable to us.

We may be affected by terrorism or war. Any terrorist attack, or other similar event, any government response thereto, and war or risk of war could cause significant business interruption and may adversely affect our financial position, results of operations, or liquidity in a particular year or quarter. Because we play a critical role in the nation's transportation system, we could become the target of such an attack or have a significant role in the government's preemptive approach or response to an attack or war.

Although we currently maintain insurance coverage for third-party liability arising out of war and acts of terrorism, we maintain only limited insurance coverage for first-party property damage and damage to property in our care, custody, or control caused by certain acts of terrorism. In addition, premiums for some or all of our current insurance programs covering these losses could increase dramatically, or insurance coverage for certain losses could be unavailable to us in the future.

We may be affected by general economic conditions. Prolonged negative changes in domestic and global economic conditions affecting the producers and consumers of the commodities we carry may have an adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter. Economic conditions resulting in bankruptcies of one or more large customers could have a significant impact on our financial position, results of operations, or liquidity in a particular year or quarter.

We may be affected by energy prices. Volatility in energy prices could have an effect on a variety of items including, but not limited to: the economy; demand for transportation services; business related to the energy sector, including crude, natural gas, and coal; fuel prices; and fuel surcharges. Any of these items could have a significant impact on our financial position, results of operations, or liquidity in a particular year or quarter.

We may be affected by climate change legislation or regulation. Concern over climate change has led to significant federal, state, and international legislative and regulatory efforts to limit greenhouse gas (GHG) emissions. Moreover, even without such legislation or regulation, government incentives and adverse publicity

relating to GHGs could affect certain of our customers and the markets for certain of the commodities we carry. Restrictions, caps, taxes, or other controls on GHG emissions, including diesel exhaust, could significantly increase our operating costs, decrease the amount of traffic handled, and decrease the value of coal reserves we own, and thus could have an adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter. Such restrictions could affect our customers that (1) use commodities that we carry to produce energy, including coal, (2) use significant amounts of energy in producing or delivering the commodities we carry, or (3) manufacture or produce goods that consume significant amounts of energy.

We face competition from other transportation providers. We are subject to competition from motor carriers, railroads and, to a lesser extent, ships, barges, and pipelines, on the basis of transit time, pricing, and quality and reliability of service. While we have used primarily internal resources to build or acquire and maintain our rail system, trucks and barges have been able to use public rights-of-way maintained by public entities. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation in the regions in which we operate, or legislation granting materially greater latitude for motor carriers with respect to size or weight limitations, could have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter.

The operations of carriers with which we interchange may adversely affect our operations. Our ability to provide rail service to customers in the U.S. and Canada depends in large part upon our ability to maintain cooperative relationships with connecting carriers with respect to, among other matters, freight rates, revenue division, car supply and locomotive availability, data exchange and communications, reciprocal switching, interchange, and trackage rights. Deterioration in the operations of or service provided by connecting carriers, or in our relationship with those connecting carriers, could result in our inability to meet our customers' demands or require us to use alternate train routes, which could result in significant additional costs and network inefficiencies.

We rely on technology and technology improvements in our business operations. If we experience significant disruption or failure of one or more of our information technology systems, including computer hardware, software, and communications equipment, we could experience a service interruption, a security breach, or other operational difficulties. Additionally, if we do not have sufficient capital to acquire new technology or we are unable to implement new technology, we may suffer a competitive disadvantage within the rail industry and with companies providing other modes of transportation service. Any of these factors could have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter.

The vast majority of our employees belong to labor unions, and labor agreements, strikes, or work stoppages could adversely affect our operations. More than 80% of our railroad employees are covered by collective bargaining agreements with various labor unions. If unionized workers were to engage in a strike, work stoppage, or other slowdown, we could experience a significant disruption of our operations. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could significantly increase our costs for healthcare, wages, and other benefits. Any of these factors could have a material adverse impact on our financial position, results of operations, or liquidity in a particular year or quarter.

We may be subject to various claims and lawsuits that could result in significant expenditures. The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, commercial disputes, freight loss and other property damage, and other matters. Job-related personal injury and occupational claims are subject to the Federal Employer's Liability Act (FELA), which is applicable only to railroads. FELA's fault-based tort system produces results that are unpredictable and inconsistent as compared with a no-fault worker's compensation system. The variability inherent in this system could result in actual costs being very different from the liability recorded.

Any material changes to current litigation trends or a catastrophic rail accident involving any or all of freight loss property damage, personal injury, and environmental liability could have a material adverse effect on our financial position, results of operations, or liquidity to the extent not covered by insurance. We have obtained insurance for potential losses for third-party liability and first-party property damages (see Note 16 to the Consolidated Financial

Statements); however, insurance is available from a limited number of insurers and may not continue to be available or, if available, may not be obtainable on terms acceptable to us.

Severe weather could result in significant business interruptions and expenditures. Severe weather conditions and other natural phenomena, including hurricanes, floods, fires, and earthquakes, may cause significant business interruptions and result in increased costs, increased liabilities, and decreased revenues, which could have an adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter.

Unpredictability of demand for rail services resulting in the unavailability of qualified personnel could adversely affect our operational efficiency and ability to meet demand. Workforce demographics, training requirements, and the availability of qualified personnel, particularly engineers and trainmen, could each have a negative impact on our ability to meet demand for rail service. Unpredictable increases in demand for rail services may exacerbate such risks, which could have a negative impact on our operational efficiency and otherwise have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter.

We may be affected by supply constraints resulting from disruptions in the fuel markets or the nature of some of our supplier markets. We consumed approximately 487 million gallons of diesel fuel in 2015. Fuel availability could be affected by any limitation in the fuel supply or by any imposition of mandatory allocation or rationing regulations. A severe fuel supply shortage arising from production curtailments, increased demand in existing or emerging foreign markets, disruption of oil imports, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war or other factors, could have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter. Also, such an event could impact us as well as our customers and other transportation companies.

Due to the capital intensive nature, as well as the industry-specific requirements of the rail industry, high barriers of entry exist for potential new suppliers of core railroad items, such as locomotives and rolling stock equipment. Additionally, we compete with other industries for available capacity and raw materials used in the production of locomotives and certain track and rolling stock materials. Changes in the competitive landscapes of these limited-supplier markets could result in increased prices or significant shortages of materials that could have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter.

The state of capital markets could adversely affect our liquidity. From time-to-time we rely on the capital markets to provide some of our capital requirements, including the issuance of long-term debt instruments and commercial paper, as well as the sale of certain receivables. Significant instability or disruptions of the capital markets, including the credit markets, or deterioration of our financial condition due to internal or external factors could restrict or eliminate our access to, and/or significantly increase the cost of, various financing sources, including bank credit facilities and issuance of corporate bonds. Instability or disruptions of the capital markets and deterioration of our financial condition, alone or in combination, could also result in a reduction in our credit rating to below investment grade, which could prohibit or restrict us from accessing external sources of short- and long-term debt financing and/or significantly increase the associated costs.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

On November 6, 2007, various antitrust class actions filed against us and other Class I railroads in various Federal district courts regarding fuel surcharges were consolidated in the District of Columbia by the Judicial Panel on Multidistrict Litigation. On June 21, 2012, the court certified the case as a class action. The defendant railroads appealed this certification, and the Court of Appeals for the District of Columbia vacated the District Court's decision and remanded the case for further consideration. We believe the allegations in the complaints are without merit and intend to vigorously defend the cases. We do not believe the outcome of these proceedings will have a material effect on our financial position, results of operations, or liquidity. A lawsuit containing similar allegations against us and four other major railroads that was filed on March 25, 2008, in the U.S. District Court for the District of Minnesota, was voluntarily dismissed by the plaintiff subject to a tolling agreement entered into in August 2008, and most recently extended in August 2013.

In 2012, we received a Notice of Violation (NOV) issued by the Tennessee Department of Environmental Conservation concerning soil runoff in connection with construction of the Memphis Regional Intermodal Facility in Rossville, Tennessee. Although we will contest liability and the imposition of any penalties - which could exceed \$100,000 - this matter is described here consistent with SEC rules and requirements concerning governmental proceedings with respect to environmental laws and regulations. We do not believe that the outcome of this proceeding will have a material effect on our financial position, results of operations, or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

Our executive officers generally are elected and designated annually by the Board of Directors at its first meeting held after the annual meeting of stockholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year as the Board of Directors considers appropriate. There are no family relationships among our officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, at February 1, 2016, relating to our officers.

Name, Age, Present Position	Business Experience During Past Five Years
James A. Squires, 54, Chairman, President, and Chief Executive Officer	Present position since June 1, 2015. Served as President since June 1, 2013. Served as Executive Vice President – Administration from August 1, 2012 to June 1, 2013. Served as Executive Vice President – Finance and Chief Financial Officer from July 1, 2007 to August 1, 2012.
Cindy C. Earhart, 54, Executive Vice President – Administration and Chief Information Officer	Present position since June 1, 2013. Served as Vice President Human Resources from March 1, 2007 to June 1, 2013.
James A. Hixon, 62, Executive Vice President – Law and Corporate Relations	Present position since October 1, 2005.
Alan H. Shaw, 48 Executive Vice President and Chief Marketing Officer	Present position since May 16, 2015. Served as Vice President Intermodal Operations from November 1, 2013 to May 15, 2015. Served as Group Vice President Industrial Products from November 16, 2009 to October 31, 2013.
Marta R. Stewart, 58, Executive Vice President – Finance and Chief Financial Officer	Present position since November 1, 2013. Served as Vice President and Treasurer from April 1, 2009 to November 1, 2013.
Michael J. Wheeler, 53, Executive Vice President and Chief Operating Officer	Present position since February 1, 2016. Served as Senior Vice President Operations October 1, 2015 to January 31, 2016. Served as Vice President Engineering November 1, 2012 to September 30, 2015. Served as Vice President Transportation February 1, 2009 to October 31, 2012.
Thomas E. Hurlbut, 51, Vice President and Controller	Present position since November 1, 2013. Served as Vice President Audit and Compliance from February 1, 2010 to November 1, 2013.

PART II

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

STOCK PRICE AND DIVIDEND INFORMATION

Common Stock is owned by 28,443 stockholders of record as of December 31, 2015 and is traded on the New York Stock Exchange under the symbol “NSC.” The following table shows the high and low sales prices as reported by Bloomberg L.P. on its internet-based service and dividends per share, by quarter, for 2015 and 2014.

	2015	Quarter			
		1st	2nd	3rd	4th
Market Price					
High	\$	111.63	\$ 106.47	\$ 88.03	\$ 97.07
Low		100.14	87.24	73.57	77.19
Dividends per share		0.59	0.59	0.59	0.59
	2014	1st	2nd	3rd	4th
Market Price					
High	\$	97.58	\$ 104.09	\$ 112.34	\$ 117.24
Low		87.20	92.78	100.11	101.98
Dividends per share		0.54	0.54	0.57	0.57

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased ⁽¹⁾	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased under the Plans or Programs ⁽²⁾
October 1-31, 2015	749,906	\$ 79.74	746,144	24,159,632
November 1-30, 2015	241,117	80.10	241,117	23,918,515
December 1-31, 2015	—	—	—	23,918,515
Total	991,023		987,261	

⁽¹⁾ Of this amount, 3,762 represents shares tendered by employees in connection with the exercise of stock options under the stockholder-approved Long-Term Incentive Plan.

⁽²⁾ Our Board of Directors authorized a share repurchase program, pursuant to which up to 50 million shares of Common Stock through December 31, 2017.

Item 6. Selected Financial Data**FIVE-YEAR FINANCIAL REVIEW**

	2015	2014	2013	2012	2011
	<i>(\$ in millions, except per share amounts)</i>				
RESULTS OF OPERATIONS					
Railway operating revenues	\$ 10,511	\$ 11,624	\$ 11,245	\$ 11,040	\$ 11,172
Railway operating expenses	<u>7,627</u>	<u>8,049</u>	<u>7,988</u>	<u>7,916</u>	<u>7,959</u>
Income from railway operations	2,884	3,575	3,257	3,124	3,213
Other income – net	103	104	233	129	160
Interest expense on debt	<u>545</u>	<u>545</u>	<u>525</u>	<u>495</u>	<u>455</u>
Income before income taxes	2,442	3,134	2,965	2,758	2,918
Provision for income taxes	<u>886</u>	<u>1,134</u>	<u>1,055</u>	<u>1,009</u>	<u>1,002</u>
Net income	<u>\$ 1,556</u>	<u>\$ 2,000</u>	<u>\$ 1,910</u>	<u>\$ 1,749</u>	<u>\$ 1,916</u>
PER SHARE DATA					
Net income – basic	\$ 5.13	\$ 6.44	\$ 6.10	\$ 5.42	\$ 5.52
– diluted	5.10	6.39	6.04	5.37	5.45
Dividends	2.36	2.22	2.04	1.94	1.66
Stockholders' equity at year end	40.93	40.25	36.55	31.08	30.00
FINANCIAL POSITION					
Total assets	\$ 34,260	\$ 33,200	\$ 32,439	\$ 30,302	\$ 28,505
Total debt	10,093	8,985	9,404	8,642	7,507
Stockholders' equity	12,188	12,408	11,289	9,760	9,911
OTHER					
Property additions	\$ 2,385	\$ 2,118	\$ 1,971	\$ 2,241	\$ 2,160
<hr/>					
Average number of shares outstanding (thousands)	301,873	309,367	311,916	320,864	345,484
Number of stockholders at year end	28,443	29,575	30,990	32,347	33,381
Average number of employees:					
Rail	30,057	29,063	29,698	30,543	29,933
Nonrail	<u>399</u>	<u>419</u>	<u>405</u>	<u>400</u>	<u>396</u>
Total	<u>30,456</u>	<u>29,482</u>	<u>30,103</u>	<u>30,943</u>	<u>30,329</u>

See accompanying consolidated financial statements and notes thereto.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Norfolk Southern Corporation and Subsidiaries

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes and the Selected Financial Data.

OVERVIEW

We are one of the nation's premier transportation companies. Our Norfolk Southern Railway Company subsidiary operates approximately 20,000 miles of road in 22 states and the District of Columbia, serves every major container port in the eastern United States, and provides efficient connections to other rail carriers. We operate the most extensive intermodal network in the East and are a major transporter of coal, automotive and industrial products.

We faced significant headwinds during 2015 as operating revenues were negatively impacted by the steep decline in energy prices, which drove both reduced fuel surcharge revenue and volume decreases in coal and energy-related products. Despite these challenges we continued our focus on deploying resources to improve network velocity and service, while streamlining our corporate assets with the restructuring of our Triple Crown Services Company (TCS) subsidiary and the closure of our Roanoke, Virginia, corporate office. As a result of operational improvements, network fluidity improved throughout the year, as evidenced by a 21% decrease in terminal dwell from the beginning of the year and a 17% improvement in train speed over the same time period.

In 2016, we expect to see continued improvement in our service levels and the implementation of multiple cost-control initiatives, as we balance resources with the demand for our high-quality rail service. Through these initiatives, we expect to produce expense savings of \$130 million in 2016 while increasing productivity and efficiency. We also expect to see modest growth in our intermodal and automotive markets, which should help temper weakness in our commodity-related markets. However, further declines in commodity prices or consumer activity could erode demand. Average revenue per unit is anticipated to benefit from pricing gains. Improving our rail service, generating higher returns on capital, and increasing the efficiency of our resources remain our focus and we believe we are well-positioned to meet continued headwinds in 2016.

SUMMARIZED RESULTS OF OPERATIONS

2015 Compared with 2014

Net income in 2015 was \$1.6 billion, or \$5.10 per diluted share, down \$444 million, or 22%, compared with \$2.0 billion, or \$6.39 per diluted share, in 2014. The decrease in net income for the year reflected lower income from railway operations, down \$691 million, or 19%, primarily due to a \$1.1 billion, or 10%, decline in railway operating revenues as a result of lower average revenue per unit (driven primarily by reduced fuel surcharge revenues offset in part by price increases) and depressed coal volumes. This decline in revenues was partially offset by lower operating expenses (down \$422 million, or 5%) resulting from the drop in oil prices, which significantly reduced fuel expense for the year, and by lower incentive compensation expense. These expense reductions were partially offset by \$93 million of costs associated with the restructuring of our TCS subsidiary and the closure of our Roanoke, Virginia corporate office, which reduced net income by \$58 million, or \$0.19 per diluted share, and by higher wage rates.

2014 Compared with 2013

Net income in 2014 was \$2.0 billion, or \$6.39 per diluted share, up \$90 million, or 5%, compared with \$1.9 billion, or \$6.04 per diluted share, in 2013, as a 10% increase in income from railway operations was only partially offset by the absence of a gain from a land sale in Michigan, which benefited net income by \$60 million and earnings per share by \$0.19 in 2013. Railway operating revenues rose 3%, while operating expenses increased

only 1%, driven largely by higher volume-related expenses that were offset in part by lower compensation and benefits costs and fuel prices.

DETAILED RESULTS OF OPERATIONS

Railway Operating Revenues

Railway operating revenues were \$10.5 billion in 2015, \$11.6 billion in 2014, and \$11.2 billion in 2013. The following table presents a three-year comparison of revenues, volumes, and average revenue per unit by market group.

	Revenues			Units			Revenue per Unit		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	(\$ in millions)			(in thousands)			(\$ per unit)		
Coal	\$ 1,823	\$ 2,382	\$ 2,543	1,079.7	1,284.4	1,346.7	\$ 1,688	\$ 1,855	\$ 1,888
General merchandise:									
Chemicals	1,760	1,863	1,667	527.6	502.6	449.2	3,335	3,707	3,711
Agr./consumer/gov't.	1,516	1,498	1,467	609.0	603.8	594.3	2,489	2,481	2,468
Metals/construction	1,263	1,521	1,405	672.4	725.6	666.9	1,879	2,096	2,106
Automotive	969	1,004	984	429.3	410.1	402.1	2,258	2,447	2,448
Paper/clay/forest	771	794	795	299.9	303.2	309.4	2,573	2,619	2,570
General merchandise	6,279	6,680	6,318	2,538.2	2,545.3	2,421.9	2,474	2,624	2,609
Intermodal	2,409	2,562	2,384	3,861.0	3,845.2	3,572.3	624	666	667
Total	\$ 10,511	\$ 11,624	\$ 11,245	7,478.9	7,674.9	7,340.9	1,405	1,515	1,532

Revenues decreased \$1.1 billion in 2015, and increased \$379 million in 2014. As reflected in the table below, the decline in 2015 resulted from lower average revenue per unit (a result of reduced fuel surcharge revenues, which were down \$852 million, or 64%) and decreased volumes (primarily driven by continued weakness in the coal markets). The increase in 2014 resulted from higher volumes, partially offset by lower average revenue per unit as the effects of lower rates and changes in the mix of business more than offset higher fuel surcharges.

	Revenue Variance Analysis	
	Increase (Decrease)	
	2015 vs. 2014	2014 vs. 2013
	(\$ in millions)	
Revenue per unit	\$ (816)	\$ (133)
Volume (units)	(297)	512
Total	\$ (1,113)	\$ 379

Over 85% of our revenue base is covered by negotiated fuel surcharges, and revenues associated with these surcharges totaled \$477 million, \$1,329 million, and \$1,254 million in 2015, 2014 and 2013, respectively. Fuel surcharge revenues are typically tied to either West Texas Intermediate Crude Oil (WTI) or On-Highway Diesel (OHD). Although less than half of our revenue base subject to fuel surcharges is tied to OHD, because WTI price levels were below most of our surcharge trigger points during 2015, OHD accounted for about 85% of our fuel surcharge revenues. All of our WTI-related fuel surcharge revenue and about 20% of our OHD-related fuel

surcharge revenue is on a two-month lag. This two-month lag increased fuel surcharge revenues by \$34 million and \$84 million in 2015 and 2014, respectively, but decreased fuel surcharge revenue by approximately \$29 million in 2013. Should the current fuel price environment persist in 2016, we expect fuel surcharge revenue to be lower than 2015.

Two of our customers, DuPont and Sunbelt Chlor Alkali Partnership (Sunbelt), filed rate reasonableness complaints before the Surface Transportation Board (STB) alleging that our tariff rates for transportation of regulated movements are unreasonable. Since June 1, 2009, in the case of DuPont, and April 1, 2011, in the case of Sunbelt, we have been billing and collecting amounts based on the challenged tariff rates. In 2014, the STB resolved both rate reasonableness complaints in our favor. The STB's findings in the Sunbelt case remain subject to technical corrections and requests for reconsideration. Both cases remain open to possible appeal. We believe the estimate of any reasonably possible loss will not have a material effect on our financial position, results of operations, or liquidity. With regard to rate cases, we record adjustments to revenues in the periods if and when such adjustments are probable and estimable.

COAL revenues decreased \$559 million, or 23%, compared with 2014, reflecting a 16% decline in carload volume. Average revenue per unit was down 9%, primarily due to reduced fuel surcharge revenues, which lowered average revenue per unit by \$134.

In 2014, coal revenues decreased \$161 million, or 6%, compared with 2013, reflecting a 5% decrease in carload volume. Average revenue per unit was down 2%, the result of lower pricing (mainly export coal) and the negative effect of changes in mix.

For 2016, coal revenues are expected to decrease primarily due to lower volumes associated with continued weak demand.

Coal represented 17% of our revenues in 2015, and 77% of shipments handled originated on our lines. As shown in the following table, tonnage decreased in all markets.

	Coal Tonnage by Market		
	2015	2014	2013
	<i>(tons in thousands)</i>		
Utility	81,137	93,884	97,146
Export	16,193	23,218	28,631
Domestic metallurgical	14,450	16,130	16,905
Industrial	8,201	8,599	7,388
	<u>119,981</u>	<u>141,831</u>	<u>150,070</u>

Utility coal tonnage was down 14% in 2015, compared with 2014. The decrease primarily resulted from reduced coal burn due to significantly lower natural gas prices which caused utilities to shift from coal to natural gas generation as well as coal plant retirements (due to the Mercury and Air Toxics Standards implementation) and mild weather during the last half of 2015.

Utility coal tonnage was down 3% in 2014 as compared with 2013. Lower utility coal shipments to our northern region due to market share loss and competition from lower priced natural gas were offset in part by gains in our southern region, resulting from strong demand for electric generation and stockpile rebuilding after a harsh winter.

For 2016, we expect utility coal tonnage to decrease, as we expect lower demand resulting from high stockpiles due to mild weather and depressed natural gas prices.

Export coal tonnage decreased 30% in 2015, compared with 2014. Competition faced by U.S. coal suppliers continued to increase as excess coal supply, a strong U.S. dollar, and depressed coal prices significantly reduced demand for U.S. export coal. Volume through Norfolk was down 5.5 million tons, or 33%, and volume through Baltimore was down 1.5 million tons, or 23%.

In 2014, export coal tonnage decreased 19%, compared with 2013. Strong competition in the global metallurgical and thermal coal markets resulting from excess coal supply, weakening economies in the global market, and a strong Australian currency advantage significantly reduced demand for U.S. export coal. Volume through Norfolk was down 4.3 million tons, or 20%, and volume through Baltimore was down 0.5 million tons, or 8%. Other export volume decreased 0.6 million tons, or 85%.

For 2016, export coal tonnage is expected to decrease, as we expect continued pressure in the overseas coal markets due to oversupply, weak seaborne coal prices, and a strong U.S. dollar.

Domestic metallurgical coal tonnage was down 10% in 2015, compared with 2014, and down 5% in 2014 as compared to 2013. Both years reflect volume losses related to plant curtailments and sourcing shifts resulting from steel producers looking for opportunities to reduce costs that were offset in part by market share gains.

For 2016, domestic metallurgical coal tonnage is expected to remain relatively flat as customer-specific gains will be partially offset by volume decreases due to plant curtailments and sourcing shifts as we expect steel producers to continue to look for opportunities to reduce costs.

Industrial coal tonnage dropped 5% in 2015, compared with 2014, as a result of natural gas conversions and decreased coal burn.

In 2014, industrial coal tonnage increased 16% compared with 2013, as new business opportunities with existing customers was partially offset by declines in anthracite and petcoke shipments.

For 2016, industrial coal tonnage is expected to remain flat due to reduced demand resulting from conversions to natural gas offset by additional business with existing customers.

GENERAL MERCHANDISE revenues in 2015 decreased \$401 million, or 6%, compared with 2014, reflecting a 6% decline in average revenue per unit, the result of lower fuel surcharge revenues, which reduced average revenue per unit by \$185 and offset the effects of higher rates. Volume was relatively flat year over year.

In 2014, general merchandise revenues increased \$362 million, or 6%, compared with 2013, reflecting 5% growth in carload volume and a 1% improvement in average revenue per unit that reflected favorable changes in fuel surcharge revenue and in mix.

For 2016, general merchandise revenues are expected to increase primarily due to pricing gains.

Chemicals revenues in 2015 decreased 6%, compared with 2014, reflecting a 10% decrease in revenue per unit, driven by reduced fuel surcharge revenues and negative mix resulting from increased shipments of lower rated liquefied petroleum gas, which more than offset the effect of higher rates. Volume grew 5%, largely driven by more shipments of liquefied petroleum gas and strong demand for shipments of polypropylene due to lower feedstock prices. These volume increases were partially offset by fewer shipments of crude oil from the Bakken oil fields.

In 2014, chemicals revenues increased 12%, compared with 2013, reflecting volume growth (up 12%) largely driven by more shipments of crude oil from the Bakken and Canadian oil fields and growth in shipments of liquefied petroleum gas in the Utica Shale region.

For 2016, chemicals revenues are anticipated to increase, as average revenue per unit is expected to be higher, largely the effect of increased volumes of higher rated plastics and pricing gains.

Agriculture, consumer products, and government revenues increased 1% in 2015, compared with 2014, the result of increased ethanol shipments due to higher gasoline consumption, offset in part by lower fuel surcharge revenues and fewer revenue shipments of empty rail cars as part of the conclusion of a hopper re-body program.

In 2014, agriculture, consumer products, and government revenues increased 2% compared with 2013, as a result of a 2% improvement in volume and a 1% improvement in average revenue per unit, due primarily to higher rates that were slightly offset by a negative change in mix. The volume increase was driven by higher corn shipments due to increased demand for ethanol production, partially offset by fewer shipments of fertilizer due to production curtailments.

For 2016, agriculture, consumer products, and government revenues are expected to increase, as we expect average revenue per unit to be higher due to pricing gains. We also expect modest volume growth, supported by increased shipments of ethanol, fertilizer, food products, and feed products.

Metals and construction revenues fell 17% in 2015, compared with 2014. The decline resulted from a 10% drop in average revenue per unit, largely the result of lower fuel surcharge revenues partially offset by pricing gains, and a 7% decrease in carloads. The decline in carloads was the result of lower demand for materials used in the construction of pipe for drilling activity due to a drop in energy prices, fewer shipments of fractionating sand and ceramic proppant used in natural gas drilling, and declines in scrap metal and coil shipments, resulting from a decline in steel production due to global over-supply. These decreases were offset in part by increased shipments of aggregates as a result of higher demand in the Southeast for project work and strong highway and construction related markets.

In 2014, metals and construction revenues grew 8% compared with 2013. The revenue improvement resulted from a 9% increase in carloads, as we moved more shipments of fractionating sand for natural gas drilling, in addition to higher coil shipments to support growing demand in the automotive and energy sectors, and increased shipments of iron and steel as a result of higher import activity.

For 2016, metals and construction revenues are expected to benefit from increased average revenue per unit due to pricing gains. We expect volumes to be relatively flat as construction-related gains are expected to be offset by declines in the steel market.

Automotive revenues fell 3% compared to 2014, reflecting an 8% drop in average revenue per unit, due primarily to lower fuel surcharge revenues, offset in part by rate increases. Volume grew 5% due to increased production of North American light vehicles and the return of shipments diverted in 2014 due to improved service in the second half of 2015.

In 2014, automotive revenues rose 2% compared to 2013, reflecting 2% growth in volume due to increased vehicle production at plants we serve that was offset in part by the diversion of shipments to other modes of transportation as a result of equipment shortages and network delays.

For 2016, automotive revenues are expected to increase as a result of volume gains due to continued increases in domestic production as well as higher average revenue per unit as a result of improved pricing.

Paper, clay and forest products revenues were down 3%, as average revenue per unit decreased 2%, and volumes fell 1%. The decline in average revenue per unit was driven primarily by lower fuel surcharge revenues and negative mix (fewer higher rated kaolin shipments) offset by pricing gains. Volume changes reflected lower waste, kaolin, woodchip, and graphic paper volumes as a result of customer sourcing changes, softened demand, and mill closures, offset by higher carloads of pulpboard, lumber, and pulp due to continued recovery of the housing market.

In 2014, paper, clay and forest products revenues were flat compared with 2013 as a 2% improvement in average revenue per unit (reflecting pricing gains and positive mix) was offset by a 2% decrease in volumes. Volume declines were driven by reduced shipments of municipal solid waste resulting from loss of business, lower

shipments of newsprint and paper due to mill and plant closures, and fewer pulp shipments due to production issues and reduced export demand. These declines were offset in part by higher lumber shipments resulting from the continued housing recovery and new business.

For 2016, paper, clay, and forest products revenues are anticipated to increase due to modest improvement in volumes and revenue per unit. Volume growth is expected to be driven by higher woodchip and lumber shipments, as we anticipate growth in demand for wood pellets and the continued recovery of the housing market, offset in part by lower municipal solid waste due to the loss of a customer, and lower kaolin and graphic paper shipments due to demand declines.

INTERMODAL revenues decreased \$153 million, or 6%, compared with 2014, reflecting decreased revenue per unit of 6% (the result of lower fuel surcharge revenues, which decreased average revenue per unit by \$51).

Domestic volume (including truckload and intermodal marketing companies, TCS, and Premium business) declined 3%, a result of the restructuring of the TCS subsidiary, ongoing service challenges during the first three quarters, an increase in available trucking capacity, and weaker overall demand, all partially offset by growth from continued highway-to-rail conversions. International volume grew 6% due to stronger demand from existing customers and new business.

In 2014, intermodal revenues increased \$178 million, or 7%, compared with 2013, reflecting a 8% growth in volume. Domestic volume improved 6%, a result of growth in strategic corridors, continued highway-to-rail conversions, and higher demand for rail service from existing customers. International volume grew 10% due to increased demand from existing customers and expanded service opportunities.

For 2016, we anticipate higher intermodal revenues due to increased volumes as a result of continued highway conversions and growth associated with new and existing customers to be partially offset by declines due to the restructuring of the TCS subsidiary and an increase in available trucking capacity. Average revenue per unit is expected to be lower as pricing gains are offset by unfavorable changes in business mix, primarily a result of the TCS restructuring, and reduced fuel surcharge revenue.

In connection with the TCS restructuring discussed above, we are working with our customers and business partners to convert business handled by TCS into our current intermodal network. As this transition occurs, we expect some shipments previously handled by TCS to be absorbed by our domestic container line of business. While it is likely that not all of this TCS business will make this transition, we do not expect this restructuring to have a material effect on our railway operating revenues or income from railway operations.

Railway Operating Expenses

Railway operating expenses in 2015 were \$7.6 billion, down \$422 million, or 5%, compared to 2014. Expenses in 2014 were \$8.0 billion, up \$61 million, or 1%, compared to 2013. In 2015, decreases in fuel costs and incentive compensation were offset in part by costs associated with the TCS restructuring and closure of our Roanoke, Virginia corporate office, in addition to higher wage rates. In 2014, increases in volume-related costs were offset in part by lower postretirement and pension benefit costs as well as lower fuel prices.

The following table shows the changes in railway operating expenses summarized by major classifications.

	Operating Expense Variances	
	Increase (Decrease)	
	2015 vs. 2014	2014 vs. 2013
	<i>(\$ in millions)</i>	
Fuel	\$ (640)	\$ (39)
Compensation and benefits	14	(105)
Materials and other	36	112
Purchased services and rents	65	58
Depreciation	103	35
	<hr/>	<hr/>
Total	<u>\$ (422)</u>	<u>\$ 61</u>

Fuel expense, which includes the cost of locomotive fuel as well as other fuel used in railway operations, decreased \$640 million, or 41%, in 2015 and decreased \$39 million, or 2%, in 2014. Both declines were principally the result of lower locomotive fuel prices (down 40% in 2015 and 6% in 2014). Locomotive fuel consumption decreased 1% in 2015, but increased 4% in 2014. We consumed approximately 487 million gallons of diesel fuel in 2015, compared with 494 million gallons in 2014 and 476 million gallons in 2013.

Looking forward to 2016, we expect lower fuel expenses as current prices for locomotive fuel are significantly below the average cost per gallon of \$1.74 experienced in 2015. In addition, we anticipate the TCS restructuring and improved fuel productivity will benefit fuel expense in 2016.

Compensation and benefits, which represents 38% of total operating expenses, increased \$14 million in 2015 reflecting changes in:

- pay rates (up \$83 million),
- payroll taxes (up \$37 million),
- labor agreement payments (\$24 million),
- employee levels, including overtime and increased trainees (up \$21 million), and
- incentive compensation (down \$151 million).

In 2014, compensation and benefits decreased \$105 million, or 3%, reflecting changes in:

- postretirement and pension benefit costs (down \$152 million),
- health and welfare benefit costs (down \$25 million),
- pay rates (up \$57 million), and
- payroll taxes (up \$21 million).

Our employment averaged 30,456 in 2015, compared with 29,482 in 2014, and 30,103 in 2013. Looking forward to 2016, we expect normalized levels of incentive compensation in addition to increased medical cost inflation and higher wages to be offset in part by lower employment levels driven from operational efficiencies and the TCS restructuring.

Materials and other expenses increased \$36 million, or 4%, in 2015, and increased \$112 million, or 14%, in 2014, as shown in the following table.

	2015	2014	2013
	<i>(\$ in millions)</i>		
Materials	\$ 469	\$ 470	\$ 422
Casualties and other claims	137	135	90
Other	370	335	316
	<u>976</u>	<u>940</u>	<u>828</u>
Total	<u>\$ 976</u>	<u>\$ 940</u>	<u>\$ 828</u>

The increase in other costs in 2015 reflected higher relocation costs driven by the Roanoke, Virginia corporate office closure, increased travel costs for train service employees and higher property taxes. Casualties and other claims expenses include the estimates of costs related to personal injury (PI), property damage, and environmental matters. The increase in 2015 was driven by less favorable PI reserve adjustments for prior years' claim amounts offset in part by reduced environmental remediation costs as a result of less unfavorable development for our environmental liability.

Volume growth in 2014 drove increases in locomotive and equipment maintenance and repair costs. Additionally, harsh winter weather experienced in the first quarter of 2014 resulted in increased maintenance activity, which negatively impacted the comparison to 2013. The increase in casualties and other claims expenses in 2014 reflected lower favorable PI reserve adjustments for prior years' claim amounts.

Purchased services and rents includes the costs of services purchased from outside contractors, including the net costs of operating joint (or leased) facilities with other railroads and the net cost of equipment rentals. This category of expenses increased \$65 million, or 4%, in 2015, and increased \$58 million, or 4%, in 2014.

	2015	2014	2013
	<i>(\$ in millions)</i>		
Purchased services	\$ 1,433	\$ 1,394	\$ 1,353
Equipment rents	319	293	276
	<u>1,752</u>	<u>1,687</u>	<u>1,629</u>
Total	<u>\$ 1,752</u>	<u>\$ 1,687</u>	<u>\$ 1,629</u>

The increase in 2015 for purchased services expense reflects higher costs associated with intermodal operations, information technology, maintenance and repair, and the Roanoke, Virginia corporate office closure. These increases were partially offset by TCS restructuring-related savings. The increase in 2014 for purchased services expense resulted from higher volumes and the effect reduced network velocity had on intermodal operations and joint facilities costs. Additionally, higher maintenance and repair costs were offset in part by reduced expenses associated with the Shared Asset Areas (including equity in the earnings of Conrail, see Note 5).

Equipment rents, which includes our cost of using equipment (mostly freight cars) owned by other railroads or private owners less the rent paid to us for the use of our equipment, increased in 2015 principally due to higher automotive and intermodal rates and volumes. The 2014 increase is a result of higher volumes and network congestion.

Looking forward to 2016, we expect decreases in our purchased services and equipment rents expenses principally due to lower TCS operational costs and improved network velocity. These decreases will be partially offset by higher intermodal operations costs associated with higher conventional volumes.

Depreciation expense increased by \$103 million, or 11%, in 2015, and increased by \$35 million, or 4%, in 2014. The increase in 2015 is due in part to the recognition of \$63 million of accelerated depreciation on TCS assets as a result of our TCS restructuring. Both periods also reflect growth in our roadway and equipment capital base as we continue to invest in our infrastructure and rolling stock.

Other Income – Net

Other income – net was \$103 million in 2015, \$104 million in 2014, and \$233 million in 2013 (Note 2). The decrease in 2015 reflects decreased returns from corporate-owned life insurance, declines in coal royalties and higher professional and consultant fees, offset in part from higher gains from sales of property (including income earned from joint ventures). The decrease in 2014 reflects the absence of the 2013 Michigan land sale (\$97 million).

Income Taxes

Income tax expense in 2015 was \$886 million, an effective rate of 36.3%, compared with 36.2% in 2014 and 35.6% in 2013. All three years benefited from favorable reductions in deferred tax expense for state law changes and certain business tax credits.

IRS examinations have been completed for all years prior to 2013. We are not currently under audit by the Internal Revenue Service.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Cash provided by operating activities, our principal source of liquidity, was \$2.9 billion in 2015 and 2014, and \$3.1 billion in 2013. Lower cash from operations in 2015 compared with 2014 was offset by reduced tax payments. The decrease in 2014 reflected increased tax payments, offset in part by improved operating results. We had working capital of \$402 million at December 31, 2015, compared with \$998 million at December 31, 2014, primarily reflecting higher current maturities of long-term debt. Cash and cash equivalents totaled \$1.1 billion and \$973 million at December 31, 2015 and 2014, respectively, and were invested in accordance with our corporate investment policy as approved by the Board of Directors. The portfolio contains securities that are subject to market risk. There are no limits or restrictions on our access to these assets. We expect cash on hand combined with cash provided by operating activities will be sufficient to meet our ongoing obligations.

Contractual obligations at December 31, 2015, were comprised of interest on fixed-rate long-term debt and capital leases, long-term debt and capital leases (Note 8), operating leases (Note 9), agreements with Consolidated Rail Corporation (CRC) (Note 5), unconditional purchase obligations (Note 16), long-term advances from Conrail (Note 5), and unrecognized tax benefits (Note 3):

	Total	2016	2017 - 2018	2019 - 2020	2021 and Subsequent	Other
	<i>(\$ in millions)</i>					
Interest on fixed-rate long-term debt and capital lease principal	\$ 13,780	\$ 543	\$ 992	\$ 851	\$ 11,394	\$ —
Long-term debt and capital lease principal	10,398	500	1,150	899	7,849	—
Operating leases	664	77	138	101	348	—
Agreements with CRC	304	36	72	72	124	—
Unconditional purchase obligations	909	552	347	10	—	—
Long-term advances from Conrail	280	—	—	—	280	—
Unrecognized tax benefits*	25	—	—	—	—	25
Total	\$ 26,360	\$ 1,708	\$ 2,699	\$ 1,933	\$ 19,995	\$ 25

* When the amount and timing of liabilities for unrecognized tax benefits can be reasonably estimated, the amount is shown in the table under the appropriate period. When the year of settlement cannot be reasonably estimated, the amount is shown in the Other column.

Off balance sheet arrangements consist of obligations related to operating leases, which are included in the table of contractual obligations above and disclosed in Note 9.

Cash used in investing activities was \$2.1 billion in 2015, compared with \$2.0 billion in 2014, and \$1.9 billion in 2013. The increase in 2015 primarily reflected higher cash outflows for property additions, which were partially offset by higher proceeds from COLI activity. The increase in 2014 primarily reflected increased use of cash for property additions and COLI investments, which were partially offset by higher short-term investment maturities.

On September 18, 2015, we completed the acquisition of 282 miles of the Delaware and Hudson Railway Co. (D&H) line between Sunbury, Pennsylvania and Schenectady, New York, for \$215 million. The transaction is included in Property additions on the Statement of Cash Flows. The acquisition comprises land (\$49 million), roadway, including bridges, tunnels, grading, rail, cross ties and other track material (\$162 million), and other property including supplies (\$4 million). The acquired lines connect with our network at Sunbury, Pennsylvania, and Binghamton, New York, and provide us single-line routes from Chicago and the southeastern United States to Albany, New York, and our intermodal terminals in Scranton, Pennsylvania and Mechanicville, New York. We also gain an enhanced connection to our Pan Am Southern LLC joint venture, which serves New England markets. We previously provided service over the D&H lines via trackage rights and haulage agreements. In addition, we hired, trained and qualified 152 former D&H employees.

Property additions account for most of the recurring spending in this category. The following tables show capital spending (including capital leases) and track and equipment statistics for the past five years.

Property Additions

	2015	2014	2013	2012	2011
	<i>(\$ in millions)</i>				
Road and other property	\$ 1,514	\$ 1,406	\$ 1,421	\$ 1,465	\$ 1,222
Equipment	658	712	550	776	938
Delaware & Hudson acquisition	213	—	—	—	—
Total	<u>\$ 2,385</u>	<u>\$ 2,118</u>	<u>\$ 1,971</u>	<u>\$ 2,241</u>	<u>\$ 2,160</u>

Track Structure Statistics (Capital and Maintenance)

	2015	2014	2013	2012	2011
Track miles of rail installed	523	507	549	509	484
Miles of track surfaced	5,074	5,248	5,475	5,642	5,441
New crossties installed (millions)	2.4	2.7	2.5	2.6	2.7

Average Age of Owned Railway Equipment

	2015	2014	2013	2012	2011
	<i>(years)</i>				
Freight cars	29.6	30.1	30.2	30.2	30.3
Locomotives	23.9	23.1	22.5	21.6	21.0
Retired locomotives	43.4	35.3	38.7	41.2	31.7

For 2016, we have budgeted \$2.1 billion for property additions. The anticipated spending includes \$820 million for the normalized replacement of rail, ties, and ballast, and the improvement or replacement of bridges. Planned equipment spending of \$490 million includes new and rebuilt locomotives, intermodal containers and chassis, mill gondolas, multilevel automobile racks, and covered hoppers. Investments in facilities and terminals are anticipated to be \$220 million and include terminals and equipment to add capacity to our intermodal network, new or expanded bulk transfer facilities, improvements to vehicle distribution facilities, and upgrades and expansions of our mechanical service shops. For 2016, we have budgeted \$250 million for the continued implementation of positive train control (PTC) and expect PTC-related property additions in 2017 and 2018 to total approximately \$530 million. We also expect to spend \$90 million on infrastructure improvements to increase mainline capacity, create operating savings, and to accommodate business growth. Technology investments of \$80 million are planned for new or upgraded systems and computers.

Cash used in financing activities was \$662 million in 2015, compared with \$1.3 billion in 2014, and \$394 million in 2013. The decrease in 2015 was driven primarily by higher proceeds from borrowing and lower debt repayments, partially offset by higher share repurchase activity (see Note 14). The increase in 2014 was driven primarily by higher debt repayments and lower debt proceeds, partially offset by reduced share repurchase activity.

Share repurchases totaled \$1.1 billion in 2015, \$318 million in 2014, and \$627 million in 2013 for the purchase and retirement of 11.3 million, 3.1 million, and 8.3 million shares, respectively. On August 1, 2012, our Board of Directors authorized the repurchase of up to an additional 50 million shares of Common Stock through December 31, 2017, and 23.9 million shares remain under this authority as of December 31, 2015. The timing and volume of future share repurchases will be guided by our assessment of market conditions and other pertinent factors. Any near-term purchases under the program are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings.

We further discuss our current securities issuance authority from our Board of Directors, our credit agreement, and our accounts receivable securitization program in Note 8 of our Notes to Consolidated Financial Statements, all of which provide for access to additional liquidity should the need arise. Our debt-to-total capitalization ratio was 45.3% at December 31, 2015, compared with 42.0% at December 31, 2014.

Upcoming annual debt maturities are relatively modest (Note 8). Overall, our goal is to maintain a capital structure with appropriate leverage to support our business strategy and provide flexibility through business cycles.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions may require significant judgment about matters that are inherently uncertain, and future events are likely to occur that may require us to make changes to these estimates and assumptions. Accordingly, we regularly review these estimates and assumptions based on historical experience, changes in the business environment, and other factors we believe to be reasonable under the circumstances. We regularly discuss the development, selection, and disclosures concerning critical accounting estimates with the Audit Committee of the Board of Directors.

Pensions and Other Postretirement Benefits

Accounting for pensions and other postretirement benefit plans requires us to make several estimates and assumptions (Note 11). These include the expected rate of return from investment of the plans' assets, projected increases in medical costs, and the expected retirement age of employees as well as their projected earnings and mortality. In addition, the amounts recorded are affected by changes in the interest rate environment because the associated liabilities are discounted to their present value. We make these estimates based on our historical experience and other information that we deem pertinent under the circumstances (for example, expectations of future stock market performance). We utilize an independent actuarial consulting firm's studies to assist us in selecting appropriate actuarial assumptions and valuing related liabilities.

Net pension expense, which is included in "Compensation and benefits" in the Consolidated Statements of Income, was \$34 million for 2015. In recording this amount, we assumed a long-term investment rate of return of 8.25%, which was supported by the long-term total rate of return on plan assets since inception, as well as our expectation of future returns. A one-percentage point change to this rate of return assumption would result in a \$20 million change in pension expense. We review assumptions related to our defined benefit plans annually, and while changes are likely to occur in assumptions concerning retirement age, projected earnings, and mortality, they are not expected to have a material effect on our net pension expense or net pension liability in the future. The net pension liability is recorded at net present value using discount rates that are based on the current interest rate environment in light of the timing of expected benefit payments. We utilize analyses in which the projected annual cash flows from the pension and postretirement benefit plans are matched with yield curves based on an appropriate universe of high-quality corporate bonds. We use the results of the yield curve analyses to select the discount rates that match the payment streams of the benefits in these plans.

Net benefit for other postretirement benefits, which is also included in "Compensation and benefits," was \$15 million for 2015. Historically, medical inflation has been a significant component of the estimate for postretirement benefits, however, its effect has been reduced substantially due to the plan amendment made in 2014 (Note 11). Since there is a fixed benefit for Medicare-eligible retirees, there is no medical inflation assumed for this population. The medical inflation factor is still applicable for pre-Medicare-eligible retirees.

Properties and Depreciation

Most of our total assets are long-lived railway properties (Note 6). As disclosed in Note 1, properties are depreciated using group depreciation. The primary depreciation method for our asset base is group life. Units of production is the principal method of depreciation for rail in high density corridors and for depletion of natural resources. Remaining properties are depreciated generally using the straight-line method over the lesser of estimated service or lease lives. See Note 1 for a more detailed discussion of the assumptions and estimates in this area.

Depreciation expense for 2015 totaled \$1,054 million. Our composite depreciation rates for 2015 are disclosed in Note 6; a one-tenth percentage point increase (or decrease) in these rates would have resulted in a \$38 million increase (or decrease) to depreciation expense. For 2015, roadway depreciation rates ranged from 0.83% to 33.33% and equipment depreciation rates ranged from 1.55% to 33.33%.

Personal Injury, Environmental, and Legal Liabilities

Casualties and other claims expense, included in "Materials and other" in the Consolidated Statements of Income, consists primarily of our accrual for personal injury liabilities and environmental remediation costs.

To aid in valuing our personal injury liability and determining the amount to accrue during each period, we utilize studies prepared by an independent consulting actuarial firm. The actuarial firm studies our historical patterns of reserving for claims and subsequent settlements, taking into account relevant outside influences. We adjust the liability quarterly based upon our assessment and the results of the study. Our estimate is subject to inherent limitation given the difficulty of predicting future events and as such the ultimate loss sustained may vary from the estimated liability recorded.

We are subject to various jurisdictions' environmental laws and regulations. We record a liability where such liability or loss is probable and its amount can be estimated reasonably. Environmental engineers regularly participate in ongoing evaluations of all known sites and in determining any necessary adjustments to liability estimates. Additionally, our Environmental Policy Council (composed of senior managers) oversees and interprets our environmental policy. Operating expenses, included in "Materials and other" and "Purchased services and rents," for environmental matters totaled \$40 million in 2015, \$45 million in 2014, and \$57 million in 2013, and property additions for environmental matters were not significant.

We and/or certain subsidiaries are defendants in numerous lawsuits and other claims relating principally to railroad operations. When we conclude that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings.

For a more detailed discussion of the assumptions and estimates in accounting for personal injury and environmental matters see Note 16.

Income Taxes

Our net long-term deferred tax liability totaled \$9.1 billion at December 31, 2015 (Note 3). This liability is estimated based on the expected future tax consequences of items recognized in the financial statements. After application of the federal statutory tax rate to book income, judgment is required with respect to the timing and deductibility of expenses in our income tax returns. For state income and other taxes, judgment is also required

with respect to the apportionment among the various jurisdictions. A valuation allowance is recorded if we expect that it is more likely than not that deferred tax assets will not be realized. We had a \$35 million valuation allowance on \$603 million of deferred tax assets as of December 31, 2015, reflecting the expectation that almost all of these assets will be realized.

In addition, we have a recorded liability for our estimate of uncertain tax positions taken or expected to be taken in a tax return. Judgment is required in evaluating the application of federal and state tax laws and assessing whether it is more likely than not that a tax position will be sustained on examination and, if so, judgment is also required as to the measurement of the amount of tax benefit that will be realized upon settlement with the taxing authority. We believe this liability for uncertain tax positions to be adequate. Income tax expense is adjusted in the period in which new information about a tax position becomes available or the final outcome differs from the amounts recorded. For every one half percent change in the 2015 effective tax rate, net income would have changed by \$12 million.

OTHER MATTERS

Labor Agreements

More than 80% of our railroad employees are covered by collective bargaining agreements with various labor unions. Pursuant to the Railway Labor Act, these agreements remain in effect until new agreements are reached, or until the bargaining procedures mandated by the Act are completed. We largely bargain nationally in concert with other major railroads, represented by the National Carriers Conference Committee (NCCC). Moratorium provisions in the labor agreements govern when the railroads and unions may propose changes to the agreements.

On or after November 1, 2014, the NCCC and the various unions exchanged new proposals to begin this round of national negotiations. The unions have formed three separate bargaining coalitions and negotiations are ongoing with all three coalitions. In the case of the Transportation Communications Union led coalition, the negotiations are being assisted by mediators from the National Mediation Board. Separately, in January 2015 we reached an agreement covering wages and work rules through 2019 with the Brotherhood of Locomotive Engineers and Trainmen (BLET) which represents approximately 4,600 of our locomotive engineers. Changes to the BLET benefit plan will be bargained nationally through the NCCC.

Market Risks

We manage overall exposure to fluctuations in interest rates by issuing both fixed- and floating-rate debt instruments. At December 31, 2015, debt subject to interest rate fluctuations totaled \$200 million. A one-percentage point increase in interest rates would increase total annual interest expense related to all variable debt by approximately \$2 million. We consider it unlikely that interest rate fluctuations applicable to these instruments will result in a material adverse effect on our financial position, results of operations, or liquidity.

New Accounting Pronouncements

For a detailed discussion of new accounting pronouncements, see Note 1.

Inflation

In preparing financial statements, GAAP requires the use of historical cost that disregards the effects of inflation on the replacement cost of property. As a capital-intensive company, we have most of our capital invested in long-lived assets. The replacement cost of these assets, as well as the related depreciation expense, would be substantially greater than the amounts reported on the basis of historical cost.

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or the Company's future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause the actual results, levels of activity, performance, or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "project," "consider," "predict," "potential," or other comparable terminology. The Company has based these forward-looking statements on management's current expectations, assumptions, estimates, beliefs, and projections. While the Company believes these expectations, assumptions, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. These and other important factors, including those discussed in Part II, Item 1A "Risk Factors," may cause actual results, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements herein are made only as of the date they were first issued, and unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Copies of Norfolk Southern Corporation's press releases and additional information about the Company are available at www.norfolksouthern.com, or you can contact the Norfolk Southern Corporation Investor Relations Department by calling 757-629-2861.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Market Risks."

Item 8. Financial Statements and Supplementary Data

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Report of Management

February 8, 2016

To the Stockholders
Norfolk Southern Corporation

Management is responsible for establishing and maintaining adequate internal control over financial reporting. In order to ensure that the Corporation's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2015. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Corporation maintained effective internal control over financial reporting as of December 31, 2015.

KPMG LLP, independent registered public accounting firm, has audited the Corporation's financial statements and issued an attestation report on the Corporation's internal control over financial reporting as of December 31, 2015.

/s/James A. Squires

James A. Squires

Chairman, President and
Chief Executive Officer

/s/Marta R. Stewart

Marta R. Stewart

Executive Vice President
Finance
and Chief Financial Officer

/s/Thomas E. Hurlbut

Thomas E. Hurlbut

Vice President and
Controller

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Norfolk Southern Corporation:

We have audited Norfolk Southern Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Norfolk Southern Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Norfolk Southern Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 8, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 8, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Norfolk Southern Corporation:

We have audited the accompanying consolidated balance sheets of Norfolk Southern Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15(A)2. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norfolk Southern Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Norfolk Southern Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 8, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 8, 2016

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income

	Years ended December 31,		
	2015	2014	2013
	<i>(\$ in millions, except per share amounts)</i>		
Railway operating revenues	\$ 10,511	\$ 11,624	\$ 11,245
Railway operating expenses:			
Compensation and benefits	2,911	2,897	3,002
Purchased services and rents	1,752	1,687	1,629
Fuel	934	1,574	1,613
Depreciation	1,054	951	916
Materials and other	976	940	828
	<hr/>	<hr/>	<hr/>
Total railway operating expenses	7,627	8,049	7,988
	<hr/>	<hr/>	<hr/>
Income from railway operations	2,884	3,575	3,257
Other income – net	103	104	233
Interest expense on debt	545	545	525
	<hr/>	<hr/>	<hr/>
Income before income taxes	2,442	3,134	2,965
Provision for income taxes	886	1,134	1,055
	<hr/>	<hr/>	<hr/>
Net income	<u>\$ 1,556</u>	<u>\$ 2,000</u>	<u>\$ 1,910</u>
Per share amounts:			
Net income			
Basic	\$ 5.13	\$ 6.44	\$ 6.10
Diluted	5.10	6.39	6.04

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years ended December 31,		
	2015	2014	2013
	<i>(\$ in millions)</i>		
Net income	\$ 1,556	\$ 2,000	\$ 1,910
Other comprehensive income (loss), before tax:			
Pension and other postretirement benefits	(76)	(15)	1,122
Other comprehensive income (loss) of equity investees	—	(8)	42
	(76)	(23)	1,164
Other comprehensive income (loss), before tax	(76)	(23)	1,164
Income tax benefit (expense) related to items of other comprehensive income (loss)	29	6	(436)
	(47)	(17)	728
Other comprehensive income (loss), net of tax	(47)	(17)	728
 Total comprehensive income	 \$ 1,509	 \$ 1,983	 \$ 2,638

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets

	At December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,101	\$ 973
Accounts receivable – net	946	1,055
Materials and supplies	271	236
Deferred income taxes	121	167
Other current assets	194	347
Total current assets	2,633	2,778
Investments	2,572	2,679
Properties less accumulated depreciation of \$11,478 and \$10,814, respectively	28,992	27,694
Other assets	63	49
Total assets	\$ 34,260	\$ 33,200
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,091	\$ 1,233
Short-term debt	200	100
Income and other taxes	203	217
Other current liabilities	237	228
Current maturities of long-term debt	500	2
Total current liabilities	2,231	1,780
Long-term debt	9,393	8,883
Other liabilities	1,385	1,312
Deferred income taxes	9,063	8,817
Total liabilities	22,072	20,792
Stockholders' equity:		
Common Stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 297,795,016 and 308,240,130 shares, respectively, net of treasury shares	299	310
Additional paid-in capital	2,143	2,148
Accumulated other comprehensive loss	(445)	(398)
Retained income	10,191	10,348
Total stockholders' equity	12,188	12,408
Total liabilities and stockholders' equity	\$ 34,260	\$ 33,200

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended December 31,		
	2015	2014	2013
	<i>(\$ in millions)</i>		
Cash flows from operating activities:			
Net income	\$ 1,556	\$ 2,000	\$ 1,910
Reconciliation of net income to net cash provided by operating activities:			
Depreciation	1,059	956	922
Deferred income taxes	320	294	262
Gains and losses on properties and investments	(30)	(13)	(104)
Changes in assets and liabilities affecting operations:			
Accounts receivable	109	(31)	85
Materials and supplies	(35)	(13)	(7)
Other current assets	192	(260)	(5)
Current liabilities other than debt	(183)	53	5
Other – net	(111)	(134)	10
Net cash provided by operating activities	<u>2,877</u>	<u>2,852</u>	<u>3,078</u>
Cash flows from investing activities:			
Property additions	(2,385)	(2,118)	(1,971)
Property sales and other transactions	63	114	144
Investments, including short-term	(5)	(104)	(130)
Investment sales and other transactions	240	106	63
Net cash used in investing activities	<u>(2,087)</u>	<u>(2,002)</u>	<u>(1,894)</u>
Cash flows from financing activities:			
Dividends	(713)	(687)	(637)
Common Stock issued	43	130	131
Purchase and retirement of Common Stock	(1,075)	(318)	(627)
Proceeds from borrowings – net	1,185	200	989
Debt repayments	(102)	(645)	(250)
Net cash used in financing activities	<u>(662)</u>	<u>(1,320)</u>	<u>(394)</u>
Net increase (decrease) in cash and cash equivalents	128	(470)	790
Cash and cash equivalents:			
At beginning of year	<u>973</u>	<u>1,443</u>	<u>653</u>
At end of year	<u>\$ 1,101</u>	<u>\$ 973</u>	<u>\$ 1,443</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 518	\$ 522	\$ 492
Income taxes (net of refunds)	386	1,102	735

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Accum. Other Comprehensive Loss	Retained Income	Total
	<i>(\$ in millions, except per share amounts)</i>				
Balance at December 31, 2012	\$ 315	\$ 1,911	\$ (1,109)	\$ 8,643	\$ 9,760
Comprehensive income:					
Net income				1,910	1,910
Other comprehensive income			728		728
Total comprehensive income					<u>2,638</u>
Dividends on Common Stock, \$2.04 per share				(637)	(637)
Share repurchases	(8)	(49)		(570)	(627)
Stock-based compensation, including tax benefit of \$38	3	159		(7)	155
	<u>310</u>	<u>2,021</u>	<u>(381)</u>	<u>9,339</u>	<u>11,289</u>
Balance at December 31, 2013					
Comprehensive income:					
Net income				2,000	2,000
Other comprehensive loss			(17)		(17)
Total comprehensive income					<u>1,983</u>
Dividends on Common Stock, \$2.22 per share				(687)	(687)
Share repurchases	(3)	(20)		(295)	(318)
Stock-based compensation, including tax benefit of \$37	3	147		(6)	144
Other				(3)	(3)
	<u>310</u>	<u>2,148</u>	<u>(398)</u>	<u>10,348</u>	<u>12,408</u>
Balance at December 31, 2014					
Comprehensive income:					
Net income				1,556	1,556
Other comprehensive loss			(47)		(47)
Total comprehensive income					<u>1,509</u>
Dividends on Common Stock, \$2.36 per share				(713)	(713)
Share repurchases	(11)	(75)		(989)	(1,075)
Stock-based compensation, including tax benefit of \$14		70		(8)	62
Other				(3)	(3)
	<u>299</u>	<u>2,143</u>	<u>(445)</u>	<u>10,191</u>	<u>12,188</u>
Balance at December 31, 2015					

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Notes to Consolidated Financial Statements

The following Notes are an integral part of the Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Description of Business

Norfolk Southern Corporation (Norfolk Southern) is a Virginia-based holding company engaged principally in the rail transportation business, operating approximately 20,000 miles of road primarily in the East and Midwest. These consolidated financial statements include Norfolk Southern and its majority-owned and controlled subsidiaries (collectively, NS, we, us, and our). Norfolk Southern's major subsidiary is Norfolk Southern Railway Company (NSR). All significant intercompany balances and transactions have been eliminated in consolidation.

NSR and its railroad subsidiaries transport raw materials, intermediate products, and finished goods classified in the following commodity groups (percent of total railway operating revenues in 2015): intermodal (23%); coal (17%); chemicals (17%); agriculture/consumer products/government (15%); metals/construction (12%); automotive (9%); and, paper/clay/forest products (7%). Although most of our customers are domestic, ultimate points of origination or destination for some of the products transported (particularly coal bound for export and some intermodal containers) may be outside the U.S. More than 80% of our railroad employees are covered by collective bargaining agreements with various labor unions.

Use of Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We periodically review our estimates, including those related to the recoverability and useful lives of assets, as well as liabilities for litigation, environmental remediation, casualty claims, income taxes and pension and other postretirement benefits. Changes in facts and circumstances may result in revised estimates.

Revenue Recognition

Transportation revenue is recognized proportionally as a shipment moves from origin to destination, and related expenses are recognized as incurred. Refunds (which are primarily volume-based incentives) are recorded as a reduction to revenues on the basis of management's best estimate of projected liability, which is based on historical activity, current shipment counts and the expectation of future activity. We regularly monitor our contract refund liability and, historically, the estimates have not differed significantly from the amounts ultimately refunded. Switching, demurrage and other incidental service revenues are recognized when the services are performed.

Cash Equivalents

"Cash equivalents" are highly liquid investments purchased three months or less from maturity.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts was \$3 million at December 31, 2015 and \$6 million at December 31, 2014. To determine our allowance for doubtful accounts, we evaluate historical loss experience (which has not been significant), the characteristics of current accounts, and general economic conditions and trends.

Materials and Supplies

“Materials and supplies,” consisting mainly of fuel oil and items for maintenance of property and equipment, are stated at the lower of average cost or market. The cost of materials and supplies expected to be used in property additions or improvements is included in “Properties.”

Investments

Investments where we have the ability to exercise significant influence over but do not control the entity are accounted for using the equity method, whereby the investment is carried at the cost of the acquisition plus our equity in undistributed earnings or losses since acquisition.

Properties

“Properties” are stated principally at cost and are depreciated using the group method whereby assets with similar characteristics, use, and expected lives are grouped together in asset classes and depreciated using a composite depreciation rate. This methodology treats each asset class as a pool of resources, not as singular items. We use approximately 70 depreciable asset classes. The primary depreciation method for our asset base is group life. Units of production is the principal method of depreciation for rail in high density corridors and for depletion of natural resources (Note 2). Remaining properties are depreciated generally using the straight-line method over the lesser of estimated service or lease lives. Depreciation in the Consolidated Statements of Cash Flows includes both depreciation and depletion.

Depreciation expense is based on our assumptions concerning expected service lives of our properties as well as the expected net salvage that will be received upon their retirement. In developing these assumptions, we utilize periodic depreciation studies that are performed by an independent outside firm of consulting engineers and approved by the Surface Transportation Board (STB). Our depreciation studies are conducted about every three years for equipment and every six years for track assets and other roadway property. The frequency of these studies is consistent with guidelines established by the STB. Key factors that are considered in developing average service life and salvage estimates include:

- statistical analysis of historical retirement data and surviving asset records;
- review of historical salvage received and current market rates;
- review of our operations including expected changes in technology, customer demand, maintenance practices and asset management strategies;
- review of accounting policies and assumptions; and
- industry review and analysis.

The units of production depreciation rate for rail in high density corridors is derived based on consideration of annual gross ton miles as compared to the total or ultimate capacity of rail in these corridors. Our experience has shown that traffic density is a leading factor in determination of the expected service life of rail in high density corridors. In developing the respective depreciation rate, consideration is also given to several rail characteristics including age, weight, condition (new or second hand) and type (curve or straight). As a result, a composite depreciation rate is developed which is applied to the depreciable base.

We adjust our rates based on the results of these studies and implement the changes prospectively. The studies may also indicate that the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by the study. Any such deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the affected class of property, as determined by the study. For 2015, roadway depreciation rates ranged from 0.83% to 33.33% and equipment depreciation rates ranged from 1.55% to 33.33%.

We capitalize interest on major projects during the period of their construction. Expenditures, including those on leased assets, that extend an asset’s useful life or increase its utility are capitalized. Expenditures capitalized

include those that are directly related to a capital project and may include materials, labor and equipment, in addition to an allocable portion of indirect costs that clearly relate to a particular project. Due to the capital intensive nature of the railroad industry, a significant portion of annual capital spending relates to the replacement of self-constructed assets. Because removal activities occur in conjunction with replacement, removal costs are estimated based on an average percentage of time employees replacing assets spend on removal functions. Costs related to repairs and maintenance activities that do not extend an asset's useful life or increase its utility are expensed when such repairs are performed.

When properties other than land and nonrail assets are sold or retired in the ordinary course of business, the cost of the assets, net of sale proceeds or salvage, is charged to accumulated depreciation, and no gain or loss is recognized in earnings. Actual historical cost values are retired when available, such as with equipment assets. The use of estimates in recording the retirement of certain roadway assets is necessary based on the impracticality of tracking individual asset costs. When retiring rail, ties and ballast, we use statistical curves that indicate the relative distribution of the age of the assets retired. The historical cost of other roadway assets is estimated using a combination of inflation indices specific to the rail industry and those published by the U.S. Bureau of Labor Statistics. The indices are applied to the replacement value based on the age of the retired assets. These indices are used because they closely correlate with the costs of roadway assets. Gains and losses on disposal of land and nonrail assets are included in "Other income – net" (Note 2) since such income is not a product of our railroad operations.

A retirement is considered abnormal if it does not occur in the normal course of business, if it relates to disposition of a large segment of an asset class and if the retirement varies significantly from the retirement profile identified through our depreciation studies, which inherently consider the impact of normal retirements on expected service lives and depreciation rates. Gains or losses from abnormal retirements are recognized in earnings.

We review the carrying amount of properties whenever events or changes in circumstances indicate that such carrying amount may not be recoverable based on future undiscounted cash flows. Assets that are deemed impaired as a result of such review are recorded at the lower of carrying amount or fair value.

Required Accounting Changes

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "*Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*" This update requires that debt issuance costs be presented in the balance sheet as a reduction from the related debt liability rather than as an asset, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. We early adopted the provisions of this ASU during the second quarter of 2015 and applied it retrospectively. The adoption of ASU 2015-03 resulted in the presentation of \$47 million of debt issuance costs as a reduction of "Long-term debt" at December 31, 2015. We retrospectively adjusted the December 31, 2014, 2013, 2012, and 2011 consolidated balance sheets and related disclosures to reflect the reclassification of \$41 million, \$44 million, \$40 million, and \$33 million of debt issuance costs, respectively, from "Other assets" to "Long-term debt." There was no other impact on our consolidated financial statements from the adoption of ASU 2015-03.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers.*" This update will replace most existing revenue recognition guidance in GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard, making it effective for our annual and interim reporting periods beginning January 1, 2018. Early application is permitted, but not before the original effective date for public business entities (annual reporting periods beginning after December 15, 2016). The ASU permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, “*Income Taxes (Subtopic 740): Balance Sheet Classification of Deferred Taxes.*” This update, effective for annual and interim periods beginning after December 15, 2016, requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet rather than as separate current and noncurrent amounts on the balance sheet. Early application is permitted as of the beginning of an interim or annual reporting period, and may be applied either prospectively or retrospectively. This update, once adopted, will not have a material effect on our presentation of deferred tax liabilities and assets on our balance sheet.

2. Other Income – Net

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>(\$ in millions)</i>		
Income from natural resources:			
Royalties from coal	\$ 19	\$ 33	\$ 50
Nonoperating depletion and depreciation	(5)	(5)	(6)
Subtotal	<u>14</u>	<u>28</u>	<u>44</u>
Rental income	80	75	61
Gains and losses from sale of properties (including joint venture sales)	55	13	101
Interest income	8	9	8
Equity in earnings of Conrail Inc. (Note 5)	—	—	42
Corporate-owned life insurance – net	(1)	24	25
Other interest expense – net	(4)	(12)	(12)
Charitable contributions	(9)	(9)	(11)
Taxes on nonoperating property	(10)	(9)	(10)
Other	<u>(30)</u>	<u>(15)</u>	<u>(15)</u>
Total	<u>\$ 103</u>	<u>\$ 104</u>	<u>\$ 233</u>

“Other income – net” includes income and costs not part of rail operations and the income generated by the activities of our noncarrier subsidiaries as well as the costs incurred by those subsidiaries in their operations.

3. Income Taxes

Provisions for Income Taxes

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>(\$ in millions)</i>		
Current:			
Federal	\$ 505	\$ 729	\$ 695
State	61	111	98
Total current taxes	<u>566</u>	<u>840</u>	<u>793</u>
Deferred:			
Federal	292	299	270
State	28	(5)	(8)
Total deferred taxes	<u>320</u>	<u>294</u>	<u>262</u>
Provision for income taxes	<u>\$ 886</u>	<u>\$ 1,134</u>	<u>\$ 1,055</u>

Other current assets include prepaid income taxes of \$51 million and \$248 million, respectively, at December 31, 2015 and 2014.

Reconciliation of Statutory Rate to Effective Rate

The "Provision for income taxes" in the Consolidated Statements of Income differs from the amounts computed by applying the statutory federal corporate tax rate as follows:

	<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<i>(\$ in millions)</i>					
Federal income tax at statutory rate	\$ 855	35	\$ 1,097	35	\$ 1,038	35
State income taxes, net of federal tax effect	72	3	88	3	69	2
State tax law changes, net of federal tax effect	(14)	(1)	(20)	(1)	(11)	—
Other, net	<u>(27)</u>	<u>(1)</u>	<u>(31)</u>	<u>(1)</u>	<u>(41)</u>	<u>(1)</u>
Provision for income taxes	<u>\$ 886</u>	<u>36</u>	<u>\$ 1,134</u>	<u>36</u>	<u>\$ 1,055</u>	<u>36</u>

Deferred Tax Assets and Liabilities

Certain items are reported in different periods for financial reporting and income tax purposes. Deferred tax assets and liabilities are recorded in recognition of these differences. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Deferred tax assets:		
Compensation and benefits, including postretirement	\$ 430	\$ 454
Accruals, including casualty and other claims	108	107
Other	65	45
Total gross deferred tax assets	<u>603</u>	<u>606</u>
Less valuation allowance	<u>(35)</u>	<u>(33)</u>
Net deferred tax asset	<u>568</u>	<u>573</u>
Deferred tax liabilities:		
Property	(9,072)	(8,768)
Other	(438)	(455)
Total gross deferred tax liabilities	<u>(9,510)</u>	<u>(9,223)</u>
Net deferred tax liability	<u>(8,942)</u>	<u>(8,650)</u>
Net current deferred tax asset	<u>121</u>	<u>167</u>
Net long-term deferred tax liability	<u>\$ (9,063)</u>	<u>\$ (8,817)</u>

Except for amounts for which a valuation allowance has been provided, we believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. The valuation allowance at the end of each year primarily relates to subsidiary state income tax net operating losses and state investment tax credits that may not be utilized prior to their expiration. The total valuation allowance increased by \$2 million in 2015 and \$1 million in 2014.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Balance at beginning of year	\$ 61	\$ 65
Additions based on tax positions related to the current year	4	6
Additions for tax positions of prior years	—	1
Reductions for tax positions of prior years	(34)	(8)
Settlements with taxing authorities	(5)	(1)
Lapse of statutes of limitations	(1)	(2)
	<u>25</u>	<u>61</u>
Balance at end of year	<u>\$ 25</u>	<u>\$ 61</u>

Included in the balance of unrecognized tax benefits at December 31, 2015, are potential benefits of \$17 million that would affect the effective tax rate if recognized. Unrecognized tax benefits are adjusted in the period in which new information about a tax position becomes available or the final outcome differs from the amount recorded.

IRS examinations have been completed for all years prior to 2013. We are not currently under audit by the IRS. State income tax returns generally are subject to examination for a period of three to four years after filing of the return. In addition, we are generally obligated to report changes in taxable income arising from federal income tax examinations to the states within a period of up to two years from the date the federal examination is final. We have various state income tax returns either under examination, administrative appeal, or litigation.

Interest related to unrecognized tax benefits, which is included in "Other income – net," totaled \$3 million of income in 2015 and \$1 million of expense in both 2014 and 2013. There were no penalties related to tax matters in 2015, 2014, and 2013. We have recorded a liability of \$2 million at December 31, 2015, and \$6 million at December 31, 2014, for the payment of interest on unrecognized tax benefits. We have no liability recorded at December 31, 2015 and 2014, for the payment of penalties on unrecognized tax benefits.

4. Fair Value

Fair Value Measurements

ASC 820-10, “*Fair Value Measurements*,” established a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we have the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Other than those assets and liabilities described below that approximate fair value, there were no assets or liabilities measured at fair value on a recurring basis at December 31, 2015 or 2014.

Fair Values of Financial Instruments

We have evaluated the fair values of financial instruments and methods used to determine those fair values. The fair values of “Cash and cash equivalents,” “Accounts receivable,” “Accounts payable,” and “Short-term debt” approximate carrying values because of the short maturity of these financial instruments. The carrying value of corporate-owned life insurance is recorded at cash surrender value and, accordingly, approximates fair value. The carrying amounts and estimated fair values for the remaining financial instruments, excluding investments accounted for under the equity method, consisted of the following at December 31:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(\$ in millions)</i>			
Long-term investments	\$ 162	\$ 190	\$ 162	\$ 193
Long-term debt, including current maturities	(9,893)	(11,124)	(8,885)	(10,962)

Underlying net assets were used to estimate the fair value of investments with the exception of notes receivable, which are based on future discounted cash flows. The fair values of long-term debt were estimated based on quoted market prices or discounted cash flows using current interest rates for debt with similar terms, company rating, and remaining maturity.

The following tables set forth the fair value of long-term investment and long-term debt balances disclosed above by valuation technique level, within the fair value hierarchy (there were no level 3 valued assets or liabilities).

	December 31, 2015		
	Level 1	Level 2	Total
	<i>(\$ in millions)</i>		
Long-term investments	\$ 49	\$ 141	\$ 190
Long-term debt, including current maturities	(11,022)	(102)	(11,124)

	December 31, 2014		
	Level 1	Level 2	Total
	<i>(\$ in millions)</i>		
Long-term investments	\$ 50	\$ 143	\$ 193
Long-term debt, including current maturities	(10,754)	(208)	(10,962)

5. Investments

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Long-term investments:		
Equity method investments:		
Conrail Inc.	\$ 1,147	\$ 1,102
TTX Company	445	425
Meridian Speedway LLC	274	277
Pan Am Southern LLC	153	152
Other	83	91
Total equity method investments	<u>2,102</u>	<u>2,047</u>
Company-owned life insurance at net cash surrender value	308	470
Other investments	<u>162</u>	<u>162</u>
Total long-term investments	<u>\$ 2,572</u>	<u>\$ 2,679</u>

Investment in Conrail

Through a limited liability company, we and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is CRC. We have a 58% economic and 50% voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. We are amortizing the excess of the purchase price over Conrail's net equity using the principles of purchase accounting, based primarily on the estimated useful lives of Conrail's depreciable property and equipment, including the related deferred tax effect of the differences in book and tax accounting bases for such assets, as all of the purchase price at acquisition was allocable to Conrail's tangible assets and liabilities.

At December 31, 2015, based on the funded status of Conrail's pension plans, we increased our proportional investment in Conrail by \$3 million. This resulted in income of \$3 million recorded to "Other comprehensive loss" and a combined federal and state deferred tax liability of less than \$1 million.

At December 31, 2014, based on the funded status of Conrail's pension plans, we decreased our proportional investment in Conrail by \$12 million. This resulted in expense of \$11 million recorded to "Other comprehensive loss" and a combined federal and state deferred tax asset of \$1 million.

At December 31, 2015, the difference between our investment in Conrail and our share of Conrail's underlying net equity was \$526 million. Our equity in the earnings of Conrail, net of amortization, included in "Purchased services and rents" was \$42 million for 2015 and \$39 million for 2014. For 2013, this amounted to \$42 million and was included in "Other income – net."

CRC owns and operates certain properties (the Shared Assets Areas) for the joint and exclusive benefit of NSR and CSX Transportation, Inc. (CSXT). The costs of operating the Shared Assets Areas are borne by NSR and CSXT based on usage. In addition, NSR and CSXT pay CRC a fee for access to the Shared Assets Areas. "Purchased services and rents" and "Fuel" include expenses for amounts due to CRC for operation of the Shared Assets Areas totaling \$154 million in 2015, \$144 million in 2014, and \$146 million in 2013. Future minimum lease payments due to CRC under the Shared Assets Areas agreements are as follows: \$36 million in each of 2016 through 2020 and \$124 million thereafter. We provide certain general and administrative support functions to Conrail, the fees for which are billed in accordance with several service-provider arrangements and approximate \$8 million annually.

"Accounts payable" includes \$71 million at December 31, 2015, and \$56 million at December 31, 2014, due to Conrail for the operation of the Shared Assets Areas. "Other liabilities" includes \$280 million at both December 31, 2015 and 2014 for long-term advances from Conrail, maturing 2044, that bear interest at an average rate of 2.9%.

Investment in TTX

Along with eight other railroads, we jointly own TTX Company (formerly Trailer Train Company). We have a 19.65% interest in TTX, which is engaged in the business of leasing a fleet of standardized types of railroad flatcars to railroads in the United States.

We pay TTX a monthly fee for use of certain equipment, included in "Purchased services and rents." For the years ended December 31, 2015, 2014 and 2013, this amounted to \$219 million, \$200 million, and \$179 million of expense, respectively. Offsetting these amounts, our equity in the earnings of TTX, also included in "Purchased services and rents" totaled \$21 million for 2015, \$19 million for 2014, and \$14 million for 2013.

6. Properties

At December 31, 2015	Cost	Accumulated Depreciation	Net Book Value	Depreciation Rate ⁽¹⁾
	<i>(\$ in millions)</i>			
Land	\$ 2,327	\$ —	\$ 2,327	—
Roadway:				
Rail and other track material	6,467	(1,944)	4,523	2.46%
Ties	4,846	(1,229)	3,617	3.26%
Ballast	2,468	(539)	1,929	2.64%
Construction in process	686	—	686	—
Other roadway	12,662	(3,225)	9,437	2.54%
Total roadway	<u>27,129</u>	<u>(6,937)</u>	<u>20,192</u>	
Equipment:				
Locomotives	5,291	(2,126)	3,165	3.31%
Freight cars	3,437	(1,422)	2,015	2.87%
Computers and software	500	(296)	204	11.25%
Construction in process	237	—	237	—
Other equipment	1,074	(421)	653	6.09%
Total equipment	<u>10,539</u>	<u>(4,265)</u>	<u>6,274</u>	
Other property	<u>475</u>	<u>(276)</u>	<u>199</u>	0.95%
Total properties	<u>\$ 40,470</u>	<u>\$ (11,478)</u>	<u>\$ 28,992</u>	

At December 31, 2014	Cost	Accumulated Depreciation	Net Book Value	Depreciation Rate ⁽¹⁾
	<i>(\$ in millions)</i>			
Land	\$ 2,260	\$ —	\$ 2,260	—
Roadway:				
Rail and other track material	6,173	(1,848)	4,325	2.46%
Ties	4,628	(1,156)	3,472	3.25%
Ballast	2,360	(498)	1,862	2.63%
Construction in process	500	—	500	—
Other roadway	12,078	(2,989)	9,089	2.55%
Total roadway	<u>25,739</u>	<u>(6,491)</u>	<u>19,248</u>	
Equipment:				
Locomotives	5,120	(2,010)	3,110	3.27%
Freight cars	3,276	(1,411)	1,865	2.82%
Computers and software	487	(281)	206	11.60%
Construction in process	199	—	199	—
Other equipment	952	(349)	603	6.09%
Total equipment	<u>10,034</u>	<u>(4,051)</u>	<u>5,983</u>	
Other property	<u>475</u>	<u>(272)</u>	<u>203</u>	1.04%
Total properties	<u>\$ 38,508</u>	<u>\$ (10,814)</u>	<u>\$ 27,694</u>	

⁽¹⁾ Composite annual depreciation rate for the underlying assets, excluding the effects of the amortization of any deficiency (or excess) that resulted from our depreciation studies.

Roadway and equipment property included \$2 million at December 31, 2015 and \$8 million at December 31, 2014, of assets recorded pursuant to capital leases with accumulated amortization of less than \$1 million at December 31, 2015 and \$3 million at December 31, 2014. Other property includes the costs of obtaining rights to natural resources of \$336 million at both December 31, 2015 and December 31, 2014, with accumulated depletion of \$198 million and \$196 million, respectively.

Capitalized Interest

Total interest cost incurred on debt was \$566 million in 2015, \$564 million in 2014, and \$543 million in 2013, of which \$21 million, \$19 million, and \$18 million, respectively, was capitalized.

7. Current Liabilities

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Accounts payable:		
Accounts and wages payable	\$ 602	\$ 748
Casualty and other claims (Note 16)	174	187
Vacation liability	135	132
Due to Conrail (Note 5)	71	56
Other	109	110
	<u>1,091</u>	<u>1,233</u>
Total	<u>\$ 1,091</u>	<u>\$ 1,233</u>
Other current liabilities:		
Interest payable	\$ 123	\$ 118
Pension benefit obligations (Note 11)	16	14
Other	98	96
	<u>237</u>	<u>228</u>
Total	<u>\$ 237</u>	<u>\$ 228</u>

8. Debt

Debt with weighted average interest rates and maturities is presented below:

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Notes and debentures:		
6.78% maturing to 2020	\$ 2,464	\$ 2,464
3.37% maturing 2021 to 2023	1,783	1,783
5.71% maturing 2024 to 2027	1,019	1,019
6.83% maturing 2029 to 2037	783	783
4.71% maturing 2041 to 2046	2,934	1,833
6.39% maturing 2097 to 2111	1,328	1,328
Securitization borrowings, 1.48%	200	200
Other debt, 8.21% maturing to 2024	87	90
Discounts and premiums, net	(458)	(474)
Debt issuance costs (reclassified, see Note 1)	(47)	(41)
Total debt	<u>10,093</u>	<u>8,985</u>
Less current maturities and short-term debt	<u>(700)</u>	<u>(102)</u>
Long-term debt excluding current maturities and short-term debt	<u>\$ 9,393</u>	<u>\$ 8,883</u>

Long-term debt maturities subsequent to 2016 are as follows:

2017	\$	550
2018		600
2019		585
2020		314
2021 and subsequent years		<u>7,344</u>
Total	\$	<u>9,393</u>

During 2015, we issued \$600 million of 4.65% senior notes due 2046 in the fourth quarter and \$500 million of 4.45% senior notes due 2045 in the second quarter.

We have in place a \$350 million receivables securitization facility under which NSR sells substantially all of its eligible third-party receivables to a subsidiary, which in turn may transfer beneficial interests in the receivables to various commercial paper vehicles. Amounts received under the facility are accounted for as borrowings. Under this facility, we received \$100 million and repaid \$100 million in 2015. In 2014, we received \$200 million and repaid \$200 million under this facility.

At December 31, 2015, the amount outstanding under the receivables securitization facility was \$200 million (at an average variable interest rate of 1.48%) included in "Short-term debt" in the Consolidated Balance Sheets. At December 31, 2014, the amount outstanding was \$200 million (at an average variable interest rate of 1.28%) which included \$100 million in "Short-term debt" with the remaining \$100 million included in "Long-term debt" on the Consolidated Balance Sheets. The facility has a two year term which was renewed and amended in October 2014 to run until October 2016. At December 31, 2015 and 2014, the receivables included in "Accounts receivable – net" serving as collateral for these borrowings totaled \$653 million and \$782 million, respectively.

Issuance of Debt or Equity Securities

We have authority from our Board of Directors to issue an additional \$600 million of debt or equity securities through public or private sale.

Credit Agreement, Debt Covenants, and Commercial Paper

We have in place and available a \$750 million, five-year credit agreement expiring in December 2016, which provides for borrowings at prevailing rates and includes covenants. We had no amounts outstanding under this facility at December 31, 2015 and 2014, and we are in compliance with all of its covenants.

9. Lease Commitments

We are committed under long-term lease agreements, which expire on various dates through 2067, for equipment, lines of road and other property. The following amounts do not include payments to CRC under the Shared Assets Areas agreements (Note 5). Future minimum lease payments and operating lease expense are as follows:

Future Minimum Lease Payments

	Operating Leases
	<i>(\$ in millions)</i>
2016	\$ 77
2017	73
2018	65
2019	51
2020	50
2021 and subsequent years	348
Total	<u>\$ 664</u>

Our aggregate future minimum capital lease payments, less imputed interest at an average rate of 6.3%, totaled \$2 million as of December 31, 2015, with payments extending to 2024.

Operating Lease Expense

	2015	2014	2013
	<i>(\$ in millions)</i>		
Minimum rents	\$ 111	\$ 109	\$ 121
Contingent rents	84	92	82
Total	<u>\$ 195</u>	<u>\$ 201</u>	<u>\$ 203</u>

Contingent rents are primarily comprised of usage-based rent paid to other railroads for joint facility operations.

10. Other Liabilities

	December 31,	
	2015	2014
	<i>(\$ in millions)</i>	
Net retiree other postretirement benefit obligations (Note 11)	\$ 347	\$ 309
Net pension benefit obligations (Note 11)	318	260
Long-term advances from Conrail (Note 5)	280	280
Casualty and other claims (Note 16)	191	199
Deferred compensation	117	116
Other	132	148
	<hr/>	<hr/>
Total	<u>\$ 1,385</u>	<u>\$ 1,312</u>

11. Pensions and Other Postretirement Benefits

We have both funded and unfunded defined benefit pension plans covering principally salaried employees. We also provide specified health care and life insurance benefits to eligible retired employees; these plans can be amended or terminated at our option. Under our self-insured retiree health care plan, for those participants who are not Medicare-eligible, a defined percentage of health care expenses is covered for retired employees and their dependents, reduced by any deductibles, coinsurance, and, in some cases, coverage provided under other group insurance policies. Those participants who are Medicare-eligible are not covered under the self-insured retiree health care plan, but instead are provided with an employer-funded health reimbursement account which can be used for reimbursement of health insurance premiums or eligible out-of-pocket medical expenses.

Pension and Other Postretirement Benefit Obligations and Plan Assets

	Pension Benefits		Other Postretirement Benefits	
	2015	2014	2015	2014
	(\$ in millions)			
Change in benefit obligations:				
Benefit obligation at beginning of year	\$ 2,429	\$ 2,091	\$ 571	\$ 855
Service cost	41	34	7	7
Interest cost	93	93	21	24
Actuarial losses (gains)	(64)	335	(7)	102
Plan amendments	—	—	(8)	(367)
Benefits paid	(127)	(124)	(48)	(50)
Benefit obligation at end of year	<u>2,372</u>	<u>2,429</u>	<u>536</u>	<u>571</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	2,167	2,115	262	239
Actual return on plan assets	(14)	163	2	26
Employer contribution (reimbursement) ¹	14	13	(27)	47
Benefits paid	(127)	(124)	(48)	(50)
Fair value of plan assets at end of year	<u>2,040</u>	<u>2,167</u>	<u>189</u>	<u>262</u>
Funded status at end of year	<u>\$ (332)</u>	<u>\$ (262)</u>	<u>\$ (347)</u>	<u>\$ (309)</u>
Amounts recognized in the Consolidated Balance Sheets:				
Noncurrent assets	\$ 2	\$ 12	\$ —	\$ —
Current liabilities	(16)	(14)	—	—
Noncurrent liabilities	(318)	(260)	(347)	(309)
Net amount recognized	<u>\$ (332)</u>	<u>\$ (262)</u>	<u>\$ (347)</u>	<u>\$ (309)</u>
Amounts included in accumulated other comprehensive loss (before tax):				
Net loss	\$ 904	\$ 854	\$ 16	\$ 6
Prior service cost (benefit)	3	3	(331)	(347)

¹Norfolk Southern is eligible to receive reimbursement from the Norfolk Southern Corporation Post-Retirement Benefits Trust (Trust), and the Trust had an outstanding liability to Norfolk Southern of \$30 million as of December 31, 2015.

Our accumulated benefit obligation for our defined benefit pension plans is \$2.2 billion at both December 31, 2015 and 2014. Our unfunded pension plans, included above, which in all cases have no assets and therefore have an accumulated benefit obligation in excess of plan assets, had projected benefit obligations of \$274 million at both December 31, 2015 and December 31, 2014, and had accumulated benefit obligations of \$252 million at December 31, 2015, and \$244 million at December 31, 2014.

Pension and Other Postretirement Benefit Cost Components

	2015	2014	2013
	(\$ in millions)		
Pension benefits:			
Service cost	\$ 41	\$ 34	\$ 41
Interest cost	93	93	81
Expected return on plan assets	(165)	(151)	(142)
Amortization of net losses	65	54	89
Amortization of prior service cost	—	1	—
Net cost	<u>\$ 34</u>	<u>\$ 31</u>	<u>\$ 69</u>
Other postretirement benefits:			
Service cost	\$ 7	\$ 7	\$ 16
Interest cost	21	24	50
Expected return on plan assets	(19)	(18)	(16)
Amortization of net losses	—	—	58
Amortization of prior service benefit	(24)	(20)	—
Net cost (benefit)	<u>\$ (15)</u>	<u>\$ (7)</u>	<u>\$ 108</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss

	2015	
	Pension Benefits	Other Postretirement Benefits
	(\$ in millions)	
Net loss arising during the year	\$ 115	\$ 10
Prior service effect of plan amendment	—	(8)
Amortization of net losses	(65)	—
Amortization of prior service benefit	—	24
Total recognized in other comprehensive loss	<u>\$ 50</u>	<u>\$ 26</u>
Total recognized in net periodic cost and other comprehensive loss	<u>\$ 84</u>	<u>\$ 11</u>

Net actuarial losses arising during the year to our pension and other postretirement benefits were due primarily to a lower than expected return on plan assets partially offset by an increase in our discount rate and a change in our mortality assumption.

The estimated net losses for the pension benefit plans that will be amortized from accumulated other comprehensive loss into net periodic cost over the next year are \$50 million. The estimated prior service benefit for the other

postretirement benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit over the next year is \$24 million.

Pension and Other Postretirement Benefits Assumptions

Costs for pension and other postretirement benefits are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year end. A summary of the major assumptions follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Pension funded status:</i>			
Discount rate	4.30%	3.95%	4.60%
Future salary increases	4.50%	4.50%	4.50%
<i>Other postretirement benefits funded status:</i>			
Discount rate	4.02%	3.70%	4.65%
<i>Pension cost:</i>			
Discount rate	3.95%	4.60%	3.65%
Return on assets in plans	8.25%	8.25%	8.25%
Future salary increases	4.50%	4.50%	4.50%
<i>Other postretirement benefits cost:</i>			
Discount rate ¹	3.70%	3.90%	3.80%
Return on assets in plans	8.00%	8.00%	8.00%
Health care trend rate	6.56%	6.94%	7.33%

¹ 2014 other postretirement benefits cost was based on a discount rate of 4.65% prior to our retiree medical plan amendment in the first quarter of 2014, and 3.90% after the plan amendment.

To determine the discount rates, we utilize analyses in which the projected annual cash flows from the pension and other postretirement benefit plans were matched with yield curves based on an appropriate universe of high-quality corporate bonds. We use the results of the yield curve analyses to select the discount rates that match the payment streams of the benefits in these plans.

Health Care Cost Trend Assumptions

For measurement purposes at December 31, 2015, increases in the per capita cost of pre-Medicare covered health care benefits were assumed to be 6.30% for 2016. It is assumed the rate will decrease gradually to an ultimate rate of 5.0% for 2021 and remain at that level thereafter.

Assumed health care cost trend rates affect the amounts reported in the consolidated financial statements. To illustrate, a one-percentage point change in the assumed health care cost trend would have the following effects:

	One-percentage point	
	Increase	Decrease
	<i>(\$ in millions)</i>	
Increase (decrease) in:		
Total service and interest cost components	\$ 1	\$ (1)
Postretirement benefit obligation	11	(10)

Asset Management

Ten investment firms manage our defined benefit pension plans' assets under investment guidelines approved by our Benefits Investment Committee that is comprised of members of our management. Investments are restricted to domestic and international equity securities, domestic and international fixed income securities, and unleveraged exchange-traded options and financial futures. Limitations restrict investment concentration and use of certain derivative investments. The target asset allocation for equity is 75% of the pension plans' assets. The fixed income portfolio is invested in the Barclays Government/Credit Bond Index Fund, except that the Canadian earmarked portion of the portfolio is maintained in U.S. Treasury Bonds. Equity investments must be in liquid securities listed on national exchanges. No investment is permitted in our securities (except through commingled pension trust funds). Investment managers' returns are expected to meet or exceed selected market indices by prescribed margins.

Our pension plans' weighted-average asset allocations, by asset category, were as follows:

	Percentage of plan assets at December 31,	
	2015	2014
Domestic equity securities	50%	50%
Debt securities	25%	25%
International equity securities	23%	23%
Cash and cash equivalents	2%	2%
Total	<u>100%</u>	<u>100%</u>

The other postretirement benefit plan assets consist primarily of trust-owned variable life insurance policies with an asset allocation at December 31, 2015, of 67% in equity securities and 33% in debt securities compared with 66% in equity securities and 34% in debt securities at December 31, 2014. The target asset allocation for equity is between 50% and 75% of the plan's assets.

The plans' assumed future returns are based principally on the asset allocations and historic returns for the plans' asset classes determined from both actual plan returns and, over longer time periods, expected market returns for those asset classes. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a three-year period. We assumed a rate of return on pension plan assets of 8.25% for each 2015, 2014 and 2013. A one-percentage point change to the rate of return assumption would result in a \$20 million change to the net pension cost and, as a result, an equal change in "Compensation and benefits" expense. For 2016, we assume an 8.25% return on pension plan assets.

Fair Value of Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value.

Common stock: Shares held by the plan at year end are valued at the official closing price as defined by the exchange or at the most recent trade price of a security at the close of the active market.

Common collective trusts: Valued at the net asset value (NAV) of shares held by the plan at year end, based on the quoted market prices of the underlying assets of the trusts. The investments are valued using NAV as a practical expedient for fair value. The common collective trusts hold equity securities, fixed income securities and cash and cash equivalents.

Commingled funds: Valued at the NAV of shares held by the plan at year end, based on the quoted market prices of the underlying assets of the funds. The investments are valued using NAV as a practical expedient for fair value. The commingled funds hold equity securities.

Interest bearing cash: Short-term bills or notes are valued at an estimated price at which a dealer would pay for the security at year end using observable market-based inputs; money market funds are valued at the closing price reported on the active market on which the funds are traded.

United States Government and agencies securities: Valued at an estimated price at which a dealer would pay for a security at year end using observable market-based inputs. Inflation adjusted instruments utilize the appropriate index factor.

Preferred stock: Shares held by the plan at year end are valued at the most recent trade price of a security at the close of the active market or at an estimated price at which a dealer would pay for a similar security at year end using observable market-based inputs.

The following table sets forth the pension plans' assets by valuation technique level, within the fair value hierarchy (there were no level 3 valued assets).

	December 31, 2015		
	Level 1	Level 2	Total
	<i>(\$ in millions)</i>		
Common stock	\$ 1,119	\$ —	\$ 1,119
Common collective trusts:			
Debt securities	—	505	505
International equity securities	—	301	301
Commingled funds	—	77	77
Interest bearing cash	34	—	34
U.S. government and agencies securities	—	4	4
	<u>—</u>	<u>4</u>	<u>4</u>
 Total investments	 <u>\$ 1,153</u>	 <u>\$ 887</u>	 <u>\$ 2,040</u>

	December 31, 2014		
	Level 1	Level 2	Total
	<i>(\$ in millions)</i>		
Common stock	\$ 1,180	\$ —	\$ 1,180
Common collective trusts:			
Debt securities	—	532	532
International equity securities	—	327	327
Commingled funds	—	81	81
Interest bearing cash	41	—	41
U.S. government and agencies securities	—	4	4
Preferred stock	—	2	2
	<u>—</u>	<u>2</u>	<u>2</u>
 Total investments	 <u>\$ 1,221</u>	 <u>\$ 946</u>	 <u>\$ 2,167</u>

Following is a description of the valuation methodologies used for other postretirement benefit plan assets measured at fair value.

Trust-owned life insurance: Valued at our share of the net assets of trust-owned life insurance issued by a major insurance company. The underlying investments of that trust consist of a U.S. stock account and a U.S. bond account, and a loan asset account, but may retain cash at times as well. The U.S. stock account and U.S. bond account are valued based upon the aggregate market values of the underlying investments, and the loan asset account is valued at cash surrender value at the time of the loan, plus accrued interest.

The other postretirement benefit plan assets consisted of trust-owned life insurance with fair values of \$189 million and \$262 million at December 31, 2015 and 2014 respectively, and are valued under level 2 of the fair value hierarchy. There were no level 1 or level 3 related assets.

The methods used to value pension and other postretirement benefit plan assets may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different

methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Contributions and Estimated Future Benefit Payments

In 2016, we expect to contribute approximately \$16 million to our unfunded pension plans for payments to pensioners and approximately \$20 million to our other postretirement benefit plans for retiree health and death benefits. We do not expect to contribute to our funded pension plan in 2016.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefits	Other Postretirement Benefits
	<i>(\$ in millions)</i>	
2016	\$ 135	\$ 44
2017	137	43
2018	140	42
2019	142	42
2020	143	41
Years 2021 – 2025	731	185

Other Postretirement Coverage

Under collective bargaining agreements, Norfolk Southern and certain subsidiaries participate in a multi-employer benefit plan, which provides certain postretirement health care and life insurance benefits to eligible union employees. Premiums under this plan are expensed as incurred and totaled \$32 million in 2015, \$36 million in 2014, and \$41 million in 2013.

Section 401(k) Plans

Norfolk Southern and certain subsidiaries provide Section 401(k) savings plans for employees. Under the plans, we match a portion of employee contributions, subject to applicable limitations. Our matching contributions, recorded as an expense, under these plans were \$21 million in 2015, \$20 million in 2014, and \$19 million in 2013.

12. Stock-Based Compensation

Under the stockholder-approved Long-Term Incentive Plan (LTIP), the Compensation Committee (Committee), which is made up of nonemployee members of the Board of Directors, or the Chief Executive Officer (if delegated such authority by the Committee) may grant stock options, stock appreciation rights (SARs), restricted stock units (RSUs), restricted shares, performance share units (PSUs), and performance shares, up to a maximum of 104,125,000 shares of our common stock (Common Stock).

The number of shares remaining for issuance under LTIP is reduced (i) by 1 for each award granted as a stock option or stock-settled SAR, or (ii) by 1.61 for an award made in the form other than a stock option or stock-settled SAR. Under the Board-approved Thoroughbred Stock Option Plan (TSOP), the Committee may grant stock options up to a maximum of 6,000,000 shares of Common Stock. As a broad-based stock option plan, stockholder approval of TSOP was not required. We use newly issued shares to satisfy any exercises and awards under LTIP and TSOP. Shares available for future grants are shown in the table on page K69.

LTIP also permits the payment – on a current or a deferred basis and in cash or in stock – of dividend equivalents on shares of Common Stock covered by stock options, RSUs, or PSUs in an amount commensurate with regular quarterly dividends paid on Common Stock. With respect to stock options, if employment of the participant is terminated for any reason, including retirement, disability, or death, we have no further obligation to make any dividend equivalent payments. Regarding RSUs, if employment of the participant is terminated for any reason other than retirement, disability, or death, we have no further obligation to make any dividend equivalent payments. Should an employee terminate employment, they are not required to forfeit dividend equivalent payments already received. Outstanding PSUs do not currently receive dividend equivalent payments.

During the first and second quarters of 2015, the Committee granted stock options, RSUs and PSUs pursuant to LTIP and granted stock options pursuant to TSOP. Receipt of an award under LTIP was made contingent upon the awardee's execution of a non-compete agreement, and all awards under LTIP were made subject to forfeiture in the event the awardee "engages in competing employment" for a period of time following retirement.

Accounting Method

We account for our grants of stock options, RSUs, PSUs, and dividend equivalent payments in accordance with ASC 718, "*Compensation-Stock Compensation*." Accordingly, all awards result in charges to net income while dividend equivalent payments, which are all related to equity classified awards, are charged to retained income. Related compensation costs were \$42 million in 2015, \$44 million in 2014, and \$54 million in 2013. The total tax effects recognized in income in relation to stock-based compensation were benefits of \$13 million in 2015, \$14 million in 2014, and \$18 million in 2013.

"Common stock issued" in the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013 includes tax benefits generated from tax deductions in excess of compensation costs recognized for share-based awards of \$14 million, \$37 million, and \$38 million, respectively.

Stock Options

Option exercise prices may not be less than the average of the high and low prices at which Common Stock is traded on the grant date and, effective for LTIP options granted after May 13, 2010, will be at least the higher of (i) the average of the high and low prices at which Common Stock is traded on the grant date, or (ii) the closing price of Common Stock on the grant date. All options are subject to a vesting period of at least one year, and the term of the option will not exceed ten years. Holders of the options granted under LTIP who remain actively employed receive cash dividend equivalent payments for four years in an amount equal to the regular quarterly dividends paid on Common Stock. Dividend equivalent payments are not made on TSOP options.

In the first quarter of 2015, 511,010 options were granted under LTIP and 181,320 options were granted under TSOP. In the second quarter of 2015, 132,880 options were granted under LTIP. The grant prices were \$104.23 and \$92.76 for the options granted in the first and second quarters of 2015, respectively. In the first quarter of 2014, 515,240 options were granted under LTIP and 181,070 options were granted under TSOP, each with a grant price of \$94.17. In the first quarter of 2013, 748,200 options were granted under LTIP and 268,500 options were granted under TSOP, each with a grant price of \$69.83. For all years, options granted under LTIP and TSOP may not be exercised prior to the fourth and third anniversaries of the date of grant, respectively, or if the optionee retires or dies before that anniversary date, may not be exercised before the later of one year after the grant date or the date of the optionee's retirement or death.

The fair value of each option awarded in 2015, 2014, and 2013 was measured on the date of grant using a lattice-based option valuation model. Expected volatilities are based on implied volatilities from traded options on, and historical volatility of, Common Stock. Historical data is used to estimate option exercises and employee terminations within the valuation model. The average expected option life is derived from the output of the valuation model and represents the period of time that all options granted are expected to be outstanding, including the branches of the model that result in options expiring unexercised. The average risk-free interest rate is based on

the U.S. Treasury yield curve in effect at the time of grant. A dividend yield of zero was used for LTIP options during the vesting period. For 2015, 2014, and 2013, a dividend yield of 2.27%, 2.29%, and 2.86%, respectively, was used for all vested LTIP options and all TSOP options.

The assumptions for the LTIP and TSOP grants for the last three years are shown in the following table:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expected volatility range	19% – 27%	23% – 27%	24% – 30%
Average expected volatility	25%	25%	26%
Average risk-free interest rate	1.83%	2.79%	1.88%
Average expected option term LTIP	9.3 years	8.9 years	9.0 years
Per-share grant-date fair value LTIP	\$ 30.35	\$ 29.87	\$ 20.40
Average expected option term TSOP	9.1 years	8.8 years	8.9 years
Per-share grant-date fair value TSOP	\$ 24.71	\$ 24.38	\$ 15.84
Options granted (LTIP and TSOP)	825,210	696,310	1,016,700

A summary of the status of changes in stock options is presented below:

	<u>Stock Options</u>	<u>Weighted Avg. Exercise Price</u>
Outstanding at December 31, 2014	5,831,317	\$ 61.57
Granted	825,210	102.38
Exercised	(589,081)	52.99
Forfeited	(18,710)	86.70
Outstanding at December 31, 2015	<u>6,048,736</u>	67.90

The aggregate intrinsic value of options outstanding at December 31, 2015, was \$122 million with a weighted average remaining contractual term of 5.4 years. Of these options outstanding, 3,420,586 were exercisable and had an aggregate intrinsic value of \$106 million with a weighted average exercise price of \$53.69 and a weighted average remaining contractual term of 3.8 years.

The following table provides information related to options exercised for the last three years:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>(\$ in millions)</i>		
Options exercised	589,081	2,009,461	2,570,088
Total intrinsic value	\$ 27	\$ 106	\$ 106
Cash received upon exercise	29	93	93
Related tax benefits realized	7	26	31

At December 31, 2015, total unrecognized compensation related to options granted under LTIP and TSOP was \$12 million, and is expected to be recognized over a weighted-average period of approximately 2.4 years.

Restricted Stock Units

RSU grants and grant-date fair values were 101,470 and \$104.23 in 2015; 113,505 and \$94.17 in 2014; and 162,000 and \$69.83 in 2013. RSUs granted in all three years have a five-year restriction period and will be settled through the issuance of shares of Common Stock. The RSU grants include cash dividend equivalent payments during the restriction period in an amount equal to regular quarterly dividends paid on Common Stock. During 2015, 166,750 of the RSUs granted in 2010 vested, with 99,337 shares of Common Stock issued net of withholding taxes. A summary of the status of and changes in RSUs is presented below:

	<u>RSUs</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested at December 31, 2014	756,505	\$ 67.94
Granted	101,470	104.23
Vested	(166,750)	47.76
Forfeited	<u>(2,500)</u>	78.07
Nonvested at December 31, 2015	<u>688,725</u>	78.14

At December 31, 2015, total unrecognized compensation related to RSUs granted under LTIP was \$8 million, and is expected to be recognized over a weighted-average period of approximately 3.1 years. The total related tax benefits realized in 2015, 2014, and 2013 were \$4 million, \$6 million, and \$2 million, respectively.

Performance Share Units

PSUs provide for awards based on achievement of certain predetermined corporate performance goals at the end of a three-year cycle and are settled through the issuance of shares of Common Stock. PSU grants were 413,770 in 2015 and grant-date fair values relating to performance and market conditions were \$97.24 and \$46.08, respectively, with the market condition fair value measured on the date of grant using a Monte Carlo simulation model. PSU grants were 399,530 and 550,800 in 2014 and 2013, respectively; grant-date fair values relating to performance and market conditions were \$94.17 and \$50.31, respectively, in 2014, and grant-date fair values relating to performance and market conditions were \$69.83 and \$36.01, respectively, in 2013. During 2015, 236,601 of the PSUs granted in 2012 were earned, with 141,386 shares of Common Stock issued net of withholding taxes. A summary of the status of and changes in PSUs is presented below:

	<u>PSUs</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Balance at December 31, 2014	1,414,780	\$ 72.26
Granted	413,770	71.66
Earned	(236,601)	75.14
Unearned	(229,149)	75.14
Forfeited	<u>(1,750)</u>	70.98
Balance at December 31, 2015	<u>1,361,050</u>	71.09

At December 31, 2015, total unrecognized compensation related to PSUs granted under LTIP was \$5 million, and is expected to be recognized over a weighted-average period of approximately 1.6 years. The total related tax benefits realized were \$3 million in 2015, and \$5 million in both 2014 and 2013.

Shares Available and Issued

Shares of Common Stock available for future grants and issued in connection with all features of LTIP and TSOP at December 31, were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Available for future grants:			
LTIP	11,769,796	4,899,428	5,945,033
TSOP	832,676	998,896	1,172,256
Issued:			
LTIP	708,059	2,168,641	2,765,986
TSOP	121,745	252,042	331,282

13. Stockholders' Equity

Common Stock

Common Stock is reported net of shares held by our consolidated subsidiaries (Treasury Shares). Treasury Shares at December 31, 2015 and 2014 amounted to 20,320,777, with a cost of \$19 million at both dates.

Accumulated Other Comprehensive Loss

The components of "Other comprehensive income (loss)" reported in the Consolidated Statements of Comprehensive Income and changes in the cumulative balances of "Accumulated other comprehensive loss" reported in the Consolidated Balance Sheets consisted of the following:

	Balance at Beginning of Year	Net Loss	Reclassification Adjustments	Balance at End of Year
	<i>(\$ in millions)</i>			
<i>Year ended December 31, 2015</i>				
Pensions and other postretirement liabilities	\$ (320)	\$ (72)	\$ 25 ⁽¹⁾	\$ (367)
Other comprehensive loss of equity investees	<u>(78)</u>	<u>—</u>	<u>—</u>	<u>(78)</u>
Accumulated other comprehensive loss	<u>\$ (398)</u>	<u>\$ (72)</u>	<u>\$ 25</u>	<u>\$ (445)</u>
<i>Year ended December 31, 2014</i>				
Pensions and other postretirement liabilities	\$ (310)	\$ (31)	\$ 21 ⁽¹⁾	\$ (320)
Other comprehensive loss of equity investees	<u>(71)</u>	<u>(7)</u>	<u>—</u>	<u>(78)</u>
Accumulated other comprehensive loss	<u>\$ (381)</u>	<u>\$ (38)</u>	<u>\$ 21</u>	<u>\$ (398)</u>

⁽¹⁾ These items are included in the computation of net periodic pension and postretirement benefit costs. See Note 11, "Pensions and Other Postretirement Benefits," for additional information.

Other Comprehensive Income (Loss)

“Other comprehensive income (loss)” reported in the Consolidated Statements of Comprehensive Income consisted of the following:

	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
	<i>(\$ in millions)</i>		
<i>Year ended December 31, 2015</i>			
Net gain (loss) arising during the year:			
Pensions and other postretirement benefits	\$ (117)	\$ 45	\$ (72)
Reclassification adjustments for costs included in net income	41	(16)	25
	<u>41</u>	<u>(16)</u>	<u>25</u>
Other comprehensive loss	<u>\$ (76)</u>	<u>\$ 29</u>	<u>\$ (47)</u>
<i>Year ended December 31, 2014</i>			
Net gain (loss) arising during the year:			
Pensions and other postretirement benefits	\$ (50)	\$ 19	\$ (31)
Reclassification adjustments for costs included in net income	35	(14)	21
	<u>35</u>	<u>(14)</u>	<u>21</u>
Subtotal	(15)	5	(10)
Other comprehensive loss of equity investees	<u>(8)</u>	<u>1</u>	<u>(7)</u>
Other comprehensive loss	<u>\$ (23)</u>	<u>\$ 6</u>	<u>\$ (17)</u>
<i>Year ended December 31, 2013</i>			
Net gain (loss) arising during the year:			
Pensions and other postretirement benefits	\$ 975	\$ (375)	\$ 600
Reclassification adjustments for costs included in net income	147	(58)	89
	<u>147</u>	<u>(58)</u>	<u>89</u>
Subtotal	1,122	(433)	689
Other comprehensive income of equity investees	<u>42</u>	<u>(3)</u>	<u>39</u>
Other comprehensive income	<u>\$ 1,164</u>	<u>\$ (436)</u>	<u>\$ 728</u>

14. Stock Repurchase Program

We repurchased and retired 11.3 million, 3.1 million, and 8.3 million shares of Common Stock under our stock repurchase program in 2015, 2014, and 2013, respectively, at a cost of \$1.1 billion, \$318 million, and \$627 million. On August 1, 2012, our Board of Directors authorized the repurchase of up to an additional 50 million shares of Common Stock through December 31, 2017. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 151.1 million shares at a total cost of \$9.5 billion.

15. Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share:

	Basic			Diluted		
	2015	2014	2013	2015	2014	2013
	<i>(\$ in millions except per share amounts, shares in millions)</i>					
Net income	\$ 1,556	\$ 2,000	\$ 1,910	\$ 1,556	\$ 2,000	\$ 1,910
Dividend equivalent payments	<u>(6)</u>	<u>(6)</u>	<u>(7)</u>	<u>(5)</u>	<u>(4)</u>	<u>(4)</u>
Income available to common stockholders	\$ 1,550	\$ 1,994	\$ 1,903	\$ 1,551	\$ 1,996	\$ 1,906
Weighted-average shares outstanding	<u>301.9</u>	<u>309.4</u>	<u>311.9</u>	301.9	309.4	311.9
Dilutive effect of outstanding options and share-settled awards				<u>2.5</u>	<u>3.1</u>	<u>3.6</u>
Adjusted weighted-average shares outstanding				<u>304.4</u>	<u>312.5</u>	<u>315.5</u>
Earnings per share	<u>\$ 5.13</u>	<u>\$ 6.44</u>	<u>\$ 6.10</u>	<u>\$ 5.10</u>	<u>\$ 6.39</u>	<u>\$ 6.04</u>

In each year, dividend equivalent payments were made to holders of stock options and RSUs. For purposes of computing basic earnings per share, dividend equivalent payments made to holders of stock options and RSUs were deducted from net income to determine income available to common stockholders. For purposes of computing diluted earnings per share, we evaluate on a grant-by-grant basis those stock options and RSUs receiving dividend equivalent payments under the two-class and treasury stock methods to determine which method is the more dilutive for each grant. For those grants for which the two-class method was more dilutive, net income was reduced by dividend equivalent payments to determine income available to common stockholders. The dilution calculations exclude options having exercise prices exceeding the average market price of Common Stock as follows:

Period	2015	2014	2013
	<i>(in millions)</i>		
1st Quarter	—	0.7	0.8
2nd Quarter	0.7	—	—
3rd Quarter	1.5	—	0.8
4th Quarter	1.5	—	—

16. Commitments and Contingencies

Lawsuits

We and/or certain subsidiaries are defendants in numerous lawsuits and other claims relating principally to railroad operations. When we conclude that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in our opinion, the recorded liability is adequate to cover the future payment of such liability and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to results of operations in a particular year or quarter. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments become known.

Two of our customers, DuPont and Sunbelt Chlor Alkali Partnership (Sunbelt), filed rate reasonableness complaints before the Surface Transportation Board (STB) alleging that our tariff rates for transportation of regulated movements are unreasonable. Since June 1, 2009, in the case of DuPont, and April 1, 2011, in the case of Sunbelt, we have been billing and collecting amounts based on the challenged tariff rates. In 2014, the STB resolved both rate reasonableness complaints in our favor. The STB's findings in the Sunbelt case remain subject to technical corrections and requests for reconsideration. Both cases remain open to possible appeal. We believe the estimate of any reasonably possible loss will not have a material effect on our financial position, results of operations, or liquidity. With regard to rate cases, we record adjustments to revenues in the periods if and when such adjustments are probable and estimable.

On November 6, 2007, various antitrust class actions filed against us and other Class I railroads in various Federal district courts regarding fuel surcharges were consolidated in the District of Columbia by the Judicial Panel on Multidistrict Litigation. On June 21, 2012, the court certified the case as a class action. The defendant railroads appealed this certification, and the Court of Appeals for the District of Columbia vacated the District Court's decision and remanded the case for further consideration. We believe the allegations in the complaints are without merit and intend to vigorously defend the cases. We do not believe the outcome of these proceedings will have a material effect on our financial position, results of operations, or liquidity. A lawsuit containing similar allegations against us and four other major railroads that was filed on March 25, 2008, in the U.S. District Court for the District of Minnesota, was voluntarily dismissed by the plaintiff subject to a tolling agreement entered into in August 2008, and most recently extended in August 2013.

Casualty Claims

Casualty claims include employee personal injury and occupational claims as well as third-party claims, all exclusive of legal costs. To aid in valuing our personal injury liability and determining the amount to accrue with respect to such claims during the year, we utilize studies prepared by an independent consulting actuarial firm. Job-related accidental injury and occupational claims are subject to the Federal Employers' Liability Act (FELA), which is applicable only to railroads. FELA's fault-based system produces results that are unpredictable and inconsistent as compared with a no-fault workers' compensation system. The variability inherent in this system could result in actual costs being different from the liability recorded. While the ultimate amount of claims incurred is dependent on future developments, in our opinion, the recorded liability is adequate to cover the future payments of claims and is supported by the most recent actuarial study. In all cases, we record a liability when the expected loss for the claim is both probable and estimable.

Employee personal injury claims – The largest component of casualties and other claims expense is employee personal injury costs. The independent actuarial firm engaged by us provides quarterly studies to aid in valuing our employee personal injury liability and estimating personal injury expense. The actuarial firm studies our historical patterns of reserving for claims and subsequent settlements, taking into account relevant outside influences. The actuarial firm uses the results of these analyses to estimate the ultimate amount of liability, which includes amounts for incurred but unasserted claims. We adjust the liability quarterly based upon our assessment and the results of the

study. Our estimate of loss liabilities is subject to inherent limitation given the difficulty of predicting future events such as jury decisions, court interpretations, or legislative changes and as such the actual loss may vary from the estimated liability recorded.

Occupational claims – Occupational claims (including asbestosis and other respiratory diseases, as well as conditions allegedly related to repetitive motion) are often not caused by a specific accident or event but rather allegedly result from a claimed exposure over time. Many such claims are being asserted by former or retired employees, some of whom have not been employed in the rail industry for decades. The independent actuarial firm provides an estimate of the occupational claims liability based upon our history of claim filings, severity, payments, and other pertinent facts. The liability is dependent upon judgments we make as to the specific case reserves as well as judgments of the actuarial firm in the quarterly studies. The actuarial firm's estimate of ultimate loss includes a provision for those claims that have been incurred but not reported. This provision is derived by analyzing industry data and projecting our experience into the future as far as can be reasonably determined. We adjust the liability quarterly based upon our assessment and the results of the study. However, it is possible that the recorded liability may not be adequate to cover the future payment of claims. Adjustments to the recorded liability are reflected in operating expenses in the periods in which such adjustments become known.

Third-party claims – We record a liability for third-party claims including those for highway crossing accidents, trespasser and other injuries, automobile liability, property damage, and lading damage. The actuarial firm assists us with the calculation of potential liability for third-party claims, except lading damage, based upon our experience including the number and timing of incidents, amount of payments, settlement rates, number of open claims, and legal defenses. The actuarial estimate includes a provision for claims that have been incurred but not reported. We adjust the liability quarterly based upon our assessment and the results of the study. Given the inherent uncertainty in regard to the ultimate outcome of third-party claims, it is possible that the actual loss may differ from the estimated liability recorded.

Environmental Matters

We are subject to various jurisdictions' environmental laws and regulations. We record a liability where such liability or loss is probable and its amount can be estimated reasonably. Claims, if any, against third parties, for recovery of cleanup costs we have incurred are reflected as receivables (when collection is probable) in the Consolidated Balance Sheets and are not netted against the associated liability. Environmental engineers regularly participate in ongoing evaluations of all known sites and in determining any necessary adjustments to liability estimates. We have an Environmental Policy Council, composed of senior managers, to oversee and interpret our environmental policy.

Our Consolidated Balance Sheets include liabilities for environmental exposures of \$69 million at December 31, 2015, and \$66 million at December 31, 2014 (of which \$15 million is classified as a current liability at the end of both 2015 and 2014, respectively). At December 31, 2015, the liability represents our estimates of the probable cleanup, investigation, and remediation costs based on available information at 145 known locations and projects compared with 146 locations and projects at December 31, 2014. At December 31, 2015, 14 sites accounted for \$42 million of the liability, and no individual site was considered to be material. We anticipate that much of this liability will be paid out over five years; however, some costs will be paid out over a longer period.

At 12 locations, one or more of our subsidiaries in conjunction with a number of other parties have been identified as potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or comparable state statutes that impose joint and several liability for cleanup costs. We calculate our estimated liability for these sites based on facts and legal defenses applicable to each site and not solely on the basis of the potential for joint liability.

With respect to known environmental sites (whether identified by us or by the Environmental Protection Agency or comparable state authorities), estimates of our ultimate potential financial exposure for a given site or in the aggregate for all such sites can change over time because of the widely varying costs of currently available cleanup

techniques, unpredictable contaminant recovery and reduction rates associated with available cleanup technologies, the likely development of new cleanup technologies, the difficulty of determining in advance the nature and full extent of contamination and each potential participant's share of any estimated loss (and that participant's ability to bear it), and evolving statutory and regulatory standards governing liability.

The risk of incurring environmental liability – for acts and omissions, past, present, and future – is inherent in the railroad business. Some of the commodities we transport, particularly those classified as hazardous materials, pose special risks that we work diligently to reduce. In addition, several of our subsidiaries own, or have owned, land used as operating property, or which is leased and operated by others, or held for sale. Because environmental problems that are latent or undisclosed may exist on these properties, there can be no assurance that we will not incur environmental liabilities or costs with respect to one or more of them, the amount and materiality of which cannot be estimated reliably at this time. Moreover, lawsuits and claims involving these and potentially other unidentified environmental sites and matters are likely to arise from time to time. The resulting liabilities could have a significant effect on financial position, results of operations, or liquidity in a particular year or quarter.

Based on our assessment of the facts and circumstances now known, we believe we have recorded the probable and reasonably estimable costs for dealing with those environmental matters of which we are aware. Further, we believe that it is unlikely that any known matters, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, or liquidity.

Insurance

We obtain on behalf of ourselves and our subsidiaries insurance for potential losses for third-party liability and first-party property damages. We are currently self-insured up to \$50 million and above \$1.1 billion per occurrence and/or policy year for bodily injury and property damage to third parties and up to \$25 million and above \$200 million per occurrence and/or policy year for property owned by us or in our care, custody, or control.

Purchase Commitments

At December 31, 2015, we had outstanding purchase commitments totaling approximately \$909 million for locomotives, freight cars and containers, track material, and track and yard expansion projects in connection with our capital programs as well as long-term service contracts through 2020.

Change-In-Control Arrangements

We have compensation agreements with certain officers and key employees that become operative only upon a change in control of Norfolk Southern, as defined in those agreements. The agreements provide generally for payments based on compensation at the time of a covered individual's involuntary or other specified termination and for certain other benefits.

Guarantees

In a number of instances, we have agreed to indemnify lenders for additional costs they may bear as a result of certain changes in laws or regulations applicable to their loans. Such changes may include impositions or modifications with respect to taxes, duties, reserves, liquidity, capital adequacy, special deposits, and similar requirements relating to extensions of credit by, deposits with, or the assets or liabilities of such lenders. The nature and timing of changes in laws or regulations applicable to our financings are inherently unpredictable, and therefore our exposure in connection with the foregoing indemnifications cannot be quantified. No liability has been recorded related to these indemnifications.

We have agreed to indemnify parties in a number of transactions for U.S. income tax withholding imposed as a result of changes in U.S. tax law. In all cases, we have the right to unwind the related transaction if the withholding cannot be avoided in the future. Because these indemnities would be triggered and are dependent upon a change in

the tax law, the maximum exposure is not quantifiable. We do not believe it is likely that we will be required to make any payments under these indemnities.

At December 31, 2015 certain Norfolk Southern subsidiaries are contingently liable as guarantors with respect to \$7 million of indebtedness, due in 2019, of an entity in which they have an ownership interest, the Terminal Railroad Association of St. Louis. Four other railroads are also jointly and severally liable as guarantors for this indebtedness. No liability has been recorded related to this guaranty.

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES
QUARTERLY FINANCIAL DATA
(Unaudited)

	Three Months Ended			
	March 31	June 30	September 30	December 31
	<i>(\$ in millions, except per share amounts)</i>			
2015				
Railway operating revenues	\$ 2,567	\$ 2,713	\$ 2,713	\$ 2,518
Income from railway operations	606	814	822	642
Net income	310	433	452	361
Earnings per share:				
Basic	1.01	1.43	1.50	1.21
Diluted	1.00	1.41	1.49	1.20
2014				
Railway operating revenues	\$ 2,689	\$ 3,042	\$ 3,023	\$ 2,870
Income from railway operations	667	1,019	998	891
Net income	368	562	559	511
Earnings per share:				
Basic	1.18	1.81	1.80	1.65
Diluted	1.17	1.79	1.79	1.64

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) at December 31, 2015. Based on such evaluation, our officers have concluded that, at December 31, 2015, our disclosure controls and procedures were effective to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported, within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that pertain to our ability to record, process, summarize, and report reliable financial data. We recognize that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that our internal control over financial reporting is effective, we regularly assess such controls and did so most recently for our financial reporting at December 31, 2015. This assessment was based on criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on our assessment, we have concluded that we maintained effective internal control over financial reporting at December 31, 2015.

Our Board of Directors, acting through its Audit Committee, is responsible for the oversight of our accounting policies, financial reporting, and internal control. The Audit Committee of our Board of Directors is comprised entirely of outside directors who are independent of management. The independent registered public accounting firm and our internal auditors have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matters which they believe should be brought to the attention of the Audit Committee.

We have issued a report of our assessment of internal control over financial reporting, and our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting at December 31, 2015. These reports appear in Part II, Item 8 of this report on Form 10-K.

During the fourth quarter of 2015, we have not identified any changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially effect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 10. Directors, Executive Officers, and Corporate Governance

In accordance with General Instruction G(3), information called for by Part III, Item 10, is incorporated herein by reference from the information appearing under the caption “Election of Directors,” under the caption “Section 16(a) Beneficial Ownership Reporting Compliance,” under the caption “Corporate Governance and the Board,” under the caption “Committees of the Board,” under the caption “Shareholder Recommendations and Nominations,” and under the caption “The Thoroughbred Code of Ethics” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part I hereof beginning under “Executive Officers of the Registrant.”

Item 11. Executive Compensation

In accordance with General Instruction G(3), information called for by Part III, Item 11, is incorporated herein by reference from the information:

- under the caption “Corporate Governance and the Board”, including “Compensation of Directors” and “Non-Employee Director Compensation;”
- appearing under the caption “Executive Compensation” for executives, including the “Compensation Discussion and Analysis,” the information appearing in the “Summary Compensation Table” and the “2015 Grants of Plan-Based Awards” table, including the narrative to such tables, the “Outstanding Equity Awards at Fiscal Year-End 2015” and “Option Exercises and Stock Vested in 2015” tables, and the tabular and narrative information appearing under the subcaptions “Retirement Benefits,” “Deferred Compensation,” and “Potential Payments Upon a Change in Control or Other Termination of Employment;” and
- appearing under the captions “Compensation Committee Interlocks and Insider Participation,” “Compensation Policy Risk Assessment,” and “Compensation Committee Report,”

in each case included in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

In accordance with General Instruction G(3), information on security ownership of certain beneficial owners and management called for by Item 403 of Regulation S-K, Part III, Item 12, is incorporated herein by reference from the information appearing under the caption "Beneficial Ownership of Stock" in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Equity Compensation Plan Information (at December 31, 2015)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
	(a)	(b)	(c)
Equity compensation plans approved by securities holders ⁽²⁾	7,291,016 ⁽⁴⁾	\$ 66.63 ⁽⁵⁾	11,769,796
Equity compensation plans not approved by securities holders ⁽³⁾	<u>1,129,379</u>	73.46	<u>841,676 ⁽⁶⁾</u>
Total	<u>8,420,395</u>		<u>12,611,472</u>

⁽¹⁾ Excludes securities reflected in column (a).

⁽²⁾ LTIP.

⁽³⁾ TSOP and the Director's Restricted Stock Plan.

⁽⁴⁾ Includes options, RSUs and PSUs granted under LTIP that will be settled in shares of stock.

⁽⁵⁾ Calculated without regard to 2,372,159 outstanding RSUs and PSUs at December 31, 2015.

⁽⁶⁾ Of the shares remaining available for grant under plans not approved by stockholders, 9,000 are available for grant as restricted stock under the Directors' Restricted Stock Plan.

Norfolk Southern Corporation Long-Term Incentive Plan (LTIP)

Established on June 28, 1983, and approved by our stockholders at their Annual Meeting held on May 10, 1984, LTIP was adopted to promote the success of our company by providing an opportunity for non-employee Directors, officers, and other key employees to acquire a proprietary interest in the Corporation. The Board of Directors amended LTIP on January 23, 2015, which amendment was approved by shareholders on May 14, 2015, to include the reservation for issuance of an additional 8,000,000 shares of authorized but unissued Common Stock.

The amended LTIP adopted a fungible share reserve ratio so that, for awards granted after May 13, 2010, the number of shares remaining for issuance under the amended LTIP will be reduced (i) by 1 for each award granted as an option or stock-settled stock appreciation right, or (ii) by 1.61 for an award made in the form other than an option or stock-settled stock appreciation right. Any shares of Common Stock subject to options, PSUs, restricted shares, or RSUs which are not issued as Common Stock will again be available for award under LTIP after the expiration or forfeiture of an award.

Non-employee Directors, officers, and other key employees residing in the United States or Canada are eligible for selection to receive LTIP awards. Under LTIP, the Compensation Committee (Committee), or the Corporation's chief executive officer to the extent the Committee delegates award-making authority pursuant to LTIP, may grant incentive stock options, nonqualified stock options, stock appreciation rights, RSUs, restricted shares, PSUs, and performance shares. In addition, dividend equivalent payments may be awarded for options, RSUs, and PSUs. Awards under LTIP may be made subject to forfeiture under certain circumstances and may establish such other terms and conditions for the awards as provided in LTIP.

For options granted after May 13, 2010, the option price will be at least the higher of (i) the average of the high and low prices at which Common Stock is traded on the date of grant, or (ii) the closing price of Common Stock on the date of the grant. All options are subject to a vesting period of at least one year, and the term of the option will not exceed ten years. LTIP specifically prohibits option repricing without stockholder approval, except that adjustments may be made in the event of changes in our capital structure or Common Stock.

PSUs entitle a recipient to receive performance-based compensation at the end of a three-year cycle based on our performance during that period. For the 2015 PSU awards, corporate performance will be measured using two equally weighted standards established by the Committee: (1) three-year average return on average capital invested and (2) total return to stockholders measured at the end of the three-year period. For the 2015 PSU awards, PSUs will be settled in shares of Common Stock.

RSUs are payable in cash or in shares of Common Stock at the end of a restriction period of not less than 36 months and not more than 60 months. During the restriction period, the holder of the RSUs has no beneficial ownership interest in the Common Stock represented by the RSUs and has no right to vote the shares represented by the units or to receive dividends (except for dividend equivalent payment rights that may be awarded with respect to the RSUs). The Committee at its discretion may waive the restriction period, but settlement of any RSUs will occur on the same settlement date as would have applied absent a waiver of restrictions, if no performance goals were imposed.

Norfolk Southern Corporation Thoroughbred Stock Option Plan (TSOP)

Our Board of Directors adopted TSOP on January 26, 1999, to promote the success of our company by providing an opportunity for nonagreement employees to acquire a proprietary interest in our company and thereby to provide an additional incentive to nonagreement employees to devote their maximum efforts and skills to the advancement, betterment, and prosperity of our company and our stockholders. Under TSOP there were 6,000,000 shares of authorized but unissued Common Stock reserved for issuance. TSOP has not been and is not required to have been approved by our stockholders.

Active full-time nonagreement employees residing in the United States or Canada are eligible for selection to receive TSOP awards. Under TSOP, the Committee, or the Corporation's chief executive officer to the extent the Committee delegates award-making authority pursuant to TSOP, may grant nonqualified stock options subject to such terms and conditions as provided in TSOP.

The option price may not be less than the average of the high and low prices at which Common Stock is traded on the date of the grant. All options are subject to a vesting period of at least one year, and the term of the option will not exceed ten years. TSOP specifically prohibits repricing without stockholder approval, except for capital adjustments.

Norfolk Southern Corporation Directors' Restricted Stock Plan (Plan)

The Plan was adopted on January 1, 1994, and is designed to increase ownership of Common Stock by our non-employee Directors so as to further align their ownership interest in our company with that of our stockholders. The Plan has not been and is not required to have been approved by our stockholders. A maximum of 66,000 shares of Common Stock may be granted under the Plan. To make grants eligible to Directors, we purchase, through one or more subsidiary companies, the number of shares required in open-market transactions at prevailing market prices, or make such grants from Common Stock already owned by one or more of our subsidiary companies.

Effective January 23, 2015, the Board amended the Plan to provide that no additional awards will be made under the Plan after the effective date. Prior to that amendment, only non-employee Directors who are not and never have been employees of our company were eligible to participate in the Plan. Upon becoming a Director, each eligible Director received a one-time grant of 3,000 restricted shares of Common Stock. No individual member of the Board exercised discretion concerning the eligibility of any Director or the number of shares granted.

The restriction period applicable to restricted shares granted under the Plan begins on the date of the grant and ends on the earlier of the recipient's death or the day after the recipient ceases to be a Director by reason of disability or retirement. During the restriction period, shares may not be sold, pledged, or otherwise encumbered. Directors forfeit the restricted shares if they cease to serve as a Director of our company for reasons other than their disability, retirement, or death.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In accordance with General Instruction G(3), information called for by Part III, Item 13, is incorporated herein by reference from the information appearing under the caption “Related Persons Transactions” and under the caption “Director Independence” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services

In accordance with General Instruction G(3), information called for by Part III, Item 14, is incorporated herein by reference from the information appearing under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

PART IV

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

Item 15. Exhibits and Financial Statement Schedules

		Page
(A)	The following documents are filed as part of this report:	
	1. <u>Index to Consolidated Financial Statements</u>	
	<u>Report of Management</u>	K 35
	<u>Reports of Independent Registered Public Accounting Firm</u>	K 36
	<u>Consolidated Statements of Income, Years ended December 31, 2015, 2014, and 2013</u>	K 38
	<u>Consolidated Statements of Comprehensive Income, Years ended December 31, 2015, 2014, and 2013</u>	K 39
	<u>Consolidated Balance Sheets at December 31, 2015 and 2014</u>	K 40
	<u>Consolidated Statements of Cash Flows, Years ended December 31, 2015, 2014, and 2013</u>	K 41
	<u>Consolidated Statements of Changes in Stockholders' Equity, Years ended December 31, 2015, 2014, and 2013</u>	K 42
	<u>Notes to Consolidated Financial Statements</u>	K 43
	2. Financial Statement Schedule:	
	The following consolidated financial statement schedule should be read in connection with the consolidated financial statements:	
	Index to Consolidated Financial Statement Schedule	
	<u>Schedule II – Valuation and Qualifying Accounts</u>	K 96
	Schedules other than the one listed above are omitted either because they are not required or are inapplicable, or because the information is included in the consolidated financial statements or related notes.	
	3. Exhibits	
Exhibit	Number	Description
	3	Articles of Incorporation and Bylaws –
	3(i)	The Restated Articles of Incorporation of Norfolk Southern Corporation are incorporated by reference to Exhibit 3(i) to Norfolk Southern Corporation's 10-K filed on March 5, 2001.
	3(ii)	An amendment to the Articles of Incorporation of Norfolk Southern Corporation is incorporated by reference to Exhibit 3(i) to Norfolk Southern Corporation's Form 8-K filed on May 18, 2010.
	3(iii)	The Bylaws of Norfolk Southern Corporation, as amended January 21, 2014, are incorporated by reference to Exhibit 3(ii) to Norfolk Southern Corporation's Form 8-K filed on January 21, 2014.
	3(iv)	The Bylaws of Norfolk Southern Corporation, as amended September 22, 2015, are incorporated by reference to Exhibit 3(iii) to Norfolk Southern Corporation's Form 8-K filed on September 22, 2015.

Instruments Defining the Rights of Security Holders, Including Indentures:

- (a) Indenture, dated as of January 15, 1991, from Norfolk Southern Corporation to First Trust of New York, National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Registration Statement on Form S-3 (No. 33-38595).
- (b) First Supplemental Indenture, dated May 19, 1997, between Norfolk Southern Corporation and First Trust of New York, National Association, as Trustee, related to the issuance of notes in the principal amount of \$4.3 billion, is incorporated by reference to Exhibit 1.1(d) to Norfolk Southern Corporation's Form 8-K filed on May 21, 1997.
- (c) Second Supplemental Indenture, dated April 26, 1999, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 1.1(c) to Norfolk Southern Corporation's Form 8-K filed on April 30, 1999.
- (d) Fourth Supplemental Indenture, dated as of February 6, 2001, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$1 billion, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on February 7, 2001.
- (e) Indenture, dated August 27, 2004, among PRR Newco, Inc., as Issuer, and Norfolk Southern Railway Company, as Guarantor, and The Bank of New York, as Trustee, is incorporated by reference to Exhibit 4(1) to Norfolk Southern Corporation's Form 10-Q filed on October 28, 2004.
- (f) First Supplemental Indenture, dated August 27, 2004, among PRR Newco, Inc., as Issuer, and Norfolk Southern Railway Company, as Guarantor, and The Bank of New York, as Trustee, related to the issuance of notes in the principal amount of approximately \$451.8 million, is incorporated by reference to Exhibit 4(m) to Norfolk Southern Corporation's Form 10-Q filed on October 28, 2004.
- (g) Ninth Supplemental Indenture, dated as of March 11, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$300 million, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on March 15, 2005.
- (h) Tenth Supplemental Indenture, dated as of May 17, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$366.6 million, is incorporated by reference to Exhibit 99.1 to Norfolk Southern Corporation's Form 8-K filed on May 18, 2005.
- (i) Eleventh Supplemental Indenture, dated as of May 17, 2005, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$350 million, is incorporated by reference to Exhibit 99.2 to Norfolk Southern Corporation's Form 8-K filed on May 18, 2005.

- (j) Twelfth Supplemental Indenture, dated as of August 26, 2010, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$250 million, is incorporated by reference to Exhibit 4.2 to Norfolk Southern Corporation's Form 8-K filed on August 26, 2010.

- (k) Indenture, dated as of April 4, 2008, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$600 million, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on April 9, 2008.
- (l) Indenture, dated as of January 15, 2009, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$500 million, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on January 20, 2009.
- (m) Indenture, dated as of June 1, 2009, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on June 1, 2009.
- (n) First Supplemental Indenture, dated as of June 1, 2009, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$500 million, is incorporated by reference to Exhibit 4.2 to Norfolk Southern Corporation's Form 8-K filed on June 1, 2009.
- (o) Second Supplemental Indenture, dated as of May 23, 2011, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$400 million, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on May 23, 2011.
- (p) Indenture, dated as of September 14, 2011, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$595,504,000, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on September 15, 2011.
- (q) Third Supplemental Indenture, dated as of September 14, 2011, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$4,492,000, is incorporated by reference to Exhibit 4.2 to Norfolk Southern Corporation's Form 8-K filed on September 15, 2011.
- (r) Fourth Supplemental Indenture, dated as of November 17, 2011, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of two series of notes, one in the principal amount of \$500 million and one in the principal amount of \$100 million, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on November 17, 2011.
- (s) Indenture, dated as of March 15, 2012, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on March 15, 2012.
- (t) First Supplemental Indenture, dated as of March 15, 2012, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to Norfolk Southern Corporation's Form 8-K filed on March 15, 2012.

- (u) Indenture, dated as of August 20, 2012, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on August 21, 2012.

- (v) Second Supplemental Indenture, dated as of September 7, 2012, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on September 7, 2012.

- (w) Third Supplemental Indenture, dated as of August 13, 2013, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$500,000,000, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on August 13, 2013.
- (x) Fourth Supplemental Indenture, dated as of November 21, 2013, between the Registrant and U.S. Bank Trust National Association, as Trustee, related to the issuance of notes in the principal amount of \$400,000,000, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on November 21, 2013.
- (y) Indenture dated as of June 2, 2015, between Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on June 2, 2015.
- (z) First Supplemental Indenture, dated as of June 2, 2015, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to Norfolk Southern Corporation's Form 8-K filed on June 2, 2015.
- (aa) Second Supplemental Indenture, dated as of November 3, 2015, between the Registrant and U.S. Bank Trust National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on November 3, 2015.

In accordance with Item 601(b)(4)(iii) of Regulation S-K, copies of other instruments of Norfolk Southern Corporation and its subsidiaries with respect to the rights of holders of long-term debt are not filed herewith, or incorporated by reference, but will be furnished to the Commission upon request.

10 Material Contracts -

- (a) The Transaction Agreement, dated as of June 10, 1997, by and among CSX and CSX Transportation, Inc., Registrant, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation, and CRR Holdings LLC, with certain schedules thereto, previously filed, is incorporated by reference to Exhibit 10(a) to Norfolk Southern Corporation's Form 10-K filed on February 24, 2003.
- (b) Amendment No. 1 dated as of August 22, 1998, to the Transaction Agreement, dated as of June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail, Inc., Consolidated Rail Corporation, and CRR Holdings LLC, is incorporated by reference from Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.
- (c) Amendment No. 2 dated as of June 1, 1999, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail, Inc., Consolidated Rail Corporation, and CRR Holdings LLC, is incorporated by reference from Exhibit 10.2 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

- (d) Amendment No. 3 dated as of June 1, 1999, and executed in April 2004, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail, Inc., Consolidated Rail Corporation, and CRR Holdings LLC, is incorporated by reference from Exhibit 10(dd) to Norfolk Southern Corporation's Form 10-Q filed on July 30, 2004.

- (e) Amendment No. 5 to the Transaction Agreement, dated as of August 27, 2004, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail, Inc., Consolidated Rail Corporation, and CRR Holdings LLC, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on September 2, 2004.
- (f) Amendment No. 6 dated as of April 1, 2007, to the Transaction Agreement, dated June 10, 1997, by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Railway Company, Conrail, Inc., Consolidated Rail Corporation, and CRR Holdings LLC, is incorporated by reference to Exhibit 10.5 to Norfolk Southern Corporation's Form 10-Q filed on July 27, 2007.
- (g) Shared Assets Area Operating Agreement for North Jersey, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto, is incorporated by reference from Exhibit 10.4 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.
- (h) Shared Assets Area Operating Agreement for Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto, is incorporated by reference from Exhibit 10.6 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.
- (i) Shared Assets Area Operating Agreement for South Jersey/Philadelphia, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibit thereto, is incorporated by reference from Exhibit 10.5 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.
- (j) Amendment No. 1, dated as of June 1, 2000, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia, and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibits thereto, is incorporated by reference to Exhibit 10(h) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.
- (k) Amendment No. 2, dated as of January 1, 2001, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia, and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibits thereto, is incorporated by reference to Exhibit 10(j) to Norfolk Southern Corporation's Form 10-K filed on February 21, 2002.
- (l) Amendment No. 3, dated as of June 1, 2001, and executed in May of 2002, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia, and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibits thereto, is incorporated by reference to Exhibit 10(k) to Norfolk Southern Corporation's Form 10-K filed on February 24, 2003.
- (m) Amendment No. 4, dated as of June 1, 2005, and executed in late June 2005, to the Shared Assets Area Operating Agreements for North Jersey, South Jersey/Philadelphia, and Detroit, dated as of June 1, 1999, by and among Consolidated Rail Corporation, CSX Transportation, Inc., and Norfolk Southern Railway Company, with exhibits thereto, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on July 1, 2005.

- (n) Monongahela Usage Agreement, dated as of June 1, 1999, by and among CSX Transportation, Inc., Norfolk Southern Railway Company, Pennsylvania Lines LLC, and New York Central Lines LLC, with exhibit thereto, is incorporated by reference from -Exhibit 10.7 to Norfolk Southern Corporation's Form 10-Q filed on August 11, 1999.

- (o) The Agreement, entered into as of July 27, 1999, between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated by reference from Exhibit 10(i) to Norfolk Southern Corporation's Form 10-K filed on March 6, 2000.
- (p) First Amendment, dated March 19, 2007, to the Master Agreement dated July 27, 1999, by and between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated by reference to Exhibit 10.3 to Norfolk Southern Corporation's Form 10-Q filed on July 27, 2007.
- (q) Second Amendment, dated December 28, 2009, to the Master Agreement dated July 27, 1999, by and between North Carolina Railroad Company and Norfolk Southern Railway Company, is incorporated by reference to Exhibit 10(q) to Norfolk Southern Corporation's Form 10-K filed on February 17, 2010 (Exhibits, annexes and schedules omitted. The Registrant will furnish supplementary copies of such materials to the SEC upon request).
- (r) The Supplementary Agreement, entered into as of January 1, 1987, between the Trustees of the Cincinnati Southern Railway and The Cincinnati, New Orleans and Texas Pacific Railway Company (the latter a wholly owned subsidiary of Norfolk Southern Railway Company) – extending and amending a Lease, dated as of October 11, 1881 – is incorporated by reference to Exhibit 10(k) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.
- (s)* Norfolk Southern Corporation Executive Management Incentive Plan, as approved by shareholders May 14, 2015, is incorporated by reference to Exhibit 10-A to Norfolk Southern Corporation's Form 10-Q filed on July 27, 2015.
- (t)* The Norfolk Southern Corporation Officers' Deferred Compensation Plan, as amended effective September 26, 2000, is incorporated by reference to Exhibit 10(n) to Norfolk Southern Corporation's Form 10-K filed on March 5, 2001.
- (u)* The Norfolk Southern Corporation Directors' Restricted Stock Plan, adopted January 1, 1994, and amended and restated effective as of January 23, 2014.
- (v)* Supplemental Benefit Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, adopted June 1, 1982, and as amended and restated effective as of September 30, 2014.
- (w)* The Norfolk Southern Corporation Directors' Charitable Award Program, as amended effective July 2007, is incorporated by reference to Exhibit 10.6 to Norfolk Southern Corporation's Form 10-Q filed on July 27, 2007.
- (x) The Norfolk Southern Corporation Thoroughbred Stock Option Plan, as amended effective July 22, 2013, is incorporated by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 10-Q filed on July 24, 2013.
- (y)* The Norfolk Southern Corporation Executive Life Insurance Plan, as amended and restated effective November 1, 2009, is incorporated by reference to Exhibit 10(cc) to Norfolk Southern Corporation's Form 10-K filed on February 17, 2010.

- (z) Distribution Agreement, dated as of July 26, 2004, by and among CSX Corporation, CSX Transportation, Inc., CSX Rail Holding Corporation, CSX Northeast Holdings Corporation, Norfolk Southern Corporation, Norfolk Southern Railway Company, CRR Holdings LLC, Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, Pennsylvania Lines LLC, NYC Newco, Inc., and PRR Newco, Inc., is incorporated by reference to Exhibit 2.1 to Norfolk Southern Corporation's Form 8-K filed on September 2, 2004.

- (aa) Tax Agreement, dated as of August 27, 2004, by and among Green Acquisition Corp., Conrail Inc., Consolidated Rail Corporation, New York Central Lines LLC, and Pennsylvania Lines LLC, is incorporated by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on September 2, 2004.

- (bb)* The description of Norfolk Southern Corporation's executive physical reimbursement for non-employee directors and certain executives is incorporated by reference to Norfolk Southern Corporation's Form 8-K filed on July 28, 2005.
- (cc)* The Norfolk Southern Corporation Long-Term Incentive Plan, as approved by shareholders effective May 14, 2015, is incorporated by reference to Exhibit 10-B to Norfolk Southern's Form 10-Q filed on July 27, 2015.
- (dd) The Transaction Agreement, dated as of December 1, 2005, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern, and The Kansas City Southern Railway Company, is incorporated by reference to Exhibit 10(II) to Norfolk Southern Corporation's Form 10-K filed on February 23, 2006 (Exhibits, annexes, and schedules omitted. The Registrant will furnish supplementary copies of such materials to the SEC upon request).
- (ee) Amendment No. 1, dated as of January 17, 2006, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern, and The Kansas City Southern Railroad, is incorporated by reference to Exhibit 10(mm) to Norfolk Southern Corporation's Form 10-K filed on February 23, 2006.
- (ff) Amendment No. 2, dated as of May 1, 2006, to the Transaction Agreement, dated as of December 1, 2005, by and among Norfolk Southern Corporation, The Alabama Great Southern Railroad Company, Kansas City Southern, and The Kansas City Southern Railway Company is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on May 4, 2006.
- (gg) Limited Liability Agreement of Meridian Speedway, LLC, dated as of May 1, 2006, by and among the Alabama Great Southern Railroad Company and Kansas City Southern, is incorporated by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on May 4, 2006.
- (hh)*,** Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies effective June 1, 1982, as amended and restated effective November 1, 2015.
- (ii) Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on November 14, 2007.
- (jj) Amendment No. 2, dated as of May 19, 2009, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on July 31, 2009.
- (kk) Amendment No. 3, dated as of August 21, 2009, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on October 30, 2009.
- (ll) Amendment No. 4, dated as of October 22, 2009, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on October 22, 2009.

- (mm) Amendment No. 5, dated as of December 23, 2009, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10(xx) to Norfolk Southern Corporation's Form 10-K filed on February 17, 2010.
- (nn) Amendment No. 6, dated as of August 30, 2010, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on October 29, 2010.

- (oo) Amendment No. 7, dated as of October 21, 2010, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on October 22, 2010.
- (pp) Amendment No. 8, dated as of October 20, 2011, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on October 20, 2011.
- (qq) Amendment No. 9, dated as of October 18, 2012, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on October 22, 2012.
- (rr) Amendment No. 10, dated as of October 17, 2013, to Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on October 18, 2013.
- (ss) Dealer Agreement dated as of January 23, 2008, between the Registrant and J. P. Morgan Securities Inc. is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on January 25, 2008.
- (tt) Dealer Agreement dated as of January 23, 2008, between the Registrant and Goldman, Sachs & Co. is incorporated by reference to Exhibit 10.2 to Norfolk Southern Corporation's Form 8-K filed on January 25, 2008.
- (uu) Omnibus Amendment, dated as of March 18, 2008, to the Transfer and Administration Agreement dated as of November 8, 2007, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on April 23, 2008.
- (vv) Transaction Agreement (Pan Am Transaction Agreement), dated May 15, 2008, by and among Norfolk Southern Railway Company, Pan Am Railways, Inc., Boston and Maine Corporation, and Springfield Terminal Railway Company, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on July 24, 2008 (Exhibits, annexes and schedules omitted. The Registrant will furnish supplementary copies of such materials to the SEC upon request).
- (ww) Letter Agreement, dated October 21, 2008, by and among Norfolk Southern Railway Company, Pan Am Railways, Inc., Boston and Maine Corporation, and Springfield Terminal Railway Company amending certain terms of the Pan Am Transaction Agreement, is incorporated by reference to Exhibit 10(rrr) to Norfolk Southern Corporation's Form 10-K filed on February 18, 2009.
- (xx)* Directors' Deferred Fee Plan of Norfolk Southern Corporation, adopted June 1, 1982 and as amended and restated effective October 3, 2014, is incorporated by reference to Exhibit 10 to Norfolk Southern Corporation's Form 10-Q filed on October 22, 2014.
- (yy)* Norfolk Southern Corporation Executives' Deferred Compensation Plan, as amended effective June 26, 2013, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on July 24, 2013.

(zz)* Amendment to Norfolk Southern Corporation Officers' Deferred Compensation Plan, effective January 1, 2008, is incorporated by reference to Exhibit 10.03 to Norfolk Southern Corporation's Form 8-K filed on July 24, 2008.

(aaa)* Norfolk Southern Corporation Restricted Stock Unit Plan, as amended effective January 1, 2009, is incorporated by reference to Exhibit 10.05 to Norfolk Southern Corporation's Form 8-K filed on July 24, 2008.

- (bbb) Amendment No. 1 to Transfer and Administration Agreement dated as of October 22, 2008, and effective as of October 23, 2008, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on October 23, 2006.
- (ccc)* Stock Unit Plan of Norfolk Southern Corporation dated as of July 24, 2001, as amended on August 21, 2008, with an effective date of January 1, 2009, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on October 24, 2008.
- (ddd)* Form of Amended and Restated Change in Control Agreement between Norfolk Southern Corporation and certain executive officers (including those defined as "named executive officers" and identified in the Corporation's Proxy Statement for the 2016 annual Meeting of Stockholders), is incorporated by reference to Exhibit 10(aaaa) to Norfolk Southern Corporation's Form 10-K filed on February 18, 2009.
- (eee) Limited Liability Company Agreement of Pan Am Southern LLC, dated as of April 9, 2009, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on April 9, 2009 (exhibits, annexes, and schedules omitted – the Registrant will furnish supplementary copies of such materials to the SEC upon request).
- (fff) Credit Agreement dated as of December 14, 2011, is incorporated by reference to Exhibit 99 to Norfolk Southern Corporation's Form 8-K filed on December 15, 2011.
- (ggg)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for Outside Directors as approved by the Compensation Committee on November 30, 2015.
- (hhh)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for performance share units approved by the Compensation Committee on November 30, 2015.
- (iii)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for non-qualified stock options approved by the Compensation Committee on November 30, 2015.
- (jjj)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for restricted stock units approved by the Compensation Committee on November 30, 2015.
- (kkk)* Form of Norfolk Southern Corporation Long-Term Incentive Plan, Non-Compete Agreement Associated with Award Agreement, approved by the Compensation Committee on January 22, 2015.
- (lll) Performance Criteria for bonuses payable in 2017 for the 2016 incentive year. On November 30, 2015, the Compensation Committee of the Norfolk Southern Corporation Board of Directors adopted the following performance criteria for determining bonuses payable in 2017 for the 2016 incentive year under the Norfolk Southern Corporation Executive Management Incentive Plan: 50% based on operating income; 35% based on operating ratio; and 15% based on a composite of three transportation service measures, consisting of adherence to operating plan, connection performance, and train performance.
- (mmm) Omnibus Amendment, dated as of January 17, 2011, to Pan Am Transaction Agreement dated as of May 15, 2008, and Limited Liability Company Agreement of Pan Am Southern LLC dated as of April 9, 2009, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 10-Q filed on April 27, 2012.

(nnn)* Form of Amendment to Amended and Restated Change in Control Agreements between Norfolk Southern Corporation and the Corporation's Chairman, President and Chief Executive Officer, and each of the Corporation's Executive Vice Presidents, to eliminate the excise tax gross-up provision in the Agreements, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K filed on January 23, 2013.

(ooo)*,** Form of Change in Control Agreement between Norfolk Southern Corporation and executive officers who did not enter into a change in control agreement before 2016.

12** Statement re: Computation of Ratio of Earnings to Fixed Charges.

21** Subsidiaries of the Registrant.

23** Consent of Independent Registered Public Accounting Firm.

31-A** Rule 13a-14(a)/15d-014(a) CEO Certification.

31-B** Rule 13a-14(a)/15d-014(a) CFO Certification.

32** Section 1350 Certifications.

99** Annual CEO Certification pursuant to NYSE Rule 303A.12(a).

101** The following financial information from Norfolk Southern Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in Extensible Business Reporting Language (XBRL) includes: (i) the Consolidated Statements of Income of each of the years ended December 31, 2015, 2014, and 2013; (ii) the Consolidated Statements of Comprehensive Income for each of the years ended December 31, 2015, 2014, and 2013; (iii) the Consolidated Balance Sheets at December 31, 2015 and 2014; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013; (v) the Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2015, 2014, and 2013; and (vi) the Notes to Consolidated Financial Statements.

* *Management contract or compensatory arrangement.*

** *Filed herewith.*

(B) Exhibits.

The Exhibits required by Item 601 of Regulation S-K as listed in Item 15(A)3 are filed herewith or incorporated by reference.

(C) Financial Statement Schedules.

Financial statement schedules and separate financial statements specified by this Item are included in Item 15(A)2 or are otherwise not required or are not applicable.

Exhibits 23, 31, 32, and 99 are included in copies assembled for public dissemination. All exhibits are included in the 2015 Form 10-K posted on our website at www.nscorp.com under "Investors" and "SEC Filings" or you may request copies by writing to:

**Office of Corporate Secretary
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-9219**

K 93

POWER OF ATTORNEY

Each person whose signature appears on the next page under SIGNATURES hereby authorizes James A. Hixon and Marta R. Stewart, or any one of them, to execute in the name of each such person, and to file, any amendments to this report, and hereby appoints James A. Hixon and Marta R. Stewart, or any one of them, as attorneys-in-fact to sign on his or her behalf, individually and in each capacity stated below, and to file, any and all amendments to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Norfolk Southern Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 8th day of February, 2016.

/s/James A. Squires

By: James A Squires

(Chairman, President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 8th day of February, 2016, by the following persons on behalf of Norfolk Southern Corporation and in the capacities indicated.

Signature	Title
<u>/s/James A. Squires</u> (James A. Squires)	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/Marta R. Stewart</u> (Marta R. Stewart)	Executive Vice President Finance and Chief Financial Officer (Principal Financial Officer)
<u>/s/Thomas E. Hurlbut</u> (Thomas E. Hurlbut)	Vice President and Controller (Principal Accounting Officer)
<u>/s/Thomas D. Bell, Jr.</u> (Thomas D. Bell, Jr.)	Director
<u>/s/Erskine B. Bowles</u> (Erskine B. Bowles)	Director
<u>/s/Robert A. Bradway</u> (Robert A. Bradway)	Director
<u>/s/Wesley G. Bush</u> (Wesley G. Bush)	Director
<u>/s/Daniel A. Carp</u> (Daniel A. Carp)	Director
<u>/s/Karen N. Horn</u> (Karen N. Horn)	Director
<u>/s/Steven F. Leer</u> (Steven F. Leer)	Director
<u>/s/Michael D. Lockhart</u> (Michael D. Lockhart)	Director
<u>/s/Amy E. Miles</u> (Amy E. Miles)	Director
<u>/s/Martin H. Nesbitt</u> (Martin H. Nesbitt)	Director
<u>/s/John R. Thompson</u> (John R. Thompson)	Director

Norfolk Southern Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2013, 2014, and 2015
(\$ in millions)

	Beginning Balance	Additions charged to:			Deductions	Ending Balance
		Expenses	Other Accounts			
Year ended December 31, 2013						
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 19	\$ 13	\$ —	\$ —	\$ —	\$ 32
Casualty and other claims included in other liabilities	258	33 ⁽¹⁾	—	77 ⁽³⁾		214
Current portion of casualty and other claims included in accounts payable	183	15	101 ⁽²⁾	133 ⁽⁴⁾		166
Year ended December 31, 2014						
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 32	\$ 1	\$ —	\$ —	\$ —	\$ 33
Casualty and other claims included in other liabilities	214	71 ⁽¹⁾	—	86 ⁽³⁾		199
Current portion of casualty and other claims included in accounts payable	166	19	132 ⁽²⁾	130 ⁽⁴⁾		187
Year ended December 31, 2015						
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 33	\$ 2	\$ —	\$ —	\$ —	\$ 35
Casualty and other claims included in other liabilities	199	66 ⁽¹⁾	—	74 ⁽³⁾		191
Current portion of casualty and other claims included in accounts payable	187	19	119 ⁽²⁾	151 ⁽⁴⁾		174

⁽¹⁾ Includes adjustments for changes in estimates for prior years' claims.

⁽²⁾ Includes revenue refunds and overcharges provided through deductions from operating revenues and transfers from other accounts.

⁽³⁾ Payments and reclassifications to/from accounts payable.

⁽⁴⁾ Payments and reclassifications to/from other liabilities.

RETIREMENT PLAN
OF
NORFOLK SOUTHERN CORPORATION
AND
PARTICIPATING SUBSIDIARY COMPANIES

Effective June 1, 1982

Reflecting amendments adopted to and including November 1, 2015

RETIREMENT PLAN
OF
NORFOLK SOUTHERN CORPORATION
AND PARTICIPATING SUBSIDIARY COMPANIES

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ARTICLE I. INTRODUCTION.

Norfolk Southern Corporation has established this Retirement Plan ("Plan") effective June 1, 1982 ("Effective Date"), and last amended effective July 24, 2015, for its employees and employees of each subsidiary and affiliated company which adopts the Plan and is approved for participation in the Plan as provided in Article XVII. This Plan is the successor to and supersedes, as of the Effective Date, the following retirement plans:

Retirement Plan of Norfolk and Western Railway
Company
Southern Railway System Retirement Plan
Retirement Plan of Chesapeake Western Railway
Kentucky & Indiana Terminal Railroad Company
Retirement Plan
Retirement Plan of Norfolk, Franklin and
Danville Railway Company
Pocahontas Land Corporation Plan for Supple-
mental Pensions
Virginia Holding Corporation Supplemental
Pension Plan
Retirement Plan of Lambert's Point Docks,
Incorporated

This Plan also is the successor to and supersedes the Norfolk and Western Railway Company Plan for Supplemental Pensions and the Des Moines Union Railway Defined Benefit Pension Plan and Trust, effective December 31, 1988, and February 28, 1989, respectively.

ARTICLE II. DEFINITIONS.

AC&Y Plan	The Akron, Canton & Youngstown Railroad Company Pension and Insurance Plan.
AW&W Plan	Algers, Winslow & Western Railway Company Salaried Employees' Retirement Plan.
Accrued Benefit	As of any date for any Member the retirement benefit payable at Normal Retirement Age.
Additional Retirement Benefit	The additional monthly retirement benefit provided under Article VI as set forth in Schedule A or Schedule B of the Plan.
Agreement Service	Service in a position for which the rates of pay are governed by the provisions of a collective bargaining agreement.
Agreement Trainee	An Employee in training for a position that is not a Nonagreement Position.
Average Final Compensation	<p>For a Post-2015 Member, average monthly Compensation paid to a Member during the 60 consecutive months out of the 120 months of Creditable Service ending with the last month in which the Member was employed in a Nonagreement Position (or, if less than 120, of the actual number of months of Creditable Service), which will produce the highest average monthly Compensation. In the case of a Member who has not served for 60 consecutive months during his last 120 (or less) months of Creditable Service, such average shall be computed by aggregating those 60 months which would be consecutive if breaks in service were disregarded. In the case of a Member retired with less than 60 months of Creditable Service, the average monthly Compensation during his total months of Creditable Service shall be used.</p> <p>For a Pre-2016 Member, average monthly Compensation paid to a Member during any five Compensation Years out of the 120 months of Creditable Service ending with the last month in which the Member was employed in a Nonagreement Position (or, if less than 120, of the actual number of months of Creditable Service), which will produce the highest average monthly Compensation. In the case of a Member who has not served five Compensation Years during his last 120 (or less) months of Creditable Service, such average shall be computed by disregarding breaks in service for the purpose of determining Compensation Years. In the case of a Member retired with less than 60 months of Creditable Service, the average monthly Compensation during his total months of Creditable Service shall be used.</p>
Benefits Investment Committee	Pursuant to Article XII, the Committee that is charged with duties relating to the investment or management of the Plan's assets.

Board of Directors	Board of Directors of NSC.
Board of Managers	Pursuant to Article XI, the Board that acts as trustee and is charged with administering the Plan.
Bonus	A payment made pursuant to the Norfolk Southern Corporation Annual Bonus Program, Norfolk Southern Corporation Management Incentive Plan, Norfolk Southern Corporation Executive Management Incentive Plan or NS Stock Unit Plan.
Break in Service	A twelve-month period, measured from the date of employment or anniversaries thereof, in which an Employee is not credited with more than 500 Hours of Service.
Code	The Internal Revenue Code of 1986, as amended.
Compensation	Remuneration in the form of salary for nonagreement service paid to an Employee in a Nonagreement Position (increased by the amount of the Member's salary that is not includible in the gross income of the Member because it is contributed by NSC or a Participating Subsidiary pursuant to the Member's salary reduction agreement and which is not includible in the gross income of the Member under (i) Section 402(e)(3) of the Code, as a Pre-Tax Contribution to the Thrift and Investment Plan of Norfolk Southern Corporation and Participating Subsidiary Companies, (ii) Section 125 of the Code, to provide benefits under the Norfolk Southern Corporation ChoicePlus Benefits Plan, or (iii) Section 132(f)(4) of the Code, to provide benefits under the Pre-Tax Transportation Plan of Norfolk Southern Corporation and Participating Subsidiary Companies), vacation pay paid to a former Employee for service in a Nonagreement Position (including payments for unused vacation made following the Employee's severance from employment, provided that such payment is made within 2½ months after such severance from employment), Bonus for nonagreement service paid to an Employee in a Nonagreement Position, or differential wage payments as defined in Section 414(u)(12) of the Code (to the extent required by Section 414(u)(12) and the guidance issued thereunder), each as reported to the Internal Revenue Service for Federal income tax purposes. Severance payments, temporary locality payments, or special award payments (such as payments made under recruitment, safety, quality and retention programs) shall not be included within this definition. Annual compensation in excess of the limit provided in Section 401(a)(17)(B) of the Code shall not be included within this definition, except as otherwise permitted by law. For purposes of determining benefit accruals in a Compensation Year beginning on or after January 1, 2002, compensation for any Compensation Year beginning before January 1, 2002 shall be limited to \$200,000.

Compensation Year	Any twelve consecutive month period of monthly Compensation ending on the last day of the same month as the last month in which the Member was employed in a Nonagreement Position.
Conrail	Consolidated Rail Corporation.
Conrail Plan	Supplemental Pension Plan of Consolidated Rail Corporation.
Creditable Service	A Member's creditable service, as defined in Article IV, for purposes of the Plan.
CW Plan	Retirement Plan of Chesapeake Western Railway.
Disability Benefit	The monthly disability benefit not to exceed the amount of the Normal Retirement Benefit the Member would receive if the Member separated from service at age 65 (taking into account any additional Creditable Service the Member would have earned if he had continued to work for Norfolk Southern Corporation or a Participating Subsidiary until age 65).
Disability Benefit Compensation	A Member's basic monthly salary (not to exceed the monthly equivalent of the annual compensation limit prescribed by Section 401(a)(17) of the Code).
Disability Service	A period during which the Member is receiving benefits under the LTD Plan on account of the Member's total disability.
DMU Plan	Des Moines Union Railway Defined Benefit Pension Plan and Trust.
Eligible Child or Children	A Member's natural or adopted children (unless such natural or adopted children have been legally adopted by other individuals), who at the date of the Member's death are unmarried and under the age of 21 or who are totally and permanently disabled. An Eligible Child shall cease to be such as of the earlier of the last day of the month in which the child marries or attains the age of 21, or, if later, the last day of the month in which the child ceases to be totally and permanently disabled.
Eligible Parent or Parents	A Member's natural mother or father or, if the Member was legally adopted, the adoptive parents in lieu of the natural parents.

Employee

A person who is employed as an employee by NSC or a Participating Subsidiary on a full-time basis, or who is employed by NSC or a Participating Subsidiary on a regular part-time basis and is designated as an Employee by NSC or a Participating Subsidiary and, in each instance, who receives compensation directly from NSC or a Participating Subsidiary for services rendered as an employee in the United States. Notwithstanding the previous sentence, the term "Employee" shall not include (i) a person who is covered by a contract or agreement that specifies that such person is not eligible to participate in the Plan; (ii) a person who has terminated from employment with NSC or a Participating Subsidiary, unless designated as an Employee by NSC or a Participating Subsidiary; (iii) a person who is a "Leased Employee" within the meaning of Section 414(n) of the Code or whose basic compensation for services on behalf of NSC or a Participating Subsidiary is not paid directly by NSC or a Participating Subsidiary; or (iv) a person who is classified as a special status employee or an independent contractor. An employee that NSC or a Participating Subsidiary mistakenly but in good faith classifies as other than an Employee shall be deemed to be an Employee as of the date on which NSC or a Participating Subsidiary reclassifies him or her as an Employee.

Entry Date

January 1st or July 1st coincident with or following the date that an Employee has satisfied the membership requirements of Article III of the Plan.

Fund

The assets held from time to time under the Plan.

Highly Compensated Employee	Any Employee who,(i) was at any time during the current year or preceding year a Five Percent Owner; or (ii) during the preceding year (A) received compensation from the Corporation or a Participating Subsidiary in excess of \$80,000(as adjusted under Code Section 415(d))and (B) in the case of an Employee of any Participating Subsidiary not treated as a single employer together with the Corporation under Sections 414(b), 414(c), 414(m), 414(n), or 414(o) of the Code. For purposes of this definition, the term “compensation” means compensation within the meaning of Section 415(c)(3). For plan years beginning on or after January 1, 2001, “compensation” shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code. Highly compensated former employees (as defined in Code Section 414(q)(9)) shall be treated as Highly Compensated Employees for all relevant purposes. For purposes of this definition, Employees who are nonresident aliens and who receive no earned income from the Corporation or a Participating Subsidiary which constitutes income from sources within the United States shall not be treated as Employees. The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top paid group, the number of Employees treated as officers and the compensation that is taken into account, shall be made in accordance with Code Section 414(q) and the regulations thereunder.
Hour of Service	Each hour for which an Employee is paid, or entitled to payment for the performance or nonperformance of duties, or each hour for which back pay, regardless of mitigation of damages, is either awarded or agreed to by the employer. An Hour of Service shall be computed and credited in accordance with DOL Regulation 2530.200b.
K&IT Plan	Kentucky & Indiana Terminal Railroad Company Retirement Plan.
Leased Employee	Any person (other than employee of NSC or a Participating Subsidiary) who pursuant to an agreement between the recipient and any other person (“leasing organization”) has performed services for the recipient (or for the recipient and related persons determined in accordance with section 414(n)(6) of the Internal Revenue Code) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control of the recipient.
LPD Plan	Retirement Plan of Lambert's Point Docks, Incorporated.
LTD Plan	The Long-Term Disability Plan of Norfolk Southern and Participating Subsidiary Companies or any successor plan.
Member	A person entitled to participate in the Plan.

Month of Service	Any calendar month in which an Employee is paid, or entitled to payment, for the performance or nonperformance of duties. A Month of Service shall be treated as the equivalent of 190 Hours of Service in accordance with DOL Regulation 2530.200b-3.
NF&D Plan	Retirement Plan of Norfolk, Franklin and Danville Railway Company.
Nonagreement Position	A position for which the rates of pay are not governed by the provisions of a collective bargaining agreement, excluding those employees who perform service on positions as relief yardmasters/supervisors.
Normal Retirement Age	Age 65.
Normal Retirement Benefit	The greater of the early retirement benefit under the Plan or the benefit commencing under the Plan at Normal Retirement Date.
Normal Retirement Date	First day of the month next succeeding the month in which the Member attains Normal Retirement Age.
NSC	Norfolk Southern Corporation, a Virginia Corporation.
NW	Norfolk and Western Railway Company, a Virginia Corporation.
NW Plan	Retirement Plan of Norfolk and Western Railway.
NW Supplemental Plan Participating Subsidiary	Norfolk and Western Railway Company Plan for Supplemental Pensions. Each subsidiary or affiliated company of NSC which adopts the Plan and is approved for participation in the Plan as provided for in Article XVII.
Plan	Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies.
Plan Year	Calendar Year.
PLC Plan	Pocahontas Land Corporation Plan for Supplemental Pensions.

Post-retirement Survivor Annuity	A benefit that is payable in monthly installments for the Member's life, commencing with the calendar month following the month in which the Member retires and ending with the month immediately prior to the month in which the Member dies, and thereafter at least 50% of which is paid in monthly installments to the Member's Surviving Spouse, commencing in the month of the Member's death and ending with the month immediately prior to the month of the Surviving Spouse's death.
Post-2015 Member	A person who becomes a Member of the Plan after December 31, 2015.
Pre-2016 Member	A person who becomes a Member of the Plan before January 1, 2016.
Projected Normal Retirement Benefit	The Member's projected accrued benefit under the Plan at Normal Retirement Age assuming the Member's Average Final Compensation at Normal Retirement Age equals his Average Final Compensation as measured on the last day in which the Member was an Employee and taking into account any additional Creditable Service the Member would have earned if he had continued to work at Norfolk Southern Corporation or a Participating Subsidiary until Normal Retirement Age.
Service Ratio	Effective as of January 1, 2002, a fraction (not exceeding 1) the numerator of which is the Member's Creditable Service and the denominator of which is the Creditable Service the Member would have if he served until Normal Retirement Age.
Southern	Formerly, Southern Railway Company, a Virginia Corporation, name changed to Norfolk Southern Railway Company, effective December 31, 1990.
Southern Plan	Southern Railway System Retirement Plan.
Surviving Spouse	A deceased Member's lawful surviving spouse who was married to the Member on the date of retirement or date of death before retirement.
VHC Plan	Virginia Holding Corporation Supplemental Pension Plan.
Year of Service	Any twelve consecutive month period, as measured from the date of employment or anniversaries thereof, in which an Employee has not less than six Months of Service.

Wherever used in the Plan, words in the masculine form shall be deemed to refer to females as well as males, and words referring to the singular or plural shall include the plural or singular, as the case may be.

ARTICLE III. MEMBERSHIP

1. Every person who is a member of the NW Plan, Southern Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan or VHC Plan on the Effective Date shall become a Member on such date. Every person who is a member of the LPD Plan shall become a Member on January 1, 1984. Every person who is a member of the NW Supplemental Plan or the DMU Plan shall become a Member on December 31, 1988, and February 28, 1989, respectively. However, a Member who is a member of the NW Supplemental Plan on December 31, 1988, and does not perform service for Compensation in a Nonagreement Position on or after December 31, 1988, shall be governed solely by the provisions of Article XXII of the Plan.

2. (a) Before July 1, 2014, every other Employee became a Member on the first day he performed service for Compensation in a Nonagreement Position on or after the Effective Date. Effective February 1, 1999, however, any Employee who begins to perform service as an Agreement Trainee on or after that date and was not previously a Member of the Plan will not be a Member of the Plan unless and until the Employee subsequently performs service in a Nonagreement Position other than that of Agreement Trainee.

(b) Effective July 1, 2014, every other Employee who performs service for Compensation in a Nonagreement Position shall become a Member on the applicable Entry Date upon reaching age 21 and completing one Year of Service. Effective February 1, 1999, however, any Employee who begins to perform service as an Agreement Trainee on or after that date and was not previously a Member of the Plan will not be a Member of the Plan unless and until the Employee subsequently performs service in a Nonagreement Position other than that of Agreement Trainee.

3. (a) Unless a Member's rights in the Plan have vested under Article IX, his membership in the Plan shall terminate at the time he shall cease to be an Employee for any reason other than retirement or Disability Service.

(b) If an Employee terminates service before completing a Year of Service and attaining age 21, and the Employee subsequently is reemployed by and performs service for Compensation in a Nonagreement position before incurring a Break in Service, then the Employee's pre-termination Year of Service (and Months of Service during any Year of Service computation period) will be included in determining when the Employee becomes a Member.

(c) If an Employee terminates service after completing a Year of Service and attaining age 21 but before the Employee's Entry Date, and the Employee subsequently is reemployed by and performs service for Compensation in a Nonagreement position, then the Employee will become a Member as of the later of (i) the Entry Date the Employee would have become a Member had he not ceased to be an Employee, or (ii) the Employee's rehire date; provided, however, that if the Employee has incurred five consecutive one-year Breaks in Service, then any Years of Service (or fraction thereof) prior to the Employee's termination shall be disregarded for

purposes of determining participation in the Plan, and the Employee will become a Member as specified in Article III, section 2(b).

(d) If a Member terminates service before the Member's rights in the Plan have vested under Article IX, and he subsequently is reemployed as an Employee and performs service for Compensation in a Nonagreement position before incurring a Break in Service, then the Employee will again be a Member for purposes of determining participation in the Plan as of the rehire date.

(e) If a Member terminates service before the Member's rights in the Plan have vested under Article IX, and he subsequently is reemployed as an Employee and performs service for Compensation in a Nonagreement position after incurring a Break in Service, then the Employee will again become a Member for purposes of determining participation in the Plan as of the rehire date; provided, however, that if the Employee has incurred five consecutive one-year Breaks in Service, then any Years of Service (or fraction thereof) prior to the Member's termination shall be disregarded for purposes of determining participation in the Plan, and the Employee will become a Member as specified in Article III, section 2(b).

ARTICLE IV. CREDITABLE SERVICE

1. Creditable Service shall consist of:

(a) Each Year of Service (or fraction thereof) with NSC or a Participating Subsidiary in a Nonagreement Position commencing on and measured from the later of the first day a Member performs service for Compensation or the Member's 1982 anniversary of his date of employment, except that if the Member is first assigned to perform services outside of the United States on or after November 10, 2011, Creditable Service shall not include any period of time during which the Member is performing services in such foreign country;

(b) Service creditable as a member under the NW Plan, Southern Plan, AC&Y Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan, or VHC Plan measured to the 1982 anniversary of the Member's date of employment (or the Member's employment termination date, if earlier), without regard to whether such 1982 anniversary date was before or after the Effective Date;

(c) Service creditable as a member under the LPD Plan prior to January 1, 1984, as measured from the Member's date of employment;

(d) Service (other than service creditable under the Conrail Plan as a result of the terms or provisions of any change-in-control agreement, employment agreement, severance agreement or other similar agreement) creditable to a member under the Conrail Plan beginning on April 1, 1976;

(e) The following periods of Agreement Service not credited under subparagraph (a) or (b) above:

(i) Agreement Service, prior to the Effective Date, of a Member (on the Effective Date) hired prior to the Effective Date with NW, Norfolk, Franklin and Danville Railway Company, The Virginian Railway Company, The New York, Chicago and St. Louis Railroad Company, Wabash Railroad Company, New Jersey, Indiana & Illinois Railroad Company, The Pittsburgh & West Virginia Railway Company, and The Lake Erie and Fort Wayne Railroad Company;

(ii) Agreement Service, prior to the Effective Date, of a Member who was a member of the Southern Plan on or after July 22, 1980, with a "System Company" as defined in the Southern Plan, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for five or more years, whether or not consecutive;

(iii) Agreement Service after the Effective Date of a Member with NSC or a Participating Subsidiary where followed by service in a Nonagreement Position, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for (A) five or more years, whether or not consecutive, for a Pre-2016 Member, or (B) ten or more years, whether or not consecutive, for a Post-2015 Member; and

(iv) Agreement Service with Conrail on or after April 1, 1976, of a Member, but only if such Member has been employed by NSC in a Nonagreement Position (not including Disability Service) for (A) five or more years, whether or not consecutive, after March 7, 1997, for a Pre-2016 Member, or (B) ten or more years, whether or not consecutive, for a Post-2015 Member;

(f) Service creditable as a member under the DMU Plan prior to March 1, 1989, as measured from the Member's date of employment;

(g) Each Year of Service (or fraction thereof), as defined under this Plan, with Virginia Railway Association, for Members who are Employees on December 31, 2004 and who retire on or after January 1, 2005;

(h) Each Year of Service (or fraction thereof) in a Nonagreement Position, as defined under this Plan, with Illinois Terminal Railroad Company, for Members who are Employees on December 31, 2004, and who retire on or after January 1, 2005; and

(i) Service by a Member as a relief yardmaster/supervisor for NSC or a Participating Subsidiary where followed by service in a Nonagreement Position, but only if such Member has been employed in a Nonagreement Position (not including Disability Service) for (A) five or more years, whether or not consecutive, for a Pre-2016 Member, or (B) ten or more years, whether or not consecutive, for a Post-2015 Member.

2. Creditable Service shall also include the following periods that are not credited under Section 1 of this Article:

(a) Periods of absence because of illness or injury;

(b) Periods of Disability Service except that a Member shall be credited with one Month of Service hereunder for each two months of any such Disability Service;

(c) Periods of service not in excess of the longer of a total of 60 months or the period of absence permitted for the purpose of establishing entitlement to reemployment rights under the Uniform Services Employment and Reemployment Rights Act of 1994 ("USERRA") in the uniformed services of the United States, as defined in USERRA, or the armed forces of Canada, if the Member was a Member of the Plan (or a predecessor plan) immediately prior to such service and returned to employment within 90 days after release from such armed forces or within the time fixed by law for retention of employment rights, whichever is greater, except that if the Member dies during such period of qualified military service, Creditable Service shall be determined as if the Member returned to employment on the day preceding the day of the Member's death and terminated employment on the actual date of death; and

(d) Periods of leave of absence, under rules of the Board of Managers uniformly applicable to all similarly situated Members, to accept, at the request of NSC or a Participating Subsidiary, employment by a subsidiary company, to attend educational institutions, to accept employment by a government or government agency, or to carry out other activities approved by the Board of Managers.

3. (a) During a period of absence for which Creditable Service is granted under Paragraphs 2(a), (b), and (d) or during a period of service in the armed forces of Canada for which Creditable Service is granted under Paragraph 2(c), the Member shall be deemed to have earned the greater of Compensation at the regular monthly or annual rate in effect immediately preceding such absence or at the regular monthly or normal rate payable to the Member for services rendered to his employer during such leave of absence.

(b) During a period of service in the uniformed service of the United States for which Creditable Service is granted under Paragraph 2(c) of Article IV, the Member's monthly Compensation for each month during each such period shall be deemed to be either (a) the monthly Compensation the Member would have earned during the period of military service if he or she had not been on leave for such service; or (b) if this amount is not reasonably certain, the average monthly Compensation for the 12 months preceding the beginning of each such period of military service.

4. (a) If a Pre-2016 Member has been employed in a Nonagreement Position for less than five years, then, for purposes of computing the benefit under section 1 of Article VI, Creditable Service shall be the sum of a Member's Creditable Service under Sections 1, 2 and 3 of this Article IV plus the sum of:

(i) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) times Agreement Service, prior to the Effective Date, of a Member who was a member of

the Southern Plan on or after July 22, 1980, with a "System Company" as defined in the Southern Plan; and

(ii) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) multiplied by the sum of Agreement Service and service as a relief yardmaster/supervisor after the Effective Date of a Member with NSC or a Participating Subsidiary where followed by service in a Nonagreement Position; and

(iii) Twenty percent (20%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) after March 7, 1997, times Agreement Service of a Member with Conrail on or after April 1, 1976.

After the Pre-2016 Member has been employed in a Nonagreement Position for five or more years, then Creditable Service for purposes of computing the benefit under Section 1 of Article VI shall be equal to the Member's Creditable Service under Sections 1, 2 and 3 of this Article IV, and this subsection 4(a) shall no longer apply.

(b) If a Post-2015 Member has been employed in a Nonagreement Position for less than ten years, then, for purposes of computing the benefit under section 1 of Article VI, Creditable Service shall be the sum of a Member's Creditable Service under Sections 1, 2 and 3 of this Article IV plus the sum of:

(i) Ten percent (10%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) multiplied by the sum of Agreement Service and service as a relief yardmaster/supervisor after the Effective Date of a Member with NSC or a Participating Subsidiary where followed by service in a Nonagreement Position; and

(ii) Ten percent (10%) multiplied by the number of years (or fraction thereof) that the Member has been employed in a Nonagreement Position (not including Disability Service) after March 7, 1997, times Agreement Service of a Member with Conrail on or after April 1, 1976.

After the Post-2016 Member has been employed in a Nonagreement Position for ten or more years, then Creditable Service for purposes of computing the benefit under Section 1 of Article VI shall be equal to the Member's Creditable Service under Section 1, 2 and 3 of this Article IV, and this subsection 4(b) shall no longer apply.

ARTICLE V. RETIREMENT

1. A Member shall retire not later than the end of the month in which he attains Normal Retirement Age, effective Normal Retirement Date, except where:

(a) The provisions of the Age Discrimination in Employment Act of 1967, as amended, or of any other applicable law, prohibit the mandatory retirement of such Member; or

(b) The Board of Directors, in its sole discretion, requests a Member whose compensation is fixed by the Board of Directors to continue in service following the Member's Normal Retirement Date for such period of time as may be determined by the Board of Directors.

2. A Member who is actively employed or on Disability Service may retire at the end of any month, effective the first day of the following month, between attainment of ages 62 and 65.

3. A Member who is actively employed or on Disability Service may retire at the end of any month, effective the first day of the following month, between attainment of ages 60 and 62 if he is vested at the time of such retirement.

4. An otherwise eligible Member between attainment of ages 55 and 60 who is vested under Article IX and who is actively employed in a Nonagreement Position or on Disability Service can elect benefits as follows:

(a) A Pre-2016 Member with not less than 10 Years of Service (including not less than 5 years of Creditable Service) may retire at the end of any month, effective the first day of the following month, with a temporary early retirement benefit, until the Member attains age 60, equal to the lesser of:

(i) the Tier I Railroad Retirement or Social Security benefit that would be paid at earliest eligibility age, or

(ii) \$500 per month.

Notwithstanding the above, if the Member is currently receiving any benefit under Railroad Retirement or Social Security the Member may retire under this provision but is not eligible for the temporary early retirement benefit.

(b) A Pre-2016 Member with not less than 10 Years of Service (including not less than five years of Creditable Service) may retire at the end of any month effective the first day of the following month and receive the benefit provided by Section 2(a)(ii) of Article VI. A Post-2015 Member with not less than 10 years of Creditable Service may retire at the end of any month effective the first day of the following month and receive the benefit provided by Section 2(b)(ii) of Article VI.

ARTICLE VI. RETIREMENT BENEFITS

1. The retirement benefit of a Member who retires under Section 1 or 2 of Article V shall be, subject to the provisions of Article VIII, the sum of:

(a) A monthly benefit equal to his Average Final Compensation multiplied by 1.5% times the number of years of his Creditable Service (or fraction thereof), but not in excess of 60% of such Average Final Compensation, except as provided in Section 4 of this Article VI;

(b) A monthly benefit equal to 1/120th of the Member's accumulated and unrefunded contributions to the NW Supplemental Plan (including interest to the date of retirement), if any;

(c) A monthly Additional Retirement Benefit, if any, applicable to the Member as contained in Schedule A of the Plan, effective January 1, 1996, provided that the Internal Revenue Service subsequently issues a favorable determination letter approving such Additional Retirement Benefit; and

(d) A monthly Additional Retirement Benefit, if any, applicable to the Member as contained in Schedule B of the Plan, beginning January 1, 2005;

Less the sum of:

(e) 70% of the monthly Railroad Retirement annuity or 66 2/3% of the monthly Social Security annuity (described in Section 3 of this Article VI), whichever is applicable, assuming that such annuity commenced at the earliest eligibility age following retirement;

(f) The amount of any regular monthly annuity attributable to contributions by The Virginian Railway Company payable to the Member by the Plan for Pension Payments under Group Annuity Contract GR-130 between The Virginian Railway Company and The Travelers Insurance Company;

(g) The amount of any monthly benefit payable to the Member under Article XXII if the Member's Agreement Service was used to calculate a benefit under this Article VI;

(h) The amount of any monthly benefit payable to the Member under the Merged Employees Pension Plan of Norfolk and Western Railway Company;

(i) The amount of any monthly benefit payable to the Member under the AC&Y Plan;

(j) For Members who were participants in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation, and who first became Members after August 26, 1999, the amount of any monthly benefit payable to the Member under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) under the Retirement Plan of Consolidated Rail Corporation, and under any qualified defined benefit pension plan

maintained by any other entity whose service is credited under the Conrail Plan and/or under the Retirement Plan of Consolidated Rail Corporation, with such amounts determined as if the Member had retired under the Conrail Plan and/or the Retirement Plan of Consolidated Rail Corporation on the date of commencement of retirement benefits under this Plan; and

- (k) The amount, if any, applicable to the Member as contained in Schedule C of the Plan, beginning January 1, 2005.

The offsets described in paragraphs (e) through (k) of this Section 1 shall begin as of the date the amounts described in such paragraph first become payable, or are assumed to have become payable, to the Member. If the Member's benefit under any other plan is paid in a form that does not provide monthly payments, the offsets described in paragraphs (e) through (k) shall be determined as if the Member's benefit under such other plan had been paid as a single life annuity.

If a Member remains employed after Normal Retirement Age, or defers receipt of the Member's benefit after Normal Retirement Age, the Member's benefit will be the greater of (1) the Member's benefit calculated as of the Normal Retirement Date and actuarially adjusted to reflect the delay in the benefits past the Member's Normal Retirement Date, or (2) the Member's accrued benefit under the Plan as of his actual retirement date.

- 2. The retirement benefit of a Member who retires under Section 3 or 4(b) of Article V shall be computed as follows:

- (a) The retirement benefit of a Pre-2016 Member who retires under Section 3 or 4(b) of Article V shall be computed as follows:

- (i) The retirement benefit of a Member who retires under Section 3 of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however, that, if his Creditable Service at the time of retirement is less than 10 years, the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/180th for each calendar month the Member is under age 62 at the time of his retirement, and this benefit will be further reduced by the amounts under paragraphs (e) through (k) of Section 1 when such amounts are payable to the Member; and provided further that a Member whose benefit is computed under this Section 2 of Article VI may elect in writing to defer receipt of his retirement benefit under the Plan to the first day of any month following his 60th birthday up to the first day of the month following attainment of age 62 and if the Member so elects, the 1/180th reduction shall only be made for each month, if any, by which the commencement of the Member's retirement benefit precedes his attaining age 62. Notwithstanding the foregoing, the 1/180th reduction shall not apply if a Member has not less than five years of Creditable Service and not less than ten Years of Service.

- (ii) The retirement benefit of a Member who retires under Section 4(b) of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however, that the sum of the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/360th for each calendar month the Member is under age 60 at the time of his retirement,

and this benefit will be further reduced by the amounts under paragraphs (e) through (k) of Section 1 when such amounts are payable to the Member.

(b) The retirement benefit of a Post-2015 Member who retires under Section 3 or 4(b) of Article V shall be computed as follows:

(i) The retirement benefit of a Member who retires under Section 3 of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however that:

(A) if the Member's Creditable Service at the time of retirement is less than 10 years, the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/180th for each calendar month the Member is under age 62 at the time of his retirement, or

(B) if the Member's Creditable Service at the time of retirement is 10 or more years but less than 30 years, the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced by 1/360th for each calendar month the Member is under age 62 at the time of his retirement,

and the benefit under this Section 2(b)(i) will be further reduced by the amounts under paragraphs (e) through (k) of Section 1 when such amounts are payable to the Member; and provided further that a Member whose benefit is computed under this Section 2 of Article VI may elect in writing to defer receipt of his retirement benefit under the Plan to the first day of any month following his 60th birthday up to the first day of the month following attainment of age 62 and if the Member so elects, the 1/180th or 1/360th reduction shall only be made for each month, if any, by which the commencement of the Member's retirement benefit precedes his attaining age 62. Notwithstanding the foregoing, neither the 1/180th nor the 1/360th reduction shall apply if a Member has not less than 30 years of Creditable Service.

(ii) The retirement benefit of a Member who retires under Section 4(b) of Article V shall be the benefit calculated under Section 1 of this Article VI; provided, however, that the sum of the amounts determined under paragraphs (a), (b) and (c) of said Section 1 shall be reduced:

(A) if the Member's Creditable Service at the time of retirement is 10 or more years but less than 30 years, by 1/360th for each calendar month (not to exceed 24 months) the Member under age 62 at the time of his retirement, and further reduced by 1/180th for each calendar month the Member is under age 60 at the time of his retirement, or

(B) if the Member's Creditable Service at the time of retirement is 30 or more years, by 1/360th for each calendar month (not to exceed 24 months) the Member is under age 60 at the time of his retirement, and further reduced by 1/180th for each calendar month the Member is under age 58 at the time of his retirement,

and the benefit under this Section 2(b)(ii) will be further reduced by the amounts under paragraphs (e) through (k) of Section 1 when such amounts are payable to the Member.

(c) The delay in reducing the benefit for the amount described in Article VI, Section 1, paragraph (e), between the Member's retirement date under this Plan and the date as of which the amount described in Article VI, Section 1, paragraph (e) becomes payable, or is assumed to become payable, is intended to meet the requirements of a qualified supplement ("QSUPP") as provided in final regulations under Code Section 401(a)(4). Such temporary early retirement benefit shall be vested in accordance with Article IX and shall be a protected benefit subject to the anti-cutback provisions of Section 411(d)(6) of the Code.

3. For purposes of calculating the retirement benefit under this Article VI:

(a) The monthly Railroad Retirement annuity shall mean the monthly annuity payable under the Railroad Retirement Act computed on the basis of total railroad service multiplied by a fraction, the numerator of which is the total months of Creditable Service and the denominator of which is such total railroad service. (Such annuity shall exclude the supplemental annuity payable under Title I of Public Law 89-699 or any corresponding or successor legislation);

(b) The monthly Social Security annuity shall mean the Primary Insurance Annuity computed under the Social Security Act on the basis of creditable compensation under the Act applicable to Creditable Service under the Plan; and

(c) The monthly Railroad Retirement annuity or Social Security annuity shall be computed as of the actual retirement date, the commencement date of last Disability Service not followed by a return to active service, or the date of final termination of service prior to age 60, whichever is earliest. In the case of a Member of the Plan on August 1, 1997, who retires after the Member's Normal Retirement Date, the Member's benefit shall be no less than the Member's benefit computed under this Article VI as of August 1, 1997, but using the Normal Retirement Date to determine the monthly Railroad Retirement or Social Security annuity.

4. In computing the retirement benefit of a Member under this Article VI, who was a member of the NW Plan or PLC Plan and who has more than 40 years of Creditable Service as of the Effective Date, such Member shall for purposes of Section 1(a) of this Article VI have his Average Final Compensation multiplied by 1.5% times the number of years of his Creditable Service on the Effective Date, without limitation.

5. (a) The retirement benefit of a Member, who was a member of the NW Supplemental Plan, computed under this Article VI shall not be less than his benefit computed under Article XXII solely on the basis of service and compensation creditable through April 30, 1965, or the date on which the Member is first in a Nonagreement Position, whichever is later; and

(b) The retirement benefit of a Member, who was a member of the NW Supplemental Plan, computed under this Article VI shall not be less than a benefit equal to 1/120th of the Member's accumulated and unrefunded contributions (including interest to date of retirement),

if any, to the NW Supplemental Plan, reduced in accordance with Section 2 of this Article VI, if such reduction is applicable.

6. The retirement benefit of a Member who was a member of the Southern Plan on July 21, 1980, shall be the greater of the amount computed under Section 1 of this Article VI or computed as follows:

(a) A monthly benefit equal to 45% of the Member's Average Final Compensation plus 1/4 of 1% of Average Final Compensation for each year that the Member's Creditable Service at the time of retirement exceeds 30 years, but in no event shall such additional benefit exceed 2 1/2% of Average Final Compensation, plus any applicable Additional Retirement Benefit, reduced by:

(i) 63% of the monthly Railroad Retirement annuity or 60% of the monthly Social Security annuity (described in Section 3 of this Article VI), whichever is applicable, assuming that such annuity commenced at the earliest eligibility age following retirement;

(ii) 1/180th for each month by which the Member's retirement precedes the attainment of age 65 if the Member has less than 20 years of Creditable Service; and

(iii) 1/180th for each month by which the Member's Creditable Service is less than 15 years.

(b) A Member whose retirement benefit is computed under paragraph (a) of this Section 6 may elect in writing to defer receipt of his retirement benefit under the Plan to the first day of any month following his 60th birthday up to Normal Retirement Date. If the Member so elects, the reduction to be made pursuant to paragraph 6(a)(ii) shall only be made for each month, if any, by which the commencement of payment of the Member's retirement benefit precedes his attaining age 65.

7. The retirement benefit of a Member who was a member of the DMU Plan on February 28, 1989, shall be the greater of the amount computed under Section 1 of Article VI or computed as follows:

(a) A monthly benefit commencing at Normal Retirement Age equal to 1.5% of Average Final Compensation multiplied by years of Creditable Service, minus 7.8% of the Primary Insurance Amount (for Social Security purposes) for each year of Creditable Service, with a maximum offset of 78%, plus any applicable Additional Retirement Benefit, reduced by

(i) an amount which is actuarially equivalent to the amount of any benefit the Member is eligible to receive under any qualified pension or profit sharing plan of an owner company of the Des Moines Union Railway Company based on the same period of service, and

(ii) for a Member who terminates after completing 15 Years of Service and after attaining age 60, 1/180th for each full month by which his early retirement precedes his Normal Retirement Age.

8. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, the Member's retirement benefit shall be the greater of (i) the amount computed under this Article VI, or (ii) the Member's benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation.

9. Except as provided in the following sentence, in Section 6(b) of this Article VI, or in Section 8 or 9 of Article VIII, every retirement benefit shall be payable in monthly installments for life commencing with the calendar month immediately following the month in which the Member retires and ending with the month immediately prior to the month in which the Member or, if a survivorship election is in effect, his survivor dies or ceases to be eligible for survivor benefits. If the present value (determined, for this purpose only, using the "applicable interest rate" as defined in Section 417(e)(3)(C) for November of the year preceding the Plan Year and the "applicable mortality table," as defined in Section 417(e)(3)(B) of the Code) of a retirement benefit payable under this Article VI or under Article IX, or a survivorship benefit payable pursuant to Article VIII, does not exceed \$5,000, such benefit will be paid as soon as administratively feasible in a lump sum distribution, (i) to a vested Member upon the earlier of retirement or termination of his employment with NSC or a Participating Subsidiary; (ii) to the Surviving Spouse of such vested Member; (iii) to an "alternate payee," as defined in Section 414(p)(8) of the Code; (iv) if the Member, Surviving Spouse, or alternate payee, as the case may be, so elects in writing, to the trustee of an "eligible retirement plan," as defined in Section 402(c)(8)(B) of the Code or, to a Roth IRA described in Section 408A of the Code; or, (v) to the extent permitted under Section 402(c)(11) and related guidance issued by the Secretary of the Treasury, if a non-spouse beneficiary (within the meaning of Section 401(a)(9)(E) of the Code) so elects in writing, to the trustee of an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, or to a Roth IRA described in Section 408A of the Code that both is established to receive such distribution and will be treated as an "inherited IRA" for the beneficiary. Except as provided in the preceding sentence, no distribution may be made unless the Member and his Spouse, or if the Member has died his Surviving Spouse, consent in writing to such payment. Effective with respect to any mandatory distribution that is greater than \$1,000 but that does not exceed \$5,000, if the Member does not elect to have such distribution paid directly to an eligible retirement plan specified by the Member in a direct rollover or to receive the distribution directly in a lump sum distribution, then the Plan administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan administrator. If a Member who has received a lump sum distribution of the present value of his retirement benefit is subsequently rehired by the Corporation, he shall again participate in the Plan as of his date of re-employment and his prior period of service shall be restored for purposes of Article IX, except that his prior period of Creditable Service shall not be counted for purposes of determining his Accrued Benefit on his subsequent retirement or other termination of employment.

10. Except as otherwise provided herein, no benefit shall be payable to a Member under the Plan until retirement, or to his Surviving Spouse until death of the Member, except such benefit as may be payable in accordance with the applicable requirements of a qualified domestic relations order as that term is defined in Section 414(p) of the Code. The Board of Managers shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. No benefit shall be payable to a Member during any period in which he engages in active service as an Employee, except as provided in Article VIII, Section 8.

11. Notwithstanding anything herein to the contrary, a Member's Accrued Benefit under the Plan shall not be less than the Member's accrued benefit under the NW Plan, Southern Plan, CW Plan, K&IT Plan, NF&D Plan, PLC Plan or VHC Plan on the Effective Date, the LPD Plan on December 31, 1983, or the DMU Plan on February 28, 1989, and in no event shall his retirement benefit under this Article VI be less than such Accrued Benefit.

12. (a) A member who retired under the NW Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be $\frac{1}{4}$ of 1% for each month of the Member's retirement from January 1, 1980, to January 1, 1986, plus an additional 3% for a Member who retired prior to January 1, 1980, with a maximum increase of 21%.

(b) A Member who retired under the Southern Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be $\frac{1}{4}$ of 1% for each month of the Member's retirement from January 1, 1979, to January 1, 1986, plus an additional 3% for a Member who retired prior to January 1, 1980, with a maximum increase of 24%.

(c) A Member who retired under the Plan and was paid a retirement benefit for the month of December 1985 and who is entitled to a retirement benefit for the month of January 1987, or the Surviving Spouse of a deceased Member who retired prior to January 1, 1986, who is entitled to a retirement benefit for the month of January 1987 pursuant to a survivorship election by such Member, as the case may be, shall receive an increase in such retirement benefit beginning with the retirement benefit payable for the month of January 1987, such increase in retirement benefit to be $\frac{1}{4}$ of 1% for each month of the Member's retirement from June 1, 1982, to January 1, 1986, with a maximum increase of $10\frac{3}{4}\%$.

13. Anything in this Article VI to the contrary notwithstanding, the monthly retirement benefit of a Member shall not be less than the greatest of the amounts described in (a) through (e), below, with the amount determined under (b) through (e) reduced by the charge for any optional pre-retirement survivor annuity elected by the Member under section 2(b) of Article VIII:

- (a) \$8.34, but only if the Member had accrued an Hour of Service on or before December 31, 2007;
- (b) The Member's Projected Normal Retirement Benefit times the Member's Service Ratio. Notwithstanding any provision to the contrary, the retirement benefit described in this Section 13(e) shall be reduced in the same manner as described in Section 2 of this Article or in Article IX, as applicable;
- (c) The Member's accrued retirement benefit under this Article VI as measured on April 30, 2005;
- (d) The Member's Average Final Compensation that is not in excess of \$4,167, multiplied by 1.25% times the number of years of his Creditable Service (or fraction thereof) that is not in excess of five years. Notwithstanding any provision to the contrary, the retirement benefit described in this Section 13(d) shall be actuarially reduced, based on mortality for employees as shown in Exhibit A and interest at the rate of 7.5% per year compounded annually if the Member's benefit commences before Normal Retirement Date; or
- (e) The Member's Projected Normal Retirement Benefit times the Member's Service Ratio, calculated as if the Member's employment had terminated on December 31, 2009. For purposes of this paragraph, the Service Ratio with respect to benefits accrued between January 1, 2002 and December 31, 2009 shall be equal to a fraction (not exceeding 1) the numerator of which is the Member's Months of Service and the denominator of which is the number of Months of Service the Member would have if he served until Normal Retirement Age. Notwithstanding any provision to the contrary, the retirement benefit described in this Section 13(e) shall be reduced in the same manner as described in Section 2 of this Article or in Article IX, as applicable.

14. The AW&W Plan was merged into the Plan effective as of December 31, 2007. As of that date, the liabilities of the AW&W Plan became liabilities of the Plan and the AW&W Plan ceased to exist. Notwithstanding anything in this Plan to the contrary, benefits shall be paid in accordance with the provisions of Schedule D. In the event of a spinoff or termination of the Plan within five years following the merger of the AW&W Plan into the Plan, assets will be allocated first for the benefit of the AW&W Plan participants to the extent of their benefits on a termination basis just prior to the merger.

15. Any distribution under the Plan to a Member shall commence not later than the "required beginning date" as defined in Section 401(a)(9) of the Code, and shall satisfy the incidental

benefit requirement in Section 401(a)(9)(G) of the Code and any regulations promulgated thereunder. For a Member who is not a 5% owner and who attains age 70½, the term "required beginning date" shall mean April 1 of the calendar year following the later of (a) the calendar year the Member attains age 70½ or (b) the calendar year in which the Member retires. If a Member retires under the Plan after the calendar year in which the member attains age 70½, the Member's benefit computed under this Article VI shall be actuarially increased to take into account the period after age 70½ in which the Member was not receiving any benefits under the Plan.

ARTICLE VII. LIMITATION ON BENEFITS

1. Notwithstanding any provision in the Plan to the contrary, the annual benefit accrued by or payable in any form to any Member shall not exceed such amount as may be authorized under Section 415 of the Code, determined on a calendar year basis, and such rules are hereby incorporated by reference. For purposes of applying the benefit accrual limits, the definition of compensation shall be compensation as defined in Treasury Regulation Section 1.415(c)-2(d)(3), or successor regulation, excluding foreign compensation.

2. Any adjustments to the benefit amounts authorized under Section 415(d) by the Commissioner shall be effective from January 1 of the year for which the adjustment is made and shall apply to all Members regardless of whether the Member retired prior to such adjustment.

3. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80 percent (or would be less than 80 percent to the extent described in Section 3(b) below) but is not less than 60 percent, then the limitations set forth in this Section 3 apply.

- (a) A Member or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable Code section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of:
 - i. 50 percent of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or
 - ii. 100 percent of the PBGC maximum benefit guarantee amount (as defined in section 1.436-1(d)(3)(iii)(C) of the Treasury Regulations).

The limitation set forth in this Section 3(a) does not apply to any payment of a benefit which under Code section 411(a)(11) may be immediately

distributed without the consent of the Member. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Member or beneficiary as of the annuity starting date because of the application of the requirements of this Section 3(a), the Member or beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations). The Member or beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50 percent/PBGC maximum benefit guarantee amount described in this Section 3(a), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan.

- (b) No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is:
 - i. Less than 80 percent; or
 - ii. 80 percent or more, but would be less than 80 percent if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage.

The limitation set forth in this Section 3(b) does not apply to any amendment to the Plan that provides a benefit increase under a plan formula that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Members covered by the amendment.

4. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent (or would be less than 60 percent to the extent described in Section 4(b) below), then the limitations in this Section 4 apply.

- (a) A Member or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable Code section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 4(a) does not apply to any payment of a benefit which under Code section 411(a)(11) may be immediately distributed without the consent of the Member.
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- (b) An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan Year is:
- i. Less than 60 percent; or
 - ii. 60 percent or more, but would be less than 60 percent if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100 percent.
- (c) Benefit accruals under the Plan shall cease as of the applicable Code section 436 measurement date. In addition, if the Plan is required to cease benefits under this Section 4(c), then the Plan is not permitted to be amended in a manner that would increase liabilities of the Plan by reason of an increase in benefits or the establishment of new benefits.

5. Notwithstanding any other provisions of the Plan, a Member or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which NSC is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. In addition, during such period in which NSC is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target percentage for that Plan Year is not less than 100 percent. The limitation set forth in this Section 5 does not apply to any payment of a benefit which under Code section 411(a)(11) may be immediately distributed without the consent of the Member.

- 6.(a) If a limitation on prohibited payments under Sections 3(a), 4(a) or Section 5 applied to the Plan as of a Code section 436 measurement date, but that limit no longer applies to the Plan as of a later Code section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later Code section 436 measurement date.
- (b) If a limitation on benefit accruals under Section 4(c) applied to the Plan as of a Code section 436 measurement date, but that limitation no longer applies to the Plan as of a later Code section 436 measurement date, then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later Code section 436 measurement date, except as otherwise provided under the Plan. The
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Plan shall comply with the rules relating to partial years of participation and prohibition on double proration under Department of Labor regulation 29 CFR § 2530.204-2(c) and (d).

In addition, benefit accruals that were not permitted to accrue because of the application of Section 4(c) shall be restored when that limitation ceases to apply if the continuous period of the limitation was 12 months or less and the Plan's enrolled actuary certifies that the adjusted funding target attainment percentage for the Plan Year would not be less than 60 percent taking into account any restored benefit accruals for the prior Plan Year.

- (c) If an unpredictable contingent event benefit with respect to an unpredictable contingent event that occurs during the Plan Year is not permitted to be paid after the occurrence of the event because of the limitation of Section 4(b), but is permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(B) of the Treasury Regulations), then that unpredictable contingent event benefit shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Section 4(b)). If the unpredictable contingent event benefit does not become payable during the Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide for that benefit.
- (d) If a plan amendment does not take effect as of the effective date of the amendment because of the limitation of Section 3(b) or Section 4(c), but is permitted to take effect later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(C) of the Treasury Regulations), then the plan amendment must automatically take effect as of the first day of the Plan Year or, if later, the original effective date of the amendment. If the plan amendment cannot take effect during the same Plan Year, then it shall be treated as if it were never adopted, unless the plan amendment provides otherwise.

7. In the event the Plan becomes subject to a limitation described in Section 3(a), Section 4 or Section 5 of this Article VII, the Plan shall provide written notice to Members and beneficiaries in accordance with the requirements of Section 101(j) of the Employee Retirement Income Security Act of 1974 ("ERISA").

8. At its discretion, NSC may use one or more of the methods described in Code section 436 and the applicable regulations thereunder to avoid or terminate the application of the limitations set forth in Sections 3 through 5 of this Article VII for a Plan Year.

9. (a) For any period during which a presumption under Code section 436(h) and section 1.436-1(h) of the Treasury Regulations applies to the Plan, the limitations under Sections 3 through 5 of this Article VII shall be applied to the Plan as if the adjusted funding target attainment percentage for the Plan Year were the presumed adjusted funding target attainment percentage determined under the rules of Code section 436(h) and sections 1.436-1(h)(1), (2) or (3) of the Treasury Regulations.

10. The definitions in the following Treasury Regulations apply for purposes of Sections 3 through 9 of this Article VII: section 1.436-1(j)(1) defining adjusted funding target attainment percentage; section 1.436-1(j)(2) defining annuity starting date; section 1.436-1(j)(6) defining prohibited payment; section 1.436-1(j)(8) defining section 436 measurement date; and section 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

11. The rules in Sections 3 through 10 of this Article VII are effective for Plan Years beginning after December 31, 2007.

ARTICLE VIII. SURVIVORSHIP BENEFITS AND DISTRIBUTION OPTIONS

1. (a) The normal form of benefit computed under Article VI for a Post-2015 Member who is not married when the Member retires, and who retires under Article V or Article IX, shall be a retirement benefit payable in monthly installments for the Member's life, commencing with the calendar month immediately following the month in which the Member retires and ending with the month immediately prior to the month in which the Member dies.

(b) The normal form of benefit computed under Article VI for a Post-2015 Member who is married when the Member retires, and who retires under Article V or Article IX, shall be a Post-retirement Survivor Annuity that is the actuarial equivalent of the benefit set forth in Section 1 of this Article VIII, under which 50% of the Member's retirement benefit shall be payable in monthly installments to the Member's Surviving Spouse. For this purpose, actuarial equivalence shall be based on mortality as shown in Exhibit C and interest at the rate of 6.0% per year compounded annually. The portion of the benefit attributable to the amount described in Article VI, Section 1(e), that may be payable prior to the Member's earliest eligibility age for a Railroad Retirement annuity or Social Security annuity, is not subject to this actuarial adjustment. An election by a Member who is married when the Member retires to receive a retirement benefit in a form other than provided in this paragraph or in Section 3 of this Article VIII shall not be effective unless the Member's spouse consents to the election as provided in this Article.

(c) The normal form of benefit computed under Article VI for a Pre-2016 Member who is married when the Member retires, and who retires under Article V or Article IX, shall be a Post-retirement Survivor Annuity under which 50% of the Member's retirement benefit shall be payable to the Member's Surviving Spouse.

(d) The normal form of benefit computed under Article VI for a Pre-2016 Member who is unmarried when the Member retires, and who retires under Article V or Article IX, shall be a joint and survivor annuity payable to him during life and after his death to his Eligible Surviving Child or Children, for as long as the Eligible Surviving Child or Children remain eligible, in an amount equal to 50% of the retirement benefit payable to the Member. Each payment shall be divided equally among the Eligible Surviving Children at the time of each payment. The benefit payable to the Eligible Surviving Children shall commence on the first day of the calendar month in which the death of the retired Member occurs unless the Member elected a temporary early retirement benefit under Section 4(a) of Article V and dies prior to attaining age 60, in which case the survivor benefit payable under this section will be an amount equal to one-half of the temporary early retirement benefit paid to the Member, not to exceed \$250 per month, payable until the Member would have attained age 60, and thereafter, an amount equal to 50% of the retirement benefit payable to the Member.

(e) If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan and the Member is unmarried, has no Eligible Surviving Child or Children, and retires under Article V or Article IX, unless he elects otherwise under Section 4 of this Article VIII, the Member shall receive the benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation in the form of a joint and survivor annuity payable to him during life and after his death to his Eligible Surviving Parent or Parents for life in an amount equal to 50% of the Conrail Plan benefit payable to the Member. This survivor's benefit is not available for the portion of the Member's retirement benefit computed under Article VI in excess of the benefit he accrued under the Conrail Plan. The survivor's benefit shall be payable jointly to the Eligible Surviving Parent or Parents for as long as either or both parents shall live. In lieu of the Eligible Surviving Parent or Parents benefit described in the preceding sentence, a Member may elect to provide a designated Eligible Surviving Parent with the full amount of the survivor's benefit for the parent's life, with the full amount of the survivor's benefit continued thereafter for the life of the other Eligible Surviving Parent. The benefit payable to the Eligible Surviving Parents shall commence on the first day of the calendar month in which the death of the retired Member occurs unless the Member elected a temporary early retirement benefit under Section 4(a) of Article V and dies prior to attaining age 60, in which case the survivor benefit payable under this section will not commence until the first calendar month in which the Member would have attained age 60.

(f) In the case of a Pre-2016 Member who is married and dies prior to retirement after attaining age 60, his Surviving Spouse shall be entitled to a survivor annuity equal to 50% of the retirement benefit that would have been payable to such Member assuming he had retired on the last day of the month in which he dies, without the 1/180th reduction in the benefit for each calendar month the Member is under age 62 at the time of his death as provided under Section 2 of Article VI. In the case of a Post-2015 Member who is married and dies prior to retirement after attaining age 60, his Surviving Spouse shall be entitled to a survivor annuity equal to 50% of the retirement benefit that would have been payable to such Member assuming he had retired on the last day of the month in which he dies and applying any early retirement reduction for each calendar

month the Member was under age 62 at the time of his death as provided under Section 2 of Article VI.

2. (a) A Member who is vested under Article IX and who dies prior to age 60, shall have a benefit payable to his Surviving Spouse in the form of a preretirement survivor annuity. The benefit payable to such Surviving Spouse shall be an amount payable monthly for life equal to 50% of the benefit the deceased Member would have been eligible to receive assuming he had separated from service on the earlier of his date of death or his termination of service, survived to age 60, retired and died on the day after attaining age 60. The benefit payable shall not be reduced by 1/180th for any calendar month which a Pre-2016 Member is under age 62 at the time of his death, as provided under Section 2 of Article VI. The benefit payable shall be reduced by any early retirement reduction for each calendar month which the Post-2015 Member was under age 62 at the time of his death as provided under Section 2 of Article VI. In all events, this benefit will be reduced by the amounts under paragraphs (e) through (k) of Section 1 of Article VI, when such amounts would have been payable to the Member.

A Surviving Spouse of a Member who is vested under Article IX and who dies prior to attaining age 60 may elect to commence the preretirement survivor annuity at an earlier date provided the Member could have retired and commenced his benefit on the earlier date. The benefit payable to such Surviving Spouse shall be an amount payable monthly for life equal to 50% of the benefit the deceased Member would have been eligible to receive under the normal form of benefit described in Section 1(b) or 1(c) of this Article VIII, as applicable, had he separated from service on the earlier of his actual separation date or his date of death, retired on the early retirement date and died on the day after early retirement.

The provisions of this Section 2(a) shall be applicable in the case of any Member who has at least one Hour of Service under the Plan on or after August 23, 1984.

(b) A Member who is vested under Article IX may elect in writing, at any time, to have a benefit payable to his Surviving Spouse if he dies in active service, or during a period of Disability Service, after attaining age 35 and prior to attaining age 60. The benefit payable to such Surviving Spouse shall be equal to 50% of the benefit the deceased Member would have been eligible to receive assuming he had reached age 60 and retired on the last day of the month in which he dies, having elected the normal form of payment described in Section 1(b) or 1(c) of this Article VIII, as applicable, and without the reduction in benefit for commencement prior to age 62 at the time of his death as provided under Section 2 of Article VI. The benefit at the Member's death shall be an amount payable monthly to the Surviving Spouse for life following the Member's death. This option shall not become effective until six months after the election is made or upon furnishing proof of health satisfactory to the Board of Managers. If the Member's spouse dies or is divorced from the Member, or if the Member's service is terminated for any reason prior to his death, or when the Member attains age 60, his election shall be automatically terminated. A Member may revoke in writing, at any time, an election made under this Section 2(b). A Member electing this option shall have his retirement benefit reduced by an amount equal to 1/144th of 1% per month for each month that the election is in effect from and including age 35 through age 49 and 1/72nd of 1% per month for each month that the election is in effect from and including age 50 through age 59,

computed as of the time that the election terminates or is revoked, in order to reflect the actuarial cost of the protection.

(i) If a Pre-2016 Member has elected a benefit under this Section 2(b), retires under Section 4(a) of Article V and dies prior to attaining age 60, his Surviving Spouse shall be entitled to receive a monthly survivor benefit equal to the greater of one-half of the temporary monthly early retirement benefit paid to the Member or the benefit otherwise payable under this Section 2(b), to include the actuarial reduction provided for in this Section 2(b) for the period from the Member's retirement to his death.

(c) Any Member who separated from service prior to August 23, 1984, but subsequent to December 31, 1975, with a vested benefit shall be entitled to the preretirement survivor annuity benefit provided by Section 2(a) of this Article VIII, if:

(i) The Member had at least one Hour of Service on or after January 1, 1976,

(ii) The provisions of Section 2(a) of this Article VIII would not (but for this paragraph) have applied to such Member,

(iii) Such Member was alive and had not attained age 60 on or before August 23, 1984.

(d) If a Member who is married and retires under Section 4(a) of Article V dies prior to attaining age 60, his Surviving Spouse shall be entitled to a survivor benefit equal to one-half of the temporary early retirement benefit paid to the Member, not to exceed \$250 per month payable until the Member would have attained age 60. Thereafter, the Surviving Spouse is entitled to a survivor annuity equal to 50% of the retirement benefit payable to the Member in accordance with Section 1(c) of this Article VIII, reduced for any benefit payable under Section 4 of this Article VIII.

3. A Member may elect in writing not more than 90 days before retirement to receive his retirement benefit computed under Article VI in the form of a Post-retirement Survivor Annuity payable as a reduced retirement benefit to him during life and after his death to his Surviving Spouse during life at the option of the Member, in an amount

(a) equal to, or

(b) 75% of

the reduced retirement benefit payable to the Member. Such election shall become inoperative if the Member's spouse dies before the Member's retirement, or if the Member's marriage is dissolved before the Member's retirement, or if the Member revokes his election within the 90-day period before the Member's retirement. A Member whose election becomes inoperative for any of such reasons may make a new election. A Member electing an option under this Section 3 shall have his retirement benefit reduced by a percentage computed on the basis of actuarial values to reflect

the actuarial cost of this protection in excess of the standard survivor annuity, which is provided in Section 1(c) of this Article VIII for Pre-2016 Members and which is provided in Section 1(a) of this Article VIII for Post-2015 Members. For this purpose, the actuarial values shall be based on mortality as shown in Exhibit C and interest at the rate of 6.0% per year compounded annually. In addition, for purposes of determining the actuarial adjustment for a Member who retires after December 31, 2015, the portion of the benefit attributable to the amount described in Article VI, Section 1(e), that may be payable prior to the Member's earliest eligibility age for a Railroad Retirement annuity or Social Security annuity, is not subject to this actuarial adjustment.

A Member shall have only one opportunity while the Member is in active service or during Disability Service to elect a Post-retirement Survivor Annuity that provides a 100% survivor annuity or a 75% survivor annuity pursuant to the preceding paragraph. If such annuity does not commence as of the Member's retirement, either because the Member revokes his election or because the Member does not retire, the Member may not elect a similar annuity option until after the Member's termination of employment.

A Member whose employment has terminated shall have only one opportunity to revoke his election of a particular retirement date. The second time a Member elects a retirement date after his termination of employment, the Member's benefit shall be required to commence as of the retirement date the Member has elected, although the Member may revoke his election of a particular form of payment during the 90-day period preceding the Member's retirement, as provided above.

4. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, and has not retired, then the Member may elect with spousal consent (or without spousal consent if there is no spouse) in writing not more than 90 days before the Member's retirement to receive the benefit he accrued under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation in the form of a joint and survivor annuity payable as a reduced retirement benefit to him during life and after his death to his designated beneficiary or beneficiaries during life, in an amount

- (a) equal to,
- (b) 75% of,
- (c) 50% of, or
- (d) 1% of

the reduced Conrail Plan benefit payable to the Member. The portion of the Member's retirement benefit computed under Article VI in excess of the benefit he accrued under the Conrail Plan will be payable in the form of an annuity for life.

5. A Member may cause any of the options provided in Sections 2, 3, and 4 of this Article VIII to be applicable to him (with spousal consent, where required), and his retirement benefit shall be actuarially reduced to reflect the protections of such options.

6. Elections made by a Member prior to the Effective Date under any plan merged into or now forming a part of this Plan or the plan of a Participating Subsidiary shall be effective for the Plan.

7. The benefit payable to a Surviving Spouse or Eligible Child of a retired Member shall commence on the first day of the calendar month in which the death of the retired Member occurs. The benefit payable to a Surviving Spouse under the provisions of Sections 1(f) or 2(b) of this Article VIII shall commence on the first day of the calendar month following the month in which the death of the Member occurs. The benefit payable to a Surviving Spouse under the provisions of Section 2(a) of this Article VIII shall commence with the first calendar month in which the Member would have attained age 60, unless the Surviving Spouse elects otherwise under Section 2(a) of this Article VIII.

8. If the present value of the retirement benefit payable under this Article VIII is greater than \$5,000 but less than or equal to \$9,000, the Pre-2016 Member may elect with spousal consent (or without spousal consent if there is no spouse) distribution of his benefit upon retirement or termination of the Member's employment with NSC or a Participating Subsidiary in (a) lump sum, (b) an immediate annuity, (c) a combination of partial lump sum and a partial immediate annuity or (d) a combination of partial lump sum or partial immediate annuity and a partial deferred benefit to be paid in the form permitted under this Article VIII. If the present value of the retirement benefit payable under this Article VIII is greater than \$5,000 but less than or equal to \$9,000, the Post-2015 Member may elect with spousal consent (or without spousal consent if there is no spouse) distribution of his benefit upon retirement or termination of the Member's employment with NSC or a Participating Subsidiary in (a) lump sum, (b) an immediate annuity, or (c) a deferred benefit to be paid in the form permitted under this Article VIII. For purposes of this section, the present value of the lump sum benefit for a Pre-2016 Member shall be calculated based on (a) mortality as shown in Exhibit C and interest at the rate of 6.0% per year compounded annually, or (b) the "applicable mortality table," as defined in Section 417(e)(3)(B) of the Code, and the "applicable interest rate" as defined in Section 417(e)(3)(C) for November of the year preceding the Plan Year, whichever will provide the greater lump sum to the Member. For purposes of this section, the present value of the lump sum benefit for a Post-2015 Member shall be calculated based on the "applicable mortality table," as defined in Section 417(e)(3)(B) of the Code, and the "applicable interest rate" as defined in Section 417(e)(3)(C) for November of the year preceding the Plan Year. The lump sum distribution will be paid as soon as administratively feasible to the Member or, if the Member so elects in writing, to the trustee of an "eligible retirement plan", as defined in Section 402(c)(8)(B) of the Code or to a Roth IRA described in Section 408A of the Code. If a Member who has received a lump sum distribution of the present value of his retirement benefit is subsequently rehired by the Corporation, he shall again participate in the Plan as of his date of re-employment and his prior period of service shall be restored for purposes of Article IX, except that his prior period of Creditable Service shall not be counted for purposes of determining his Accrued Benefit on his subsequent retirement or other termination of employment.

9. If the present value of the benefit that becomes payable on account of a Member's death prior to commencement of benefits is greater than \$5,000 but less than or equal to \$9,000, the Surviving Spouse may elect distribution of the benefit be made in a lump sum. For purposes of this section, the present value of the lump sum benefit for a Pre-2016 Member shall be calculated based on (a) mortality as shown in Exhibit C and interest at the rate of 6.0% per year compounded annually, or (b) the "applicable mortality table," as defined in Section 417(e)(3)(B) of the Code, and the "applicable interest rate" as defined in Section 417(e)(3)(C) for November of the year preceding the Plan Year, whichever will provide the greater lump sum to the Surviving Spouse. For purposes of this section, the present value of the lump sum benefit for a Post-2015 Member shall be calculated based on the "applicable mortality table," as defined in Section 417(e)(3)(B) of the Code, and the "applicable interest rate" as defined in Section 417(e)(3)(C) for November of the year preceding the Plan Year. The lump sum distribution will be paid as soon as administratively feasible to the Surviving Spouse. If the Surviving Spouse so elects in writing, the lump sum distribution will be paid to the trustee of an "eligible retirement plan" as defined in Section 402(c)(8)(B) of the Code or to a Roth IRA described in Section 408A of the Code.

10. A Member shall make a written application to receive his benefit under the Plan in the manner and on the form specified by the Board of Managers.

11. (a) A Member shall be provided with a written notice that includes (i) a general description of the material features of each form of distribution available under the Plan, including the terms and conditions of the Post-retirement Survivor Annuity, (ii) an explanation of the financial effect of electing each form of distribution available under the Plan, (iii) the Member's right to make and effect of an election to waive the Post-retirement Survivor Annuity, (iv) the rights of the Participant's spouse, (v) the right to withdraw a previous election to waive the Post-retirement Survivor Annuity, (vi) an explanation of the Member's right to defer receipt of the distribution until the Member's Normal Retirement Date and the consequences of failing to do so, and (vii) if the distribution is payable as a lump sum distribution, an explanation of the Member's right to make a direct rollover.

(b) This written explanation shall be provided to the Member no more than 180 and no less than 30 days before the Member's retirement date, subject to the following exception:

(i) The written explanation may be provided less than 30 days before the Member's retirement date provided that the Member is given a specified period of at least 30 days to make the election (and that other Plan requirements are satisfied); and

(ii) A Member may affirmatively elect, with spousal consent, to waive the minimum 30-day election period. The waiver of the minimum 30-day period will be effective only if:

(A) the Member and the Member's spouse have been informed of the right to have a minimum 30-day election period to consider whether to waive the Post-retirement Survivor Annuity;

(B) the distribution begins at least 7 days after the date that the written explanation is provided; and

(C) the Member is permitted to revoke an election, and the spouse is permitted to revoke a consent, until the later of the date the Member's benefits commence or the expiration of the 7-day period that begins the day after the written explanation is provided.

12. Any spousal consent that is required to waive the Post-retirement Survivor Annuity must be in writing and shall not be effective if the Member is married unless:

(a) the Member's spouse consents to the election in writing, and such consent (i) acknowledges the Participant's selection of an alternative form of benefit, (ii) acknowledges the effect of the election, and (iii) is witnessed by a notary public; or

(b) it is established to the satisfaction of the Board of Managers or its designee that the spouse's consent cannot be obtained because (i) the Member has no spouse, or (ii) the Member's spouse cannot be located, or (iii) one of the conditions prescribed in Treasury regulations is satisfied.

13. Proof of the Member's death and of eligibility under this Article VIII satisfactory to the Administrator must be furnished before benefits shall be paid to any survivor hereunder.

ARTICLE IX. VESTING AND TERMINATION OF EMPLOYMENT

1. A Member who has completed 5 Years of Service or 60 Months of Service (including, solely for this purpose, the periods described in Section 6 of this Article IX), attained age 62, or is otherwise vested shall have a nonforfeitable right to 100% of his Normal Retirement Benefit under the Plan.

2. A Pre-2016 Member whose service terminates after 10 years of Creditable Service, and before attainment of age 60, shall be eligible to receive his retirement benefit beginning on the last day of the calendar month following the calendar month in which he attains age 60 calculated pursuant to Section 1 of Article VI. A Post-2015 Member whose service terminates after 10 years of Creditable Service and before attainment of age 60 shall be eligible to receive his unreduced retirement benefit beginning on the last day of the calendar month following his Normal Retirement Date. A Member whose service terminates after 10 years of Creditable Service, may elect to receive his Normal Retirement Benefit, actuarially reduced based on mortality for employees as shown in Exhibit A and interest at the rate of 7.5% per year compounded annually, beginning on the last day of the calendar month following the calendar month in which he attains age 55. The actuarial reduction under this Section 2 shall consist of adjusting the Normal Retirement Benefit to an actuarially equivalent constant benefit amount (if it is not already a constant benefit amount during the Member's lifetime), and then actuarially reducing the constant benefit amount for commencement at the earlier age. For purposes of all actuarial adjustments determined under this

Section 2, all calculations will be determined based upon a benefit amount payable in a constant amount over the Member's lifetime with no survivor benefits payable.

3. A Pre-2016 Member who is vested, and whose service terminates prior to 10 years of Creditable Service and before attainment of age 60, shall be eligible to receive his retirement benefit calculated pursuant to Section 1 of Article VI beginning on the last day of the calendar month following the calendar month in which he attains age 62; provided, however, that the Member may elect to receive his retirement benefit beginning on the last day of the calendar month following the Member's attainment of age 60, in which case the Member's retirement benefit shall be reduced in accordance with the provisions of Section 2(a)(i) of Article VI. A Post-2015 Member who is vested, and whose service terminates prior to 10 years of Creditable Service and on or after attainment of age 55 but before attainment of age 60, shall be eligible to receive his retirement benefit calculated pursuant to Section 1 of Article VI beginning on the last day of the calendar month following the calendar month in which he attains age 62; provided, however, that the Member may elect to receive his retirement benefit beginning on the last day of the calendar month following the Member's attainment of age 60, in which case the Member's retirement benefit shall be reduced in accordance with the provisions of Section 2(b)(i)(A) of Article VI. A Post-2015 Member who is vested, and whose service terminates prior to 10 years of Creditable Service and prior to attainment of age 55, shall be eligible to receive his unreduced retirement benefit beginning on the last day of the calendar month following his Normal Retirement Date; provided, however, he may elect to receive his retirement benefit at any time upon his attainment of age 60, actuarially reduced from the age when the Member's Normal Retirement Benefit becomes payable based on mortality for employees as shown in Exhibit A and interest at the rate of 7.5% per year compounded annually. For a Post-2015 Member, the actuarial reduction under this Section 3 shall consist of actuarially reducing the constant benefit amount for commencement at the earlier age. For purposes of all actuarial adjustments determined under this Section 3, all calculations will be determined based upon a benefit amount payable in a constant amount over the Member's lifetime with no survivor benefits payable.

4. A Pre-2016 Member with not less than 20 years of Creditable Service who is employed in a Nonagreement Position at age 50, may separate from service on or after attaining age 50, and prior to attaining age 55, and subsequently be eligible to receive his retirement benefit between attainment of ages 55 and 60. The retirement benefit shall be calculated as if the Member retired under Section 4(b) of Article V.

5. If an individual became a Member on or before August 26, 1999, and the Member was previously a participant in the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation and accrued a benefit that was transferred to the Plan, the Member's retirement benefit shall be determined in accordance with this Section 5.

(a) If the Member had a least 3 years of vesting service (as determined under the Conrail Plan) on his transfer date, but less than 5 Years of Service, the vested percentage of the Member's benefit shall be the greater of the percentage determined under the vesting provisions of the Conrail Plan (taking into account the Member's service both before and after the transfer) and the percentage determined under the vesting provisions in Section 1 of this Article IX. If the Member receives a lump-sum distribution at a time when he is less than fully vested and the Member is

subsequently re-employed, the Member's prior period of Creditable Service shall be counted for purposes of determining his Accrued Benefit if the Member repays the full amount distributed to him, plus interest thereon, computed from the date of distribution to the date of repayment at the rate prescribed by Section 411(c)(2)(C) of the Code. Such repayment must be made by the earlier of (i) five years after the Member's re-employment or (ii) the end of a period of five consecutive one-year breaks in service following the date of distribution.

(b) The Member's retirement benefit shall be the greater of (i) the amount computed under Sections 1 through 4 of this Article IX, and (ii) the Member's vested benefit under the Conrail Plan (excluding any benefit described in Article 14 of the Conrail Plan as in effect on or after August 1, 1998) or the Retirement Plan of Consolidated Rail Corporation. The benefit may commence on any date when the Member would have been eligible to receive the benefit under the Conrail Plan or the Retirement Plan of Consolidated Rail Corporation; provided, however, that the benefit computed under clause (i) shall be the actuarial equivalent of the single-life annuity commencing at age 65, based on mortality for employees as shown in Exhibit A and mortality for beneficiaries as shown in Exhibit B, and interest at the rate of 7.5% per year compounded annually.

6. For the purpose of Section 1 of this Article IX, Years of Service and Months of Service shall consist of employment (including Disability Service, "qualified military service," as defined by section 414(u) of the Code, and leave provided under the Family and Medical Leave Act) by NSC, any Participating Subsidiary, any predecessor or constituent company of NSC or a Participating Subsidiary, any corporation which is merged into NSC or a Participating Subsidiary, any railroad corporation substantially all of the assets of which are leased by NSC or a Participating Subsidiary, Consolidated Rail Corporation (after April 1, 1976), or of any corporation 80% or more of the stock of which is owned by NSC or a Participating Subsidiary either directly or through subsidiaries.

7. Each Member and each Surviving Spouse of a Member under the Plan shall have a nonforfeitable right to 100% of his Normal Retirement Benefit under the Plan as of the date of a Qualified Transfer (as defined in Section 1(j) of Article XXIII) in the same manner that would be required under Section 1 of Article XIII if the Plan were terminated immediately prior to the Qualified Transfer. Each former Member who separated from service during the one-year period ending on the date of a Qualified Transfer shall have a nonforfeitable right to 100% of his Normal Retirement Benefit under the Plan as of the date of his separation from service in the same manner that would be required under Section 1 of Article XIII if the Plan were terminated immediately prior to his separation from service.

8. If a member applies for benefits under this Article IX after the earliest date the Member would have been eligible to receive an unreduced benefit, the Plan shall pay to such Member, as soon as administratively feasible, all monthly benefit payments the Member would have received if his or her benefits had commenced on such date. In all events, the Member's benefit as determined under this Section shall be calculated on the basis of the Member's Average Final Compensation, Creditable Service and the retirement benefit provisions of the Plan in effect for the Member on the date of the Member's termination of service.

ARTICLE X. FUNDING

1. The benefits under the Plan shall be financed by contributions made to the Fund by NSC or the Participating Subsidiaries and those assets which have been accumulated in the Fund. No contributions shall be required of Members. NSC and the Participating Subsidiaries intend to make contributions in such amounts and at such times as may be required to maintain the Plan in a sound actuarial condition consistent with the minimum funding standards of the Employee Retirement Income Security Act of 1974. Accordingly, a "funding standard account" shall be established and maintained for the Plan in accordance with the provisions of Section 412 of the Code.

2. Any forfeitures shall be used to reduce the contributions of NSC or the Participating Subsidiaries and shall not be applied to increase the benefits any Member would otherwise receive under the Plan.

3. The Fund shall be held in trust and shall be used to pay the benefits provided by the Plan and expenses not paid directly by NSC or the Participating Subsidiaries. No part of the corpus or income of the Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of participants in or beneficiaries of the Plan prior to the satisfaction of all liabilities under the Plan with respect thereto, and no person shall have any interest or right in the Fund except as expressly provided in the Plan. Notwithstanding the foregoing, "Excess Pension Assets" (as defined in Section 1(e) of Article XXIII) of the Fund may be allocated to the "Medical Benefits Account" (as defined in Section 1(f) of Article XXIII) under the Plan pursuant to the provisions of Section 10 of Article XXIII and Sec. 420 of the Code.

ARTICLE XI. ADMINISTRATION OF PLAN AND TRUST PROVISIONS

1. The general administration of the Plan and the responsibility for carrying out its provisions shall be in a Board of Managers of not less than three persons appointed from time to time by the Chief Executive Officer to serve at the pleasure of the Chief Executive Officer. The Board of Managers and the Benefits Investment Committee shall each be a named fiduciary for its respective fiduciary duties under the Plan.

2. Any person appointed a member of the Board of Managers shall signify his acceptance by filing written acceptance with the Secretary of NSC. Any member of the Board of Managers may resign by delivering his written resignation to the Secretary of NSC.

3. The members of the Board of Managers shall appoint a Chairman, a Comptroller and a Secretary. The Comptroller, who shall not be a member of the Board of Managers, shall have access to all books, records, securities and accounts of the Fund and shall make such examinations thereof as he deems necessary. The Secretary, who may be but need not be a member of the Board of Managers, shall keep minutes of all meetings of the Board of Managers and all data, records and documents for the administration of the Plan. The Board of Managers may appoint from its members

such committees with such powers as it shall determine, may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment in its behalf, and may employ and suitably compensate counsel, agents and persons performing such clerical, accounting and actuarial services as it may require in administering the Plan.

4. The Board of Managers shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.

5. Any act authorized or required to be performed by the Board of Managers may be done by a majority of its members. The action of such majority expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Board of Managers and shall have the same effect for all purposes as if assented to by all members of the Board of Managers.

6. Subject to the limitations of the Plan, the Board of Managers from time to time shall establish rules for the administration of the Plan and the transaction of its business. The determination of the Board of Managers as to any disputed question shall be conclusive.

7. The Board of Managers from time to time shall adopt service and mortality tables for use in all actuarial calculations required in connection with the Plan, shall establish the rates of contribution, and shall establish the rate of regular interest which shall be used in all actuarial calculations required in connection with the Plan. As an aid to the Board of Managers in adopting tables and in fixing the rates of contribution under the Plan, the actuary designated by the Board of Managers shall make annual actuarial valuations of the assets and liabilities of the Plan, and shall certify to the Board of Managers the tables and rates which he recommends for use by the Board of Managers. The Board of Managers shall be entitled to rely upon all tables, valuations, certificates and reports furnished by such actuary and upon all opinions given by counsel (who may be counsel for NSC) selected by the Board of Managers, and the Board of Managers shall be fully protected in respect of any action taken by it in good faith in reliance upon any such material or opinions.

8. The Board of Managers shall maintain records showing the fiscal transactions of the Plan and shall keep in convenient form such data as may be necessary for actuarial valuations of the Plan. The Board of Managers shall prepare annually a report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of its operation for the past year. In preparing such report, the Board of Managers shall be entitled to rely on any statement of assets submitted to it by a trustee or custodian of the Fund and shall be under no obligation to check or verify any such statement. Such report shall be submitted to the Board of Directors and a copy thereof shall be filed in the office of the Secretary of the Board of Managers, where it shall be open to inspection of any Member.

9. The Board of Managers has the authority to determine the amount and timing of any benefit paid under the Plan. The Board of Managers delegates to the staff of the Human Resources Department the authority to conduct the day-to-day operations of the Plan, including but not limited to making an initial determination regarding: the eligibility of a person to participate in the Plan; whether a Member, Surviving Spouse, or alternate payee is entitled to benefits under the Plan; and

the amount of any benefit payment. If a Member, Surviving Spouse, or alternate payee receives a benefit overpayment, including an overpayment as a result of a benefit commencing earlier or in a larger amount than provided for under the terms of the Plan, then future benefit payments may be offset, in a nondiscriminatory manner, to recoup the overpayment.

10. The Board of Managers shall have the absolute and exclusive right in its discretion to interpret the Plan (excluding Article XXV, for which the LTD Plan's Board of Managers has this exclusive right, as provided in Section 3 of that Article) and to decide all matters arising hereunder, including but not limited to resolving issues relating to a Participant's eligibility for Plan benefits and the nature, amount, conditions and duration of any Plan benefit, and the right to remedy possible ambiguities, inconsistencies, or omissions.

In the event of a claim by a claimant with respect to benefits or denial of benefits hereunder, such claimant shall, not later than ninety (90) days after the occurrence of the events giving rise to such claim, present the reason for his or her claim in writing to the Secretary of the Board of Managers. The Secretary of the Board of Managers shall, within ninety (90) days after receipt of such written claim, send a written notification to the claimant as to the disposition of the claim or, if the claim concerns the right of a person to a Disability Benefit under Article XXV, refer the claim to the Secretary of the Board of Managers of the LTD Plan for resolution pursuant to this section. In the event the claim is wholly or partially denied, such written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the claimant may appeal the denial of his or her claim, including a statement of the claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974 following a denial on review.

In the event a claimant wishes to appeal the denial of his or her claim, he or she may request a review of such denial by making application in writing to the Board of Managers within sixty (60) days after receipt of such denial. Such claimant (or his or her duly authorized legal representative) may, upon written request to the Secretary of the Board of Managers (or, with respect to a claim for a Disability Benefit, upon written request to the Secretary of the Board of Managers for the LTD Plan), review without charge any documents, records, or other information pertinent to his or her claim, and submit in writing issues and comments in support of his or her position. The Board of Managers' review shall take into account all information submitted by the Employee relating to the claim, without regard to whether the information was submitted or considered in the initial benefit determination. Within sixty (60) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Board of Managers shall notify the claimant of the final decision. If an extension of time is required, the Secretary of the Board of Managers shall provide the claimant with a written notice within the initial 60-day period explaining the circumstances that require the extension and the date by which the Board of Managers expects to reach a final decision. The final decision shall be in writing. If the decision is adverse, it shall include the specific reasons for the decision, written in a manner calculated to be understood by the

claimant; specific references to the pertinent Plan provisions on which the decision is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all information relevant to the claim; and a statement of the claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974.

Notwithstanding any provision in this section to the contrary, a claim for a Disability Benefit under Article XXV shall be made to the Secretary of the Board of Managers of the LTD Plan, and any appeal concerning such Disability Benefit shall be made to, and decided by, the LTD Plan's Board of Managers, in accordance with the time frames and procedures for claims and appeals under the LTD Plan.

All determinations of the Board of Managers with respect to any matter under this Plan shall be conclusive and binding on all persons, except that all determinations of the LTD Plan's Board of Managers shall be conclusive and binding as to the right of any person to a Disability Benefit under Article XXV. Unless and until a claimant has exhausted the administrative review procedure set forth in this section with respect to every issue deemed relevant by the claimant, a claimant may not file in any court:

- (a) a claim or action to recover benefits allegedly due under the provisions of the Plan or by reason of any law, nor
- (b) a claim or action to enforce rights under the Plan, nor
- (c) a claim or action to clarify rights to future benefits under the Plan, nor
- (d) any other claim or action that (i) relates to the Plan and (ii) seeks a remedy, ruling, or judgment of any kind against the Plan, the Plan Administrator, a Plan fiduciary, or a party in interest with respect to the Plan.

11. The Board of Managers shall have authority to incur such expenses and liabilities and to have the same discharged out of the Fund as in its judgment may be in the interest of the Plan.

12. The Board of Managers shall exercise such authority and responsibility as it deems appropriate in order to comply with the Employee Retirement Income Security Act of 1974 and governmental regulations issued thereunder relating to records of Members' service; accrued benefits and the percentage of such benefits which are nonforfeitable under the Plan; notifications to Members; annual reports to the Internal Revenue Service; annual reports to the Department of Labor; and reports to the Pension Benefit Guaranty Corporation.

13. A trust ("Trust") is hereby created hereunder for the purpose of holding and administering the assets constituting the Fund. The Fund shall be held and administered by the Board of Managers as trustee, in accordance with the terms of the Plan and related Trust. By execution of this Agreement, or by separate written acknowledgment, each member of the Board

of Managers hereby accepts the Trust created hereunder, and agrees to perform all duties specified herein.

The chief financial officer, with approval of the Board of Managers, may enter into one or more trusts or custodial arrangements with responsible trust companies or other financial institutions to serve as trustees or custodians of the Fund.

ARTICLE XII. MANAGEMENT OF FUND

1. A Benefits Investment Committee comprised of the chief financial officer, chief legal officer and chief administrative officer shall establish such policies for the investment of the Fund as it shall from time to time deem advisable. Such policies need not limit investment of the Fund to assets which are customarily denominated legal investments. The chief financial officer, subject to such investment policies and reporting requirements as may from time to time be established by the Benefits Investment Committee, shall be authorized to make such investments, exchanges or sales, whether of stocks, bonds, notes or other forms of securities, as he may deem in the interest of the Plan.

2. The chief financial officer, with approval of the Benefits Investment Committee, may enter into such contracts, trust agreements or other arrangements as it deems desirable with investment managers, banks or financial institutions to invest or manage the investment of the Fund. Any expense incurred for services in connection with the foregoing shall be a proper charge against the Fund.

3. For convenience in effecting transfers of securities, the chief financial officer may execute powers of assignment or other necessary papers or may hold such securities in the name of a nominee, provided that the books and records of the Fund at all times reflect actual ownership. Shares of stock may be voted by general proxy executed by a member of the Benefits Investment Committee or by a general proxy executed by a nominee in accordance with instructions given by the Benefits Investment Committee or a member thereof who has been duly authorized to give such instructions by a general resolution of the Benefits Investment Committee.

4. The Benefits Investment Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine. The chief financial officer shall serve as Chairman of the Benefits Committee. Any act authorized or required to be performed by the Benefits Investment Committee may be done by a majority of its members. The action of such majority expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Benefits Investment Committee and shall have the same effect for all purposes as if assented to by all members of the Benefits Investment Committee.

ARTICLE XIII. CERTAIN RIGHTS AND OBLIGATIONS OF NSC AND THE PARTICIPATING SUBSIDIARIES

1. The Board of Directors may terminate the Plan or reduce, discontinue or suspend contributions thereto at any time for any reason. In the event of termination or partial termination of the Plan or discontinuance or suspension of contributions to the Plan, the rights of all affected Members to benefits accrued to the date of such termination, discontinuance or suspension shall be nonforfeitable.

2. In the event of termination of the Plan, the assets of the Fund shall be used for the exclusive benefit of Members, retired Members, and their survivors receiving benefits under the Plan, except that any such assets not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial calculations shall be returned to NSC and the Participating Subsidiaries.

3. In the event the Plan is terminated, the Board of Managers shall allocate the assets of the Fund among the Members, retired Members and their survivors entitled to benefits under the Plan in the following order:

(a) First, among Members, retired Members or their survivors entitled to benefits under the Plan having unrefunded contributions together with interest at such rate as the Board of Managers may determine (not in excess of the aggregate increment actually earned thereon).

(b) Second, among Members, retired Members or their survivors entitled to benefits under the Plan who:

(i) were receiving benefits three years prior to termination, but limited to the lesser of the lowest benefit level in that period or the lowest benefit level that would have been paid under the provisions of the Plan as in effect during the five years prior to termination; or

(ii) were eligible to retire and receive benefits three years prior to termination, but limited to the lowest benefit level that would have been paid under the provisions of the Plan as in effect during the five years prior to termination.

(c) Third, among Members, retired Members or their survivors entitled to benefits under the Plan whose benefits are guaranteed under Title IV of the Employee Retirement Income Security Act of 1974.

(d) Fourth, among Members, retired Members or their survivors entitled to benefits under the Plan having other vested benefits under the Plan.

(e) Fifth, among Members having other benefits under the Plan.

If the assets of the Fund applicable to any of the above categories are insufficient to satisfy in full the described benefits for all individuals in such group, the assets shall be allocated pro rata among such individuals on the basis of the present value (as of the termination date) of their respective benefits.

4. The Board of Managers shall determine on the basis of actuarial valuation the share of the assets allocable to each retired or deceased Member and each of Member's survivors entitled to benefits under the Plan and to each active Member in the order specified in Section 3 of this Article XIII. The Board of Managers may, subject to Title IV of the Employee Retirement Income Security Act of 1974, distribute such shares in cash or may apply shares to the purpose of immediate or deferred annuities or other periodic payments, as it shall in its sole discretion determine.

5. The establishment and existence of the Plan shall not be construed as conferring any legal rights upon any Employee to a continuation of employment, nor shall it interfere with the right of NSC or any Participating Subsidiary to discharge any Employee and to treat him without regard to the effect which such treatment might have upon him as a Member of the Plan. No Member, and no Surviving Spouse of any Member, even after payment of any benefit under the Plan shall have been approved, shall be entitled to have any part of the capital or income or other property of the Fund set aside for his or her benefit. All sums of money distributable as benefits shall be paid only from the Fund.

ARTICLE XIV. NONALIENATION OF BENEFITS

To the extent permitted by applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to do shall be void, except as specifically provided in the Plan; nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit.

ARTICLE XV. REFUND OF EMPLOYEE CONTRIBUTIONS

Members' unrefunded contributions, with interest at such rate as the Board of Managers may determine (not in excess of the aggregate increment actually earned thereon), shall be refunded, provided that the Member's Agreement Service constituted Creditable Service under Article IV:

1. To the Member upon his request.
 2. To the Member upon his resignation or dismissal from service, except that if the Member has met the conditions of Article IX the refund shall be made only upon his request.
 3. Upon a Member's death before retirement, to a person designated by a writing filed with the Secretary prior to the death of such Member, or, in the absence of such designation or in the event of the death or disability of the person designated, in accordance with law.
 4. Upon a Member's death after retirement (unless a spouse's pension is payable under Article VIII), any part of the amount which has been contributed by such Member and which has not been disbursed to him and his spouse as a retirement benefit under paragraph (b) of Section 1 of Article VI, to a person designated in writing filed with the Secretary.
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5. Upon retirement under the Railroad Retirement Act on account of disability without relinquishment of rights to return to the service of NSC or a Participating Subsidiary, to the Member but the refund shall be made only upon his request.

ARTICLE XVI. AMENDMENTS

NSC reserves the right at any time and from time to time to modify or amend in whole or in part, and retroactively if deemed necessary or appropriate, any or all of the provisions of the Plan in any manner; provided that no such modification or amendment, may be made (unless required in order to preserve the qualified status of the Plan under Section 401(a) or any comparable section of the Code, or as may be required by the Employee Retirement Income Security Act of 1974) which would deprive any retired Member or the Surviving Spouse of a retired or deceased Member, without the consent of such person, of any benefits under the Plan to which he would otherwise be entitled; and in no event shall any modification or amendment make it possible for any part of the assets of the Fund to be used for, or diverted to, purposes other than for the exclusive benefit of participants in and beneficiaries of the Plan prior to the satisfaction of all liabilities under the Plan with respect thereto. No amendment may be made that causes the elimination or reduction of any Plan benefit that would be prohibited under the provisions of Code Section 411(d)(6). The Plan may be amended by any proper officer of the Corporation to effect changes which are, in his or her sole judgment and discretion, ministerial, substantively administrative, or necessary to comply with statutory or other legally mandated requirements, and the implementation of which does not result in a material cost to the Corporation or to the Plan. All other amendments to the Plan shall be made by resolution adopted by the Board of Directors.

ARTICLE XVII. PARTICIPATION BY SUBSIDIARY COMPANIES - JOINT ADMINISTRATION OF OTHER PLANS

Conditional upon prior approval by NSC, any company which is a subsidiary of or affiliated with NSC may adopt and participate in this Plan as a Participating Subsidiary. Each Participating Subsidiary shall make, execute and deliver such instruments as NSC and/or the Board of Managers shall deem necessary or desirable, and shall constitute NSC and/or the Board of Managers as its agents to act for it in all transactions in which NSC and/or the Board of Managers believe such agency will facilitate the administration of this Plan.

Any company which is a subsidiary of or affiliated with NSC and which adopts a plan for the benefit of its employees may, with the approval of the Board of Directors, enter into an agreement with the Board of Managers to administer such plan.

ARTICLE XVIII. MERGER OR CONSOLIDATION

The Plan may not be merged or consolidated with, or its assets may not be transferred to any other plan, unless each participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer of assets which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer of assets (if the Plan had then terminated).

ARTICLE XIX. CONSTRUCTION

The Plan and the rights and obligations of all persons having an interest therein shall be construed in accordance with the laws of the Commonwealth of Virginia.

ARTICLE XX. CANADIAN MEMBERS

Anything in the Plan to the contrary notwithstanding, effective January 1, 1987, the Plan shall comply with the requirements of the Pension Benefits Standards Act, 1985, of Canada (hereinafter called the Pension Act) and applicable regulations thereunder, and shall be administered by NSC, but only with respect to Members or Former Members protected thereby. A Former Member is any person who has ceased membership in the Plan or has retired from the Plan. The following sections of this Article XX are included in compliance with requirements of the Pension Act for certain explicit provisions or statements in the Plan and shall apply with respect to Members or Former Members protected by the Pension Act notwithstanding anything to the contrary or inconsistent therewith in the Plan. An employee protected by the Pension Act can choose not to be a Member of this Plan because of his religious beliefs. Whenever used herein, words in the masculine form shall be deemed to refer to females as well as males. The gender of a Member or Former Member or spouse does not determine the amount of any benefit to which the Member, Former Member or spouse may be entitled under the Plan.

1. For Members who become a Member of the Plan on or after April 1, 2000, the retirement benefit of a Member protected by the Pension Act shall be calculated and payable in Canadian dollars, and such benefit shall be reduced by 66-2/3% of any pension payable under the Canada Pension Plan or a provincial pension plan as defined in section 3 of the Canada Pension Plan on the basis of service under the Canada Pension Plan applicable to Creditable Service under the Plan, assuming that such pension commenced at the earliest eligibility age following retirement. This reduction shall be in addition to any applicable offset described in paragraphs (e) through (k) of section 1 of Article VI.

2. Notwithstanding any provisions to the contrary, a Member or Former Member protected by the Pension Act may retire ten years prior to the ages specified in Sections 1 through 3 of Article V; provided, however, that the Creditable Service requirements in Article VI are met; and provided further that the Member's or Former Member's retirement benefit shall be the actuarial present value of the retirement benefit which would have been payable to the Member or Former Member pursuant to Article VI calculated on the basis of actual Creditable Service and Average Final Compensation at the time of retirement.

3. The provisions of Article IX shall apply with respect to Members protected by the Pension Act; provided, however, any Member who has completed 2 Years of Service as defined in Section 6 of Article IX shall have a nonforfeitable right to 100% of his accrued retirement benefit under the Plan. A Member or Former Member who has vested under this Section 3 and has terminated service shall be entitled to all applicable benefits under the Plan.

4. (a) Notwithstanding any provisions of Article VIII to the contrary, a Member or Former Member protected by the Pension Act who has a spouse at the time his retirement benefit commences shall receive such retirement benefit in the form of a joint and survivor annuity payable to him during life and after his death to his spouse during life in an amount equal to 60% of the amount payable to the Member or Former Member. The initial amount of the retirement benefit shall be reduced 3% unless there is no spouse entitled to receive a benefit upon the Member's or Former Member's death. For purposes of this Section 3 of Article XX, the term "spouse" means: (1) if there is no person described in clause (2), a person who is married to the Member or Former Member or who is a party to a void marriage with the Member or Former Member or (2) a person of the opposite sex who is cohabitating with the Member or Former Member in a conjugal relationship at the relevant time, having so cohabitated for at least one year.

(b) Where a Member (or Former Member with an accrued vested benefit remaining in the Plan) dies prior to becoming eligible for an early retirement benefit pursuant to Section 1 of this Article XX, the surviving spouse, if any, is entitled to receive, when the surviving spouse attains the requisite age specified in Section 1 of this Article XX, that portion of the Member's or Former Member's accrued vested benefit, to which the Member would have been entitled on his date of death if the Member had terminated employment on that day and had not died.

(c) A Member or Former Member who is vested under Section 2 of this Article XX may elect in writing to have a retirement benefit immediately payable to his spouse pursuant to the provisions of Section 2(b) of Article VIII; provided, however, such benefit shall be equal to 60% of the benefit the deceased Member or Former Member would have been eligible to receive assuming he had retired on the last day of the month in which he dies.

(d) A Member who dies after becoming eligible for an early retirement benefit pursuant to Section 1 of this Article XX, but prior to the commencement of such benefit, shall be deemed to have retired on the date of his death for purposes of the survivor benefit provided in subsection (a) hereof.

5. Except as otherwise provided in the next paragraph, no benefit under the Plan of any Member or Former Member protected by the Pension Act is capable of being assigned, charged, anticipated or given as security or confers on a Member or Former Member, that person's personal representative or dependent or other person, any right or interest therein that is capable of being assigned, charged, anticipated or given as security. Once vested, no benefit is capable of being surrendered or commuted during the lifetime of the Member or Former Member or that person's spouse or confers on a Member or Former Member, that person's personal representative or dependent or other person, any right or interest therein that is capable of being surrendered or

commuted during the lifetime of the Member or Former Member or that person's spouse. The provisions of this paragraph notwithstanding, where the annual pension benefit payable under the Plan is less than 2% of the "Year's Maximum Pensionable Earnings" (as that term is defined in the Pension Act) for the calendar year in which a Member ceases to be a member of the Plan or dies, the Member's accrued vested benefit may be paid to the Member or surviving spouse. No benefit under the Plan of any Member or Former Member protected by the Pension Act shall be subject in any manner to surrender or commutation during the lifetime of such Member or Former Member; provided, however, that pursuant to an agreement between the spouses or a court order, a Member or Former Member may assign all or part of his accrued vested benefit to his spouse, effective as of divorce, annulment or separation, subject to applicable provincial property law. In the event of such an assignment, the spouse shall, in respect of the assigned portion of the pension benefit, be deemed to be a Former Member of the Plan as of the effective date of such assignment, provided, however, that a subsequent spouse of the assigned spouse is not entitled to any benefits under the Plan in respect of the assigned pension benefit.

6. When the employment of a Member protected by the Pension Act is terminated for any reason (including death) prior to the Member's eligibility to retire pursuant to Section 1 of this Article XX, the actuarial present value of the Member's accrued vested benefit shall be computed in accordance with the Act or applicable regulations. The Member, or the surviving spouse (defined in Section 3 of this Article XX), as the case may be, is entitled, within 90 days, to transfer such actuarial present value to another pension plan, if that other plan permits, or to a life income fund or a locked-in registered retirement savings plan or to use such actuarial present value to purchase an immediate or deferred life annuity.

7. To the extent and so long as required by the Pension Act or applicable regulations thereunder, NSC or the Participating Subsidiaries shall make contributions currently in amounts sufficient to pay current service costs of the Plan with respect to Members protected by the Pension Act and liquidate any unfunded liabilities or experience deficiencies with respect to such Members over the period of time set forth in such Pension Act or applicable regulations.

8. Any portion of the Fund which is earmarked with respect to Members protected by the Pension Act shall be invested only as prescribed by the Pension Act or applicable regulations thereunder.

9. Each Member of the Plan and each employee who is eligible to join the Plan and that person's spouse will be given a written explanation of the provisions of the Plan and any applicable amendments thereto within 6 months after the establishment of the Plan or after any amendment thereto. Each Member and the Member's spouse will be given, within 6 months after the end of each Plan year, a written statement showing the pension benefits to which the Member is entitled under the Plan at the end of that year, the funded ratio of the Plan, where applicable, and such other information as is prescribed. Each Member and the Member's spouse may, once in each year of operation of the Plan, either in person or by an agent authorized in writing for that purpose, examine documents filed with the Superintendent at such place as is agreed to by the Plan administrator and the person requesting the documents and order, in writing, a photocopy of any such documents. Where a Member retires from the Plan, ceases to be a Member or dies or where

the whole or part of the Plan is terminated, the Plan administrator shall give to that Member (or, in the case of termination, each Member) and to the Member's spouse (and, in the case of the Member's death, the Member's legal representative) a written statement, in prescribed form, of the Member's pension benefits and other benefits payable under the Plan, within 30 days after the date of the retirement, cessation of membership, death or termination.

10. Notwithstanding any provision of this Plan to the contrary, no Member shall be eligible for benefits under this Article XX after November 10, 2011 unless such Member was performing services for Compensation for NSC or a Participating Subsidiary in a Nonagreement position in Canada as of November 10, 2011.

ARTICLE XXI. TOP HEAVY PROVISIONS

1. In the event that the Plan is determined to be Top Heavy (as defined in Section 2 of this Article XXI), the following provisions shall apply to the Plan for any Plan Year for which the Plan is deemed to be Top Heavy:

(a) Notwithstanding the provisions of Section 1 of Article IX, a Member who has completed 3 years of service (as defined in Section 6 of Article IX), or who has attained Normal Retirement Age, shall have a nonforfeitable right to 100% of his Accrued Benefit under the Plan;

(b) Notwithstanding the provisions of Section 1 of Article VI, the Accrued Benefit of any Member who is not a key employee, when expressed as an annual retirement benefit payable in the form of a single life annuity at Normal Retirement Age, shall not be less than the product of the average annual compensation of such Member for the period of five years during which such Member had the highest aggregate compensation multiplied by:

(i) 2% for each year of service; or

(ii) 20%,

whichever is less; provided however that in determining average annual compensation and years of service, years of service which begin in a Plan Year after the last Plan Year in which the Plan was Top Heavy, years of service which end in a Plan Year before January 1, 1984, and years of service when the Plan benefits (within the meaning of section 410(b) of the Code) no key employee or former key employee, shall be disregarded.

2. The Plan will be deemed to be Top Heavy if as of the last day of the preceding Plan Year:

(a) The present value of cumulative accrued benefits under the Plan for key employees exceeds 60% of the present value of the cumulative accrued benefits under the Plan for all Members; or

(b) The Plan is part of a Required Aggregation Group (within the meaning of Sec. 416(g) of the Code) and the Required Aggregation Group is one in which the sum of:

(i) the present value of the cumulative accrued benefits for key employees under all defined benefit plans included in the Aggregate Group; and

(ii) the aggregate of the accounts of key employees under all defined contribution plans included in such Aggregate Group, exceeds 60% of a similar sum for all employees, provided however, that the Plan shall not be deemed to be Top Heavy for any Plan Year in which the Plan is part of a Required Aggregation Group or permissive Aggregation Group (within the meaning of Sec. 416(g) of the Code) which is not Top Heavy. The present value of accrued benefits will be computed using the published UP-1984 Table, with interest at 6% compounded annually.

(c) The present value of an employee's cumulative accrued benefit or account shall be increased by the distributions made to the employee under the Plan and any plan in the Aggregate Group during the one-year period prior to the determination date. In the case of a distribution made for reason other than separation from service, death or disability, this provision shall be applied by substituting a five-year period for one-year period.

(d) The accrued benefits and accounts of any individual who has not performed services for the employer during the one-year period ending on the determination date shall not be taken into account.

3. Any employee, or former employee, and the beneficiary of such employee shall be deemed to be a key employee for purposes of this Article XXI if at any time during the Plan Year such Member is:

(a) An officer of NSC or a Participating Subsidiary who receives compensation (within the meaning of Section 414(q)(4) of the Code) from NSC or a Participating Subsidiary of more than one hundred thirty thousand dollars (\$130,000) per year (as adjusted under section 416(i)(1) of the Code for Plan Years after December 31, 2002), provided that no more than fifty (50) Members (or, if lesser, the greater of three (3) or 10 percent (10%) of all employees of the Corporation and Participating Subsidiaries) shall be considered as officers for purposes of this subsection 3(a) of Article XXI;

(b) An owner of 5% of the stock of NSC or a Participating Subsidiary; or

(c) An owner of 1% of the stock of NSC or a Participating Subsidiary who receives compensation (within the meaning of Section 414(q)(4) of the Code) from NSC or a Participating Subsidiary of more than one hundred fifty thousand dollars (\$150,000) per year.

4. Required Aggregation Group as used in Section 2 of this Article XXI shall mean the Plan along with all other plans of the Corporation or any Participating Subsidiary in which a key

employee participates or any other plan which enables the Plan to meet the requirements of Section 401(a) or Section 410 of the Code for the purpose of determining whether the Plan is Top Heavy.

5. For plan years beginning on or after January 1, 2001, the definition of compensation in Paragraphs 1(b), 3(a), and 3(c) of this Article XXI shall include elective amounts that are not includible in the gross income of the employee by reason of Section 132(f) (4) of the Code.

ARTICLE XXII. NW PLAN FOR SUPPLEMENTAL PENSIONS

Anything in the Plan to the contrary notwithstanding, effective December 31, 1988, a Member who was a member of the NW Supplemental Plan on December 31, 1988, shall receive or be eligible to receive only those retirement benefits to which he would otherwise have been entitled under the terms of the NW Supplemental Plan.

ARTICLE XXIII. RETIREE MEDICAL BENEFITS

1. Definitions. For purposes of this Article XXIII, the following definitions shall apply:

(a) Benefit Maintenance Period. The term Benefit Maintenance Period shall mean the period of 5 taxable years beginning with the taxable year in which a Qualified Transfer occurs.

(b) Eligible Dependent. The term "Eligible Dependent" shall mean a person who, by reason of his relationship to an Eligible Retiree and pursuant to the terms of the Medical Benefits Plan, is or may become entitled to Qualified Benefits under the Medical Benefits Plan, provided that such person is a "dependent" within the meaning of Sec. 152 of the Code.

(c) Eligible Individual. The term "Eligible Individual" shall mean an Eligible Retiree or an Eligible Dependent.

(d) Eligible Retiree. The term "Eligible Retiree" shall mean any Member or Former Member:

(i) who (A) is entitled to retirement benefits under the Plan or (B) has received a lump sum distribution of his benefit under the Plan pursuant to Section 8 of Article VI;

(ii) who is or may become entitled to receive Qualified Benefits under the Medical Benefits Plan; and

(iii) who is not a Key Employee (as defined in Sec. 416(I)(1) of the Code) at any time during the Plan Year and has not been a Key Employee at any time during any previous Plan Year for which contributions were made for such individual's benefit to the Medical Benefits Account.

(e) Establishment Date. The term "Establishment Date" shall mean January 1, 1991, the date as of which the Medical Benefits Account shall be effective.

(f) Excess Pension Assets. The term "Excess Pension Assets" shall mean the excess, if any, of the following (determined as of the most recent valuation date of the Plan preceding the date of the Qualified Transfer):

(i) the lesser of (A) the fair market value of the Plan's assets or (B) the value of the Plan's assets as determined in accordance with Sec. 412(c)(2) of the Code, over

(ii) the greater of:

(A) the lesser of (I) the applicable percentage as determined under Sec. 412(c)(7)(f) of the Code of current liability (including the expected increase in current liability due to benefits accruing during the Plan Year) or (II) the accrued liability (including normal cost) under the Plan (determined under the entry age normal funding method if such accrued liability cannot be directly calculated under the funding method used for the Plan), or

(B) 125% of the Plan's current liability (as defined in Sec. 412(c)(7)(B) of the Code).

(g) Medical Benefits Account or Account. The term "Medical Benefits Account" or "Account" shall mean the separate record keeping account established pursuant to this Article XXIII to account for contributions (and any Excess Pension Assets allocated thereto) to fund benefits payable under this Article XXIII.

(h) Medical Benefits Plan. The term "Medical Benefits Plan" shall mean the Norfolk Southern Corporation Comprehensive Benefits Plan as in effect on the Establishment Date and as amended from time to time thereafter, or any successor plan.

(i) Qualified Benefits. The term "Qualified Benefits" shall mean the benefits that are provided pursuant to Paragraphs A(1), A(2), A(3), and A(4) of Article IV and Appendices H, I, J, and K of the Medical Benefits Plan pursuant to the terms of such provisions as in effect on the Establishment Date and as amended from time to time thereafter.

(j) Qualified Current Retiree Health Liabilities. The term "Qualified Current Retiree Health Liabilities" shall have the meaning provided by Sec. 420(e)(i) of the Code

(k) Qualified Transfer. The term "Qualified Transfer" shall mean an allocation of Excess Pension Assets to the Medical Benefits Account pursuant to Section 9 of this Article XXIII.

(l) Service Provider or Service Providers. The term "Service Provider" or "Service Providers" shall mean one or more persons or organizations that the plan administrator

may employ in connection with the administration of the Medical Benefits Plan and the Medical Benefits Account, including, but not limited to, an actuary, consultant, accountant, attorney, specialist, or adviser (including an investment adviser).

2. Establishment of Separate Account. A Medical Benefits Account shall be maintained with respect to contributions from NSC or the Participating Subsidiaries and any Excess Pension Assets that are allocated to fund the benefits payable under this Article XXIII. The assets allocated to the Medical Benefits Account shall be accounted for separately from all other assets of the Plan. The assets allocated to the Medical Benefits Account may be invested together with the other assets of the Plan without identification of which assets of the Plan are allocable to the Medical Benefits Account and which are allocable to the remainder of the Plan. However, where assets are not so identified, the earnings on such assets shall be allocated in a reasonable manner between the Medical Benefits Account and the remainder of the Plan.

3. No Diversion Prior to Satisfaction of All Liabilities. Except as provided in Subsection 9(c)(ii) of this Article XXIII, prior to the satisfaction of all liabilities under this Article XXIII to provide for the payment of Qualified Benefits, no part of the corpus or income of the Medical Benefits Account may be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of such benefits or the payment of any necessary or appropriate expenses attributable to the administration of the Medical Benefits Account.

4. Reversion Upon Satisfaction of All Liabilities. Notwithstanding the provisions of Section 3 of this Article XXIII and except as provided in Subsection 9(c)(ii) of this Article XXIII, any amounts that remain in the Medical Benefits Account upon the satisfaction of all liabilities funded pursuant to this Article XXIII shall be returned to NSC and the Participating Subsidiaries.

5. Forfeitures. If an Eligible Individual's interest in the Medical Benefits Account is forfeited prior to termination of the Plan, an amount equal to the amount of the forfeiture shall be applied as soon as possible to reduce any contributions of NSC and the Participating Subsidiaries to fund the Qualified Benefits.

6. Benefits Payable Out of the Medical Benefits Account.

(a) For each month after the Establishment Date or such other period as determined by the Board of Managers, there shall be paid out of the Medical Benefits Account, in the manner specified in Section 7 of this Article XXIII, the following amounts:

(i) the aggregate amount of Qualified Benefits that are payable, directly or indirectly, during that period by NSC and the Participating Subsidiaries to Eligible Individuals, including the amount of any premiums that may be payable to an insurance company pursuant to any contract that may provide some or all of the Qualified Benefits to Eligible Individuals; and

(ii) any necessary and appropriate administrative expenses attributable to the payment of Qualified Benefits from the Medical Benefits Plan and Medical Benefits Account, including any amount that may be payable to an insurance company or other person or organization

pursuant to any contract for the provision of administrative services with respect to the payment of Qualified Benefits from the Medical Benefits Plan and the Medical Benefits Account and the amount of fees and expenses that may be owing to any Service Provider.

(b) The Qualified Benefits and the administrative expenses related thereto that are payable pursuant to Section 6(a) of this Article XXIII shall be payable first out of the Medical Benefits Account to the extent of the amount in the Account, and if any such benefits remain unpaid thereafter, may be payable out of any welfare benefit fund (as defined in Sec. 419(e)(1) of the Code) that NSC and/or the Participating Subsidiaries may have established to provide such benefits or as otherwise provided by the terms of the Medical Benefits Plan.

7 . Payment of Benefits. (a) Payments from the Medical Benefits Account shall not exceed the amount in the Medical Benefits Account and may be made as follows:

(i) to an insurance company or other person or organization with respect to any amounts that are payable pursuant to a contract for the provision of Qualified Benefits to Eligible Individuals or pursuant to a contract for the provision of administrative services with respect to the payment of Qualified Benefits from the Medical Benefits Plan and the Medical Benefits Account;

(ii) to any Service Providers with respect to any fees and administrative expenses incurred by the Service Providers in connection with the payment of Qualified Benefits to Eligible Individuals from the Medical Benefits Plan and the Medical Benefits Account;

(iii) to NSC and/or the Participating Subsidiaries with respect to any Qualified Benefits that NSC and/or the Participating Subsidiaries paid, directly or indirectly, to an Eligible Individual;

(iv) to NSC and/or the Participating Subsidiaries with respect to any amounts that NSC and/or the Participating Subsidiaries paid to an insurance company or other person or organization pursuant to a contract for the provision of Qualified Benefits to an Eligible Individual or pursuant to a contract for the provision of administrative services, or with respect to any fees and expenses that NSC and/or the Participating Subsidiaries paid to any Service Providers; or

(v) to an Eligible Individual to whom the Qualified Benefits are payable, or if such Eligible Individual is an Eligible Dependent of an Eligible Retiree, to such Eligible Retiree.

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(b) In no event shall payments to NSC and/or the Participating Subsidiaries in respect of an Eligible Individual or in respect of any amounts paid to an insurance company or a Service Provider exceed the amount paid to the Eligible Individual, the insurance company, or the Service Provider, or precede the payment by NSC and/or the Participating Subsidiaries to the Eligible Individual, the insurance company, or the Service Provider, and in no event shall the Plan provide any security to NSC and/or the Participating Subsidiaries in respect of such payments.

8 . Employer Contributions to the Medical Benefits Account. NSC and the Participating Subsidiaries shall have the sole discretion to determine the amount of any contributions to the Medical Benefits Account with respect to any Plan Year, subject to Subsection 9(f) of this Article XXIII. However, the amount of any such contribution, as determined by the Plan's actuary, shall be reasonable, and shall be reduced (but not below zero) as required so that the aggregate contributions actually made after the Establishment Date to the Medical Benefits Account and to provide any life insurance benefits provided under the Medical Benefits Plan shall not exceed 25% of the total aggregate contributions (other than contributions to fund past service credits) actually made to the Plan after the Establishment Date (including contributions to the Medical Benefits Account). At the time NSC and/or the Participating Subsidiaries make a contribution to the Plan, they shall designate the portion, if any, that is allocable to the Medical Benefits Account.

9. Qualified Transfers of Excess Pension Benefits. For each taxable year of NSC and the Participating Subsidiaries beginning after December 30, 1990, and before January 1, 2001, Excess Pension Assets under the Plan, if any, may be allocated to the Medical Benefits Account, in accordance with the following requirements:

(a) Excess Pension Assets shall be allocated to the Medical Benefits Account only once during each taxable year.

(b) The amount of Excess Pension Assets allocated to the Medical Benefits Account with respect to a taxable year shall not exceed the amount that is reasonably estimated to be the amount that NSC and the Participating Subsidiaries will pay (directly or through reimbursement) out of the Medical Benefits Account during the taxable year of the Qualified Transfer for Qualified Current Retiree Health Liabilities.

(c) (i) Any Excess Pension Assets allocated to the Medical Benefits Account pursuant to Section 9 of this Article XXIII (and any income allocable thereto) shall be used only to pay Qualified Current Retiree Health Liabilities for the taxable year of the allocation.

(ii) Any Excess Pension Assets in the Medical Benefits Account (and any income allocable thereto) that are not used as provided in Subsection 9(c)(i) of this Article XXIII shall, at the end of the taxable year of the allocation, be reallocated from the Medical Benefits Account to the remainder of the Plan.

(d) Any amount paid out of the Medical Benefits Account for the taxable year of a Qualified Transfer shall be treated as paid first out of any Excess Pension Assets allocated to the Medical Benefits Account for such taxable year and any income allocated thereon.

(e) The accrued retirement benefits of the Members, their Surviving Spouses, and certain former Members under the Plan shall become nonforfeitable pursuant to Section 7 of Article IX.

(f) NSC and the Participating Subsidiaries shall not contribute any amounts to the Medical Benefits Account or to a welfare benefit fund (as defined in Sec. 419(e)(1) of the Code) with respect to Qualified Current Retiree Health Liabilities that, pursuant to Subsection 9(c)(i) of this Article XXIII, must be provided by the Excess Pension Assets that have been allocated to the Medical Benefits Account.

(g) As required by Sec. 420(c)(3) of the Code, Qualified Benefits provided under the Medical Benefits Plan during the Benefit Maintenance Period to each Eligible Retiree who has retired prior to a Qualified Transfer of Excess Pension Assets shall be substantially the same as the highest level of Qualified Benefits available to such Eligible Retiree during the taxable year immediately preceding the taxable year of the Qualified Transfer. If an Eligible Retiree retires prior to a Qualified Transfer of Excess Pension Assets but is not eligible to receive Qualified Benefits during the taxable year immediately preceding the taxable year of the Qualified Transfer, Qualified Benefits provided under the Medical Benefits Plan during the Benefits Maintenance Period shall be substantially the same as the Qualified Benefits provided under the Medical Benefits Plan at the time the Eligible Retiree retires. No allocation of Excess Pension Assets to the Medical Benefits Account will be permitted unless the Medical Benefits Plan contains language implementing this provision.

10. Documentation of Eligible Individual Status. Before making any payments to any individual pursuant to this Article XXIII, the Board of Managers may require such documentation as the Board of Managers, consistent with the other provisions of the Plan, reasonably deems necessary to demonstrate that such individual qualifies as an Eligible Individual.

11. Limitation on Rights to Benefits. This Article XXIII and the establishment of the Medical Benefits Account shall not be construed as giving any Member or former Member the right to any payment of a benefit from the Medical Benefits Plan. The terms of the Medical Benefits Plan alone shall govern a Member's or former Member's entitlement to benefits thereunder. The Plan, this Article XXIII, and the Medical Benefits Account shall not be construed as granting or implying a promise to provide, currently or in the future, any health benefits (including Qualified Benefits) or a stated level of health benefits to any Member or former Member or their dependents, nor shall they be construed as in any way limiting or otherwise affecting the rights of NSC and the Participating Subsidiaries to alter, amend, change, or terminate the Medical Benefits Plan or this Article XXIII.

ARTICLE XXIV. MILITARY SERVICE

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Internal Revenue Code.

ARTICLE XXV. DISABILITY BENEFIT

1. A Member who is eligible to receive a benefit under the Long-Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiary Companies or any successor plan shall be eligible to receive a Disability Benefit under this Article until the earlier of (i) the date when the Member ceases to be entitled to benefits under the LTD Plan, or (ii) the date when the Member reaches age 65. Except as otherwise provided in this Article, the monthly Disability Benefit payable hereunder shall be an amount equal to 50% of the Member's monthly Disability Benefit Compensation. The Disability Benefit shall be reduced by the following amounts:

(a) any amount paid or payable to the Member on account of his or her disability under any Workers' Compensation or Occupational or Non-Occupational Disease or Disability Act or Law, the Federal Employers' Liability Act, Railroad Unemployment Insurance Act, Railroad Retirement Act, or the Federal Social Security program;

(b) any retirement benefit which becomes payable under this Plan or any benefit which becomes payable under any pension plan of NSC or a subsidiary of NSC or Consolidated Rail Corporation or of any other entity whose service is credited under any pension plan of Consolidated Rail Corporation, at the earliest eligibility age without reduction for early retirement;

(c) any amount paid or payable under the Railroad Retirement or Federal Social Security Acts to the spouse or dependents of the Member, but only if the total benefit from all sources exceeds 75% of the Member's basic monthly salary; and

(d) any income which the Member receives for personal services or for any business or occupation in which the Member engages during the period for which benefits are payable, unless the Member is engaged in rehabilitative employment under a program of rehabilitation (as determined by the LTD Plan's Board of Managers under Section 2 of this Article).

If the reduction under paragraph (a), (b), or (c) of this Section 1 is determined after the Disability Benefit commences, the reduction shall be applied retroactively to the date the Disability Benefit commenced (or, if later, to the beginning of the period for which the benefit described in paragraph (a), (b), or (c) is paid). If a lump sum payment or periodic payments are made on account of such disability under any such Act, Law, or Plan, the monthly Disability Benefit shall be reduced by the actuarial equivalent of such lump sum settlement or periodic payments, stated as a monthly benefit paid over the same period the Disability Benefit is expected to be paid, as computed by an independent actuary.

2. The Disability Benefit payable under this Article is an ancillary benefit that does not cause any reduction in the Normal Retirement Benefit or early retirement benefit otherwise payable to the Member. No election of a form of payment shall be permitted until the Member ceases to receive a Disability Benefit. If the Member dies while he is receiving a Disability Benefit, the benefit (if any) payable to his Surviving Spouse shall be determined under the preretirement survivor annuity provisions in Article VIII.

3. The LTD Plan's Board of Managers shall have the exclusive right in its discretion to interpret this Article and to decide all matters arising hereunder, including the right to remedy

possible ambiguities, inconsistencies, or omissions. All determinations of the LTD Plan's Board of Managers with respect to any matter under this Article shall be conclusive and binding on all persons.

The LTD Plan's Board of Managers shall make all determinations as to the right of any person to the Disability Benefit under this Article. Any denial by the LTD Plan's Board of Managers of a claim for benefits under this Article by an Employee or Member shall be stated in writing by the LTD Plan's Board of Managers and delivered or mailed to the Employee or Member, and such notice shall set forth the specific reasons for the denial, written in a manner that may be understood by the Employee or Member. In addition, the LTD Plan's Board of Managers shall afford a reasonable opportunity to any Employee or Member whose claim for Disability Benefits has been denied for a review of the decision denying the claim.

ARTICLE XXVI. MISCELLANEOUS

1. This Plan shall not be deemed to be an employment contract between the Corporation or any Participating Subsidiary and any Member or other employee.

2. Any person eligible to receive benefits hereunder shall furnish to the Managers any information or proof requested by the Managers and reasonably required for the proper administration of the Plan. Failure on the part of any person to comply with any such request within a reasonable period of time shall be sufficient grounds for delay in the payment of any benefits that may be due under the Plan until such information or proof is received by the Managers.

3. Each Member and each Beneficiary entitled to receive a benefit under the Plan shall keep the Managers advised of his or her current address. If the Managers are unable to locate a Member or Beneficiary to whom a benefit is payable under the Plan for a period of twelve (12) months, or if the Member or Beneficiary to whom a benefit is payable under the Plan receives a check for payment of the benefit but does not present the check for payment within twelve (12) months, in either case commencing with the day on which such benefit first becomes payable, the total amount payable to such Member or Beneficiary shall be forfeited and shall be used to reduce future contributions by NSC and the Participating Subsidiaries as provided in Article X; provided, that if such Member or Beneficiary to whom a benefit is payable makes a claim in writing for such benefit after the expiration of such twelve (12) month period, the forfeited shall be reinstated.

4. The Corporation or any Participating Subsidiary shall have the right, to the extent permitted by law, to deduct from any payment or distribution to a Member or Beneficiary any Federal, state or local taxes of any kind required by law to be withheld.

EMPLOYEE MORTALITY ASSUMPTION
USED IN DEVELOPMENT OF ACTUARIAL EQUIVALENCE FACTORS

Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality
20	0.000411	50	0.004259	80	0.079994
21	0.000427	51	0.004721	81	0.088980
22	0.000445	52	0.005210	82	0.098503
23	0.000463	53	0.005727	83	0.108513
24	0.000485	54	0.006272	84	0.119079
25	0.000508	55	0.006844	85	0.130175
26	0.000534	56	0.007444	86	0.141882
27	0.000562	57	0.008076	87	0.154275
28	0.000594	58	0.008747	88	0.167531
29	0.000628	59	0.009471	89	0.181694
30	0.000666	60	0.010265	90	0.196968
31	0.000708	61	0.011150	91	0.209014
32	0.000754	62	0.012152	92	0.221755
33	0.000805	63	0.013305	93	0.235306
34	0.000860	64	0.014641	94	0.249791
35	0.000923	65	0.016203	95	0.265356
36	0.000991	66	0.018034	96	0.282155
37	0.001066	67	0.019960	97	0.300359
38	0.001149	68	0.021877	98	0.320159
39	0.001242	69	0.023874	99	0.341754
40	0.001343	70	0.026165	100	0.365359
41	0.001470	71	0.029253	101	0.391194
42	0.001639	72	0.032731	102	0.419496
43	0.001848	73	0.036536	103	0.452379
44	0.002094	74	0.040725	104	0.492096
45	0.002376	75	0.045963	105	0.540899
46	0.002691	76	0.050642	106	0.601038
47	0.003038	77	0.056811	107	0.674766
48	0.003416	78	0.063794	108	0.764335
49	0.0003824	79	0.071557	109	0.871996
				110	1.000000

**BENEFICIARY MORTALITY ASSUMPTION
USED IN DEVELOPMENT OF ACTUARIAL EQUIVALENCE FACTORS**

Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality	Employee Age	Annual Rate of Mortality
20	0.000275	50	0.002367	80	0.063124
21	0.000290	51	0.002753	81	0.070445
22	0.000306	52	0.002798	82	0.078282
23	0.000323	53	0.003049	83	0.086449
24	0.000342	54	0.003324	84	0.095459
25	0.000362	55	0.003630	85	0.105185
26	0.000383	56	0.003976	86	0.115744
27	0.000406	57	0.004376	87	0.126922
28	0.000430	58	0.004839	88	0.139471
29	0.000457	59	0.005371	89	0.152845
30	0.000487	60	0.005978	90	0.167597
31	0.000518	61	0.006663	91	0.180685
32	0.000553	62	0.007428	92	0.194505
33	0.000591	63	0.008273	93	0.209559
34	0.000632	64	0.009196	94	0.226003
35	0.000677	65	0.010191	95	0.244005
36	0.000725	66	0.011255	96	0.263751
37	0.000780	67	0.012374	97	0.285445
38	0.000839	68	0.013662	98	0.309309
39	0.000903	69	0.015214	99	0.335583
40	0.000975	70	0.017162	100	0.364532
41	0.001056	71	0.019865	101	0.396444
42	0.001147	72	0.023001	102	0.431633
43	0.001251	73	0.026492	103	0.470647
44	0.001366	74	0.030321	104	0.515260
45	0.001494	75	0.034536	105	0.567251
46	0.001638	76	0.039190	106	0.628394
47	0.001795	77	0.044335	107	0.700464
48	0.001968	78	0.050109	108	0.785238
49	0.002158	79	0.056293	109	0.884492
				110	1.000000

**MORTALITY ASSUMPTIONS
USED IN DEVELOPMENT OF OPTION FACTORS**

Age	Annual Rate of Mortality						
15	0.000143	42	0.000775	69	0.014742	96	0.236930
16	0.000151	43	0.000826	70	0.016160	97	0.251111
17	0.000161	44	0.000885	71	0.017803	98	0.265340
18	0.000167	45	0.000940	72	0.019833	99	0.276338
19	0.000171	46	0.000994	73	0.021968	100	0.286390
20	0.000174	47	0.001054	74	0.024500	101	0.301731
21	0.000179	48	0.001130	75	0.027315	102	0.313092
22	0.000186	49	0.001215	76	0.030348	103	0.324542
23	0.000197	50	0.001323	77	0.034204	104	0.335529
24	0.000208	51	0.001423	78	0.038256	105	0.345501
25	0.000222	52	0.001570	79	0.042806	106	0.353906
26	0.000244	53	0.001764	80	0.047905	107	0.361363
27	0.000253	54	0.001990	81	0.053861	108	0.368721
28	0.000262	55	0.002346	82	0.060545	109	0.375772
29	0.000276	56	0.002818	83	0.067380	110	0.382309
30	0.000301	57	0.003243	84	0.075650	111	0.388123
31	0.000348	58	0.003706	85	0.084660	112	0.393008
32	0.000394	59	0.004206	86	0.094731	113	0.396754
33	0.000438	60	0.004803	87	0.106954	114	0.399154
34	0.000482	61	0.005576	88	0.119811	115	0.400000
35	0.000525	62	0.006405	89	0.133578	116	0.400000
36	0.000566	63	0.007444	90	0.148759	117	0.400000
37	0.000604	64	0.008410	91	0.162589	118	0.400000
38	0.000630	65	0.009508	92	0.178330	119	0.400000
39	0.000657	66	0.010866	93	0.193878	120	1.000000
40	0.000691	67	0.012108	94	0.207982		
41	0.000729	68	0.013316	95	0.223718		

**Retirement Plan of Norfolk Southern Corporation
and Participating Subsidiary Companies**

Schedule A. Additional Retirement Benefits

The following Members, listed by confidential identification numbers maintained by the Plan Administrator, will receive the indicated monthly Additional Retirement Benefit, in accordance with Article VI of the Plan:

Schedule A

Identification Number	Additional Retirement Benefit
1	\$26.88
2	381.72
3	276.40
4	4,555.13
5	315.53
6	328.30
7	964.32
8	58.67
9	83.33
10	1,577.71
11	70.30
12	197.63
13	821.87
14	815.08
15	370.82
16	731.48
17	121.25
18	1,304.57
19	7,731.59
20	40.95
21	482.36
22	68.45
23	116.21
24	83.98
25	499.96
26	44.99
27	200.79
28	783.26

Schedule A continued

Identification Number	Additional Retirement Benefit
29	33.59
30	67.84
31	21,388.96
32	1,371.51
33	147.65
34	487.99
35	127.44
36	769.73
37	188.72
38	1,548.04
39	1,194.37
40	158.08
41	3,411.23
42	833.34
43	5,556.86
44	183.18
45	671.52
46	615.62
47	1,104.12
48	327.24
49	41.75
50	942.45
51	935.30
52	387.31
53	3,322.86
54	791.16
55	744.92
56	182.28
57	5.95
58	8.25
59	1,023.05
60	1,087.63
61	5,407.87
62	69.21
63	1,155.57
64	108.99
65	4,558.49
66	146.78
67	504.39
68	94.28

Schedule A continued

Identification Number	Additional Retirement Benefit
69	84.35
70	54.44
71	802.10
72	219.41
73	275.25
74	1,574.82
75	118.26
76	424.57
77	348.56
78	19.96
79	608.65
80	327.15
81	837.55
82	184.38
83	4.09
84	951.01
85	488.58
86	2,518.63
87	3,292.37
88	1,335.68
89	2,240.10
90	36.38
91	69.12
92	494.79
93	174.17
94	446.33
95	146.10
96	40.11
97	526.49
98	833.06
99	6.08
100	423.71
101	307.33
102	152.40
103	700.33
104	204.18
105	223.78
106	404.78
107	93.75

Schedule A continued

Identification Number	Additional Retirement Benefit
108	6.33
109	675.25
110	542.69
111	328.30
112	274.99
113	295.00
114	1,859.62
115	381.74
116	301.07
117	365.04
118	168.74
119	603.48
120	616.62
121	97.56
122	356.81
123	502.83
124	1,411.62
125	907.19
126	571.81
127	17.65
128	131.68
129	45.88
130	40.14
131	96.65
132	2,489.98
133	1,706.36
134	59.66
135	24.14
136	1,033.44
137	184.46
138	414.57
139	25.72
140	33.74
141	132.75
142	55.67
143	210.00
144	124.95
145	482.39
146	682.86
147	184.46

Schedule A continued

Identification Number	Additional Retirement Benefit
148	141.74
149	150.98
150	547.65
151	1,075.72
152	385.38
153	2,317.54
154	345.11
155	516.83
156	555.43
157	18,307.91
158	1,759.62
159	94.26
160	83.45
161	9.27
162	910.85
163	190.44
164	191.98
165	543.21
166	1,486.76
167	917.88
168	382.97
169	41.89
170	49.51
171	1,255.99
172	1,446.97
173	469.50
174	1,309.05
175	2,677.79
176	1,486.51
177	112.85
178	624.48
179	3,369.39
180	562.19
181	971.15
182	1,130.67

**Retirement Plan of Norfolk Southern Corporation
and Participating Subsidiary Companies**

Schedule B. Additional Retirement Benefits

The following Members, listed by confidential identification numbers maintained by the Plan Administrator, will receive the indicated monthly Additional Retirement Benefit, in accordance with Section 1.(d) of Article VI of the Plan, effective as of January 1, 2005:

Identification Number	Additional Retirement Benefit Before Offset Described in Section 1(e) of Article VI Is Applicable	Additional Retirement Benefit After Offset Described in Section 1(e) of Article VI is Applicable
1	\$182.08	\$2.61
2		95.38
3		175.27
4	1,352.10	726.15
5		101.82
6		84.18
7		216.58
8		81.42
9	217.66	
10	388.16	
11	378.31	
12		152.21

**Retirement Plan of Norfolk Southern Corporation
and Participating Subsidiary Companies**

Schedule C. Reduction in Retirement Benefits

The retirement benefits otherwise payable to the following Members, listed by confidential identification numbers maintained by the Plan Administrator, will be reduced by the indicated monthly amount, in accordance with Section 1.(k) of Article VI of the Plan, effective as of January 1, 2005:

<u>Identification Number</u>	<u>Reduction in Benefit</u>
1	\$34.18
2	25.00
3	25.00
4	25.00
5	25.00
6	25.00
7	25.00
8	25.00
9	25.00
10	25.00
11	25.00

**Retirement Plan of Norfolk Southern Corporation
and Participating Subsidiary Companies**

Schedule D

Retirement Benefits for Retirees, Beneficiaries and Deferred Vested Participants under the AW&W Plan

The Algiers, Winslow and Western Railway Company ("AW&W") established the AW&W Plan effective December 31, 1959. Effective March 23, 2007, Norfolk Southern Corporation acquired 100% of the stock in AW&W, and subsequently merged AW&W into Norfolk Southern Railway Company as of April 20, 2007. Due to the merger, Norfolk Southern Railway assumed the AW&W Plan and the obligations thereunder.

NSC and Norfolk Southern Railway merged the AW&W Plan into the Plan effective December 31, 2007.

Individuals who were participants in the AW&W Plan immediately before the AW&W Plan was merged into the Plan will receive the benefits they were entitled to under the AW&W Plan immediately before the merger under the Plan. As such, the provisions of the AW&W Plan are incorporated by reference into the Plan.

The following individuals, listed by confidential identification numbers maintained by the Plan Administrator, will be entitled to benefits under the Plan because of the merger. The individuals listed under identification numbers 1 through 6 are as of December 31, 2007 receiving the monthly benefit payments corresponding to their identification number in the form of payment corresponding to their identification number. The individuals listed under identification numbers 7 and 8 are deferred vested participants who are entitled to receive monthly benefit payments corresponding to their identification number in the form of a life annuity with 120 payments certain beginning on their normal retirement date under the AW&W Plan. These deferred vested participants may also be entitled to elect other forms of payment or other annuity starting dates in accordance with the provisions of the AW&W Plan as it existed immediately before the merger, or their beneficiaries may be entitled to pre-retirement survivor benefits in accordance with the provisions of the AW&W Plan as it existed immediately before the merger.

Identification Number**AW&W Retirement
Benefit**

1	\$ 363.95 life annuity
2	412.08 life annuity payable to surviving spouse
3	713.70 life annuity
4	108.05 life annuity
5	782.39 50% joint & survivor annuity
6	1,936.19 100% joint & survivor annuity
7	927.04 life annuity with 120 payments certain
8	648.38 life annuity with 120 payments certain

**Norfolk Southern Corporation Long-Term Incentive Plan
Award Agreement for Outside Directors**

This AGREEMENT dated as of <Date> (Award Date), between NORFOLK SOUTHERN CORPORATION (Corporation), a Virginia corporation, and «Full_Name» (Participant), a director of the Corporation who is not an officer of the Corporation or any of its subsidiaries.

1. Award Contingent Upon Execution of this Agreement. This Award made to the Participant on the Award Date is contingent upon the Participant's execution and return to the Corporate Secretary of this Agreement.
 2. Terms of Plan Govern. Each Award made hereunder is made pursuant to the Norfolk Southern Corporation Long-Term Incentive Plan (Plan), all the terms and conditions of which are deemed to be incorporated in this Agreement and which forms a part of this Agreement. The Participant agrees to be bound by all the terms and provisions of the Plan and by all determinations of the Committee thereunder. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.
 3. Award of Restricted Stock Units. The Corporation hereby grants to the Participant on Award Date «RSUs» Restricted Stock Units. Each whole Restricted Stock Unit is a contingent right to receive a Restricted Stock Unit Share, granted pursuant to Section 10 of the Plan, subject to the restrictions and other terms and conditions set forth in the Plan and this Agreement.
 - (a) Memorandum Account. The Participant's Award of Restricted Stock Units shall be recorded in a memorandum account.
 - (b) Restriction and Retention Period. The Restricted Stock Units are subject to a one-year Restriction Period which terminates on <Date>. In addition, the Restricted Stock Units are subject to a Retention Period. The Retention Period shall expire upon the Participant's Separation from Service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder) (a "Separation From Service") or death. Restricted Stock Units shall not be settled in Restricted Stock Unit Shares pursuant to Section 5 hereof until the expiration of the Restriction Period and the Retention Period.
 - (c) Restrictions. Until the expiration of the Restriction Period and the Retention Period, Restricted Stock Units granted under this Award shall be subject to the following restrictions:
 - i. the Participant shall not be entitled to (A) receive the Restricted Stock Unit Shares to which the Participant may have a contingent right to receive in the future, (B) vote the Common Stock represented by the Restricted Stock Units or (C) receive dividends thereon; and
 - ii. the Restricted Stock Units may not be sold, transferred, assigned, pledged, conveyed, hypothecated, used to exercise options or otherwise disposed of.
 4. Crediting of Dividend Equivalents. On each dividend payment date for the Corporation, the Corporation shall credit the memorandum account of each Participant who holds Restricted Stock Units as of the declared record date with additional Restricted Stock Units and fractions thereof equivalent to the dividend paid on the Corporation's Common Stock based on the Fair Market Value of the Common Stock on the dividend payment date. Each credited dividend equivalent shall be equal to the amount of the regular quarterly dividend paid in accordance with the Corporation's normal dividend payment practice as may be determined by the Committee, in its sole discretion. The Participant's memorandum account
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will be credited with additional Restricted Stock Units, including fractions thereof, pursuant to this section until all Restricted Stock Units that were credited to the Participant are distributed.

5. Distribution of Restricted Stock Units. The Restricted Stock Units credited hereunder shall be distributed in accordance with an irrevocable election previously made by the Participant.

Each Participant who has not previously received a grant of Restricted Stock Units under the Plan shall elect a form of distribution with respect to any Restricted Stock Units credited to the Participant hereunder and with respect to any Restricted Stock Units that may be credited to the Participant in the future. The Participant may elect to receive such Stock Units in a single distribution or in 10 annual installments upon the Participant's Separation From Service. **The Participant's election is irrevocable.**

If the Participant has elected to receive the Restricted Stock Units in a single distribution, upon the expiration of the Retention Period: (a) whole shares of Common Stock equal to the number of Restricted Stock Units for which the Restriction Period has expired shall be delivered to the Participant; and (b) thereafter, as any subsequent Restriction Period expires, whole shares of Common Stock equal to the number of Restricted Stock Units for which the Restriction Period has expired plus the number of additional Restricted Stock Units credited under Section 4 shall be delivered to the Participant. Any remaining fraction of a single Restricted Stock Unit that remains in the Participant's memorandum account upon the final distribution of any whole shares of Common Stock from the account shall be distributed in cash concurrent with the final stock distribution.

If the Participant has elected to receive the Restricted Stock Units in 10 annual installments upon the Participant's Separation From Service, following the expiration of the Retention Period, the first distribution will be made in January following the year of the Participant's Separation From Service, and subsequent installments will be distributed on the anniversary of the first installment. Whole shares of Common Stock shall be delivered to the Participant upon distribution of each annual installment. The first such installment will be equal to the number of whole Restricted Stock Unit Shares that equal one tenth of the total number of the Restricted Stock Units in the memorandum account for which the Restriction Period has expired at the time of the distribution; the second installment, one ninth of the remaining total number for which the Restriction Period has expired at the time of the distribution; and so forth, until all remaining Restricted Stock Units are distributed as whole Restricted Stock Unit Shares upon distribution of the tenth installment. Any remaining fraction of a single Restricted Stock Unit that was credited to the Participant's memorandum account upon the distribution of the tenth installment shall be distributed in cash concurrent with the distribution of the tenth installment.

If the Participant dies at any time, then any Restricted Stock Units credited to the Participant's memorandum account will be distributed as whole Restricted Stock Unit Shares to the Participant's beneficiary within thirty (30) days following the Participant's death.. Any remaining fraction of a single Restricted Stock Unit that remains in the memorandum account upon the distribution of any whole shares of Common Stock from the account will be distributed to the Participant's beneficiary in cash concurrent with the stock distribution. The beneficiary may not, directly or indirectly, designate the taxable year of the settlement.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of the Corporation by its officer thereunto duly authorized, and by the Participant, in acceptance of the above-mentioned Award, subject to the terms of the Plan and of this Agreement, all as of the day and year first above written.

By: _____
«Full_Name»

By: _____
NORFOLK SOUTHERN CORPORATION

**Norfolk Southern Corporation Long-Term Incentive Plan
Award Agreement**

Performance Share Units

This AGREEMENT dated as of <Date> (Award Date), between NORFOLK SOUTHERN CORPORATION (Corporation), a Virginia corporation, and <Employee Name> (Participant), Employee ID No. <Emp_Id>.

1. Award Contingent Upon Execution of this Agreement and of Non-Compete. This Award is contingent upon the Participant's execution of this Agreement and the associated non-compete agreement, which is a condition precedent to this Award. This Award shall be void, and the Participant shall not be entitled to any rights hereunder, unless the Participant executes the non-compete agreement on or before <Date>, and thereafter fully complies with its terms.

2. Terms of Plan Govern. Each Award made hereunder is made pursuant to the Norfolk Southern Corporation Long-Term Incentive Plan (Plan), all the terms and conditions of which are deemed to be incorporated in this Agreement and which forms a part of this Agreement. The Participant agrees to be bound by all the terms and provisions of the Plan and by all determinations of the Committee thereunder. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

3. Award of Performance Share Units. The Corporation hereby confirms an Award to the Participant on Award Date of <PSUs> Performance Share Units (PSUs). The award of PSUs shall entitle the Participant to receive shares of Common Stock of the Corporation upon the Corporation's achievement over a Performance Cycle of performance goals established by the Committee at the time of grant for the following Performance Criteria equally weighted between (a) and (b):

- (a) The three-year total return to the Corporation's stockholders as compared with the total return on the publicly traded stocks of North American Class I railroads (which, as of the Award Date, are Canadian National Railway Company, Canadian Pacific Railway Limited, CSX Corporation, Kansas City Southern and Union Pacific Corporation) and a specified minimum earnout if the three-year total return to the Corporation's stockholders is greater than the median total return on all stocks comprising the S&P 500 Composite Stock Price Index determined as of the first trading day of <Year of Award>. The three-year total return shall be measured using the closing price per share of stock or equivalent on the New York Stock Exchange (or if unavailable, on another U.S. stock exchange) as determined during the 20 days on which stock is traded ending on and including December 31, <Year Preceding Year of Award Date> and December 31, <3 Years After > or, if a stock is not traded on December 31, <3 Years After >, on the most recent trading day immediately preceding such date. A company will be excluded from the ranking if it ceases to be publicly traded at any time during the three-year period as a result of the company's being acquired by another company or going private, but included and ranked at the bottom of the group if the company ceases to be publicly traded as a result of becoming subject to a bankruptcy, reorganization or liquidation proceeding.
- (b) The average of the Corporation's annual after-tax returns on average invested capital for the three-year Performance Cycle.

Any PSUs earned at the end of the three-year Performance Cycle shall be distributed in whole shares of Common Stock of the Corporation, subject to tax withholding as provided in Section 5 of this Agreement. The value of PSUs earned, if any, shall be determined by the Fair Market Value of the Corporation's Common Stock on the first day on which such stock is traded after a full trading day has

elapsed following the release of the Corporation's annual financial information for the last year of the Performance Cycle.

If the Participant's employment is terminated for any reason other than the Participant's Retirement, Disability, or death before the expiration of the Performance Cycle, all PSUs awarded hereunder shall be forfeited immediately and all the Participant's rights to such shares shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company. If the Participant is granted a leave of absence before the end of the Performance Cycle, the Participant shall not forfeit rights with respect to any Performance Shares that were being earned during the Performance Cycle, unless the Participant's employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence and before the end of the Performance Cycle, at which time the Participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle.

If a Participant's employment is terminated before the end of the Performance Cycle by reason of Retirement, Disability or death, the Participant's rights with respect to any Performance Shares being earned during the Performance Cycle shall continue as if the Participant's employment had continued through the end of the Performance Cycle.

Notwithstanding the foregoing, if the Participant Engages in Competing Employment within a period of two years following Retirement or Disability and before the end of the Performance Cycle, the Participant shall immediately forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle without further obligation on the part of the Corporation or any Subsidiary Company. A Participant "Engages in Competing Employment" if the Participant works for or provides services for any Competitor, on the Participant's own behalf or on behalf of others, including, but not limited to, as a consultant, independent contractor, owner, officer, partner, joint venturer, or employee. For this purpose, a "Competitor" is any entity in the same line of business as the Corporation in North American markets in which the Corporation competes, including, but not limited to, any North American Class I rail carrier, any other rail carrier competing with the Corporation (including without limitation a holding or other company that controls or operates or is otherwise affiliated with any rail carrier competing with the Corporation), and any other provider of transportation services competing with Corporation, including motor and water carriers.

Moreover, notwithstanding the foregoing, the Participant shall immediately forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle without further obligation on the part of the Corporation or any Subsidiary Company if:

- i. the Participant's employment is terminated by reason of the Retirement or Disability of the Participant before the expiration of the Performance Cycle, and
- ii. it is determined that the Participant engaged in any of the following:
 - A. the Participant engaged in an act of fraud, embezzlement or theft in connection with the Participant's duties or in the course of the Participant's employment with the Corporation or Subsidiary Company; or
 - B. the Participant disclosed confidential information in violation of a confidentiality agreement with the Corporation or a Subsidiary Company, or otherwise in violation of the law.

A determination under this paragraph shall be made by the Committee with respect to a participant who was, at any time, employed at the level of Vice President or above, and this determination shall be made by the Vice President Human Resources with respect to all other participants, and in either situation upon consultation with the Corporation's chief legal officer.

No dividend equivalent payments shall be made with respect to the award of Performance Share Units hereunder.

4. Savings Clause for Rules of Professional Responsibility. Nothing contained in this Agreement will operate or be construed to restrict a lawyer in the practice of law in contravention of Rule 5.6 of the Virginia Rules of Professional Conduct or a similar professional conduct rule applicable to a lawyer who is an active member of any other state bar.

5. Tax Withholding. The minimum necessary tax withholding obligation with respect to an award of PSUs will be satisfied with shares of Common Stock of the Corporation upon distribution of such award.

6. Recoupment. The Participant acknowledges that the Corporation shall recover from any Participant who is a current or former executive officer all or any portion of any PSUs awarded to the extent required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, or as may otherwise be required by law. In addition, any Participant who at any time is a Board-elected officer at the level of Vice President or above agrees that he will, upon the demand of the Board of Directors, reimburse all or any portion of PSUs awarded if (a) financial results are restated due to the material noncompliance of the Corporation with any financial reporting requirement under the securities laws, (b) a lower PSU distribution would have been made to the officer based upon the restated financial results, and (c) the PSUs were distributed within the three-year period prior to the date the applicable restatement was disclosed. The Participant acknowledges and agrees that the Board of Directors or the Corporation may, without waiving any other legal remedy allowed by law, deduct the full amount of such repayment obligation from any amounts the Corporation then owes, or will in the future owe, to the Participant. Nothing in this Agreement shall waive the Committee's, Board of Directors' or Corporation's rights to take any such other action as the Committee, Board of Directors or the Corporation may deem appropriate in view of all the facts surrounding the particular financial restatement.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Participant has executed this Agreement by his or her electronic acceptance hereof, in acceptance of the above-mentioned Award, subject to the terms of the Plan and of this Agreement, all as of the day and year first above written.

By: _____
NORFOLK SOUTHERN CORPORATION

**Norfolk Southern Corporation Long-Term Incentive Plan
Award Agreement**

Non-Qualified Stock Option

This AGREEMENT dated as of <Date> (Award Date), between NORFOLK SOUTHERN CORPORATION (Corporation), a Virginia corporation, and <Employee Name> (Participant), Employee ID No. <Emp_Id>.

1. Award Contingent Upon Execution of this Agreement and of Non-Compete. This Award is contingent upon the Participant's execution of this Agreement and the associated non-compete agreement, which is a condition precedent to this Award. This Award shall be void, and the Participant shall not be entitled to any rights hereunder, unless the Participant executes the non-compete agreement on or before <Date>, and thereafter fully complies with its terms.

2. Terms of Plan Govern. Each Award made hereunder is made pursuant to the Norfolk Southern Corporation Long-Term Incentive Plan (Plan), all the terms and conditions of which are deemed to be incorporated in this Agreement and which forms a part of this Agreement. The Participant agrees to be bound by all the terms and provisions of the Plan and by all determinations of the Committee thereunder. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

3. Award of Non-Qualified Stock Option. The Corporation hereby grants to the Participant on Award Date a Non-Qualified Stock Option (NQSO) to purchase <#_of_NQSOs> shares of the Corporation's Common Stock at a price of \$<Share Price> per share.

(a) Duration of Option. This Option (to the extent not earlier exercised) will expire at 11:59 p.m. on <Date>, being ten (10) years from the Award Date. However, this Option is subject to earlier termination if the Participant's employment with the Corporation or a Subsidiary Company is terminated for a reason other than Disability or death, as follows: (i) if the Participant's employment is terminated because of the Participant's Retirement, the Option shall expire on the earlier of 11:59 p.m. on <Date> or 11:59 p.m. on the date that is five years after date of the Participant's Retirement; (ii) if the Participant's employment is terminated for any other reason, the Option shall expire at the close of business on the last day of active service by the Participant with the Corporation or a Subsidiary Company. If the Participant is granted a leave of absence and his or her employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence, the Option grant shall expire at the close of business on the last day of employment with the Corporation or a Subsidiary Company.

Notwithstanding the foregoing, if the Participant Engages in Competing Employment within a period of two years following Retirement or Disability, the term of this Option shall terminate immediately, and all rights of the Participant to such Options shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company. A Participant "Engages in Competing Employment" if the Participant works for or provides services for any Competitor, on the Participant's own behalf or on behalf of others, including, but not limited to, as a consultant, independent contractor, owner, officer, partner, joint venturer, or employee. For this purpose, a "Competitor" is any entity in the same line of business as the Corporation in North American markets in which the Corporation competes, including, but not limited to, any North American Class I rail carrier, any other rail carrier competing with the Corporation (including without limitation a holding or other company that controls or operates or is otherwise affiliated with any rail carrier competing with the Corporation), and any other provider of transportation services competing with Corporation, including motor and water carriers.

In addition, notwithstanding the foregoing, term of this Option shall terminate immediately, and all rights of the Participant to such Options shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company, if:

- i. the Participant's employment is terminated by reason of the Retirement or Disability of the Participant, and
- ii. it is determined that the Participant engaged in any of the following:
 - A. the Participant engaged in an act of fraud, embezzlement or theft in connection with the Participant's duties or in the course of the Participant's employment with the Corporation or Subsidiary Company; or
 - B. the Participant disclosed confidential information in violation of a confidentiality agreement with the Corporation or a Subsidiary Company, or otherwise in violation of the law.

A determination under this paragraph shall be made by the Committee with respect to a participant who was, at any time, employed at the level of Vice President or above, and this determination shall be made by the Vice President Human Resources with respect to all other participants, and in either situation upon consultation with the Corporation's chief legal officer.

(b) Exercise of Option. This Option may be exercised in whole or in part at any time or times prior to its expiration; provided that the first exercise of this Option shall not occur before the fourth anniversary of the date on which the Option was granted. Notwithstanding the foregoing, if the Participant's employment with the Corporation or a Subsidiary Company is terminated by reason of the Participant's Retirement or death before the fourth anniversary of the date on which the Option was granted, the Participant (or, in the case of death, the Participant's Beneficiary) may first exercise this Option on the later of the first anniversary of the date on which this Option was granted or the effective date of the Participant's Retirement or death. Notice of the exercise of all or any part of this Option shall be given in the manner prescribed by the Secretary of the Corporation. Such notice shall be irrevocable, shall specify the number of shares to be purchased and the purchase price to be paid therefore, and must be accompanied by the payment of the purchase price as provided in paragraph 3(c) herein. Upon the exercise of such Option, the Common Stock purchased will be distributed.

(c) Payment of Option Price. The purchase price of Common Stock upon exercise of this Option shall be paid in full to the Corporation at the time of the exercise of the Option in cash or by the surrender to the Corporation of shares of previously acquired Common Stock which shall have been held by the Participant for at least six (6) months and which shall be valued at Fair Market Value on the date the Option is exercised, or by a combination of cash and such Common Stock.

(d) Non-transferability. This Option may be exercised during the lifetime of the Participant only by the Participant, and following death only by the Participant's Beneficiary. If a Beneficiary dies after the Participant dies but before the Option is exercised and before such rights expire, such rights shall become assets of the Beneficiary's estate. Except as provided in this paragraph, Options may not be assigned or alienated, whether voluntarily or involuntarily.

4. Dividend Equivalent Payments. Except as otherwise provided herein, for a period of four (4) years from the date of this Agreement, the Corporation shall make to the Participant who holds an option under this Agreement on the declared record date a cash payment on the outstanding shares of Common Stock covered by this Option, payable on the tenth (10th) day of March, June, September and December, in an amount equal to dividends declared by the Board of Directors of the Corporation and paid on Common Stock. If the employment of the Participant is terminated for any reason, including Retirement, Disability or death, the Corporation shall have no further obligation to make any payments commensurate with dividends on shares of Common Stock covered by this Option.

Each dividend equivalent shall be equal to the amount of the regular quarterly dividend paid in accordance with the Corporation's normal dividend payment practice as may be determined by the Committee, in its sole discretion. Dividend equivalent payments shall not be made during a Participant's leave of absence.

5. Savings Clause for Rules of Professional Responsibility. Nothing contained in this Agreement will operate or be construed to restrict a lawyer in the practice of law in contravention of Rule 5.6 of the

Virginia Rules of Professional Conduct or a similar professional conduct rule applicable to a lawyer who is an active member of any other state bar.

6. Recoupment. The Participant acknowledges that the Corporation shall recover from any Participant who is a current or former executive officer all or any portion of any exercised Options to the extent required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, or as may otherwise be required by law.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Participant has executed this Agreement by his or her electronic acceptance hereof, in acceptance of the above-mentioned Award, subject to the terms of the Plan and of this Agreement, all as of the day and year first above written.

By:
NORFOLK SOUTHERN CORPORATION

**Norfolk Southern Corporation Long-Term Incentive Plan
Award Agreement**

Restricted Stock Units

This AGREEMENT dated as of <Date> (Award Date), between NORFOLK SOUTHERN CORPORATION (Corporation), a Virginia corporation, and <Employee Name> (Participant), Employee ID No. <Emp_Id>.

1. Award Contingent Upon Execution of this Agreement and of Non-Compete. This Award is contingent upon the Participant's execution of this Agreement and the associated non-compete agreement, which is a condition precedent to this Award. This Award shall be void, and the Participant shall not be entitled to any rights hereunder, unless the Participant executes the non-compete agreement on or before <Date>, and thereafter fully complies with its terms.

2. Terms of Plan Govern. Each Award made hereunder is made pursuant to the Norfolk Southern Corporation Long-Term Incentive Plan (Plan), all the terms and conditions of which are deemed to be incorporated in this Agreement and which forms a part of this Agreement. The Participant agrees to be bound by all the terms and provisions of the Plan and by all determinations of the Committee thereunder. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

3. Award of Restricted Stock Units. The Corporation hereby grants to the Participant on Award Date <#_of_RSUs> Restricted Stock Units. Each Restricted Stock Unit is a contingent right to receive a Restricted Stock Unit Share, subject to the restrictions and other terms and conditions set forth in the Plan and this Agreement. Each Restricted Stock Unit shall equal the Fair Market Value of one share of the Common Stock of the Corporation on the date all applicable restrictions lapse.

The Participant's Award of Restricted Stock Units shall be recorded in a memorandum account. The Participant shall have no beneficial ownership interest in the Common Stock of the Corporation represented by the Restricted Stock Units awarded. The Participant shall have no right to vote the Common Stock represented by the Restricted Stock Units awarded or to receive dividends, except for Dividend Equivalent payments as set forth below.

(a) Restriction Period. The Restricted Stock Units are subject to a five-year Restriction Period which terminates on <Date>.

(b) Restrictions. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph 3(c) of this Agreement, Restricted Stock Units shall be subject to the following restrictions:

i. the Participant shall not be entitled to receive the Restricted Stock Unit Shares to which the Participant may have a contingent right to receive in the future;

ii. the Restricted Stock Units may not be sold, transferred, assigned, pledged, conveyed, hypothecated, used to exercise options or otherwise disposed of; and

iii. the Restricted Stock Units may be forfeited immediately as provided in this Agreement and in the Plan.

(c) Distribution of Restricted Stock Units.

i. If the Participant remains in the continuous employment of the Corporation or a Subsidiary Company during the entire Restriction Period, upon the expiration of the Restriction Period all restrictions applicable to the Restricted Stock Units shall lapse and whole shares of Common Stock of the Corporation equal to the Fair Market Value on the date all applicable restrictions of the awarded Restricted Stock Units have lapsed shall be distributed to the Participant, subject to tax withholding as provided in Section 6 of this Agreement.

ii. If the Participant's employment is terminated for any reason other than the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period, the Restricted Stock Units shall be forfeited immediately and all rights of the Participant with respect to such Restricted Stock Units shall terminate without further obligation on the part of the Corporation or any Subsidiary Company.

iii. If the Participant is granted a leave of absence before the expiration of the Restriction Period, the Participant shall not forfeit any rights with respect to any Restricted Stock Units subject to the Restriction Period, except for Dividend Equivalent Payments as provided in Section 4 of this Agreement, unless the Participant's employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence and before the expiration of the Restriction Period, at which time all rights of the Participant with respect to such Restricted Stock Units shall terminate without further obligation on the part of the Corporation or any Subsidiary Company.

iv. If the Participant's employment is terminated by reason of the Retirement or Disability of the Participant in service before the expiration of the Restriction Period, the restrictions on the Restricted Stock Units shall lapse upon the expiration of the Restriction Period. If the Participant dies before the expiration of the Restriction Period, the restrictions on the Restricted Stock Units shall lapse immediately. At such time, whole shares of Common Stock equal to the Fair Market Value of the Restricted Stock Units on the date all applicable restrictions of the Restricted Stock Units have lapsed shall be distributed to the Participant or the Participant's Beneficiary in the event of the Participant's death, subject to tax withholding as provided in Section 6 of this Agreement.

Notwithstanding the foregoing, if the Participant's employment is terminated by reason of the Retirement or Disability of the Participant in service before the expiration of the Restriction Period and the Participant Engages in Competing Employment within a period of two years following Retirement or Disability, and prior to expiration of the Restriction Period, then the Restricted Stock Units shall be forfeited immediately and all rights of the Participant to such Units shall terminate without further obligation on the part of the Corporation or any Subsidiary Company. A Participant "Engages in Competing Employment" if the Participant works for or provides services for any Competitor, on the Participant's own behalf or on behalf of others, including, but not limited to, as a consultant, independent contractor, owner, officer, partner, joint venturer, or employee. For this purpose, a "Competitor" is any entity in the same line of business as the Corporation in North American markets in which the Corporation competes, including, but not limited to, any North American Class I rail carrier, any other rail carrier competing with the Corporation (including without limitation a holding or other company that controls or operates or is otherwise affiliated with any rail carrier competing with the Corporation), and any other provider of transportation services competing with Corporation, including motor and water carriers.

Moreover, notwithstanding the foregoing, the Restricted Stock Units shall be forfeited immediately and all rights of the Participant to such Units shall terminate if:

- A. the Participant's employment is terminated by reason of the Retirement or Disability of the Participant before the expiration of the Restriction Period, and
- B. it is determined that the Participant engaged in any of the following:
 1. the Participant engaged in an act of fraud, embezzlement or theft in connection with the Participant's duties or in the course of the

- Participant's employment with the Corporation or Subsidiary Company; or
2. the Participant disclosed confidential information in violation of a confidentiality agreement with the Corporation or a Subsidiary Company, or otherwise in violation of the law.

A determination under this paragraph shall be made by the Committee with respect to a participant who was, at any time, employed at the level of Vice President or above, and this determination shall be made by the Vice President Human Resources with respect to all other participants, and in either situation upon consultation with the Corporation's chief legal officer.

v. The Committee, in its sole discretion, may waive any or all restrictions with respect to Restricted Stock Units. Notwithstanding any waiver, any delivery of Restricted Stock Units to the Participant may not be made earlier than delivery would have been made absent such waiver of restrictions.

4. Dividend Equivalent Payments. Except as otherwise provided herein, the Corporation shall make to a Participant who holds Restricted Stock Units on the declared record date a cash payment on the number of shares of Common Stock represented by the Restricted Stock Units held by Participant on such date, payable on the tenth (10th) day of March, June, September, and December, equal to dividends declared by the Board of Directors of the Corporation and paid on Common Stock.

Each dividend equivalent shall be equal to the amount of the regular quarterly dividend paid in accordance with the Corporation's normal dividend payment practice as may be determined by the Committee, in its sole discretion. Dividend equivalent payments shall not be made during a Participant's leave of absence.

5. Savings Clause for Rules of Professional Responsibility. Nothing contained in this Agreement will operate or be construed to restrict a lawyer in the practice of law in contravention of Rule 5.6 of the Virginia Rules of Professional Conduct or a similar professional conduct rule applicable to a lawyer who is an active member of any other state bar.

6. Tax Withholding. The minimum necessary tax withholding obligation with respect to an award of Restricted Stock Units will be satisfied with shares of Common Stock of the Corporation upon distribution of such award.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Participant has executed this Agreement by his or her electronic acceptance hereof, in acceptance of the above-mentioned Award, subject to the terms of the Plan and of this Agreement, all as of the day and year first above written.

By:
NORFOLK SOUTHERN CORPORATION

AGREEMENT

This agreement, dated as of _____, _____ (Agreement) between Norfolk Southern Corporation (Corporation) and _____, Employee ID No. _____, memorializes your entitlement to certain rights and benefits that would mature upon, and only upon, your Termination (this and other terms not defined in the text are defined in Attachment A hereto) following a Change in Control and your commitment not to engage in Competing Employment for certain periods; (2) absent such Termination, is not intended to affect, and shall not be construed as affecting, the compensation and benefits you are entitled to receive, except as otherwise provided in Article III, subparagraph (iii)(d) of the Agreement; and (3) is not under any circumstances a contract or guarantee of employment with the Corporation. Moreover, upon the happening of such conditions, your rights under any and all employee retirement income or welfare benefit policies, plans, programs or arrangements of the Corporation in which you participate shall be governed by the terms thereof and, except as herein expressly provided, shall not be enlarged hereunder or otherwise affected hereby.

The Agreement's terms and protections reflect the Corporation's beliefs that, in the event of a potential Change in Control, (1) the best interests of its stockholders require management focus and continuity; and (2) such focus and continuity will be enhanced by providing economic protection to officers and other key employees whose employment is most likely to be affected adversely by such a change.

As consideration for the Corporation's offer of this Agreement, and by your acceptance of it, you hereby covenant and agree as follows:

- (i) in the event you (a) are Terminated following a Change in Control and (b) accept any benefits provided for in Article III of this Agreement, you will engage in no Competing Employment for the one-year period that begins on your Termination Date;
 - (ii) you waive, forgo and otherwise renounce, on your behalf and that of any individual or organization that does or may claim through you, any and all benefits (including without limitation any prior notice of agreement termination therein provided) to which you may or would be entitled under and by virtue of any other agreement, including amendments and supplements thereto, as in effect on the date hereof between you and the Corporation affording you benefits in the event of your Termination, with the result that all and any such agreements, from and after the date hereof, shall have no force and effect; and
 - (iii) if, prior to a Change in Control, a modification in the nature of your responsibilities with the Corporation (Reassignment) results in a change in the maximum percentage of your salary that may be earned as incentive compensation (Participation Level), upon the effective date of your Reassignment (Reassignment Date), you will become and be eligible to receive only those benefits following a Change in Control as are other individuals at the Participation Level applicable to your new position, the Corporation hereby undertakes to furnish you a new agreement or to furnish an amendment or supplement to this Agreement, to reflect your changed benefits, but its failure or omission
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to do so shall not affect the benefits to which, under this subparagraph (iii), you are entitled upon and after such Reassignment Date.

I. Effective Date and Term

This Agreement is effective and its term (Term) begins on the date hereof; its Term ends on the earliest of:

- (i) the date, prior to a Change in Control, you cease to be an employee of the Corporation;
- (ii) the date, prior to a Change in Control, you cease to be eligible to participate in the Corporation's Executive Management Incentive Plan or Management Incentive Plan, or any successor plan[s] or program[s]; and
- (iii) the date, prior to a Change in Control, that is twenty-four (24) months after you or the Corporation gives notice to the other of the termination of this Agreement, *provided, however*, that if a Change in Control occurs during the Term hereof, this agreement shall terminate after a period of twenty-four (24) months, beginning on the first day of the month next following the month in which the Change in Control occurs (such period, plus the portion of the month following the Change in Control in which the Change in Control occurs, constituting "the Change in Control Period").

II. Binding on Successors

The Corporation shall require any successor (whether direct or in-direct, by purchase, merger, consolidation, reorganization, share exchange or otherwise) to all or substantially all of the business and/or assets of the Corporation (Successor; and such result, Succession) by agreement, in form and substance satisfactory to the Corporation's chief legal officer or his designee(s), serving immediately prior to the Change in Control, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would have been required to perform it had no such Succession occurred. This Agreement shall be binding upon and inure to the benefit of the Corporation and any Successor (and, from and after any such Succession, that Successor shall be deemed the "Corporation" for purposes of this Agreement), but otherwise the Corporation shall not assign or transfer any of its rights, or delegate any of its duties or obligations, hereunder.

III. Protection Afforded by the Agreement During the Change in Control Period

Except as limited by subparagraph (ii) concerning retirement, in the event of your Termination during the Change in Control Period, the Corporation shall pay you within ten (10) business days after your Termination Date the Severance Pay indicated in subparagraph (i) herein:

- (i) Severance Pay. In lieu of, and in full satisfaction of any and all claims you have or may have thereafter to receive severance pay or benefits under the Norfolk Southern Corporation Severance Pay Plan (or any successor severance pay plan), or to earn any base salary or incentive awards that you had not earned as of your Termination Date, you shall receive a lump-sum payment (Severance Pay) equal to 2.99 times the sum of:
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- (a) an amount equal to your Base Pay (determined in accordance with Item (B)(ii) in Attachment A); and
 - (b) an amount equal to your Incentive Pay (determined in accordance with Item (H) in Attachment A).
- (ii) Special Proviso for Those Eligible to Retire. If on your Termination Date you are eligible to retire under the provisions of any of the Corporation's retirement plans (excluding any special, temporary early retirement amendment[s]), as in effect either on the day immediately preceding the Change in Control or on your Termination Date, you may elect to retire on your Termination Date by giving the Corporation written notice as provided in this subparagraph (ii). Not later than two (2) business days following, but not including, the date on which Notice of Termination is given (whether by you or by the Corporation), the Corporation shall advise you in writing of your right herein provided to elect to retire. If you wish to exercise that right, you must so advise the Corporation prior to your Termination Date on an election form it provides and in the manner prescribed under Article IX.

If and only if you make this election, your retirement will be deemed to have occurred simultaneously with your Termination Date (*provided, however*, that the "effective date" of such retirement for purposes of such retirement plans shall be as provided under such plans), and, instead of your having the rights provided in this Article III, your rights shall be governed by the retiree (or any specific change in control) provisions of the respective, applicable plans (as to each, on the terms most favorable to you under such plan [excluding any special, temporary early retirement amendment(s)] as in effect either immediately preceding the Change in Control or on your Termination Date), provided, however, that if you make the election herein afforded, you shall still receive the Severance Payments called for in subparagraph (i), and (2) any deferred compensation that you are eligible to receive under this subparagraph (ii) shall be paid in accordance with clause (b) or clause (c) of subparagraph (iii), as applicable, as if your retirement had been a Termination.

(iii) Special Provisions for Deferred Compensation. To the extent that any amount payable under this Article III constitutes "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code, the amount shall be subject to the rules set forth below in this subparagraph (iii).

- (a) No Revocation of Deferral Election. If you have elected to defer all or any portion of your base pay or incentive pay under the terms of the Executives' Deferred Compensation Plan (or any successor plan[s] or program[s]), and your deferral election has become irrevocable on or before your Termination Date, a corresponding portion of the Base Pay or Incentive Pay provided under subparagraph (i)(a) or (i)(b), above, shall not be paid in a lump sum within 10 days after your Termination Date, but instead shall be deferred and paid out solely under the terms of the Executives' Deferred Compensation Plan (or any successor plan[s] or program[s]), as modified (if applicable) by this subparagraph (iii). The special provision in this clause (a) is intended, and shall be applied, solely to prevent your deferral election or an automatic
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deferral provision from being revocable or from providing an accelerated payment to the extent such revocation or accelerated payment would violate Section 409A of the Internal Revenue Code.

- (b) Payment Following A Section 409A Change in Control. If the Change in Control is a Section 409A Change in Control, as defined in Item (J) in Attachment A, and your Termination Date occurs within 24 months after the Section 409A Change in Control, your entire benefit shall be paid as provided in this Agreement, including clause (a) and clause (e) of this subparagraph (iii).
- (c) Payment Following Any Other Change in Control. If the Change in Control is not a Section 409A Change in Control, or if your Termination Date occurs within the Change in Control Period but more than 24 months after the Change in Control, your deferred compensation shall be paid as follows:
 - (1) Your Severance Pay shall be paid as provided in this Agreement, including clause (a) and clause (e) of this subparagraph (iii).
 - (2) Your deferred compensation under the Executives' Deferred Compensation Plan or any successor plan[s] or program[s] shall be paid at the time and in the form provided under the applicable terms of the plan in which you earned the benefit, without any acceleration or other alteration in the time and form of payment as a result of the Change in Control.
- (d) Voluntary Termination Following A Section 409A Change in Control. If your employment terminates voluntarily (without good reason) within 24 months following a Section 409A Change in Control, so that your termination is a "separation from service" within the meaning of Section 409A of the Internal Revenue Code but is not a "Termination" within the meaning of Item (L) in Attachment A, then your deferred compensation shall be paid at the time and in the form provided under the applicable terms of the plan in which you earned the benefit.
- (e) Six-Month Delay for Specified Employees. If, on your Termination Date, you are a "Specified Employee" within the meaning of Item (K) in Attachment A, any portion of your deferred compensation shall be paid no earlier than six months after your Termination Date. During any period in which a payment to which you are otherwise entitled under this Agreement is delayed solely as a result of this clause (e), the payment shall be credited with interest during the period from your Termination Date until the benefit is distributed at 120% of the short term Applicable Federal Rate determined under Section 1274(d) of the Internal Revenue Code that is in effect on your Termination Date.

There shall be no right of setoff or counterclaim in respect of any claim, debt or obligation against any payment to, or benefit for, you provided for in this Agreement.

Without limiting your rights to arbitration, at law or in equity, if the Corporation fails on a timely basis to make any payment required to be made pursuant to provisions under this Article III, the Corporation shall pay interest on the amount thereof at an annualized rate of interest equal to three percent (3%) above the then-applicable Prime Rate ("Prime Rate" means the rate of interest publicly announced by JP Morgan Chase Bank in New York City, or its successor, from time to time as its prime rate), unless the payment is subject to a bona fide dispute between the parties that is being pursued in good faith and that has not been finally resolved.

IV. No Mitigation Obligation

You and the Corporation agree that payments made by the Corporation pursuant to this Agreement will be liquidated damages (and in lieu of any claims for any breach whatsoever of this Agreement by the Corporation) and that you will not be required to mitigate the amount of any such payment by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever, other than from Competing Employment, create any mitigation, offset reduction or other obligation on your part hereunder or otherwise.

V. Arbitration

Any controversy or claim between you and the Corporation arising out of or relating to the existence, enforceability, terms or application of this Agreement or any breach or alleged breach thereof, shall be settled by three (3) arbitrators, one of whom shall be appointed by the Corporation, one by you and the third of whom shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator required to be appointed hereunder, then such arbitrator shall be appointed by the Chief Judge of the United States District Court for the district having jurisdiction of the city or other municipality in which the arbitration is to be held. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators, which shall be as hereinbefore provided. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have no authority to award punitive, incidental or consequential damages, and they shall apply the substantive law of the Commonwealth of Virginia in reaching a decision.

If you determine in good faith to retain legal counsel and/or to incur other reasonable costs or expenses in connection with any such arbitration or to enforce any or all of your rights under this Agreement or under any arbitration award, the Corporation shall pay all such attorneys' fees, costs and expenses you incur during your lifetime or in the five-year period following your death in connection with non-frivolous applications to interpret or enforce your rights, including enforcement of any arbitration award in court, regardless of the final outcome. Taxable reimbursements shall be provided under this Article V subject to the following requirements: (A) all reimbursements shall be provided pursuant to a written policy that provides an objectively determinable nondiscretionary description of the reimbursements provided; (B) all reimbursements shall be paid no later than the end of the calendar year following the year in which the expense was incurred; (C) no reimbursement shall be subject to liquidation or exchange for another benefit; and (D) the amount of reimbursable expense incurred in one year shall not affect the amount of reimbursement available in another year. In addition, during the pendency of such arbitration, the Corporation will continue to pay you, with the customary frequency, the greater of your Base Pay as in effect immediately prior to the Change in Control or immediately prior to your Termination until the controversy or claim finally is resolved in accordance herewith.

These payments hereunder shall be in addition to, and not in derogation or mitigation of any other payment or benefit due you under this Agreement. If you are a Specified Employee on your Termination Date, the payments described in this paragraph shall be subject to the six-month delay as provided in the following paragraph.

If you are a Specified Employee on your Termination Date, the only taxable payments or reimbursements provided under this Article V during the first six months following your Termination Date shall be reimbursements that you could otherwise deduct as business expenses under Sections 162 or 167 of the Code (disregarding limitations based on adjusted gross income). After the end of the sixth month following your Termination Date, taxable reimbursements and Base Pay shall be provided as described in the preceding paragraph of this Article V. Any taxable reimbursements and Base Pay that otherwise would have been paid during the first six months following your Termination Date if you had not been a Specified Employee shall be paid or reimbursed in a lump sum, on the first regular payroll date after the end of the sixth month following your Termination Date, with interest payable on such amount at 120% of the short term Applicable Federal Rate determined under Section 1274(d) of the Internal Revenue Code that is in effect on your Termination Date.

Notwithstanding any other provision hereof, the parties' respective rights and obligations under this Article V will survive a termination or expiration of this Agreement or the termination of your employment for any reason whatsoever.

VI. Employment Rights

Nothing expressed or implied in this Agreement shall create any right or duty on your part or that of the Corporation to have you remain in the employment of the Corporation prior to or following any Change in Control.

VII. Withholding of Taxes and Liability for Taxes

The Corporation may withhold from any amounts payable under this Agreement all federal, state, city, local or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

VIII. Personal Nature of Agreement

This Agreement is personal in nature, and neither you nor the Corporation (except as provided under the caption "Binding on Successors"), without the prior written consent of the other, shall assign or transfer any of its rights, or delegate any of its duties or obligations, except as expressly provided under this caption. Without limiting the generality and effect of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by will or by the laws of descent and distribution; in no event shall the Corporation have any obligation or liability to recognize or honor any attempted assignment or transfer that is contrary hereto.

IX. Notice

For all purposes of this Agreement, except as otherwise expressly provided in subparagraph (ii) of Article III, all communications, including without limitation, notices, consents, requests and approvals, provided for herein shall be in writing and shall be deemed to have been duly given when (1) actually

delivered or (2) if mailed, five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid,

- (i) **if to the Corporation**, to the attention of its Corporate Secretary at its principal executive office at the time, and
- (ii) **if to you**, at the address at the time on file with the Corporation as your principal residence address, or
- (iii) **in either case**, to such other address as either the Corporation or you shall have furnished the other in writing and in accordance herewith, *provided, however*, that notices of change of address hereunder shall be effective only upon actual receipt.

X. Governing Law

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia, without giving effect to the Commonwealth's principles of conflicts of law, save those permitting the parties to an agreement to stipulate the substantive law applicable to the agreement and the procedural law applicable to suits, actions or proceeding relating to it.

XI. Validity/Severability

If any provision of this Agreement or the application of any provision hereof to any person (including a Person) or circumstance is held invalid, illegal or unenforceable, the remainder of this Agreement and the application of such provision to any other person. (including a Person) shall not be affected, and the provision(s) so held to be invalid, illegal or unenforceable shall be reformed or excised in good faith by the Corporation, without the necessity of your agreeing thereto, to the extent (and only to the extent) necessary to make it or them valid, legal or enforceable.

XII. Miscellaneous

No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in a writing signed by you and the Corporation. No waiver by either party hereto at any time of any breach or of compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

XIII. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Board of Directors of the Corporation has directed that this Agreement be executed and delivered on its behalf by one or more officers of the Corporation thereunto duly authorized,

and you have indicated your acceptance of and intent to be bound by this Agreement in the space provided below.

NORFOLK SOUTHERN CORPORATION

By: _____
Name: Cynthia C. Earhart
Title: Executive Vice President Administration and Chief Information Officer

Accepted:

By: _____
Being the same individual named
in the preamble hereto and referred
to as "You" in the text.

Date: _____

CERTAIN DEFINITIONS

For purposes of this Agreement:

- (A) **Actual Incentive Pay Percentage** means, in any given year, the percentage actually earned, as determined pursuant to the authority of the Board of Directors, of the maximum potential bonus amount potentially payable to participants in the Corporation's Executive Management Incentive Plan and its Management Incentive Plan, or any successor plan[s] or program[s] to either or both (respectively, **EMIP** and **MIP**).
- (B) **Base Pay** means
- (i) *in determining whether a Termination has occurred*, the gross amount of your annual salary in effect on the date of a Change in Control (the gross amount you actually were paid in the pay period coinciding with or immediately preceding the date of the Change in Control, multiplied by the number of pay periods in the year or otherwise determined and expressed as an annual amount).
 - (ii) *in calculating the amount of Severance Pay*, the **larger** of (a) or (b), in either case as limited by (c):
 - (a) the amount calculated under Item (B)(i); or
 - (b) the amount calculated as provided in Item (B)(i), but substituting "Termination Date" for "date of a Change in Control" wherever the latter term appears; and
 - (c) further provided that, *Base Pay* used in calculating the amount *Severance Pay* may not exceed 2.99 times the sum of your annual salary paid during the twelve-month period immediately preceding your Termination Date.
- (C) **Beneficial Owner** means any Person who, under Rule 13d-3 (or successor rules or regulations thereto) promulgated under the Securities Exchange Act of 1934, would be deemed beneficially to own Voting Stock.
- (D) **Cause** refers to your having engaged in any of the following if the result of the same is materially harmful to the Corporation:
- (i) an intentional act of fraud, embezzlement or theft in connection with your duties or in the course of your employment with the Corporation;
 - (ii) intentional wrongful damage to property of the Corporation;
 - (iii) intentional wrongful disclosure of secret processes or of confidential information of the Corporation; or
 - (iv) intentional violation of the Corporation's Code of Conduct/Ethics (or any successor[s]) as in effect immediately prior to a Change in Control.

For these purposes, an act or failure to act on your part shall be deemed "intentional" only if you acted or omitted to act otherwise than in accordance with your good faith business judgment of the best interests of the Corporation; in

determining whether this standard has been satisfied, you shall be afforded all the presumptions and be entitled to all the protections available to directors under Section 13.1-690 of the Virginia Stock Corporation Act.

(E) A **Change in Control** occurs upon any of the following circumstances or events:

- (i) The Corporation consummates a merger or other similar control-type transaction or transactions (however denominated or effectuated) with another corporation or other Person (Combination), and immediately thereafter less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or Person is held in the aggregate by the holders of securities entitled, immediately prior to such Combination, to vote generally in the election of directors of the Corporation (Voting Stock);
- (ii) The Corporation consummates any stockholder-approved consolidation or dissolution (however denominated or effectuated) pursuant to a recommendation of the Board;
- (iii) At any time, Continuing Directors (as herein defined) shall not constitute a majority of the members of the Board ("Continuing Director" means (i) each individual who has been a director of the Corporation for at least twenty-four (24) consecutive months before such time and (ii) each individual who was nominated or elected to be a director of the Corporation by at least two thirds of the Continuing Directors at the time of such nomination or election);
- (iv) The Corporation sells all or substantially all of its assets to any other corporation or other Person, and less than eighty percent (80%) of the combined voting power of the then-outstanding securities of such corporation or Person immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such sale;
- (v) A report is filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), pursuant to the Securities Exchange Act of 1934, as amended (Exchange Act), disclosing that any Person has become the Beneficial Owner of twenty (20) or more percent of the voting power of Voting Stock; or
- (vi) The Board determines by a majority vote that, because of the occurrence, or the threat or imminence of the occurrence, of another event or situation with import or effects similar to the foregoing, those who have accepted an agreement of this type are entitled to its protections.

Notwithstanding the provisions of the foregoing subparagraph (v), unless otherwise determined in a specific case by majority vote of the Board, a Change in Control for purposes of this Agreement shall not be deemed to have occurred solely because (a) the Corporation, (b) an entity of which the Corporation is the direct or indirect Beneficial Owner of 50 or more percent of the voting securities or (c) any Corporation-sponsored employee stock ownership plan or any other employee benefit plan of the Corporation either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K, or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 20 percent or otherwise, or because the Corporation reports that a change in control of the Corporation has or may have occurred or will or may occur in the future by reason of such beneficial ownership.

(F) **Competing Employment** means the provision of services of any type, kind or nature and in any capacity (whether as a director, partner, officer, employee, independent contractor, consultant or otherwise), whether or not for compensation or other remuneration of any type, kind or nature (current or deferred and whether or not paid or payable to you, or at your direction), to any organization or person

(i) that is, or

(ii) that controls, or

(iii) that is controlled by, or

- (iv) one of whose customers or clients which accounted for 5% or more of the organization's or person's gross revenues in the immediately preceding fiscal year or is likely to account for 5% or more of such gross revenues in the current or next succeeding fiscal year is:
- (a) a Class I railroad operating in the United States, Canada or Mexico; or
 - (b) a provider or arranger (as to either - one incorporated under the laws of the United States or of any state or political subdivision of either or both) of intermodal services of any kind or nature, any portion of which services is provided or arranged in the United States,

provided, however, that the provision of services otherwise prohibited by the foregoing may be permitted if, in the sole judgment of the Corporation's chief legal officer at the time, in providing such services, you do not draw or rely extensively on, or use for a purpose contrary to the Corporation's business interests, the experience and expertise you acquired during and as a result of your employment with, or that you used or employed for the benefit of, the Corporation.

- (G) **Incentive Opportunity** means the percentage of your salary or other fixed compensation that, in accordance with all applicable provisions of the EMIP and MIP – including, without limitation, earnings and return targets - in effect immediately prior to the Change in Control, could be earned as incentive pay.
- (H) **Incentive Pay** means the product of (i) and (ii), as limited by (iii), where:
- (i) is 100% of the **larger** of your Incentive Opportunity
 - (a) on your Termination Date; or
 - (b) immediately preceding the date of the Change in Control; and
 - (ii) is your Base Pay; and
 - (iii) *Incentive Pay* used in calculating the amount of your *Severance Pay* may not exceed 2.99 times the sum of any incentive payment you received for the prior incentive year under the terms of EMIP or MIP (or successor plan[s] or program[s]).

Example: On your Termination Date, your Incentive Opportunity is 30% of your base salary; immediately prior to the date of the Change in Control, your Incentive Opportunity was 45% of your base salary.

Accordingly, your Incentive Pay will be calculated on the basis of a 45% Incentive Opportunity - and that percentage will be applied to your Base Pay. The resulting dollar amount is the Incentive Pay that will be used in the calculation of your Severance Pay.

For instance, if your Base Pay is \$100,000 and your Incentive Opportunity is 45%, your Incentive Pay is \$45,000. The sum (\$145,000) of your Base Pay and Incentive Pay will be multiplied by the factor indicated in the Severance Pay section of your Agreement to determine the amount of your Severance Pay.

- (I) **Person** means any "person" as that term is used in the Exchange Act or any rules and regulations promulgated thereunder, including any "affiliate" or "associate" of any person, as those terms are used in the Exchange Act or any rules and regulations promulgated thereunder.
- (J) **Section 409A Change in Control** means any event that qualifies as a "Change in Control" (as defined in Item (H), above), and that also constitutes a "change in ownership," "change in effective control," or "change in the ownership of a substantial portion of the Corporation's assets" with respect to you, as defined in regulations or other guidance under Section 409A of the Internal Revenue Code.
-

(K) **Specified Employee** means an officer of the Corporation or of any company controlled by or under common control with the Corporation within the meaning of Section 414(b) or (c) of the Internal Revenue Code (including the Corporation, an "NSC Company") with annual compensation greater than \$130,000 indexed), a five percent (5%) owner of an NSC Company, or a one percent (1%) owner of an NSC Company with annual compensation greater than \$150,000 (not indexed), determined in each case in accordance with Section 409A of the Internal Revenue Code. If all NSC Companies have (in the aggregate) more than 50 officers whose annual compensation exceeds \$130,000 (indexed), only the 50 officers with the greatest annual compensation shall be considered "Specified Employees." For purposes of this definition, "annual compensation" shall be determined on the basis of Internal Revenue Service Form W-2, Wage and Tax Statement, excluding foreign compensation.

If an individual meets the definition of "Specified Employee" at any time during a calendar year, the individual shall be a "Specified Employee" during the 12-month period beginning on the following April 1.

(L) **Termination** means your "separation from service" within the meaning of Section 409A of the Internal Revenue Code and the regulations thereunder in the circumstances described in (i) or (ii) below.

(i) If a condition listed in any one or more of (a) through (h), below, occurs without your prior written consent during the Change in Control Period and results in a material negative change in your relationship with the Corporation, your "separation from service" within the meaning of Section 409A of the Internal Revenue Code, excluding a separation from service on account of disability or death, within two years after the initial existence of the condition:

- (a) You are not elected or reelected to the office of the Corporation you held immediately prior to the Change in Control, or - if you were serving as a director of the Corporation immediately prior to the Change in Control - you are removed as a director;
 - (b) Your Base Pay is, or when annualized will be, materially less than the amount determined in accordance with (B)(i) herein;
 - (c) Your Incentive Opportunity is materially less than that provided for under Item (G) herein;
 - (d) The Corporation, except to meet the requirements of applicable federal or state law, (i) terminates, or (ii) materially reduces the value or scope of your rights to any benefits to which you are entitled, and which (before the reduction or termination) have substantial value;
 - (e) You determine in good faith that following a Change in Control, you have been rendered substantially unable to carry out or have suffered a substantial reduction in any of the substantial authorities, powers, functions, responsibilities or duties attached to the position you held immediately prior to the Change in Control;
 - (f) The liquidation, dissolution, merger, consolidation or reorganization of the Corporation or the transfer of all or a significant portion of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization or otherwise) to which all or a significant portion of its business and/or assets have been transferred (directly or by operation of law) shall have assumed all the duties and obligations of the Corporation under this Agreement either by operation of law or pursuant to the provisions under the Agreement caption "Binding on Successors";
 - (g) The Corporation requires you to relocate your principal location of work outside a circle having (i) as its center your principal location of work immediately prior to the Change in Control and (ii) a radius of fifty (50) miles, or requires you to travel away from your office in the course of discharging your responsibilities or duties hereunder significantly more (in terms either of consecutive days or of aggregate days in any calendar year) than was required of you immediately prior to the Change in Control; or
 - (h) Without limiting the generality or the effect of the foregoing, any material breach of this Agreement by the Corporation or any successor thereto.
-

If a condition listed in (a) through (h) occurs, you must provide the Corporation with written notice of the condition within 90 calendar days after the initial existence of the condition, and you must allow the Corporation at least 30 calendar days in which to remedy the condition. If the Corporation remedies the condition within the 30-day period, the condition shall not provide a reason for your Termination.

OR

(ii) The termination of your employment by the Corporation, during the twenty-four months next succeeding a Change in Control, for any reason except:

(a) Your death;

(b) Your Total Disability, as defined in the Long Term Disability Plan of Norfolk Southern Corporation and Participating Subsidiary Companies (or any plan that is successor or in addition thereto), as then in effect, and you begin to receive disability benefits pursuant to that plan;

(c) Your retirement pursuant to any Board-approved policy or plan, on the terms in effect immediately prior to the Change in Control, providing for mandatory retirement of certain personnel; or

(d) Cause.

(M) **Termination Date** means the date on which your Termination becomes effective, as specified in the Notice of Termination (hereinafter defined) or as otherwise occurring.

For these purposes, any purported termination of your employment by the Corporation or by you shall be communicated by written **Notice of Termination** to the other party hereto, delivered in accordance with the caption concerning "Notice" in the Agreement. The Notice of Termination shall

(i) indicate the specific Termination provision relied upon;

(ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination under the provision(s) so indicated; and

(iii) shall specify the Termination Date, which:

(a) if the Termination is for Cause, shall be a date not less than thirty (30) days from the date the Notice of Termination is given; and

(b) if the Termination is not for Cause, shall be a date not less than fifteen (15) nor more than sixty (60) days after such Notice of Termination is given.

Norfolk Southern Corporation and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
EARNINGS					
Income from continuing operations before income taxes as reported	\$ 2,442	\$ 3,134	\$ 2,965	\$ 2,758	\$ 2,918
Add (subtract):					
Total interest expenses (as detailed below)	584	592	576	546	504
Amortization of capitalized interest	12	11	12	10	9
Income of partially owned entities ⁽¹⁾	(50)	(46)	(51)	(45)	(39)
Total earnings	<u>\$ 2,988</u>	<u>\$ 3,691</u>	<u>\$ 3,502</u>	<u>\$ 3,269</u>	<u>\$ 3,392</u>
FIXED CHARGES					
Interest expense on debt	\$ 545	\$ 545	\$ 525	\$ 495	\$ 455
Interest expense on unrecognized tax benefit	(3)	1	1	(1)	(9)
Other interest expense	7	11	11	10	12
Calculated interest portion of rent expense ⁽²⁾	35	35	39	42	46
Total interest expenses	<u>584</u>	<u>592</u>	<u>576</u>	<u>546</u>	<u>504</u>
Capitalized interest	21	19	18	20	19
Total fixed charges	<u>\$ 605</u>	<u>\$ 611</u>	<u>\$ 594</u>	<u>\$ 566</u>	<u>\$ 523</u>
RATIO OF EARNINGS TO FIXED CHARGES	4.94	6.04	5.90	5.78	6.49

⁽¹⁾ Represents undistributed income of equity investees included in income from continuing operations before income taxes as reported.

⁽²⁾ Interest component of leases includes one-third of rental expense which approximates the interest component of operating leases.

CONSOLIDATED (MORE THAN 50% OWNED AND CONTROLLED) SUBSIDIARIES
OF NORFOLK SOUTHERN CORPORATION AND STATES OF INCORPORATION
AS OF JANUARY 31, 2016

	<u>STATE OR COUNTRY OF INCORPORATION</u>
Atlantic Investment Company	Delaware
General American Insurance Company	Vermont
General Security Insurance Company, Ltd.	Bermuda
Norfolk Southern Properties, Inc.	Virginia
Norfolk Southern Railway Company	Virginia
NS Fiber Optics, Inc.	Virginia
PDC Timber LLC	Delaware
Pennsylvania Investment Company, Inc.	Delaware
PLC Timber LLC	Delaware
Pocahontas Development Corporation	Kentucky
Pocahontas Land Corporation	Virginia
T-Cubed of North America, LLC	Delaware
Thoroughbred Technology and Telecommunications, LLC	Virginia

Norfolk Southern Railway Company Subsidiaries

Airforce Pipeline, Inc.	North Carolina
Alabama Great Southern LLC	Virginia
Alabama Great Southern Railroad Company, The	Alabama
BRF Investment, LLC	Virginia
Camp Lejeune Railroad Company	North Carolina
Carolina and Northwestern Railway Company	Delaware
Central of Georgia LLC	Virginia
Central of Georgia Railroad Company	Georgia
Chesapeake Western Railway	Virginia
Chicago Land Management, LLC	Virginia
Cincinnati, New Orleans and Texas Pacific Railway Company, The	Ohio
Citico Realty Company	Virginia
CNOTP LLC	Ohio
Georgia Southern and Florida Railway Company	Georgia
GSFR LLC	Georgia
High Point, Randleman, Asheboro and Southern Railroad Company	North Carolina
HPRASR LLC	North Carolina
Interstate Railroad Company	Virginia
Lamberts Point Barge Company, Inc.	Virginia
Mobile and Birmingham Railroad Company	Alabama
Norfolk and Portsmouth Belt Line Railroad Company	Virginia
Norfolk Southern International, Inc.	Virginia
Norfolk Southern - Mexico, LLC	Virginia
NorfolkSouthernMexicana, S. de R.L. de C.V.	Mexico
North Carolina Midland Railroad Company, The	North Carolina
NS Spectrum Corporation	Virginia
PLS Investment, LLC	Virginia

STATE OR COUNTRY
OF INCORPORATION

Norfolk Southern Railway Company Subsidiaries (continued)

Rail Investment Company	Delaware
Reading Company, LLC [Delaware]	Delaware
Reading Company, LLC [Virginia]	Virginia
RIC LLC	Delaware
South Western Rail Road Company, The	Georgia
Southern Rail Terminals, Inc.	Georgia
Southern Rail Terminals of North Carolina, Inc.	North Carolina
Southern Region Materials Supply, Inc.	Georgia
State University Railroad Company	North Carolina
S-VA Corporation	Virginia
TCS Leasing, Inc.	Oklahoma
TCV, Inc.	Delaware
Tennessee, Alabama & Georgia Railway Company	Delaware
Tennessee Railway Company	Tennessee
Thoroughbred Direct Intermodal Services, Inc.	Pennsylvania
Thoroughbred Emissions Research, LLC	Virginia
Thoroughbred Funding, Inc.	Virginia
Transworks Company	Indiana
Transworks Inc.	Virginia
Transworks of Indiana, Inc.	Indiana
Triple Crown Services Company	--
Virginia and Southwestern Railway Company	Virginia
Wheelerburg Terminal LLC	Virginia
Yadkin Railroad Company	North Carolina
Yadkin Railroad Investment LLC	North Carolina

Norfolk Southern Properties, Inc. Subsidiaries

Alexandria-Southern Properties, Inc.	Virginia
Arrowood-Southern Company	North Carolina
Charlotte-Southern Hotel Corporation	North Carolina
Lambert's Point Docks, Incorporated	Virginia
Nickel Plate Improvement Company, Inc., The	Indiana
NS-Charlotte Tower Corporation	North Carolina
NS Transportation Brokerage Corporation	Virginia
Sandusky Dock Corporation	Virginia
Southern Region Industrial Realty, Inc.	Georgia
SRIR Timber LLC	Delaware
Virginia Holding Corporation	Virginia
Westlake Land Management, Inc.	Florida

In addition, NS owns direct or indirect equity interest in:

Conrail Inc.
Consolidated Rail Corporation and its consolidated subsidiaries
CRR Holdings LLC
Delaware Otsego Corporation
DOCP Acquisition, LLC
Green Acquisition Corp.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Norfolk Southern Corporation:

We consent to the incorporation by reference in registration statement numbers 33-52031, 333-71321, 333-205880 and 333-207640 on Form S-8 and 333-202023 on Form S-3 of Norfolk Southern Corporation of our reports dated February 8, 2016, with respect to the consolidated balance sheets of Norfolk Southern Corporation as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 10-K of Norfolk Southern Corporation.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 8, 2016

CERTIFICATIONS

I, James A. Squires, certify that:

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

Dated: February 8, 2016

/s/ James A. Squires

James A. Squires
Chairman, President, and Chief Executive Officer

CERTIFICATIONS

I, Marta R. Stewart, certify that:

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

Dated: February 8, 2016

/s/ Marta R. Stewart

Marta R. Stewart

Executive Vice President Finance and Chief Financial Officer

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

I certify, to the best of my knowledge, that the Annual Report on Form 10-K for the period ended December 31, 2015, of Norfolk Southern Corporation fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Norfolk Southern Corporation.

Signed: /s/ James A. Squires

James A. Squires

Chairman, President, and Chief Executive Officer

Norfolk Southern Corporation

Dated: February 8, 2016

I certify, to the best of my knowledge, that the Annual Report on Form 10-K for the period ended December 31, 2015, of Norfolk Southern Corporation fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Norfolk Southern Corporation.

Signed: /s/ Marta R. Stewart

Marta R. Stewart

Executive Vice President Finance and Chief Financial
Officer

Norfolk Southern Corporation

Dated: February 8, 2016

NYSE REGULATION

Domestic Company Section 303A Annual CEO Certification

As the Chief Executive Officer of Norfolk Southern Corporation (NSC), and as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, I hereby certify that as of the date hereof I am not aware of any violation by the Company of NYSE's corporate governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b) and disclosed on Exhibit H to the Company's Domestic Company Section 303A Annual Written Affirmation.

This certification is:

- Without qualification
or
 With qualification

By: /s/ James A. Squires
Print Name: James A. Squires
Title: President and Chief Executive Officer
Date: June 10, 2015

Note: THE NYSE WILL NOT ACCEPT IF RETYPED, MODIFIED OR IF ANY TEXT IS DELETED.

If you have any questions regarding applicability to your Company's circumstances, please call the Corporate Compliance department prior to submission.

